UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

OR

☐ **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 of incorporation or organization)	(I.R.S. Employer Identification No.)
621 N. Shady Retreat Road, Doylestown, Pennsylvania	**18901**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.0005 par value per share	NASDAQ Global Market
Common Share Purchase Rights	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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. Yes ☒ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).Yes ☐ No ☒

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates was $39,223,157 as of June 30, 2009, based on the closing price of the common stock on The NASDAQ Global Market.

Number of shares of each of the registrant's classes of securities outstanding on March 24, 2010:

Common stock, $0.0005 par value per share: 14,484,387

Common share purchase rights: —

DOCUMENTS INCORPORATED BY REFERENCE

Information set forth in Part III of this report is incorporated by reference to the registrant's proxy statement for the 2010 annual meeting of stockholders.

THE QUIGLEY CORPORATION

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward looking statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. Many of these factors are beyond our ability to predict. Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. Forward-looking statements typically are identified by use of terms such as "anticipate", "believe", "plan", "expect", "intend", "may", "will", "should", "estimate", "predict", "potential", "continue" and similar words although some forward-looking statements are expressed differently. This Report may contain forward-looking statements attributed to third parties relating to their estimates regarding the growth of our markets. You are cautioned that such forward looking statements are not guarantees of future performance and that all forward-looking statements address matters that involve risk and uncertainties, and there are many important risks, uncertainties and other factors that could cause our actual results, levels of activity, performance, achievements and prospects, as well as those of the markets we serve, to differ materially from the forward-looking statements contained in this Report.

Such risks and uncertainties include, but are not limited to:

- The ability of our new management to successfully implement our business plan and strategy;
- Our ability to fund our operations including the cost and availability of capital and credit;
- Our ability to compete effectively including our ability to maintain and increase our market share in the markets in which we do business;
- Our dependence on sales from our main product, Cold-EEZE®, and our ability to successfully develop and commercialize new products;
- The uncertain length and severity of the current general financial and economic downturn, the timing and strength of an economic recovery, if any, and their impacts on our business including demand for our products;
- Our ability to protect our proprietary rights;
- Our continued ability to comply with regulations relating to our current products and any new products we develop including our ability to effectively respond to changes in laws and regulations or the interpretation thereof including changing market rules and evolving federal, state and regional laws and regulations;
- Potential disruptions in our ability to manufacture our products or our access to raw materials;
- Seasonal fluctuations in demand for our products;
- Our ability to attract, retain and motivate key employees;
- Other risks identified in this Report.

You should also consider carefully the statements under other sections of this Report, including the Risk Factors included in Item 1A, which address additional risks that could cause our actual results to differ from those set forth in any forward-looking statements. Our forward-looking statements speak only as the date of this Report. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise.

Where You Can Find Other Information

The Quigley Corporation ("we", "us" or the "Company") files periodic and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). We make available on our website (*www.quigleyco.com*) free of charge our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to or exhibits included in those reports as soon as reasonably practical after we electronically file such materials with or furnish them to the SEC. Information appearing on our website is not part of this Annual Report on Form 10-K. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549-1004. You may request copies of these documents, upon payment of a duplication fee, by writing the SEC at its principal office at 100 F Street, NE Room 1580, Washington, D.C. 20549-1004. In addition, the SEC maintains an Internet site (*www.sec.gov*) that contains reports, proxy and information statements regarding issuers that file electronically with the SEC, including the Company.

Item 1. Business

General Development of Business

We are a manufacturer, marketer and distributor of a diversified range of homeopathic and health products that are offered to the general public. We are also engaged in the research and development of potential natural base health products along with supplements and cosmeceuticals for human and veterinary use.

Our primary business is currently the manufacture, distribution, marketing and sale of over-the-counter ("OTC") cold remedy products to consumers through national chain, regional, specialty and local retail stores. One of our principal products is Cold-EEZE®, a zinc gluconate glycine product proven in clinical studies to reduce the duration and severity of the common cold symptoms by nearly half. Cold-EEZE® is an established product in the health care and cold remedy market. For 2009, 2008 and 2007, our revenues from continuing operations have come principally from our cold remedy products.

Prior to 2009, we were organized into three business segments: (i) cold remedy, (ii) contract manufacturing and (iii) ethical pharmaceutical. We historically managed each of our segments separately as a consequence of different marketing, manufacturing and/or research and development strategies. However, as a consequence of a strategic review, as further described below, completed in the fourth quarter of 2009, we realigned our operations to focus principally on the research, development, manufacture, marketing and sale of OTC cold remedy and consumer products, natural base health products and other supplements and cosmeceuticals for human and veterinary use. As a consequence of this strategic review, as of December 31, 2009, we are engaged principally in the OTC/Personal Care marketplace segment.

Our strategic review included a review and evaluation of (i) evolving market conditions for OTC cold remedy opportunities in respect of our current product offerings, (ii) our manufacturing and distribution operations and capacity, (iii) product line financial performance criteria, current returns on investment and marketing strategy, (iv) current research and development initiatives and (v) opportunities to develop prescription pharmaceutical and new OTC products.

As a result of our strategic review, management determined that it is in our best interests to focus primarily on the OTC/Personal Care marketplace, which may include but is not limited to our Cold-EEZE® and Kids-EEZE® brands, as well as other homeopathic, dietary supplement, cosmetic, cosmeceutical, first aid, functional food and beverage products.

We also determined to curtail further investment in certain products under development by our wholly-owned subsidiary, Quigley Pharma, Inc. ("Pharma") in light of our view concerning market opportunities, regulatory pathways, the need for further robust and consistent preclinical and clinical testing and continued requirements in the areas of commercial formulation and development. However, we have identified certain Pharma products that we feel may warrant further investment in order to determine whether they present significant commercial opportunities. The products we will continue to investigate include compounds QR-333 (potential topical symptomatic relief of diabetic peripheral neuropathy); QR-440 (potential relief of inflammation and joint pain); and QR-448 (potential anti-infective against infectious bronchitis in poultry).

We use a December 31 year-end for financial reporting purposes. References herein to the fiscal year ended December 31, 2009 shall be the term "Fiscal 2009" and references to other "Fiscal" years shall mean the year, which ended on December 31 of the year indicated.

We are a corporation organized in Nevada in July 1989. Our principal executive offices are located at 621 N. Shady Retreat Road, Doylestown, Pennsylvania 18901 and our telephone number is 215-345-0919. The terms, we, us and the Company refer to the Company together with its consolidated subsidiaries unless the context otherwise requires.

Recent Developments

Proxy Contest

In April 2009, a group of shareholders of the Company, including Mr. Ted Karkus, our current Chairman and Chief Executive Officer, (the "Karkus Group") filed with the SEC a preliminary Proxy Statement proposing an alternative slate of director nominees for the Company (the "Alternative Ballot") to the slate nominated by the Company's incumbent Board of Directors (the "Incumbent Ballot") for vote at the May 20, 2009 annual meeting of stockholders' (the "2009 Annual Meeting"). The Karkus Group proposed the Alternative Ballot because they believed it was time for a change in the Company. As the Alternative Ballot indicated, among other matters, over the prior three fiscal years, the Company's management had delivered declining revenues, declining gross and net profits (increasing net losses), declining stockholders' equity and declining stock price, with excessive compensation paid to the Company's management and their family members.

Stockholders of the Company were solicited by the Company and the Karkus Group (the "Proxy Contest") to support either the Incumbent Ballot or the Alternative Ballot prior to the Company's 2009 Annual Meeting. The results certified by an independent inspector of elections on June 1, 2009, showed that the Alternative Ballot received more votes than the Incumbent Ballot. The election was contested by the Company and made subject to a Standstill Order by a District Court Judge in the United States District Court for the Eastern District of Pennsylvania ("District Court"). However, on Friday, June 12, 2009, the District Court issued a decision and order rejecting the last of the Company's challenges to the election and the slate of directors nominated pursuant to the Alternative Ballot and elected by stockholder vote, took their seats on the Board of Directors of the Company.

On June 12, 2009, Mr. Guy Quigley, then Chairman, President and Chief Executive Officer of the Company, resigned from his positions with the Company. Mr. Quigley's resignation had been preceded by the resignation of Mr. Charles Phillips, formerly the Executive Vice President and Chief Operating Officer of the Company, effective May 29, 2009.

Additionally on June 12, 2009, following the seating of the newly elected Board of Directors, Mr. Karkus was elected Chairman of the Board of Directors and the Board elected members to its Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee. Mr. Karkus was appointed as our interim Chief Executive Officer effective June 18, 2009 and effective July 15, 2009, the Board appointed (i) Mr. Karkus as our permanent Chief Executive Officer and (ii) appointed Mr. Robert V. Cuddihy, Jr. as Executive Vice President and Chief Operating Officer. Effective October 21, 2009, Mr. Cuddihy also was named our interim Chief Financial Officer.

As a consequence of the Proxy Contest we recognized a charge to operations of approximately $2.5 million in costs associated with the Proxy Contest and related litigation.

Manufacturing Facility Consolidation

Our wholly owned subsidiary, Quigley Manufacturing, Inc. ("QMI"), produces our Cold-EEZE® and other lozenge products along with performing such operational tasks as warehousing and shipping our Cold-EEZE® and other cold remedy products. Additionally, QMI maintains a United States Food and Drug Administration ("FDA") registered facility that engages in contract manufacturing and distribution activities of lozenge-based products for unaffiliated third parties. QMI also produces and sells therapeutic lozenges to wholesale and distribution outlets. On February 2, 2009, we announced our intention to close QMI's production facility in Elizabethtown, Pennsylvania and consolidate its manufacturing operations at its Lebanon, Pennsylvania facility. Effective in June 2009, the Elizabethtown facility was closed. QMI's Lebanon facility continues production and distribution of the Cold-EEZE® brand and other cold remedy products.

QR-333

On April 30, 2009, we announced preliminary results that the Diabetic Peripheral Neuropathy Phase IIb clinical study demonstrated a significant improvement in two key measures of distal sensory nerve function in the group treated with our investigational new drug, QR-333. The compound was applied topically to the feet of subjects suffering from painful diabetic neuropathy and over the course of 12 weeks, significantly improved both maximal conduction velocity and compound sensory amplitude in the sural nerve. The mean improvement in nerve conduction velocity exceeded the change considered by thought leaders to be "clinically meaningful" in clinical studies. The sural nerve carries sensation from the feet and its pathology is the fundamental cause of foot pain and ultimately foot ulcers and amputation in some diabetic subjects.

On July 22, 2009, we announced the final results from our Phase IIb double-blind, placebo-controlled, study of topical compound QR-333 for the treatment of symptomatic diabetic peripheral neuropathy. The study was completed with fewer than expected evaluable patients with the final and comprehensive conclusions revealing that (i) the compound is safe and well tolerated, and (ii) there were nominal trends, but no statistical differences, between active and placebo groups for the primary and secondary endpoints measuring efficacy by (a) the reduction of pain, (b) symptomatic improvements, (c) improved quality of life and (d) improved sleep.

However, we are encouraged by the positive, clinical and statistically significant improvement for efficacy in sural nerve conduction velocity and amplitude unexpectedly found in a sub-set of the patient population. This data may indicate the potential benefit of this compound as a disease modifying agent which, if validated through additional clinical trials, potentially broadens the therapeutic market opportunity. Additional clinical work would be required and future study considerations might include, a longer duration period to improve patient compliance as well as an assessment of sural nerve function and measures of distal nerve sensory thresholds in the feet to provide more detail to the potential for disease modification. There can be no assurance that we will undertake additional clinical studies or that the results thereof would lead to a marketable product that can achieve regulatory approvals.

A preliminary analysis of the lack of adequate primary and secondary end point data indicates that the results may have been attributed to fewer than expected evaluable patients due to a shortage of drug and a high number of patients terminated early due to a lack of compliance with application and usage protocols.

All required end of study regulatory and reporting documentation and procedures will be completed in Fiscal 2010. We will continue to consider licensing, partnering or collaborative relationship opportunities to further the development and potential commercialization of the QR-333 candidate and other formulations.

Description of Business Operations

Cold-EEZE® is one of our key OTC cold remedy products whose benefits are derived from its proprietary zinc formulation. The product's effectiveness has been substantiated in two double-blind clinical studies proving that Cold-EEZE® reduces the duration and severity of the common cold symptoms by nearly half. The Cold-EEZE® product line is based upon a proprietary zinc gluconate glycine formula. We acquired worldwide manufacturing and distribution rights to this formulation in 1992 and commenced national marketing in 1996. The demand for our cold-remedy products is seasonal, where the third and fourth quarters of each year generally having the largest sales volume.

Since June 1996, our continuing business operations have concentrated on the manufacturing, marketing and development of our proprietary Cold-EEZE® cold-remedy lozenge products and on development of various product extensions. Our product line of cold remedy products are reviewed regularly to identify new consumer opportunities and/or trends in flavor, convenience and packaging to help improve market share for the Cold-EEZE® product. Additionally, we are active in exploring new product technologies, applications, product line extensions and other new product opportunities consistent with our brand image and standard of proven consumer benefit and efficacy.

Our manufacturing, warehousing and distribution operations are principally located in Lebanon, Pennsylvania. This facility manufactures lozenge products such as Cold-EEZE® and other related products, and is responsible for warehousing, shipping and other operational tasks for all our products.

On February 29, 2008, we sold our wholly owned subsidiary, Darius International, Inc. ("Darius"), our former health and wellness segment, to InnerLight Holdings, Inc. ("InnerLight"). On February 29, 2008, Mr. Kevin P. Brogan, the then president of Darius was a significant shareholder of InnerLight. In addition, Mr. Gary Quigley, then an employee of the Company (as well as a shareholder) and the brother of Mr. Guy Quigley, the Company's then Chairman, President and Chief Executive Officer (as well as a shareholder), became a significant shareholder of Innerlight either before or shortly after the sale of Darius. Mr. Gary Quigley was also a principal of Scandasystems, Ltd. ("Scandasystems"), which entered into an agreement to receive royalties from Innerlight. The results and balances associated with Darius are presented as discontinued operations in our consolidated statements of operations (see Notes 3 and 12 to Consolidated Financial Statements).

For Fiscal 2009 and 2008, our net sales for each period were related to markets in the United States.

Products

Cold-Remedy Products

In May 1992, we entered into an exclusive agreement for worldwide representation, manufacturing and marketing of Cold-EEZE® products in the United States. Cold-EEZE®, a zinc gluconate glycine formulation (ZIGG™), is an OTC consumer product used to reduce the duration and severity of the common cold and is available in lozenge and sugar-free tablet form. We have substantiated the effectiveness of Cold-EEZE® through a variety of studies. A randomized double-blind placebo-controlled study, conducted at Dartmouth College of Health Science, Hanover, New Hampshire, concluded that the lozenge formulation treatment, initiated within 48 hours of symptom onset, resulted in a significant reduction in the total duration of the common cold.

On May 22, 1992, "Zinc and the Common Cold, a Controlled Clinical Study," was published in England in the*Journal of International Medical Research*, Volume 20, Number 3, Pages 234-246. According to this publication, (a) flavorings used in other Zinc lozenge products (citrate, tartrate, separate, orotate, picolinate, mannitol or sorbitol) render the Zinc inactive and unavailable to the patient's nasal passages, mouth and throat where cold symptoms have to be treated, (b) this patented formulation delivers approximately 93% of the active Zinc to the mucosal surfaces and (c) the patient has the same sequence of symptoms as in the absence of treatment but goes through the phases at an accelerated rate and with reduced symptom severity.

On July 15, 1996, results of a new randomized double-blind placebo-controlled study on the common cold, which commenced at the Cleveland Clinic Foundation on October 3, 1994, were published. The study **"**Zinc Gluconate Lozenges for Treating the Common Cold" was completed and published in *The Annals of Internal Medicine*— Volume 125 Number 2. Using a 13.3mg lozenge (almost half the strength of the lozenge used in the Dartmouth study), the result still showed a 42% reduction in the duration of common cold symptoms.

In April 2002, we announced the statistical results of a retrospective clinical adolescent study at the Heritage School facility in Provo, Utah that suggests that Cold-EEZE® is also an effective means of preventing the common cold and statistically (a) lessens the number of colds an individual suffers per year, reducing the median from 1.5 to zero and (b) reduces the use of antibiotics for respiratory illnesses from 39.3% to 3.0% when Cold-EEZE® is administered as a first line treatment approach to the common cold.

In April 2002, we were assigned a Patent Application which was filed with the Patent Office of the United States Commerce Department for the use of Cold-EEZE® as a prophylactic for cold prevention. The new Patent Application follows the results of the adolescent study at the Heritage School facility.

In May 2003, we announced the findings of a prospective study, conducted at the Heritage School facility in Provo, Utah, in which 178 children, ages 12 to 18 years, were given Cold-EEZE® lozenges both symptomatically and prophylactically from October 5, 2001 to May 30, 2002. The study found a 54% reduction in the most frequently observed cold duration. Those subjects not receiving treatment most frequently experienced symptom duration of 11 days compared with 5 days when Cold-EEZE® lozenges were administered, a reduction of 6 days.

Our business is subject to federal and state health and safety laws and regulations. Cold-EEZE® is a homeopathic remedy that is subject to regulations by various federal, state and local agencies, including the United States Food and Drug Administration ("FDA") and the Homeopathic Pharmacopoeia of the United States. See "Regulatory Matters" below for more information.

Products Under Development

We are currently focused on the research and development of potential natural base health products, particularly compounds QR-333 (potential topical symptomatic relief of diabetic peripheral neuropathy); QR-440 (potential relief of inflammation and joint pain); and QR-448 (potential anti-infective against infectious bronchitis in poultry). We are also in the initial stages of what may be a lengthy process to develop our patent applications into or acquire rights for commercial products employing these compounds.

QR-333 — In April 2002, we initiated a Proof of Concept Study in France for treatment of diabetic neuropathy, which was concluded in 2003. We proceeded through a series of product development stages including (i) proof of concepts, (ii) filing an Investigational New Drug ("IND") application for the relief of symptoms of diabetic symmetrical peripheral neuropathy lab evaluations, and (iii) the execution of variety of clinical and other studies.

As discussed above under "Recent Developments", on July 22, 2009, we announced the final results from our Phase IIb double-blind, placebo-controlled, study of topical compound QR-333 for the treatment of symptomatic diabetic peripheral neuropathy. The study was completed with fewer than expected evaluable patients with the final and comprehensive conclusions revealing that (i) the compound is safe and well tolerated, and (ii) there were nominal trends, but no statistical differences, between active and placebo groups for the primary and secondary endpoints measuring efficacy by (a) the reduction of pain, (b) symptomatic improvements, (c) improved quality of life and (d) improved sleep.

However, we are encouraged by the positive, clinical and statistically significant improvement for efficacy in sural nerve conduction velocity and amplitude unexpectedly found in a sub-set of the patient population. Those data may indicate the potential benefit of this compound as a disease modifying agent which, if validated through additional clinical trials, potentially broadens the therapeutic market opportunity. Additional clinical work would be required and future study considerations might include, a longer duration period to improve patient compliance as well as an assessment of sural nerve function and measures of distal nerve sensory thresholds in the feet to provide more detail to the potential for disease modification. There can be no assurance that we will undertake such additional clinical studies or that the results thereof would lead to a marketable product that can achieve regulatory approvals.

A preliminary analysis of the lack of adequate primary and secondary end point data indicates that the results may have been attributed to fewer than expected evaluable patients due to a shortage of drug and a high number of patients whose participation was terminated early due to a lack of compliance with application and usage protocols.

All required end of study regulatory and reporting documentation and procedures will be completed. We will continue to consider licensing, partnering or collaborative relationship opportunities to further the development and potential commercialization of the QR-333 candidate and other formulations.

QR-440 (a) — We received an additional Investigational New Animal Drug ("INAD") number from the Center for Veterinary Medicine of the FDA. In previous studies, QR-440 has been shown to reduce inflammation and also suggests possible disease-modifying potential.

QR-448(a) — In May 2008, we announced positive results from a study conducted in chickens to evaluate the anti-viral activity of our veterinary drug compound QR-448(a). The compound was administered to chicks that had been infected with Infectious Bronchitis Virus ("IBV"). The data from the study indicated that QR-448(a) is efficacious against an IBV challenge in two week old specific pathogen free ("SPF") chicks, confirming previous results indicating that treatment with QR-448(a) before or after viral exposure has the potential to lessen or prevent disease.

We initiated our investigations into the effectiveness of this compound based on feedback from poultry industry leaders who expressed an increasing need for additional products to combat IBV. With the completion of this latest study and the current dossier of data, we plan to solicit the poultry industry for additional guidance and potential interest and opportunities for developing this compound jointly toward commercialization.

In September 2008, we announced successful results from a follow up study designed to determine the duration of the anti-viral effect of QR-448(a) against IBV in commercial broiler chickens, a consumer meat type bird. Results demonstrated longer duration of protection from IBV and reduction of clinical signs in chickens. Additionally, in September 2008, we announced that the anti-viral QR-448(a) compound successfully prevents transmission of infectious bronchitis in chickens. Veterinary poultry products industry experts and those familiar with prevention and control of IBV recognize that abating transmission is perhaps one of the most important ways to economically prevent, control and manage potential losses due to infectious bronchitis outbreaks.

QR-340 — On February 24, 2009, we and Levlad, LLC/Natures Gate ("Levlad"), a manufacturer and marketer of personal care products based on botanicals, signed a license with assignment of ownership agreement for our patented formulation QR-340. The compound was clinically tested and shown to improve the appearance of scars in a comparative study. The license agreement provides, among other matters, that Levlad to further refine, develop and commercialize the product with exclusivity and eventual full ownership of the patent within five years, beginning January 2009 and required Levlad to make minimum royalty payments totaling $1.1 million to us over the time period. Under the terms of the license agreement, if the minimum payments and terms are not met within the five-year period, we will retain full rights and ownership of the property, however, Levlad can continue to pay per unit royalties beyond five years for a non-exclusive license.

Patents, Trademarks, Royalty and Commission Agreements

We do not currently own patents for our OTC cold-remedy products. We maintain various trademarks for each of our products including Cold-EEZE® and Kids-EEZE® and have obtained a trademark for the major components of our Cold-EEZE® lozenge, ZIGG™ (denoting zinc gluconate glycine), to set Cold-EEZE® apart from the imitations then proliferating the marketplace.

We own 59 domestic and international patents covering eight product development initiatives. Additionally, we have pending 32 patent applications. To date, we have not realized any meaningful levels of revenues from such patents. The strength of our patent position could be important to our long-term success, however there can be no assurance that our patents and patent applications will effectively protect our products from duplication by others.

The Cold-EEZE® products are marketed by us in accordance with the terms of a licensing agreement (between us and the developer). The contract is assignable by us with the developer's consent. In return for exclusive distribution rights, we agreed to pay the developer a 3% royalty and a 2% consulting fee based on sales collected, less certain deductions, during the term of this agreement, which expired in 2007. However, we and the developer are in litigation and as such no potential offset for these fees from such litigation has been recorded (see Item 3. Legal Proceedings).

Product Distribution and Customers

Our products are distributed through numerous food, multi-outlet pharmacy and chain drug stores, large wholesalers and mass merchandisers throughout the United States. The loss of sales to any one or more of these large retail customers could have a material adverse effect on our business operations and financial condition. Revenues for Fiscal 2009, Fiscal 2008 and Fiscal 2007 were $19.8 million, $20.5 million and $28.2 million, respectively. CVS Caremark Corporation, Walgreen Company and Wal-Mart Stores, Inc. accounted for approximately 15%, 15% and 13% of our revenues for Fiscal 2009. Walgreen Company and Wal-Mart Stores, Inc. accounted for approximately 14% and 14%, respectively, of our revenues for Fiscal 2008 and 13% and 14%, respectively of our revenues for Fiscal 2007.

In addition, we have several national Broker, Distributor and Representative Agreements which provide for commission compensation based on sales performance.

Research and Development

Our current research and development activity is specifically focused on potential natural base health products including compounds QR-333 (potential topical symptomatic relief of diabetic peripheral neuropathy), QR-440 (potential relief of inflammation and joint pain), and QR-448 (potential anti-infective against infectious bronchitis in poultry). In addition, we may seek to acquire new formulations, ingredients, applications and other products developed by, or to enter into other commercial arrangements with, third parties who may be seeking our commercialization, marketing and distribution expertise or who present us with opportunities to grow the Company, capture additional market share and expand our product lines. We are currently undergoing limited research and development activity, in compliance with regulatory requirements, and are evaluating various new product technologies, applications, licensing, commercialization and other development opportunities. We are also in the initial stages of what may be a lengthy process to develop our patent applications into or acquire rights for commercial products.

We have historically invested significantly in research and development activities. Our research and development costs for Fiscal, 2009, 2008 and 2007 were $1.3 million, $4.2 million and $6.5 million, respectively. Such research and development expenditures in each year were principally for the development, including certain clinical studies, of natural base health products. We have determined that further material investment certain Pharma products under development would be curtailed in light of our view, following our strategic analysis undertaken in Fiscal 2009 concerning market opportunities, regulatory pathways, the need for further robust and consistent preclinical and clinical testing and continued requirements in the areas of commercial formulation and development. However, we have identified certain Pharma products that we believe may warrant further investment in order to determine whether they present significant commercial opportunities, including QR-440 (potential relief of inflammation and joint pain), and QR-448 (potential anti-infective against infectious bronchitis in poultry). Additionally, future research and development expenditures are anticipated in order to develop extensions of the Cold-EEZE® product and potential unrelated new products in the OTC and consumer health care industry.

Currently, we fund our research and development costs with cash generated from operations. In addition to funding from operations, we may seek to raise capital through the issuance of securities or to other financing sources to support our research and development activities including new product technologies, applications, licensing, commercialization and other development opportunities, as well as acquisitions of new formulations, ingredients, applications and other products. Any such funding through the issuance of our equity securities would result in the dilution of current stockholder ownership. Should research or commercialization activity progress on certain formulations, resulting expenditures may require substantial financial support and may necessitate the consideration of alternative approaches such as licensing, joint venture or partnership arrangements that meet our long term goals and objectives. Ultimately, should internal working capital be insufficient and external funding methods or other business arrangements become unattainable, it could result in the deferral or loss of future growth and development opportunities.

Regulatory Matters

We are subject to federal and state laws and regulations adopted for the health and safety of users of pharmaceutical and health care products. Our Cold-EEZE® product is subject to regulation by various federal, state, and local agencies, including the FDA, and standards established by the Homeopathic Pharmacopoeia of the United States. These regulatory authorities have broad powers, and we may be subject to regulatory and legislative changes that can affect the economics of the industry by requiring changes in operating practices or by influencing the demand for and the costs of manufacturing or distributing its products. Our Cold-EEZE® product is considered a homeopathic drug and is exempt from pre-approval requirements and other, but not all, FDA requirements. Many homeopathic drug products, including Cold-EEZE®, are manufactured and distributed under FDA enforcement policies that provide criteria needed to market a homeopathic OTC drug product without FDA approval. We believe we meet those requirements, which include registration of our manufacturing facility, listing of the product in FDA's product database, and packaging, labeling, and manufacturing homeopathic drugs in compliance with current good manufacturing practice ("cGMP") regulations. Due to the unique nature of homeopathic drug products, some cGMP requirements are not applicable, including expiration dating, and testing and release for distribution. In addition, the FDA is currently not enforcing the requirement for a laboratory determination of identity and strength of each active ingredient prior to release for distribution, although this

exemption is pending FDA review and we cannot assure that the exemption will be permanently implemented. We also cannot assure that the FDA will agree with our determination of compliance. If the FDA disagrees, the FDA could, upon inspection, issue a notice of violations, referred to as a form FDA-483, or issue a Warning Letter, or both. If we fail to take timely corrective actions to the satisfaction of FDA, the agency can initiate legal actions, such as seizure and injunction, which could include a recall order or the entry of a consent decree, or both. In addition, we could be subject to monetary penalties and even criminal prosecution for egregious conduct. Management believes that we are in compliance with all such laws, regulations, and standards currently in effect including the Food, Drug, and Cosmetics Act as amended from time to time, and the standards established under the Homeopathic Pharmacopoeia of the United States.

Pre-clinical development, clinical trials, product manufacturing, labeling, marketing, distribution and licensing and/or acquisition of potential new products are also generally subject to federal and state regulation in the United States and other countries. Obtaining FDA and any other required regulatory approval for prescription pharmaceutical and certain OTC products, or seeking the issuance of a final monograph from the FDA for certain OTC products, can require substantial resources and take several years. The length of this process depends on the type, complexity and novelty of the product and the nature of the disease or other indications to be treated. If we cannot obtain regulatory approval of, or final OTC monograph for, these new products in a timely manner or if patents are not granted or are subsequently challenged, it could have a material adverse effect on our business and financial condition.

Competition

We compete with other suppliers of OTC cold-remedy products. These suppliers range widely in size. Some of our competitors have significantly greater financial, technical or marketing resources than we do. Management believes that our Cold-EEZE® product, which has been clinically proven in two double-blind studies to reduce the severity and duration of common cold symptoms, offers a significant advantage over many of our competitors in the OTC cold-remedy market. We believe that our ability to compete depends on a number of factors, including product quality and price, availability, speed to market, consumer marketing, reliability, credit terms, brand name recognition, delivery time and post-sale service and support.

Employees

At December 31, 2009 we employed 50 full-time and 4 part-time employees, the majority of which were employed at our manufacturing facility in a production function. The remainder were involved in an executive, marketing or administrative capacity. None of our employees are covered by a collective bargaining agreement or are members of a union.

Suppliers; Raw Materials

The principal sales generating product of our cold remedy segment is the Cold-EEZE® zinc gluconate glycine lozenge product which is available in various flavors for purchase by consumers at retail stores. We also produce zinc private label lozenge products for sale to certain retail customers. Our zinc lozenge products are manufactured principally by QMI. The constituent raw materials and packaging used in the manufacture and presentation of these items are procured from various sources with additional suppliers having been identified in the event that alternatives are required. While the absence of a current raw materials or packaging source may cause short term interruption, identified alternative sources would fill our needs in a short time and any transition period would be mitigated by adequate levels of finished product available for sale. Certain products within our line of products such as Cold-EEZE® Sugarfree tablets and Kids-EEZE® Chest Relief are manufactured for us by third party contract manufacturers and while currently purchased from single sources do not constitute a material revenue risk to us if product availability was jeopardized.

Item 1A. Risk Factors

Any of the following risks could materially affect our business, financial condition, or results of operations. These risks could also cause our actual results to differ materially from those indicated in the forward-looking statements contained herein and elsewhere. The risks described below are not the only risks facing us. Additional risks not currently known to us or those we currently deem to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Our business is subject to significant competitive pressures

The OTC healthcare product, pharmaceutical and consumer product industries are highly competitive. Many of our competitors have substantially greater capital resources, technical staffs, facilities, marketing resources, product development, distribution and experience than we do. As a consequence, our competitors may have certain advantages, including the ability to allocate greater resources for new product development, marketing and other purposes.

We believe that our ability to compete depends on a number of factors, including product quality and price, availability, speed to market, consumer marketing, reliability, credit terms, brand name recognition, delivery time and post-sale service and support, and new and existing product innovation and commercialization. There can be no assurance that we will be able to compete successfully in the future. If we are unable to compete effectively, our earnings may be significantly negatively impacted.

Certain of our investments and initiatives have been in the process of a strategic transformation as new management assesses the status of various product development initiatives. In connection with this assessment, we have determined to curtail investment in certain of Pharma's products under development in light of our view concerning market opportunities, regulatory pathways, the need for further robust and consistent preclinical and clinical testing and continued requirements in the areas of commercial formulation and development. We have realigned our operations to focus principally in the research, development, manufacture, marketing and sale of OTC cold remedy and consumer products, natural base health products and other supplements and cosmeceuticals for human and veterinary use. In addition, we may seek to acquire from third parties or enter into other arrangements with respect to new formulations, ingredients, applications and other products developed by third parties who may be seeking our commercialization, marketing and distribution expertise.

There can be no assurance that we will be able to effectuate this new business plan successfully or that revenue growth will occur once the plan is effected. In addition, we may not be successful in acquiring or otherwise entering into any new lines of business and, if we are successful in doing so, there can be no assurance that such new business will achieve profitability.

We will need to obtain additional capital to support long term product development and commercialization programs

Our ability to achieve and sustain operating profitability depends in large part on our ability to commence, execute and complete new and existing product innovation and commercialization including, if required, clinical programs to obtain regulatory approvals in the United States and elsewhere. We can give no assurance that we will be able to achieve such product innovation and commercialization, to obtain any required approvals or to achieve significant levels of sales.

Should research or commercialization activity progress on certain formulations, resulting expenditures may require substantial financial support. The current sales levels of Cold-EEZE® products may not generate all the funds we anticipate will be needed to support future product acquisition or development. Accordingly, in addition to funding from operations, we may in the short and long term seek to raise capital through the issuance of securities or to secure other financing sources to support our research, new product technologies, applications, licensing, commercialization and other development opportunities. If we obtain such funding through the issuance of equity securities, it would result in the dilution of current stockholders' ownership in the Company. Any debt financing, if available, may include financial and other covenants that could restrict use of proceeds of such financing or impose other business and financial restrictions on us. In addition, we may consider alternative approaches such as, licensing, joint venture, or partnership arrangements that meet our long term goals and objectives.

The amount of capital that may be needed to complete product development initiatives will depend on many factors which may include but are not limited to (i) the cost involved in applying for and obtaining FDA and international regulatory approvals, (ii) whether we elect to establish partnering arrangements for development, sales, manufacturing and marketing of such products, (iii) the level of future sales of Cold-EEZE® products, and expense levels for marketing efforts, (iv) whether we can establish and maintain strategic arrangements for development, sales, manufacturing and marketing of our products, and (v) whether any or all of the options for our common stock, $0.0005 par value per share (the "Common Stock") issued to former executives and employees of the Company are exercised and the timing and amount of these exercises.

Instability and volatility in the financial markets could have a negative impact on our business, financial condition, results of operations and cash flows

During Fiscal 2008 and 2009, there has been substantial volatility and a decline in financial markets due at least in part to the deteriorating global economic environment. In addition, there has been substantial uncertainty in the capital markets and access to financing is uncertain. Moreover, customer spending habits may be adversely affected by the current economic crisis. These conditions could have an adverse effect on our industry and business, including our access to funding sources, demand for our products and our customers' ability to continue to purchase our products, which could have a material adverse effect on our financial condition, results of operations and cash flows.

To the extent that we do not generate sufficient cash from operations, we may need to issue equity or to incur indebtedness to finance our growth. Recent turmoil in the credit markets and the potential impact on the liquidity of major financial institutions may have an adverse effect on our ability to fund our business strategy through borrowings, under either existing or newly created instruments in the public or private markets on terms that we believe to be reasonable, or at all.

The sales of our primary product fluctuates by season

A significant portion of our business is highly seasonal, which causes major variations in operating results from quarter to quarter. The third and fourth quarters generally represent the largest sales volume for our OTC cold remedy products. There can be no assurance that we will be able to manage our working capital needs and inventory to meet the fluctuating demand for these products. Failure to accurately predict and respond to consumer demand may result in the production of excess inventory which may be expensive to store or which we may be required to dispose if such excess inventory remains unsold. Conversely, if products achieve greater success than anticipated for any given quarter, this may result in insufficient inventory to meet customer demand.

Our performance may fluctuate when our retail customers are affected simultaneously by the same economic, regulatory or health and wellness factors

Our revenues are significantly concentrated in OTC cold remedy products. Our retail customers are subject to fluctuations of business based upon consumer purchasing trends, demand for cold remedy products and overall economic and market conditions. Consequently, many retailers will likely be influenced at the same time by similar economic conditions, regulatory factors or health and wellness trends, which can affect the level of demand for our products. It is reasonable to expect that, if one retailer reduces or delays its purchasing in response to a general economic, regulatory or health and wellness factor, other retailers may also decide to reduce or delay their purchasing at approximately the same time. Accordingly, our sales are subject to fluctuations as a result of such factors.

We have a concentration of sales to and accounts receivable from several large retail customers

Although we have a broad range of retail customers that includes many large wholesalers, mass merchandisers and multiple outlet pharmacy and food chains, our five largest customers account for a significant percentage of our sales — 56% and 48% of total sales for Fiscal 2009 and 2008, respectively. In addition, retail customers comprising the five largest accounts receivable balances represented 66% and 55% of total accounts receivable balances at December 31, 2009 and 2008, respectively. We extend credit to retail customers based upon an evaluation of their financial condition and credit history, and collateral is not generally required. If one or more of these large retail customers cannot pay, the write-off of their accounts receivable could have a material adverse effect on our operations and financial condition. The loss of sales to any one or more of these large retail customers would also have a material adverse effect on our financial condition, results of operations and cash flows.

Our future success depends on the continued sales of our principal product

For Fiscal 2009 and 2008, our cold remedy products, principally Cold-EEZE®, represented approximately 92% and 89%, respectively, of our total sales. Accordingly, we depend on the continued acceptance of Cold-EEZE® products by our customers. However, there can be no assurance that Cold-EEZE® products will continue to receive or maintain market acceptance. The inability to successfully commercialize Cold-EEZE® in the future, for any reason, would have a material adverse effect on our financial condition, prospects and ability to continue operations.

Our products and potential new products are or may be subject to extensive governmental regulation

Our business is regulated by various agencies of the states and localities where our products are sold. Governmental regulations in foreign countries where we plan to commence or expand sales may prevent or delay entry into a market or prevent or delay the introduction, or require the reformulation of certain of our products. In addition, no prediction can be made as to whether new domestic or foreign legislation regulating our activities will be enacted. Any new legislation could have a material adverse effect on our business, financial condition and operations. Non-compliance with any applicable requirements may subject us or the manufacturers of our products to agency action, including warning letters, fines, product recalls, seizures and injunctions.

The manufacturing, processing, formulation, packaging, labeling and advertising of our cold remedy products are subject to regulation by several federal agencies, including (i) the FDA, (ii) the Federal Trade Commission ("FTC"), (iii) the Consumer Product Safety Commission, (iv) the United States Department of Agriculture, (v) the United States Postal Service, (vi) the United States Environmental Protection Agency and (vii) the United States Occupational Safety and Health Administration.

In addition to OTC and prescription drug products, the FDA regulates the safety, manufacturing, labeling and distribution of dietary supplements, including vitamins, minerals and herbs, food additives, food supplements, over-the-counter and prescription drugs and cosmetics. The FTC also has overlapping jurisdiction with the FDA to regulate the promotion and advertising of vitamins, over-the-counter drugs, cosmetics and foods. In addition, our cold remedy products are homeopathic remedies which are subject to standards established by the Homeopathic Pharmacopoeia of the United States ("HPUS"). HPUS sets the standards for source, composition and preparation of homeopathic remedies which are officially recognized under the Federal Food, Drug and Cosmetics Act, as amended.

Preclinical development, clinical trials, product manufacturing, labeling, distribution and marketing of potential new products are also subject to federal and state regulation in the United States and other countries. Clinical trials and product marketing and manufacturing are subject to the rigorous review and approval processes of the FDA and foreign regulatory authorities. To obtain approval of a new drug product, a company must demonstrate through adequate and well-controlled clinical trials that the drug product is safe and effective for its intended use. Obtaining FDA and other required regulatory approvals is lengthy and expensive. Typically, obtaining regulatory approval for pharmaceutical products requires substantial resources and takes several years. The length of this process depends on the type, complexity and novelty of the product and the nature of the disease or other indication to be treated. Preclinical studies must comply with FDA regulations. Clinical trials must also comply with FDA regulations to ensure safety of the human subjects in the trial and may require large numbers of test subjects, complex protocols and possibly lengthy follow-up periods. Consequently, satisfaction of government regulations may take several years, may cause delays in introducing potential new products for considerable periods of time and may require imposing costly procedures upon our activities. If regulatory approval of new products is not obtained in a timely manner or not at all, we could be materially adversely affected. Even if regulatory approval of new products is obtained, such approval may impose limitations on the indicated uses for which the products may be marketed which could also materially adversely affect our business, financial condition and future operations.

We have a history of losses and limited working capital

We have experienced net losses and declining sales for each of the past three fiscal years. As a consequence, and in connection with our strategic review of the Company, we determined to curtail investment in certain of Pharma's existing products under development and have realigned our operations to focus principally in the research, development, manufacture, marketing and sale of OTC cold remedy and consumer products, natural base health products and other supplements and cosmeceuticals for human and veterinary use.

There can be no assurance that this strategic realignment will provide any revenue growth or that we will be successful in initiating or acquiring any new lines of business, or that any such new lines of business will achieve profitability. Furthermore as part of our strategic realignment, we have implemented certain cost reduction programs that, in of themselves, may not be sufficient to return the Company to profitability. As of December 31, 2009, we had working capital of approximately $11.5 million.

We may not be able to develop or successfully commercialize new products

As a consequence of the current curtailment of investment in Pharma, we may not have the ability to research and develop prescription medications based on our existing patents and no assurances can be given that commercially viable products will be developed from these patents or our pending patent applications. Prior to any new product being available for sale, substantial resources will have to be committed to commercialize a product which may include research, development, preclinical testing, clinical trials, manufacturing scale-up and regulatory approval. We face significant technological risks inherent in developing these products. We may suspend or abandon some or all of our proposed new products before they become commercially viable. Even if we develop and obtain approval of a new product, if we cannot successfully commercialize it in a timely manner, our business and financial condition may be materially adversely affected.

Our success is dependent on key personnel

Our success depends, in part, upon the continued service of key personnel, such as Mr. Ted Karkus, Chairman and Chief Executive Officer, Mr. Robert V. Cuddihy, Jr., Chief Operating Officer and Interim Chief Financial Officer, and certain managers and strategists within the Company. The loss of the services of any one of them could have a material adverse effect on us.

We may not be able to hire, train, motivate, retain and manage professional staff; transitions in management

may affect our business

We must hire, train, motivate, retain and manage highly skilled employees. Competition for skilled employees who can perform the services that we require is intense and hiring, training, motivating, retaining and managing employees with the skills required is time-consuming and expensive. If we are not be able to hire sufficient professional staff to support our operations, or to train, motivate, retain and manage the employees we do hire, it could have a material adverse effect on our business operations or financial results.

In 2009, as a result of the successful Proxy Contest, our former Chief Executive Officer and former Chief Operating Officer resigned. Both these positions are now occupied by individuals, Mr. Karkus and Mr. Cuddihy, who are new to the Company. Additionally, in October, the employment of our then Chief Financial Officer ended and the duties of chief financial officer were assumed, on an interim basis, by Mr. Cuddihy. This change in management may cause some concern among vendors, customers, investors or stockholders during the period of time within which our new management becomes familiar with the administration of our business, completes its strategic assessment of the Company and implements our new business plan.

We are dependent on our manufacturing facility and suppliers for certain of our cold remedy products

Our manufacturing, warehousing and distribution center is located in Lebanon, Pennsylvania. In the event of a disruption of this facility, we would outsource, at least temporarily, to third parties our manufacturing, warehousing and distribution requirements. While such secondary sources have been identified for our products, if we are unable to find other sources or there were a delay in the ramp-up for the production and distribution operations for some of our products, it could have a material adverse effect on our operations.

Certain raw material active ingredients used in connection with the Cold-EEZE® product are purchased from a single unaffiliated supplier. Should the relationship terminate or the vendor become unable supply material, we believe that current contingency plans would prevent such termination from materially affecting our operations, although there may be delays in production of our products until an acceptable replacement supplier is located.

We continue to look for safe and reliable multiple-location sources for products and raw materials so that we can continue to obtain products and raw materials in the event of a disruption in our business relationship with any single manufacturer or supplier. While secondary sources have been identified for some of our manufacturing and raw materials needs, our inability to find alternative sources for some of our manufacturing and raw materials

may have a material adverse effect on our operations and financial condition. In addition, the terms on which manufacturers and suppliers will make products and raw materials available to us could have a material effect on our success.

The manufacturing of OTC products and dietary supplements is subject to applicable current good manufacturing practice regulations and FDA inspections. We believe we are in substantial compliance with material provisions of the applicable cGMP regulations. Contract manufacturers are also subject to these same requirements and we require such compliance in our contractual relationships with such manufacturers. However, we cannot assure that the FDA will agree with our determination of compliance. If the FDA disagrees, it could, upon inspection of our facility, issue a notice of violations, referred to as a form FDA-483, or issue a Warning Letter, or both. If the FDA concludes that there is an imminent public health threat or if we fail to take timely corrective actions to the satisfaction of the FDA, the agency can initiate legal actions, such as seizure and injunction, which could include a recall order or the entry of a consent decree, or both. In addition, we could be subject to monetary penalties and even criminal prosecution for egregious conduct. The FDA could initiate similar legal actions against the contract manufacturer if it concludes its facility is not in compliance, which would affect the availability our products. While secondary sources have been identified for our products, our inability to find other sources or a delay in the ramp-up for the production and distribution operations for some of its products may have a material adverse effect on our operations.

We are uncertain as to whether we can protect our proprietary rights

The strength of our patent position and proprietary formulations and compounds may be important to our long-term success. We currently own numerous U.S. and foreign patents in connection with potential products; however there can be no assurance that these patents and proprietary formulations and compounds will effectively protect our products from duplication by others. In addition, we may not be able to afford the expense of any litigation which may be necessary to enforce our rights under any of the patents. Furthermore, there can be no assurance that third parties will not obtain access to or independently develop our technologies, know-how, ideas, concepts and documentation, which could have a material adverse effect on our financial condition.

Although we believe that current and future products do not and will not infringe upon the patents or violate the proprietary rights of others, if any of our current or future products do infringe upon the patents or proprietary rights of others, we may have to modify the products or obtain an additional license for the manufacture and/or sale of such products. We could also be prohibited from selling the infringing products. If we were found to infringe on the proprietary rights of others, it is uncertain whether we would be able to take corrective actions in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do so could have a material adverse effect upon our business, financial condition and operations.

Our existing products and potential new products expose us to potential product liability claims

Our business results in exposure to an inherent risk of potential product liability claims, including claims for serious bodily injury or death caused by the sales of our existing products and the products which are being developed. These claims could lead to substantial damage awards. We currently maintain product liability insurance in the amount of, and with a maximum payout of, $25 million. A successful claim brought against us in excess of, or outside of, existing insurance coverage could have a material adverse effect on our results of operations and financial condition. Claims against us, regardless of their merit or eventual outcome, may also have a material adverse effect on the consumer demand for its products.

We are involved in litigation including claims relating to certain of our Cold-EEZE® products and other business matters

We are, from time-to-time, subject to various legal proceedings and claims, either asserted or unasserted. Any such claims, whether with or without merit, can be time-consuming and expensive to defend and can divert management's attention and resources. While management believes that we have adequate insurance coverage and, if applicable, accrued loss contingencies for all known matters, there is no assurance that the outcome of all current or future litigation will not have a material adverse effect on us.

Certain Officers, Directors and former executives and their families own a substantial amount of our Common Stock

As of March 24, 2010, our executive officers and directors beneficially owned approximately 9.1% of our Common Stock and our former executives, Mr. Guy J. Quigley and Mr. Charles Phillips, and their immediate families beneficially owned, approximately 30.7% of our Common Stock. Mr. Quigley and Mr. Phillips also hold options granted under our 1997 Stock Option Plan to purchase an aggregate of 633,500 additional shares of our Common Stock at an average exercise price of $8.08 per share. These individuals have significant influence over the outcome of all matters submitted to stockholders for approval, including the election of directors. Consequently, they exercise substantial influence over all major decisions including major corporate actions such as mergers and other business combinations transactions which could result in or prevent a change of control of the Company. Circumstances may occur in which the interests of these shareholders could be in conflict with the interests of other shareholders. Accordingly, your ability to influence us through voting your shares may be limited or the market price of our Common Stock may be adversely affected.

Our stock price is volatile

The market price of our Common Stock has experienced significant volatility. There are several factors which could affect the price of our Common Stock, including some of which are announcements of technological innovations for new commercial products by us or our competitors, developments concerning propriety rights, new or revised governmental regulation or general conditions in the market for our products. Sales of a substantial number of shares by existing stockholders could also have an adverse effect on the market price of our Common Stock.

Future sales of shares of our Common Stock in the public market could adversely affect the trading price of shares of the Common Stock and our ability to raise funds in new stock offerings

Future sales of substantial amounts of shares of our Common Stock in the public market, or the perception that such sales are likely to occur, could affect prevailing trading prices of our Common Stock. As of March 24, 2010, we had 14,484,387 shares of Common Stock outstanding.

As of March 24, 2010 we also have outstanding options, which are fully vested, to purchase an aggregate of 1,487,750 shares of our Common Stock at an average exercise price of $8.64 per share. If these options are exercised, and the holders of these options were to attempt to sell a substantial amount of their holdings at once, the market price of our Common Stock would likely decline. Moreover, the perceived risk of this potential dilution could cause stockholders to attempt to sell their shares and investors to "short" our stock, a practice in which an investor sells shares that he or she does not own at prevailing market prices, hoping to purchase shares later at a lower price to cover the sale. As each of these events would cause the number of shares of Common Stock being offered for sale to increase, our Common Stock's market price would likely further decline. All of these events could combine to make it very difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

We do not intend to pay cash dividends in the foreseeable future

We have not paid cash dividends on our Common Stock since our inception. Our intention is to retain earnings, if any, for use in the business and we do not anticipate paying any cash dividends to stockholders in the foreseeable future.

Our Articles of Incorporation and By-laws contain certain provisions that may be barriers to a takeover

Our Articles of Incorporation and By-laws contain certain provisions which may deter, discourage, or make it difficult for another person or entity to gain control of the through a tender offer, merger, proxy contest or similar transaction or series of transactions. These provisions may deter a future tender offer or other takeover attempt. Some stockholders may believe such an offer to be in their best interest because it may include a premium over the market price of our Common Stock at the time. In addition, these provisions may assist current management in retaining its position and place it in a better position to resist changes which some stockholders may want to make if dissatisfied with the conduct of our business.

We have agreed to indemnify our Officers and Directors from liability

In accordance with sections 78.7502 and 78.751 of the Nevada General Corporation Law our Articles of Incorporation provide that we will indemnify any person who is or was made a party to, or is or was threatened to be made a party to, any pending, completed, or threatened action, suit or proceeding because he or she is or was a director, officer, employee or agent of the Company or is or was serving at the Company's request as a director, officer, employee or agent of any corporation, partnership, joint venture, trust or other enterprise. These provisions permit us to advance expenses to an indemnified party in connection with defending any such proceeding, upon receipt of an undertaking by the indemnified party to repay those amounts if it is later determined that the party is not entitled to indemnification. In August 2009, we entered into a standard form of indemnity agreement with each member of our Board of Directors, Mr. Karkus and Mr. Cuddihy. These agreements provide, among other things, that we will indemnify each director, Mr. Karkus and Mr. Cuddihy in the event they become a party or otherwise a participant in any action or proceeding on account of their service as a director or officer of the Company (or service for another corporation or entity in any capacity at the request of the Company) to the fullest extent permitted by applicable law. These indemnity provisions may reduce the likelihood of derivative litigation against directors and officers and discourage or deter stockholders from suing directors or officers for breaches of their duties to the Company, even though such an action, if successful, might otherwise benefit the Company or its stockholders. In addition, to the extent that we expend funds to indemnify directors and officers, funds will be unavailable for operational purposes.

We have identified material weaknesses in our internal control environment for the period from April 1, 2009 through December 31, 2009

A material weakness is a control deficiency, or combination of control deficiencies, that results in a reasonable probability that a material misstatement of financial statements will not be prevented or detected by our internal controls. In relation to our Financial Statements for Fiscal 2009, in connection with its review of the Company's internal control process over financial reporting, management identified as a consequence of certain events occurring during the second quarter of Fiscal 2009 the following material weaknesses in our internal control environment: (i)lack of management continuity due to changes in executive management and (ii) lack of documentation and/or the availability of documentation or records our files of business transactions, contracts and/or evaluations conducted by the Company. Additionally, during a portion of Fiscal 2009, we also identified and initiated remediation program to address our lack of sufficient subject matter expertise in at least two of the following significant areas: (a) accounting for and the disclosure of complex transactions and (b) the selection, monitoring and evaluation of certain vendors that provided services to Pharma.

Following the identification of these material weaknesses, management took measures and plans to continue to take measures to remediate these weaknesses and deficiencies. However, the implementation of these measures may not fully address these weaknesses. A failure to correct these weaknesses or other control deficiencies or a failure to discover and address any other control deficiencies could result in inaccuracies in our consolidated financial statements and could impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis or could cause investors to lose confidence in our reported financial information, which could have a negative impact on our financial condition and stock price.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our corporate headquarters is located in Doylestown, Pennsylvania. We purchased this property, with an area of approximately 13,000 square feet, comprised principally of office space and limited warehousing and storage, in November 1998.

Our principal manufacturing facility is located in Lebanon, Pennsylvania. The facility was purchased in October 2004. The facility has a total area of approximately 57,500 square feet, comprised of manufacturing, warehousing and office space. Effective in June 2009, we closed our 15,500 square foot Elizabethtown, Pennsylvania manufacturing location and consolidated our manufacturing operations in the Lebanon facility. At December 31, 2009, the net value of the Elizabethtown facility in the amount of $138,000 is classified as an asset held for sale.

In addition to warehousing and storage capacity at the Lebanon facility, we also store certain inventory on a month-to-month basis, as needed, at a number of additional warehouses with storage charges based upon the quantities of product being stored. We believe that our existing facilities are adequate at this time.

Item 3. Legal Proceedings

THE QUIGLEY CORPORATION VS. JOHN C. GODFREY, ET AL.

This action was commenced by us in November 2004 in the Court of Common Pleas of Bucks County, Pennsylvania against John C. Godfrey, Nancy Jane Godfrey, and Godfrey Science and Design, Inc. for injunctive relief regarding the Cold-EEZE® trade name and trademark; injunctive relief relating to the Cold-EEZE® formulations and manufacturing methods; injunctive relief for breach of the duty of loyalty, and declaratory judgment pending our payment of commissions to defendants. Our complaint is based in part upon the Exclusive Representation and Distribution Agreement and the Consulting Agreement (together the "Agreements") between us and the defendants. We have terminated the Agreements due to the defendants' alleged material breaches of the Agreements. Defendants have answered the complaint and asserted counterclaims against us seeking remedies relative to the Agreements. We believe that the defendants' counterclaims are without merit and are vigorously defending those counterclaims and are prosecuting our action on the complaint.

Pre-trial discovery is complete. Defendants moved for partial summary judgment, and we filed a response and cross-motion for summary judgment. On August 21, 2008, the court denied both motions for summary judgment. The case has not been assigned to a trial calendar, although it is possible that the case will be listed for trial in 2010.

At this time no prediction as to the outcome of this action can be made.

THE QUIGLEY CORPORATION VS. WACHOVIA INSURANCE SERVICES, INC. AND FIRST UNION

INSURANCE SERVICES AGENCY, INC.

We instituted a Writ of Summons against Wachovia Insurance Services, Inc. and First Union Insurance Services Agency, Inc. on December 8, 2005 in the Court of Common Pleas of Bucks County, Pennsylvania,. The purpose of this suit was to maintain an action and toll the statute of limitation against our insurance broker who failed to place excess limits coverage for us for the period from November 29, 2003 until April 6, 2004. As a result of the defendant's failure to place insurance and to notify us thereof, certain pending actions covered by our underlying insurance which are currently being defended by insurance counsel and the underlying insurance carrier may cause an exhaustion of the underlying insurance for the policy periods ending November 29, 2004 and November 29, 2005. Any case in which an alleged action arose relating to the use of Cold-EEZE® Nasal Spray from November 29, 2003 to April 6, 2004 is not covered by excess insurance.

Our claim against Wachovia Insurance Services, Inc. and First Union Insurance Services Agency, Inc. is for negligence and for equitable insurance for these claims based on our undertaking of certain attorneys' fees and costs of settlement for claims that should have been covered by underlying insurance placed by Wachovia Insurance Services, Inc.

At this time no prediction can be made as to the outcome of any action against Wachovia Insurance Services, Inc. and First Union Insurance Services Agency, Inc.

THOMAS A. SIMONIAN VS. THE QUIGLEY CORPORATION

On February 24, 2010, an action was commenced in the United States District Court for the Northern District of Illinois Eastern Division by Mr. Thomas Simonian against us for false patent marketing under 35 U.S.C. § 292. Mr. Simonian claims that our Cold-EEZE® packaging references certain patents which have been expired since June 10, 2005 and August 3, 2007. On such information and belief, Mr. Simonian claims that the Company marks certain of its Cold-EEZE® branded products with the expired patents with the intent to deceive the public and to gain a competitive advantage in the market. Mr. Simonian is seeking an award of monetary damages.

We are investigating this claim. At this time no prediction can be made as to the outcome of this case.

PUBLIC PATENT FOUNDATION, INC. VS. THE QUIGLEY CORPORATION

On February 24, 2010, an action was commenced in the United States District Court for the Southern District of New York by Public Patent Foundation, Inc. ("PPF") against us for false patent marketing under 35 U.S.C. § 292. PPF claims that our Cold-EEZE® packaging references certain patents which have been expired since June 10, 2005 and August 3, 2007. On such information and belief, PPF claims that the Company marks certain of its Cold-EEZE® branded products with the expired patents with the intent to deceive the public and to gain a competitive advantage in the market. PPF is seeking an award of monetary damages.

We are investigating this claim. At this time no prediction can be made as to the outcome of this case.

Other Litigation

In the normal course of its business, we are named as defendant in legal proceedings. It is our policy to vigorously defend litigation and/or enter into settlements of claims where management deems appropriate.

Item 4. Reserved

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Common Stock is currently traded on The NASDAQ Global Market under the trading symbol "QGLY." The price set forth in the following table represents the high and low bid prices for our Common Stock for each quarter of the Fiscal 2009 and 2008, as reported on The NASDAQ Global Market.

	Common Stock			
	2009		2008	
Quarter Ended	High	Low	High	Low
March 31,	$ 5.00	$ 3.86	$ 5.74	$ 4.17
June 30,	$ 6.70	$ 3.53	$ 5.85	$ 4.54
September 30,	$ 4.01	$ 1.58	$ 5.65	$ 4.58
December 31,	$ 2.50	$ 1.45	$ 5.39	$ 2.85

Holders

As of March 24, 2010, there were approximately 275 holders of record of our Common Stock, including brokerage firms, clearing houses, and/or depository firms holding the Company's securities for their respective clients. The exact number of beneficial owners of our securities is not known but exceeds 400.

Dividends

We have not declared, nor paid, any cash dividends on our Common Stock since our Company's inception. At this time, we intend to retain our earnings to finance future growth and maintain liquidity. Future cash dividends, if any, will be at the discretion of our Board of Directors and will depend upon, among other things, our future operations and earnings, capital requirements, general financial condition, contractual and financing restrictions and such other factors as our Board of Directors may deem relevant.

Warrants and Options

In addition to our outstanding Common Stock, there were reserved for issuance 1,487,750 shares of our Common Stock underlying outstanding unexercised and vested options as of December 31, 2009 at the price-per-share stated and expire on the date indicated, as follows:

Description		Number	Exercise Price	Expiration Date		Number	Exercise Price	Expiration Date
Option Plan	*	70,000	$ 0.81	May 2010	*	48,000	$ 8.11	October 2010
Option Plan	*	20,000	$ 0.81	June 2010	*	83,500	$ 8.11	October 2013
Option Plan	*	500	$ 0.81	December 2010	*	5,000	$ 9.50	March 2010
Option Plan	*	60,000	$ 1.26	May 2010	*	45,000	$ 9.50	May 2010
Option Plan	*	25,000	$ 1.26	June 2010	*	169,500	$ 9.50	June 2010
Option Plan	*	13,500	$ 1.26	December 2011	*	42,000	$ 9.50	October 2010
Option Plan	*	7,000	$ 5.19	March 2010	*	95,000	$ 9.50	October 2014
Option Plan	*	42,000	$ 5.19	May 2010	*	3,000	$ 13.80	March 2010
Option Plan	*	117,000	$ 5.19	June 2010	*	2,500	$ 13.80	April 2010
Option Plan	*	15,000	$ 5.19	October 2010	*	80,000	$ 13.80	May 2010
Option Plan	*	50,250	$ 5.19	July 2012	*	213,500	$ 13.80	June 2010
Option Plan	*	8,000	$ 8.11	March 2010	*	30,000	$ 13.80	October 2010
Option Plan	*	45,000	$ 8.11	May 2010	*	75,500	$ 13.80	December 2015
Option Plan	*	122,000	$ 8.11	June 2010	*			
Subtotal		595,250		Subtotal		892,500		
				Grand Total Options		1,487,750		

Securities Authorized Under Equity Compensation

The following table sets forth certain information regarding stock option and warrant grants made to employees, directors and consultants:

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options & Warrants (A)	Weighted Average Exercise Price of Outstanding Options & Warrants (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity Plans Approved by Security Holders[1]	1,487,750	$ 8.64	—

(1) An incentive stock option plan was instituted in Fiscal 1997, (the "1997 Option Plan") and approved by the stockholders in Fiscal 1998. Options pursuant to the 1997 Option Plan have been granted to directors, executive officers and employees. At December 31, 2009, we are precluded from issuing any additional options or grants in the future under the 1997 Option Plan pursuant to the terms of the plan document. Options previously granted may continue to be available for exercise at any time prior to such options' respective expiration dates.

Pursuant to the terms of Mr. Cuddihy's employment agreement, which has a three year term, Mr. Cuddihy will receive an annual grant of shares of Common Stock equal to $50,000, payable quarterly, promptly following the close of each quarter. The value of the shares is calculated based on the average closing price of the Company's shares for the last five (5) trading days of the quarter in which the shares are earned. Mr. Cuddihy earned 4,418 shares and 6,586 shares for the quarters ended September 30, 2009 and December 31, 2009, respectively. We issued an aggregate of 11,004 shares of Common Stock to Mr. Cuddihy on February 24, 2010.

Item 6. Selected Financial Data

The following table sets forth the selected financial data appearing in or derived from our financial statements for and at the end of the years ended December 31, 2009, 2008, 2007, 2006 and 2005. The selected financial data should be read in conjunction with the consolidated financial statements appearing elsewhere herein, and with Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations (in thousands, except per share amounts):

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Statement of Income Data:					
Net sales	$ 19,816	$ 20,507	$ 28,241	$ 26,850	$ 33,185
Gross profit	$ 11,569	$ 11,413	$ 18,556	$ 17,545	$ 21,301
Income (loss) – continuing operations	$ (3,842)	$ (6,409)	$ (1,856)	$ (547)	$ 2,339
Income (loss) – discontinued operations[1]	—	875	(602)	(1,201)	878
Net income (loss)	$ (3,842)	$ (5,534)	$ (2,458)	$ (1,748)	$ 3,217
Basic earnings (loss) per share:					
Continuing operations	$ (0.30)	$ (0.50)	$ (0.14)	$ (0.04)	$ 0.20
Discontinued operations	—	0.07	(0.05)	(0.10)	0.08
Net income (loss)	$ (0.30)	$ (0.43)	$ (0.19)	$ (0.14)	$ 0.28
Diluted earnings (loss) per share:					
Continuing operations	$ (0.30)	$ (0.50)	$ (0.14)	$ (0.04)	$ 0.17
Discontinued operations	—	0.07	(0.05)	(0.10)	0.07
Net income (loss)	$ (0.30)	$ (0.43)	$ (0.19)	$ (0.14)	$ 0.24
Weighted average shares outstanding:					
Basic	12,963	12,878	12,729	12,245	11,661
Diluted	12,963	12,878	12,729	12,245	13,299

	As of December 31,				
	2009	2008	2007	2006	2005
Balance Sheet Data:					
Working capital	$ 11,475	$ 14,071	$ 18,578	$ 20,541	$ 20,682
Total assets	$ 19,817	$ 24,369	$ 33,502	$ 34,845	$ 35,976
Debt	$ —	$ —	$ —	$ —	$ 1,464
Stockholders' equity	$ 14,059	$ 17,774	$ 23,244	$ 25,529	$ 25,320

(1) On February 29, 2008, we sold Darius to InnerLight Holdings, Inc. (see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", and Note 3 to the Financial Statements). The sale of this segment has been treated as discontinued operations and all periods presented have been reclassified.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Business. We are a manufacturer, marketer and distributor of a diversified range of homeopathic and health products that are offered to the general public. We are also engaged in the research and development of potential natural base health products along with supplements and cosmeceuticals for human and veterinary use.

Our primary business is currently the manufacture, distribution, marketing and sale of OTC cold remedy products to consumers through national chain, regional, specialty and local retail stores. One of our principal products is Cold-EEZE®, a zinc gluconate glycine product proven in clinical studies to reduce the duration and severity of the common cold symptoms by nearly half. Cold-EEZE® is an established product in the health care and cold remedy market. For Fiscal 2009, 2008 and 2007, our revenues from continuing operations have come principally from our cold remedy products.

Strategic Review. Prior to Fiscal 2009, we were organized into three business segments: (i) cold remedy, (ii) contract manufacturing and (iii) ethical pharmaceutical. We historically managed each of our segments separately as a consequence of different marketing, manufacturing and/or research and development strategies. However, as a consequence of our strategic review, as described below, completed in the fourth quarter of Fiscal 2009, we realigned our operations to focus principally on the research, development, manufacture, marketing and sale of OTC cold remedy and consumer products, natural base health products and other supplements and cosmeceuticals for human and veterinary use. As a consequence of this strategic review, as of December 31, 2009, we are engaged principally in the OTC/Personal Care marketplace segment.

Our strategic review included a review and evaluation of (i) evolving market conditions of OTC cold remedy opportunities in conjunction with our current product offerings, (ii) manufacturing and distribution operations and capacity, (iii) product line financial performance criterion, current returns on investment and marketing strategy, (iv) current research and development initiatives and (v) opportunities to develop prescription pharmaceutical and new OTC products. We determined as a result of this review to curtail further investment in certain of our wholly owned subsidiary's, Quigley Pharma, Inc. ("Pharma"), existing products under development in light of our view concerning market opportunities, regulatory pathways, the need for further robust and consistent preclinical and clinical testing and continued requirements in the areas of commercial formulation and development. However, we continue to engage in research and development activities that we determine are appropriate as discussed below.

Management continues to assess our entire business operations, including but not limited to our (i) fundamental market and operations strategies, (ii) product development methodologies and current product development initiatives and focus, (iii) product line and brand marketing, (iv) consumer and retailer relationships, and (v) current internal and external operational resources and needs. During Fiscal 2009, management made initial progress in cost control and fundamental marketing initiatives in an effort to reduce overhead expenses while marketing our existing products. However, management believes we will need to continue our restructuring activities well into Fiscal 2010 and will make meaningful investments therein in order to (i) build greater consumer awareness for our products, (ii) properly formulate new products, (iii) develop effective product launch strategies, (iv) seek to reduce the effects of the significant seasonality of the current business with new product development initiatives for potential launch in Fiscal 2011/2012 and (v) operate our business more efficiently.

Research and Development. We have invested significantly in research and development activities. Our current research and development activity is specifically targeted to potential natural base health products, including, compounds QR-333 (potential topical symptomatic relief of diabetic peripheral neuropathy); QR-440 (potential relief of inflammation and joint pain); and QR-448 (potential anti-infective against infectious bronchitis in poultry). In addition, we may seek to acquire (or enter into other arrangements regarding) new formulations, ingredients, applications and other products developed by third parties who may be seeking our commercialization, marketing and distribution expertise. We are currently undergoing limited research and development activity in compliance with regulatory requirements and are evaluating various new product technologies, applications, licensing, commercialization and other development opportunities. We are in the initial stages of what may be a lengthy process to develop our patent applications into or acquire rights for commercial products.

Recent Developments

Joint Venture. On March 22, 2010, the Company, Phosphagenics Limited ("PSI Parent"), an Australian corporation, Phosphagenics Inc. ("PSI"), a Delaware corporation and subsidiary of PSI Parent, and Phusion Laboratories, LLC (the "Joint Venture"), a Delaware limited liability company, entered into a Limited Liability Company Agreement (the "LLC Agreement") of the Joint Venture and additional related agreements for the purpose of developing and commercializing, for worldwide distribution and sale, a wide range of non-prescription remedies using PSI Parent's proprietary patented TPM ^{TM} technology ("TPM"). TPM facilitates the delivery and depth of penetration of active molecules in pharmaceutical, nutraceutical, and other products.

In connection with the LLC Agreement, PSI Parent granted to us, pursuant to the terms of a License Agreement, dated March 22, 2010 (the "Original License Agreement"), (i) an exclusive, royalty-free, world-wide (subject to certain limitations), paid-up license to exploit OTC drugs (and certain other products) that embody certain of PSI Parent's TPM-related patents and related know-how (collectively, the "PSI Technology") and (ii) a non-exclusive, royalty-free, world-wide (subject to certain limitations) paid-up license to exploit certain compounds that embody the PSI Technology for use in a product combining one or more of such compounds with an OTC drug or in a product that is part of a regimen that includes the application of an OTC drug.

Proxy Contest. In April 2009, the Karkus Group filed with the SEC a preliminary Proxy Statement proposing an alternative slate of director nominees for the Company to the slate nominated by the Company's incumbent Board of Directors Incumbent Board for vote at the 2009 Annual Meeting. The Karkus Group proposed the Alternative Ballot because they believed it was time for a change in the Company. As the Alternative Ballot indicated, among other matters, over the prior three years the Company's management had delivered declining revenues, declining gross and net profits (increasing net losses), declining stockholders' equity and declining stock price, with excessive compensation paid to the Company's management and their family members.

On June 12, 2009, Mr. Guy Quigley, then Chairman, President and Chief Executive Officer of the Company, resigned his positions with the Company. Mr. Quigley's resignation had been preceded by the resignation of Mr. Charles Phillips, formerly the Executive Vice President and Chief Operating Officer of the Company, effective May 29, 2009.

Additionally on June 12, 2009, following the seating of the newly elected Board of Directors, Mr. Karkus was elected Chairman of the Board of Directors and the Board elected members to its Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee. Mr. Karkus was appointed as our interim Chief Executive Officer effective June 18, 2009 and effective July 15, 2009, the Board appointed (i) Mr. Karkus as our permanent Chief Executive Officer and (ii) Mr. Robert V. Cuddihy, Jr. as our Executive Vice President and Chief Operating Officer. Effective October 21, 2009, Mr. Cuddihy also was named our interim Chief Financial Officer.

As a consequence of the Proxy Contest between the Incumbent Ballot and the Alternative Ballot, for Fiscal 2009 we charged to operations approximately $2.5 million in costs associated with the proxy solicitation and related litigation.

Manufacturing Facility Consolidation. Our wholly owned subsidiary, QMI, produces our Cold-EEZE® and other lozenge products along with performing such operational tasks as warehousing and shipping our Cold-EEZE® and other cold remedy products. Additionally, QMI maintains a FDA approved facility that engages in contract manufacturing and distribution activities of lozenge-based products for unaffiliated third parties. QMI also produces and sells therapeutic lozenges to wholesale and distribution outlets. On February 2, 2009, we announced its intention to close QMI's production facility in Elizabethtown, Pennsylvania and consolidate our manufacturing operations at our Lebanon, Pennsylvania facility. Effective in June 2009, the Elizabethtown facility was closed. QMI's Lebanon facility continues production and distribution of our Cold-EEZE® brand and other cold remedy products.

Research and Development. On April 30, 2009, we announced preliminary results that the Diabetic Peripheral Neuropathy Phase IIb clinical study demonstrated a significant improvement in two key measures of distal sensory nerve function in the group treated with its investigational new drug, QR-333. The compound was applied topically to the feet of subjects suffering from painful diabetic neuropathy and over the course of 12

weeks, significantly improved both maximal conduction velocity and compound sensory amplitude in the sural nerve. The mean improvement in nerve conduction velocity exceeded the change considered by thought leaders to be "clinically meaningful" in clinical studies. The sural nerve carries sensation from the feet and its pathology is the fundamental cause of foot pain and ultimately foot ulcers and amputation in some diabetic subjects.

On July 22, 2009, we announced the final results from our Phase IIb double-blind, placebo-controlled, study of topical compound QR-333 for the treatment of symptomatic diabetic peripheral neuropathy. The study was completed with fewer than expected evaluable patients with the final and comprehensive conclusions revealing that (i) the compound is safe and well tolerated, and (ii) there were nominal trends, but no statistical differences, between active and placebo groups for the primary and secondary endpoints measuring efficacy by (a) the reduction of pain, (b) symptomatic improvements, (c) improved quality of life and (d) improved sleep.

However, we are encouraged by the positive, clinical and statistically significant improvement for efficacy in sural nerve conduction velocity and amplitude unexpectedly found in a sub-set of the patient population. This data may indicate the potential benefit of this compound as a disease modifying agent which, if validated through additional clinical trials, potentially broadens the therapeutic market opportunity. Additional clinical work would be required and future study considerations might include, a longer duration period to improve patient compliance as well as an assessment of sural nerve function and measures of distal nerve sensory thresholds in the feet to provide more detail to the potential for disease modification. There can be no assurance that we will undertake additional clinical studies or that the results of any such studies would lead to a marketable product that can achieve regulatory approvals.

A preliminary analysis of the lack of adequate primary and secondary end point data indicates that the results may have been attributed to fewer than expected evaluable patients due to a shortage of drug and a high number of patients terminated early due to a lack of compliance with application and usage protocols.

All required end of study regulatory and reporting documentation and procedures will be completed. We will continue to consider licensing, partnering or collaborative relationship opportunities to further the development and potential commercialization of the QR-333 candidate and other formulations.

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition — Sales Allowances

When providing for the appropriate sales returns, allowances, cash discounts and cooperative incentive promotion costs ("Sales Allowances"), we apply a uniform and consistent method for making certain assumptions for estimating these provisions. These estimates and assumptions are based on historical experience, current trends and other factors that management believes to be relevant at the time the financial statements are prepared. Management reviews the accounting policies, assumptions, estimates and judgments on a quarterly basis. Actual results could differ from those estimates.

Our primary product, Cold-EEZE®, has been clinically proven to reduce the severity and duration of common cold symptoms. Accordingly, factors considered in estimating the appropriate sales returns and allowances for this product include it being (i) a unique product with limited competitors, (ii) competitively priced, (iii) promoted, (iv) unaffected for remaining shelf-life as there is no product expiration date, and (v) monitored for inventory levels at major customers and third-party consumption data. We added new products to our OTC Personal Care marketplace segment in Fiscal 2007 and Fiscal 2008 such as ISC-10 Immune, Organix Organic Cough and Sore Throat Drops and Kids-EEZE® Chest Relief. Each of these new products do carry shelf-life expiration dates for which we aggregate such new product market experience data and updates its sales returns and allowances estimates accordingly. Sales Allowances estimates are tracked at the specific customer and product line levels and are tested on an annual historical basis, and reviewed quarterly. Additionally, the monitoring of current occurrences, developments by customer, market conditions and any other occurrences that could affect the expected provisions relative to net sales for the period presented are also performed.

We do not impose a period of time within which product may be returned. All requests for product returns must be submitted to us for pre-approval. The main components of our returns policy are: (i) we will accept returns that are due to damaged product that is un-saleable and such return request activity fall within an acceptable range, (ii) we will accept returns for products that have reached or exceeded designated expiration dates and (iii) we will accept returns in the event that we discontinue a product provided that the customer will have the right to return only such item that it purchased directly from us. We will not accept return requests pertaining to customer inventory "Overstocking" or "Resets". We will only accept return requests for product in its intended package configuration. We reserve the right to terminate shipment of product to customers who have made unauthorized deductions contrary to our return policy or pursue other methods of reimbursement. We compensate the customer for authorized returns by means of a credit applied to amounts owed or to be owed and in the case of discontinued product only, also by way of an exchange. We do not have any significant product exchange history.

We classify product returns into principally three categories, (i) non-routine returns, (ii) obsolete product and (iii) product mix realignment by certain of our customers. "Non-routine" returns are defined as product returned to us as a consequence of unanticipated circumstances principally due to (i) retail store closings or (ii) unexpected poor retail sell through to consumers causing us to discontinue the product. "Obsolete" returns are defined as product returned to us as a consequence of product shelf-life "use by" expiration date. "Product mix realignment" returns are defined as product returned to us due to initiatives by the trade to discontinue purchasing certain of our products. Product mix realignment returns are generally nominal and are frequently related to discontinued or soon to be discontinued products.

Our return policy accommodates returns for (i) discontinued products, (ii) store closings and (iii) products that have reached or exceeded designated expiration date. The following is a summary of the change in the return provision for the years ended December 31, 2009 and 2008 (in thousands):

	Amount
Return provision at December 31, 2007	$ 296
Net change in the return provision Fiscal 2008	1,131
Return provision at December 31, 2008	1,427
Net change in the return provision Fiscal 2009	86
Return provision at December 31, 2009	$ 1,513

For Fiscal 2009, 2008 and 2007, net sales of products with limited shelf-life and expiration dates were $311,000, $265,000 and $2.4 million, respectively.

For Fiscal 2008, the return provision increased by $1.1 million to $1.4 million. The increase in the return provision was principally due to (i) a charge of $552,000 attributable to products which were discontinued during Fiscal 2008 as a consequence of both return criterion of (a) poor retail sell through to consumers (non-routine returns) and (b) the decreasing shelf-life of the products as expiration dates came due (obsolete returns), (ii) a charge of $209,000 due principally to discontinued product flavors (non-routine returns), (iii) a charge of $165,000 for product returns attributable to store closings (non-routine returns), (iv) a charge of $102,000 for products with shelf-life expiration dates (obsolete returns) and (v) a charge of $103,000 as a consequence of an increase in product returns experienced during the period.

For Fiscal 2009, the return provision increased by $86,000 to $1.5 million. The increase in the return provision was principally due to (i) a charge of $827,000 for products with shelf-life expiration dates (obsolete returns) offset by (iii) net returns associated with Fiscal 2008 and Fiscal 2009 received and processed during Fiscal 2009 of $741,000 as a consequence of an increase in product returns experienced during the period. We continue to experience higher than expected return provisions as a consequence of excess inventories at retail for new products launched in Fiscal 2008 that carried limited shelf lives.

A one percent deviation for these sales allowance provisions for the Fiscal 2009, 2008 and 2007 would affect net sales by approximately $261,000, $276,000 and $348,000, respectively. A one percent deviation for cooperative incentive promotions reserve provisions for the years ended December 31, 2009, 2008 and 2007 could affect net sales by approximately $245,000, $252,000 and $323,000, respectively.

Income Taxes

As of December 31, 2009, we have net operating loss carry-forwards of approximately $25.7 million for federal purposes that will expire beginning in fiscal 2020 through 2029. Additionally, there are net operating loss carry-forwards of $20.3 million for state purposes that will expire beginning in fiscal 2018 through 2029. Until sufficient taxable income to offset the temporary timing differences attributable to operations, the tax deductions attributable to option, warrant and stock activities and alternative minimum tax credits of $26,000 are assured, a valuation allowance equaling the total deferred tax asset is being provided. Management believes that this allowance is required due to the uncertainty of realizing these tax benefits in the future. The uncertainty arises largely due to substantial research and development costs.

Seasonality of the Business

Our net sales are derived principally from its cold remedy products. Currently, our sales are influenced by and subject to fluctuations in the timing of purchase and the ultimate level of demand for our products which are a function of the timing, length and severity of each cold season. Generally, a cold season is defined as the period of September to March when the incidence of the common cold rises as a consequence of the change in weather and other factors. We generally experience in the fourth quarter higher levels of net sales along with a corresponding increase in marketing and advertising expenditures designed to promote its products during the cold season. Revenues and related marketing costs are generally at its lowest levels in the second quarter when consumer demand generally declines. We track health and wellness trends and develop retail promotional strategies to align its production scheduling, inventory management and marketing programs to optimize consumer purchases.

Results of Operations

Fiscal 2009 compared with Fiscal 2008

Net sales for Fiscal 2009 were $19.8 million as compared to $20.5 million for 2008, reflecting a decrease of $691,000, or 3.4%. The decline in net sales is due to the net effect of (i) an increase in net sales of cold remedy product, principally Cold-EEZE®, of $124,000, offset by (ii) a decrease of net sales of contract manufacturing product of $815,000 which declined to $1.5 million for Fiscal 2009 as compared to $2.3 million for Fiscal 2008. The decline in contract manufacturing product sales is principally a result of the closure of the Elizabethtown manufacturing facility and the elimination of certain low margin products. Net sales of cold remedy products have remained stable over the past two Fiscal years as the cold and flu seasons have indicated comparable levels of the incidence of colds by consumers. Our flagship product, Cold-EEZE® continues to compete for market share with new products entering the category and many retailer initiatives to reduce the number of products it carries on shelf within the cold and flu remedy category. We are continuing to support Cold-EEZE® as a clinically proven cold remedy product through in-store promotion, media advertising and coupon programs.

Cost of sales decreased $847,000 for Fiscal 2009 to $8.2 million as compared to $9.1 million for Fiscal 2008. The decrease in cost of sales is principally due to (i) lower revenues from period to period and (ii) an improvement in gross margin. We realized gross margins of 58.4% for Fiscal 2009 as compared to 55.7% in Fiscal 2008, an improvement of 2.7%. The 2.7% increase in the gross margin was principally due to the net effect of (i) the elimination of the production and facility overhead expenses attributable to the closing of the Elizabethtown manufacturing facility, (ii) improved production margins of the cold remedy products, offset by (iii) an adverse impact to net sales as a consequence of the inventory reduction programs maintained by our larger retail customers. Gross margins are influenced by fluctuations in quarter-to-quarter production volume, fixed production costs and related overhead absorption, and the timing of shipments to customers which are factors of the seasonality of our sales activities and products.

Selling, marketing and administrative (“SG&A”) expenses for Fiscal 2009 were $14.2 million as compared to $13.9 million in Fiscal 2008. The increase in SG&A expense of $295,000 was primarily due to the net effects of (i) an increase in stock promotion costs of $2.3 million, principally related to the Proxy Contest and (ii) an increase in professional fees and other expenses of $256,000, offset by, (iii) a decrease in advertising costs of $1.2 million as we implemented more efficient in-store, digital and consumer-based marketing initiatives versus print and radio advertising programs launched in Fiscal 2008 and (iv) a decrease of $1.2 million in personnel costs principally due to a decrease in executive salaries, bonuses and head count.

Research and development costs for Fiscal 2009 and 2008 were $1.3 million and $4.2 million, respectively. The decrease in research and development expenditure of $2.9 million in was principally the result of (i) decreased Pharma study costs of $2.6 million and (ii) a reduction in personnel costs of $223,000. The decreased spending for the Fiscal 2009 as compared to Fiscal 2008 was principally due to (i) the completion of the Phase IIb study for QR-333 Diabetic Peripheral Neuropathy in November 2008 and (ii) a subsequent slowdown in related Fiscal 2009 spending pending the availability of the final results of the study. In addition, we strategically determined to curtail further investment certain of Pharma's existing products under development in light of our view concerning market opportunities, regulatory pathways, the need for further robust and consistent preclinical and clinical testing and continued requirements in the areas of commercial formulation and development.

As noted above, we have net operating loss carry-forwards for both federal and certain states. However, effective December 31, 2009, we elected to conform our tax reporting year, historically a fiscal period ending September 30, to our financial reporting period ending December 31. As a consequence, we will file a full period tax return for the fiscal year ended September 30, 2009 with the Internal Revenue Service ("IRS") and will also file with the IRS a "short period return" for the three months ended December 31, 2009 in compliance with the election. For Fiscal 2009, we had a current tax benefit of $26,000 for certain federal and state alternative minimum income taxes incurred for the "short period return", inclusive of an alternative minimum tax refund due us of $110,000 as a consequence of a carry back of an alternative minimum tax net operating loss to a prior period. In future fiscal periods, our tax and financial reporting periods will be the same, the period ending December 31.

Fiscal 2008 compared with Fiscal 2007

Net sales for Fiscal 2008 were $20.5 million compared to $28.2 million for Fiscal 2007, a decrease of $7.7 million or 27.4%, principally due to lower cold remedy product sales. The sales of cold remedy products decreased in Fiscal 2008 by $7.5 million, or 29.3%, as compared to Fiscal 2007. This decrease may be attributable to certain customer reviews of inventory levels and product mix carried particularly in light of declining market and economic conditions, including higher than normal product returns. The cough cold retail category in general, and the Company in particular, was adversely affected in Fiscal 2008 by a reduction in the incidence of colds by consumers as compared to prior years.

Cost of sales decreased $591,000 for Fiscal 2008 to $9.1 million as compared to $9.7 million for Fiscal 2007. The decrease in cost of sales was principally due to (i) lower revenues from period to period, offset by (ii) a decline in gross margin. We realized gross margins of 55.7% for Fiscal 2008 as compared to 65.7% in Fiscal 2007, a decrease of 10.0%. The 10.0% decrease in the gross margin was principally due to (i) an increase in product returns, expired shelf-life and obsolete product of 5.4%, (ii) an impairment charge of $300,000 related to our closure plans for the Elizabethtown manufacturing facility and (iii) declining production volumes and reduced margins realized from certain contract manufacturing products. Certain of these contract manufacturing products were discontinued in Fiscal 2009 as a consequence of the closure of the Elizabethtown manufacturing facility. Gross margins are influenced by fluctuations in quarter-to-quarter production volume, fixed production costs and related overhead absorption, and the timing of shipments to customers which are factors of the seasonality of our sales activities and products.

SG&A expense for Fiscal 2008 were $13.9 million as compared to $14.6 million in Fiscal 2007. The decrease in SG&A expense of $721,000 was principally due to the net effects of (i) increased outside advertising, marketing and promotional costs of $1.5 million, primarily due to increased media advertising, offset by (ii) a decrease of $252,000 for sales brokerage and commission costs due to the lower net sales in Fiscal 2008, (iii) a decrease of $1.1 million in personnel costs principally due to a decrease in general payroll and bonus costs; (iv) a decrease of $455,000 in legal costs as a consequence of lower litigation and legal services required during Fiscal 2008 as compared to Fiscal 2007 and (v) a decrease of $173,000 in stock promotion.

Research and development costs for Fiscal 2008 and 2007 were $4.2 million and $6.5 million, respectively. Principally, the decrease in research and development expenditure was the result of decreased Pharma study costs of approximately $2.2 million in Fiscal 2008.

On February 29, 2008, we sold our wholly owned subsidiary, Darius, our former health and wellness segment, to InnerLight. On February 29, 2008, Mr. Kevin P. Brogan, the then president of Darius was a significant shareholder of InnerLight. In addition, Mr. Gary Quigley, then an employee and stockholder of the Company and also the brother of Mr. Guy Quigley, our then Chairman, President and Chief Executive Officer (as well as a shareholder), became a significant shareholder of InnerLight either before or shortly after the sale of Darius. Mr. Gary Quigley was also a principal of Scandasystems, which entered into an agreement to receive royalties from InnerLight. The results and balances associated with Darius are presented as discontinued operations in the condensed consolidated statements of operations.

The terms of the sale agreement include a cash purchase price of $1.0 million by InnerLight for the stock of Darius and its subsidiaries without guarantees, warranties or indemnifications. We recorded a gain on the disposal of Darius of $736,000, as a result of sales proceeds of $1.0 million less residual investment of $5,000 and net assets of Darius of $259,000 on the date of sale.

Sales attributable to Darius from January 1, 2008 until date of disposal on February 29, 2008 and for Fiscal 2007 were $2.2 million and $11.3 million, respectively. Net income (loss) from January 1, 2008 until date of disposal on February 29, 2008, and for Fiscal 2007 were $139,000 and ($602,000), respectively. Financial results from operations of Darius are presented as discontinued operations in our Financial Statements.

Liquidity and Capital Resources

Our aggregate cash and cash equivalents as of December 31, 2009 were $12.8 million compared to $11.9 million at December 31, 2008. Our working capital was $11.5 million and $14.1 million as of December 31, 2009 and December 31, 2008, respectively. Changes in working capital for Fiscal 2009 were principally due to (i) cash generated from operations of $445,000, inclusive of $2.5 million of costs incurred as a consequence of the Proxy Contest, (ii) net proceeds of $480,000 realized principally from the sale of fixed assets relating to the closure of the Elizabethtown manufacturing facility in June 2009, (iii) proceeds of $127,000 from the exercise of stock options, offset by (iv) capital expenditures of $208,000. Significant factors impacting working capital for Fiscal 2009 included (i) a decrease in accounts receivable and inventory balances and (ii) a decrease in other operating assets and liabilities.

Management believes that its strategy to maintain Cold-EEZE® as a recognized brand name, its broader range of products, its adequate manufacturing capacity, together with its current working capital, should provide an internal source of capital to fund normal business operations. Our operations support the current research and development expenditures related to new products. In addition to the funding from operations, we may in the short and long term raise capital through the issuance of securities or secure other financing sources to support such product development research, new product acquisitions or a venture investment or acquisition. Such funding through the issuance of equity securities would result in the dilution of current stockholders' ownership in the Company. Should our product development initiatives progress on certain formulations, additional development expenditures may require substantial financial support and may necessitate the consideration of alternative approaches such as licensing, joint venture, or partnership arrangements that we determine will meet our long term goals and objectives. Ultimately, should internal working capital be insufficient and external funding methods or other business arrangements become unattainable, it would likely result in the deferral or abandonment of future development relative to current and prospective product development initiatives and formulations.

Management is not aware of any trends, events or uncertainties that have or are reasonably likely to have a material negative impact upon our (i) short-term or long-term liquidity, or (ii) net sales or income from continuing operations. Any challenge to our patent rights could have a material adverse effect on our future; however, we are not aware of any condition that would make such an event probable. Our business is subject to seasonal variations thereby impacting liquidity and working capital during the course of our fiscal year.

Management believes that cash generated from operations, along with its current cash balances, will be sufficient to finance working capital and capital expenditure requirements for at least the next twelve months. However, in the longer term, as previously discussed, we may require additional capital to support, among other items, (i) new product introductions, (ii) expansion of our product marketing and promotion activities, (iii) additional research development activities and (iv) venture investments or acquisitions and/or (v) support current operations. During Fiscal 2009, there has been substantial volatility and a decline in the capital and financial

markets due at least in part to the constricted global economic environment resulting in substantial uncertainty and access to financing is uncertain. Moreover, consumer and as a consequence, customer spending habits may be adversely affected by the current economic crisis. These conditions could have an adverse effect on our industry and business, including our financial condition, results of operations and cash flows.

To the extent that we do not generate sufficient cash from operations, we may need to incur indebtedness to finance plans for growth. Recent turmoil in the credit markets and the potential impact on the liquidity of major financial institutions may have an adverse effect on our ability to fund our business strategy through borrowings, under either existing or newly created instruments in the public or private markets on terms that we believe to be reasonable, if at all.

Our future contractual obligations and commitments at December 31, 2009 consist of the following:

Year	Employment Contracts	Advertising	Product and Other Purchases	Total
2010	$ 1,075	$ 235	$ 660	$ 1,970
2011	1,075	—	—	1,075
2012	582	—	—	582
2013	—	—	—	—
2014	—	—	—	—
Total	$ 2,732	$ 235	$ 660	$ 3,627

Off-Balance Sheet Arrangements

It is not our usual business practice to enter into off-balance sheet arrangements such as guarantees on loans and financial commitments and retained interests in assets transferred to an unconsolidated entity for securitization purposes. Consequently, we have no off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Impact of Inflation

We are subject to normal inflationary trends and anticipate that any increased costs would be passed on to our customers. Inflation has not had a material effect on our business.

Effect of Recent Accounting Pronouncements

Effective July 2009, we adopted the “FASB Accounting Standards Codification” and the Hierarchy of Generally Accepted Accounting Principles (ASC-105). This standard establishes only two levels of U.S. generally accepted accounting principles (“GAAP”), authoritative and nonauthoritative. The Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (the “Codification”) became the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became nonauthoritative. We began using the new guidelines and numbering system prescribed by the Codification when referring to GAAP for the three months and nine months ended September 30, 2009. As the Codification was not intended to change or alter existing GAAP, it did not have any impact on our consolidated financial statements.

In February 2008, the FASB issued an accounting standard update that delayed the effective date of fair value measurements accounting for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008. These include goodwill and other non-amortizable intangible assets. We adopted this accounting standard update effective January 1, 2009. The adoption of this update to non-financial assets and liabilities, as codified in ASC-820, has not had a significant impact on our consolidated financial position, results of operations or cash flows.

In November 2008, the SEC issued for comment a proposed roadmap regarding the potential use by U.S. issuers of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board (IASB). Under the proposed roadmap, we could be required in fiscal 2014 to prepare financial statements in accordance with IFRS. The SEC will make a determination in 2011 regarding the mandatory adoption of IFRS. We are currently assessing the impact that this potential change would have on our consolidated financial statements and we will continue to monitor the development of the potential implementation of IFRS.

Effective January 2009, we adopted a new accounting standard update regarding business combinations. As codified under ASC-805, this update requires an entity to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred; that restructuring costs generally be expensed in periods subsequent to the acquisition date; and that changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period be recognized as a component of provision for taxes. In addition, acquired in-process research and development is capitalized as an intangible asset and amortized over its estimated useful life. With the adoption of this accounting standard update, any tax related adjustments associated with acquisitions that closed prior to January 1, 2009 will be recorded through income tax expense, whereas the previous accounting treatment would require any adjustment to be recognized through the purchase price. This accounting standard update applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of these accounting updates has not had a significant impact on our consolidated financial position, results of operations or cash flows.

Effective January 2009, we adopted an accounting standard which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary, as codified in ASC-810. This accounting standard states that accounting and reporting for minority interests are to be recharacterized as noncontrolling interests and classified as a component of equity. The calculation of earnings per share continues to be based on income amounts attributable to the parent. The adoption of these accounting updates has not had a significant impact on our consolidated financial position, results of operations or cash flows.

Effective January 2009, we adopted an accounting standard update regarding the determination of the useful life of intangible assets. As codified in ASC-350, this update amends the factors considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under intangibles accounting. It also requires a consistent approach between the useful life of a recognized intangible asset under prior business combination accounting and the period of expected cash flows used to measure the fair value of an asset under the new business combinations accounting (as currently codified under ASC-850). The update also requires enhanced disclosures when an intangible asset's expected future cash flows are affected by an entity's intent and/or ability to renew or extend the arrangement. The adoption of these accounting updates has not had a significant impact on our consolidated financial position, results of operations or cash flows.

Effective January 2009, we adopted a new accounting standard update from the Emerging Issues Task Force ("EITF") consensus regarding the accounting of defensive intangible assets. This update, as codified in ASC-350, clarifies accounting for defensive intangible assets subsequent to initial measurement. It applies to acquired intangible assets which an entity has no intention of actively using, or intends to discontinue use of, the intangible asset but holds it to prevent others from obtaining access to it (i.e. a defensive intangible asset). Under this update, a consensus was reached that an acquired defensive asset should be accounted for as a separate unit of accounting (i.e. an asset separate from other assets of the acquirer); and the useful life assigned to an acquired defensive asset should be based on the period during which the asset would diminish in value. The adoption of this accounting update has not had a significant impact on our consolidated financial position, results of operations or cash flows.

Effective April 2009, we adopted a new accounting standard for subsequent events, as codified in ASC-855. The update modifies the names of the two types of subsequent events either as recognized subsequent events (previously referred to in practice as Type I subsequent events) or non-recognized subsequent events (previously

referred to in practice as Type II subsequent events). In addition, the standard modifies the definition of subsequent events to refer to events or transactions that occur after the balance sheet date, but before the financial statements are issued (for public entities) or available to be issued (for nonpublic entities). It also requires the disclosure of the date through which subsequent events have been evaluated. The update did not result in significant changes in the practice of subsequent event disclosures, and therefore the adoption has not had a significant impact on our consolidated financial position, results of operations or cash flows. As a consequence of the adoption of ASC-855, we have evaluated and disclosed subsequent events relating to the year ended December 31, 2009 in our Financial Statements.

Effective April 2009, we adopted three accounting standard updates which were intended to provide additional application guidance and enhanced disclosures regarding fair value measurements and impairments of securities. They also provide additional guidelines for estimating fair value in accordance with fair value accounting. The first update, as codified in ASC-820 (formerly FASB Staff Positions ("FSP") No.157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*), provides additional guidelines for estimating fair value in accordance with fair value accounting. The second accounting update, as codified in ASC-320 (formerly FSP No. 115-2, *Recognition and Presentation of Other-Than-Temporary Impairments)*, changes accounting requirements for other-than-temporary-impairment (OTTI) for debt securities by replacing the current requirement that a holder have the positive intent and ability to hold an impaired security to recovery in order to conclude an impairment was temporary with a requirement that an entity conclude it does not intend to sell an impaired security and it will not be required to sell the security before the recovery of its amortized cost basis. The third accounting update, as codified in ASC-825 (formerly Accounting Principles Board ("APB") Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments)*, increases the frequency of fair value disclosures. These updates were effective for fiscal years and interim periods ended after June 15, 2009. The adoption of these accounting updates has not had a significant impact on our consolidated financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Like virtually all commercial enterprises, we can be exposed to the risk ("market risk") that the cash flows to be received or paid relating to certain financial instruments could change as a result of changes in interest rate, exchange rates, commodity prices, equity prices and other market changes.

Our operations are not subject to risks of material foreign currency fluctuations, nor do we use derivative financial instruments in our investment practices. We place our marketable investments in instruments that meet high credit quality standards. We do not expect material losses with respect to our investment portfolio or excessive exposure to market risks associated with interest rates. The impact on our results of one percentage point change in short-term interest rates would not have a material impact on our future earnings, fair value, or cash flows related to investments in cash equivalents or interest-earning marketable securities.

Current economic conditions may cause a decline in business and consumer spending which could adversely affect our business and financial performance including the collection of accounts receivables, realization of inventory and recoverability of assets. In addition, our business and financial performance may be adversely affected by current and future economic conditions, including a reduction in the availability of credit, financial market volatility and recession.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of The Quigley Corporation

We have audited the accompanying consolidated balance sheets of The Quigley Corporation and Subsidiaries as of December 31, 2009 and 2008, and the related statements of operations, stockholders' equity, and cash flows for each of the three years ended December 31, 2009. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 The Quigley Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

/S/ Amper, Politziner & Mattia LLP

Edison, New Jersey
March 24, 2010

THE QUIGLEY CORPORATION

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31,	
	2009	2008
ASSETS		
Cash and cash equivalents (Note 2)	$ 12,801	$ 11,957
Accounts receivable, net of doubtful accounts of $23 and $131, respectively (Note 2)	2,086	4,524
Inventory, net (Note 2)	1,405	3,001
Prepaid expenses and other current assets	803	1,184
Assets held for sale (Notes 2 and 4)	138	—
Total current assets	17,233	20,666
Property, plant and equipment, net of accumulated depreciation of $3,155 and $4,870, respectively (Note 4)	2,572	3,668
Other assets	12	35
	$ 19,817	$ 24,369
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable	$ 482	$ 694
Accrued royalties and sales commissions (Note 5)	3,787	3,792
Accrued advertising	731	1,306
Other current liabilities	758	803
Total current liabilities	5,758	6,595
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' EQUITY		
Common Stock, $.0005 par value; authorized 50,000,000; Issued: 17,679,436 and 17,554,436 shares, respectively (Note 8)	9	9
Additional paid-in-capital	37,726	37,599
Retained earnings	1,512	5,354
Treasury stock, at cost, 4,646,053 and 4,646,053 shares, respectively	(25,188)	(25,188)
	14,059	17,774
	$ 19,817	$ 24,369

See accompanying notes to consolidated financial statements

THE QUIGLEY CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,		
	2009	2008	2007
Net sales (Notes 2 and 15)	$ 19,816	$ 20,507	$ 28,241
Cost of sales (Note 2)	8,247	9,094	9,685
Gross profit	11,569	11,413	18,556
Operating expenses:			
Sales and marketing	4,852	5,958	4,995
Administration	9,344	7,943	9,627
Research and development (Note 2)	1,308	4,241	6,482
Total operating expense	15,504	18,142	21,104
Loss from operations	(3,935)	(6,729)	(2,548)
Other income (expense)			
Interest income	9	320	692
Total other income	9	320	692
Loss from continuing operations before taxes	(3,926)	(6,409)	(1,856)
Income tax expense (benefit) (Note 10)	(84)	—	—
Loss from continuing operations	(3,842)	(6,409)	(1,856)
Discontinued operations (Note 3)			
Gain on disposal of health and wellness operations	—	736	—
Income (loss) from discontinued operations	—	139	(602)
Net loss	$ (3,842)	$ (5,534)	$ (2,458)
Earnings (loss) per common share:			
Loss from continuing operations	$ (0.30)	$ (0.50)	$ (0.14)
Income (loss) from discontinued operations	—	0.07	(0.05)
Net loss	$ (0.30)	$ (0.43)	$ (0.19)
Diluted earnings (loss) per common share:			
Loss from continuing operations	$ (0.30)	$ (0.50)	$ (0.14)
Income (loss) from discontinued operations	—	0.07	(0.05)
Net loss	$ (0.30)	$ (0.43)	$ (0.19)
Weighted average common shares outstanding:			
Basic	12,963	12,878	12,729
Diluted	12,963	12,878	12,729

See accompanying notes to consolidated financial statements

THE QUIGLEY CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock Shares	Par Value	Additional Pain-In Capital	Retained Earnings (Deficit)	Treasury Stock	Total
Balance at December 31, 2006	12,684,633	$ 9	$37,362	$13,346	$(25,188)	$ 25,529
Net loss				(2,458)		(2,458)
Proceeds from exercise of stock options	168,500		173			173
Tax benefits from exercise of stock options			154			154
Tax benefit allowance			(154)			(154)
Balance at December 31, 2007	12,853,133	9	37,535	10,888	(25,188)	23,244
Net loss				(5,534)		(5,534)
Proceeds from exercise of stock options	55,250		64			64
Tax benefits from exercise of stock options			68			68
Tax benefit allowance			(68)			(68)
Balance at December 31, 2008	12,908,383	9	37,599	5,354	(25,188)	17,774
Net loss				(3,842)		(3,842)
Proceeds from exercise of stock options	125,000		127			127
Tax benefits from exercise of stock options			88			88
Tax benefit allowance			(88)			(88)
Balance at December 31, 2009	13,033,383	$ 9	$37,726	$ 1,512	$(25,188)	$ 14,059

See accompanying notes to consolidated financial statements

THE QUIGLEY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net loss	$ (3,842)	$ (5,534)	$ (2,458)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Impairment charge	74	100	—
Depreciation and amortization	522	745	996
Gain on disposal of health and wellness operations		(736)	—
Loss on the sales of fixed assets	104	17	20
Sales allowance and provision for bad debts	(47)	1,283	(298)
Inventory valuation provision	633	832	438
(Increase) decrease in assets and liabilities:			
Accounts receivable	2,485	778	182
Inventory	963	323	(987)
Prepaid expenses and other current assets	381	(353)	(48)
Other assets	9	53	83
Accounts payable	(212)	311	(348)
Accrued royalties and sales commissions	(5)	41	328
Accrued advertising	(575)	(63)	(770)
Other current liabilities	(45)	(1,847)	1,551
Net cash provided by (used in) operating activities	445	(4,050)	(1,311)
Cash flows from investing activities:			
Proceeds for the sale of health and wellness operations	—	1,000	—
Capital expenditures	(208)	(200)	(533)
Proceeds from the sale of fixed assets	480	10	—
Net cash flows provided by (used in) investing activities	272	810	(533)
Cash flows from financing activities:			
Stock options and warrants exercised	127	64	173
Net cash provided by financing activities	127	64	173
Net increase (decrease) in cash and cash equivalents	844	(3,176)	(1,671)
Cash and cash equivalents at beginning of period	11,957	15,133	17,757
Less: cash and cash equivalents of discontinued operations at end of period reported as a component assets of discontinued operations	—	—	(953)
Cash and cash equivalents at end of period	$12,801	$11,957	$15,133
Supplemental disclosures of cash flow information:			
Interest	$ —	$ —	$ —
Taxes	$ 43	$ —	$ —

See accompanying notes to consolidated financial statements

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND BUSINESS

The Quigley Corporation ("we", "us" or the "Company"), organized under the laws of the State of Nevada, is a manufacturer, marketer and distributor of a diversified range of homeopathic and health products that are offered to the general public. We are also engaged in the research and development of potential natural base health products along with supplements and cosmeceuticals for human and veterinary use.

Our primary business is currently the manufacture, distribution, marketing and sale of over-the-counter ("OTC") cold remedy products to consumers through national chain, regional, specialty and local retail stores. One of our principal products is Cold-EEZE®, a zinc gluconate glycine product proven in clinical studies to reduce the duration and severity of the common cold symptoms by nearly half. Cold-EEZE® is an established product in the health care and cold remedy market. For Fiscal 2009, Fiscal 2008 and Fiscal 2007 (as each is defined below), our revenues from continuing operations have come principally from our cold remedy products.

Prior to Fiscal 2009, we were organized into three business segments: (i) cold remedy, (ii) contract manufacturing and (iii) ethical pharmaceutical. We historically managed each of our segments separately as a consequence of different marketing, manufacturing and/or research and development strategies. Following a strategic review, as described further below, completed in the fourth quarter of Fiscal 2009, we realigned our operations to focus principally in the research, development, manufacture, marketing and sale of OTC cold remedy and consumer products, natural base health products and other supplements and cosmeceuticals for human and veterinary use. As a consequence of our strategic review, as of December 31, 2009, we are engaged principally in the OTC/Personal Care marketplace segment.

Our strategic review included a review and evaluation of (i) evolving market conditions for OTC cold remedy opportunities in respect of our current product offerings, (ii) our manufacturing and distribution operations and capacity, (iii) product line financial performance criteria current returns on investment and marketing strategy, (iv) current research and development initiatives and (v) opportunities to develop prescription pharmaceutical and new OTC products. As a result of our strategic review, management determined that it is in our best interests to focus primarily on the OTC/Personal Care marketplace, which may include but is not limited to our Cold-EEZE® and Kids-EEZE® brands, as well as other homeopathic, dietary supplement, cosmetic, cosmeceutical, first aid, functional food and beverage products. We also determined to curtail further investment in certain products under development by our wholly owned subsidiary, Quigley Pharma, Inc. ("Pharma"), in light of our view concerning market opportunities, regulatory pathways, the need for further robust and consistent preclinical and clinical testing and continued requirements in the areas of commercial formulation and development.

We use a December 31 year-end for financial reporting purposes. References herein to the fiscal year ended December 31, 2009 shall be the term "Fiscal 2009" and references to other "Fiscal" years shall mean the year, which ended on December 31 of the year indicated. The term the "we", "us" or the "Company" as used herein also refer, where appropriate, to the Company, together with its subsidiaries unless the context otherwise requires.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements ("Financial Statements") include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated. Effective March 31, 2004, the financial statements include consolidated variable interest entities ("VIEs") of which we are the primary beneficiary (see Note 13).

Seasonality of the Business

Our net sales are derived principally from our cold remedy products. Currently, our sales are influenced by and subject to fluctuations in the timing of purchase and the ultimate level of demand for our products which are a function of the timing, length and severity of each cold season. Generally, a cold season is defined as the period of September to March when the incidence of the common cold rises as a consequence of the change in weather and other factors. We generally experience in the fourth quarter higher levels of net sales along with a

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

corresponding increase in marketing and advertising expenditures designed to promote its products during the cold season. Revenues and related marketing costs are generally at their lowest levels in the second quarter when consumer demand generally declines. We track health and wellness trends and develop retail promotional strategies to align our production scheduling, inventory management and marketing programs to optimize consumer purchases.

Use of Estimates

The preparation of the Financial Statements and the accompanying notes thereto, in conformity with generally accepted accounting principles in the United States ("GAAP"), requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the respective reporting periods. Examples include the provision for bad debt, sales returns and allowances, inventory obsolescence, useful lives of property and equipment and intangible assets, impairment of property and equipment and intangible assets, income tax valuations and assumptions related to accrued advertising. When providing for the appropriate sales returns, allowances, cash discounts and cooperative incentive promotion costs ("Sales Allowances"), we apply a uniform and consistent method for making certain assumptions for estimating these provisions. These estimates and assumptions are based on historical experience, current trends and other factors that management believes to be relevant at the time the financial statements are prepared. Management reviews the accounting policies, assumptions, estimates and judgments on a quarterly basis. Actual results could differ from those estimates.

Our primary product, Cold-EEZE®, utilizes a proprietary zinc formulation which has been clinically proven to reduce the severity and duration of common cold symptoms. Accordingly, factors considered in estimating the appropriate sales returns and allowances for this product include it being (i) a unique product with limited competitors, (ii) competitively priced, (iii) promoted, (iv) unaffected for remaining shelf-life as there is no product expiration date, and (v) monitored for inventory levels at major customers and third-party consumption data. We added new products to our OTC Personal Care marketplace segment in Fiscal 2007 and Fiscal 2008 such as ISC-10 Immune, Organix Organic Cough and Sore Throat Drops and Kids-EEZE® Chest Relief. Each of these new products do carry shelf-life expiration dates for which we aggregate such new product market experience data and updates our sales returns and allowances estimates accordingly. Sales Allowances estimates are tracked at the specific customer and product line levels and are tested on an annual historical basis, and reviewed quarterly. Additionally, the monitoring of current occurrences, developments by customer, market conditions and any other occurrences that could affect the expected provisions relative to net sales for the period presented are also performed.

Cash Equivalents

We consider all highly liquid investments with an initial maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents include cash on hand and monies invested in money market funds. The carrying amount approximates the fair market value due to the short-term maturity of these investments.

Inventories

Inventory is valued at the lower of cost, determined on a first-in, first-out basis (FIFO), or market. Inventory items are analyzed to determine cost and the market value and appropriate valuation reserves are established. At December 31, 2009 and 2008, the Financial Statements include an allowance for excess or obsolete inventory of $1.8 million and $1.2 million, respectively. At December 31, 2009 and 2008, inventory included raw material, work in progress and packaging amounts of $610,000 and $975,000, respectively, and finished goods of $795,000 and $2.0 million, respectively.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. We use a combination of straight-line and accelerated methods in computing depreciation for financial reporting purposes. The annual provision for depreciation has been computed in accordance with the estimated asset lives.

Concentration of Risks

Future revenues, costs, margins, and profits will continue to be influenced by our ability to maintain our manufacturing availability and capacity together with our marketing and distribution capabilities and the requirements associated with the development of OTC Personal Care products in order to continue to compete on a national and/or international level.

Our business is subject to federal and state laws and regulations adopted for the health and safety of users of our products. Cold-EEZE® is a homeopathic remedy that is subject to regulations by various federal, state and local agencies, including the Food and Drug Administration ("FDA") and the Homeopathic Pharmacopoeia of the United States.

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

We maintain cash and cash equivalents with several major financial institutions. As of December 31, 2009, our cash and bank balance was $12.8 million. Of the total bank balance, $7.7 million was covered by federal depository insurance and $5.1 million was uninsured.

Trade accounts receivable potentially subjects us to credit risk. We extend credit to our customers based upon an evaluation of the customer's financial condition and credit history and generally we do not require collateral. Our broad range of customers includes many large wholesalers, mass merchandisers and multi-outlet pharmacy and chain drug store (see Note 15). During Fiscal 2009, 2008 and 2007, effectively all of our revenues were related to domestic markets.

Our revenues are principally generated from the sale of the cold remedy products which approximated 92%, 89% and 91% of total revenues for Fiscal 2009, 2008 and 2007, respectively. A significant portion of our business is highly seasonal, which causes major variations in operating results from quarter to quarter. The third and fourth quarters generally represent the largest sales volume for the OTC cold remedy products.

Raw materials used in the production of the products are available from numerous sources. Certain raw material active ingredients used in connection with the Cold-EEZE® product are purchased from a single unaffiliated supplier. Should the relationship terminate or the vendor become unable supply material, we believe that the current contingency plans would prevent a termination from materially affecting our operations. However, if the relationship was terminated, there may be delays in production of our products until an acceptable replacement supplier is located.

Long-lived Assets

We review our 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 undiscounted cash flows. In Fiscal 2009 and 2008, we recognized impairment charges of $74,000 and $100,000, respectively, principally for the land and building assets of our Elizabethtown manufacturing. As of December 31, 2009, the Elizabethtown land and building assets are reported as an asset held for sale at fair value, less the cost of disposal.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Revenue Recognition

Sales are recognized at the time ownership is transferred to the customer. Revenue is reduced for trade promotions, estimated sales returns, cash discounts and other allowances in the same period as the related sales are recorded. We make estimates of potential future product returns and other allowances related to current period revenue. We analyze historical returns, current trends, and changes in customer and consumer demand when evaluating the adequacy of the sales returns and other allowances.

We do not impose a period of time within which product may be returned. All requests for product returns must be submitted to us for pre-approval. The main components of our returns policy are: (i) we will accept returns that are due to damaged product that is un-saleable and such return request activity fall within an acceptable range, (ii) we will accept returns for products that have reached or exceeded designated expiration dates and (iii) we will accept returns in the event that we discontinue a product provided that the customer will have the right to return only such items that it purchased directly from us. We will not accept return requests pertaining to customer inventory "Overstocking" or "Resets". We will only accept return requests for product in its intended package configuration. We reserve the right to terminate shipment of product to customers who have made unauthorized deductions contrary to our return policy or pursue other methods of reimbursement. We compensate the customer for authorized returns by means of a credit applied to amounts owed or to be owed and in the case of discontinued product only, also by way of an exchange. We do not have any significant product exchange history.

As of December 31, 2009, we included a provision for sales allowances of $1.5 million for future sales returns and $127,000 for other allowances which is reported as a reduction to accounts receivable. As of December 31, 2008, we included a provision for sales allowances of $1.4 million for future sales returns and $154,000 for other allowances which is reported as a reduction to accounts receivable. Additionally, current liabilities as of December 31, 2009 and December 31, 2008 include $586,000 and $1.1 million, respectively, for cooperative incentive promotion costs. We also included an estimate of the uncollectability of our accounts receivable as an allowance for doubtful accounts of $23,000 and $131,000 as of December 31, 2009 and December 31, 2008, respectively.

Cost of Sales

Pursuant to certain contract terms, we charged to cost of sales certain contingent royalty and consulting payments, calculated based upon net sales collected by us, to the then patent holders and the developers of the zinc gluconate glycine product formulation use in Cold-EEZE® (see Notes 5 and 7). The last remaining agreements expired in Fiscal 2007. We charged to cost of sales $293,000 in Fiscal 2007.

Shipping and Handling

Product sales carry shipping and handling charges to the purchaser, included as part of the invoiced price, which is classified as revenue. In all cases costs related to this revenue are recorded in cost of sales.

Stock Compensation

Stock options and warrants for purchase of our common stock, $0.0005 par value ("Common Stock") have been granted to both employees and non-employees since the date we became publicly traded. Options and warrants are exercisable during a period determined by us, but in no event later than ten years from the date granted. No stock options were granted to employees and non-employees in Fiscal 2009, 2008 or 2007.

Advertising and Incentive Promotions

Advertising and incentive promotion costs are expensed within the period in which they are utilized. Advertising and incentive promotion expense is comprised of media advertising, presented as part of sales and marketing expense; co-operative incentive promotions and coupon program expenses, which are accounted for as part of net sales; and free product, which is accounted for as part of cost of sales. Advertising and incentive promotion costs incurred for Fiscal 2009, 2008 and 2007 were $5.8 million, $7.7 million, and $7.3 million,

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

respectively. Included in prepaid expenses and other current assets was $170,000 and $242,000 at December 31, 2009 and 2008, respectively, relating to prepaid advertising and promotion expenses.

Research and Development

Research and development costs are charged to operations in the period incurred. Expenditures for Fiscal 2009, 2008 and 2007 were $1.3 million, $4.2 million and $6.5 million, respectively. Principally, research and development costs are related to Pharma's study activities, new product development initiatives and costs associated with Cold-EEZE®.

Income Taxes

We utilize the asset and liability approach which requires the recognition of deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, we generally consider 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 (see Note 10).

We utilize a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than fifty percent likely of being realized upon ultimate settlement.

As a result of our continuing tax losses, we have recorded a full valuation allowance against a net deferred tax asset, except for an alternative minimum tax credit carryforward in the amount of $110,000. Additionally, we have not recorded a liability for unrecognized tax benefits for at December 31, 2009 or 2008.

The major jurisdiction for which we file income tax returns is the United States. The Internal Revenue Service ("IRS") has examined our tax year ended September 30, 2005 and has made no changes to the filed tax returns. The tax years 2006 and forward remain open to examination by the IRS. The tax years 2004 and forward remain open to examination by the various state taxing authorities to which we are subject.

Effective December 31, 2009, we elected to conform our tax reporting year, historically a fiscal period ending September 30, to our financial reporting period ending December 31. As a consequence, we will file a full period tax return for the fiscal year ended September 30, 2009 with the IRS and will also file with the IRS a "short period return" for the three months ended December 31, 2009 in compliance with the election. In future fiscal periods, our tax and financial reporting periods will be the same, the period ending December 31.

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable and accounts payable are reflected in the Financial Statements at carrying value which approximates fair value because of the short-term maturity of these instruments. Determination of the fair value of related party payables, if any, is not practicable due to their related party nature.

Recently Issued Accounting Standards

Effective July 2009, we adopted the "FASB Accounting Standards Codification" and the Hierarchy of Generally Accepted Accounting Principles (ASC-105). This standard establishes only two levels of U.S. generally accepted accounting principles ("GAAP"), authoritative and nonauthoritative. The Financial Accounting Standard Board ("FASB") Accounting Standards Codification (the "Codification") became the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became nonauthoritative. We began using the new guidelines and numbering system

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

prescribed by the Codification when referring to GAAP for the three months and nine months ended September 30, 2009. As the Codification was not intended to change or alter existing GAAP, it did not have any impact on our consolidated financial statements.

In February 2008, the FASB issued an accounting standard update that delayed the effective date of fair value measurements accounting for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008. These include goodwill and other non-amortizable intangible assets. We adopted this accounting standard update effective January 1, 2009. The adoption of this update to non-financial assets and liabilities, as codified in ASC-820, has not had a significant impact on our consolidated financial position, results of operations or cash flows.

In November 2008, the SEC issued for comment a proposed roadmap regarding the potential use by U.S. issuers of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board (IASB). Under the proposed roadmap, we could be required in fiscal 2014 to prepare financial statements in accordance with IFRS. The SEC will make a determination in 2011 regarding the mandatory adoption of IFRS. We are currently assessing the impact that this potential change would have on our consolidated financial statements and we will continue to monitor the development of the potential implementation of IFRS.

Effective January 2009, we adopted a new accounting standard update regarding business combinations. As codified under ASC-805, this update requires an entity to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred; that restructuring costs generally be expensed in periods subsequent to the acquisition date; and that changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period be recognized as a component of provision for taxes. In addition, acquired in-process research and development is capitalized as an intangible asset and amortized over its estimated useful life. With the adoption of this accounting standard update, any tax related adjustments associated with acquisitions that closed prior to January 1, 2009 will be recorded through income tax expense, whereas the previous accounting treatment would require any adjustment to be recognized through the purchase price. This accounting standard update applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of these accounting updates has not had a significant impact on our consolidated financial position, results of operations or cash flows.

Effective January 2009, we adopted an accounting standard which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary, as codified in ASC-810. This accounting standard states that accounting and reporting for minority interests are to be recharacterized as noncontrolling interests and classified as a component of equity. The calculation of earnings per share continues to be based on income amounts attributable to the parent. The adoption of these accounting updates has not had a significant impact on our consolidated financial position, results of operations or cash flows.

Effective January 2009, we adopted an accounting standard update regarding the determination of the useful life of intangible assets. As codified in ASC-350, this update amends the factors considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under intangibles accounting. It also requires a consistent approach between the useful life of a recognized intangible asset under prior business combination accounting and the period of expected cash flows used to measure the fair value of an asset under the new business combinations accounting (as currently codified under ASC-850). The update also requires enhanced disclosures when an intangible asset's expected future cash flows are affected by an entity's intent and/or ability to renew or extend the arrangement. The adoption of these accounting updates has not had a significant impact on our consolidated financial position, results of operations or cash flows.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Effective January 2009, we adopted a new accounting standard update from the Emerging Issues Task Force ("EITF") consensus regarding the accounting of defensive intangible assets. This update, as codified in ASC-350, clarifies accounting for defensive intangible assets subsequent to initial measurement. It applies to acquired intangible assets which an entity has no intention of actively using, or intends to discontinue use of, the intangible asset but holds it to prevent others from obtaining access to it (i.e. a defensive intangible asset). Under this update, a consensus was reached that an acquired defensive asset should be accounted for as a separate unit of accounting (i.e., an asset separate from other assets of the acquirer); and the useful life assigned to an acquired defensive asset should be based on the period during which the asset would diminish in value. The adoption of this accounting update has not had a significant impact on our consolidated financial position, results of operations or cash flows.

Effective April 2009, we adopted a new accounting standard for subsequent events, as codified in ASC-855. The update modifies the names of the two types of subsequent events either as recognized subsequent events (previously referred to in practice as Type I subsequent events) or non-recognized subsequent events (previously referred to in practice as Type II subsequent events). In addition, the standard modifies the definition of subsequent events to refer to events or transactions that occur after the balance sheet date, but before the financial statements are issued (for public entities) or available to be issued (for nonpublic entities). It also requires the disclosure of the date through which subsequent events have been evaluated. The update did not result in significant changes in the practice of subsequent event disclosures, and therefore the adoption has not had a significant impact on our consolidated financial position, results of operations or cash flows. As a consequence of the adoption of ASC-855, we have evaluated and disclosed subsequent events relating to the year ended December 31, 2009 in our Financial Statements.

Effective April 2009, we adopted three accounting standard updates which were intended to provide additional application guidance and enhanced disclosures regarding fair value measurements and impairments of securities. They also provide additional guidelines for estimating fair value in accordance with fair value accounting. The first update, as codified in ASC-820 (formerly FASB Staff Positions ("FSP") No.157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*), provides additional guidelines for estimating fair value in accordance with fair value accounting. The second accounting update, as codified in ASC-320 (formerly FSP No. 115-2, *Recognition and Presentation of Other-Than-Temporary Impairments)*, changes accounting requirements for other-than-temporary-impairment (OTTI) for debt securities by replacing the current requirement that a holder have the positive intent and ability to hold an impaired security to recovery in order to conclude an impairment was temporary with a requirement that an entity conclude it does not intend to sell an impaired security and it will not be required to sell the security before the recovery of its amortized cost basis. The third accounting update, as codified in ASC-825 (formerly Accounting Principles Board ("APB") Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments)*, increases the frequency of fair value disclosures. These updates were effective for fiscal years and interim periods ended after June 15, 2009. The adoption of these accounting updates has not had a significant impact on our consolidated financial position, results of operations or cash flows.

NOTE 3 — DISCONTINUED OPERATIONS

On February 29, 2008, we sold our wholly owned subsidiary, Darius International, Inc. ("Darius"), the former health and wellness segment, to InnerLight Holdings, Inc. ("InnerLight"). On February 29, 2008, Mr. Kevin P. Brogan, the then president of Darius was a significant shareholder of InnerLight. In addition, Mr. Gary Quigley, then an employee and stockholder of the Company and also the brother of Mr. Guy Quigley, our then Chairman, President and Chief Executive Officer (as well as a shareholder), became a significant shareholder of InnerLight either before or shortly after the sale of Darius. Mr. Gary Quigley was also a principal

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 — DISCONTINUED OPERATIONS – (continued)

of Scandasystems, Ltd. ("Scandasystems") (see Note 12), which entered into an agreement to receive royalties from InnerLight. The results and balances associated with Darius are presented as discontinued operations in the consolidated statements of operations.

We formed Darius in 2000 to market health and wellness products. The terms of the sale agreement include a cash purchase price of $1.0 million by InnerLight for the stock of Darius and its subsidiaries without guarantees, warranties or indemnifications. We recorded a gain on the disposal of Darius of $736,000, as a result of sales proceeds of $1.0 million less residual investment of $5,000 and net assets of Darius of $259,000 on the date of sale.

Sales attributable to Darius from January 1, 2008 until date of disposal on February 29, 2008 and for Fiscal 2007 were $2.2 million and $11.3 million, respectively. Net income (loss) from January 1, 2008 until date of disposal on February 29, 2008, and for Fiscal 2007 were $139,000 and ($602,000), respectively, Financial results from operations of Darius are presented as discontinued operations in the consolidated statements of operations and cash flows.

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

The components of property and equipment are as follows (in thousands):

	December 31,		Estimated Useful Life
	2009	2008	
Land	$ 504	$ 539	
Buildings and improvements	2,281	2,692	20 – 39 years
Machinery and equipment	2,535	4,933	5 – 7 years
Computer software	215	135	3 years
Furniture and fixtures	192	239	5 years
	5,727	8,538	
Less: Accumulated depreciation	3,155	4,870	
	$ 2,572	$ 3,668	

On February 2, 2009, we announced our intention to close our production facility in Elizabethtown, Pennsylvania and consolidate our manufacturing operations at our Lebanon, Pennsylvania facility. Effective in June 2009, the Elizabethtown facility was closed. As of December 31, 2009, the Elizabethtown land and building assets are reported as an asset held for sale.

Depreciation expense for Fiscal 2009, 2008 and 2007 was $522,000, $745,000, and $996,000, respectively. In addition, we charged to operations $60,000 and $100,000 in Fiscal 2009 and 2008 representing impairment costs of certain fixed assets at the Elizabethtown, Pennsylvania, manufacturing facility.

NOTE 5 — PATENT RIGHTS AND RELATED ROYALTY COMMITMENTS

We have maintained a separate representation and distribution agreement relating to the development of the zinc gluconate glycine product formulation. In return for exclusive worldwide distribution rights, we agreed to pay the developer a 3% royalty and a 2% consulting fee based on sales collected, less certain deductions, throughout the term of this agreement, which expired May 2007. However, we and the developer are in litigation (see Note 7) and as such no potential offset for these fees from such litigation has been recorded. In Fiscal 2007, the final year of the agreement, we charged to operations $293,000 for royalty and consulting fees. The amount accrued for this expense at each of December 31, 2009 and 2008 was $3.5 million.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 — OTHER CURRENT LIABILITIES

At December 31, 2009 and 2008, other current liabilities include $386,000 and $215,000, respectively, related to accrued compensation.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Certain operating leases for office and warehouse space maintained by us resulted in rent expense for the Fiscal 2009, 2008 and 2007 of $44,000, $53,000 and $68,000, respectively. We have approximate future obligations over the next five years as follows (in thousands):

Year	Employment Contracts	Advertising[1]	Product and Other Purchases	Total
2010	$ 1,075	$ 235	$ 660	$ 1,970
2011	1,075	—	—	1,075
2012	582	—	—	582
2013	—	—	—	—
2014	—	—	—	—
Total	$ 2,732	$ 235	$ 660	$ 3,627

(1) Additional advertising and research and development costs are expected to be incurred during Fiscal 2010.

In July 2008, we entered into an agreement with a vendor to purchase a minimum order of product, initially over a three year period, incorporating a patented, proprietary delivery system. This agreement was amended, first in July 2009 and further amended in February 2010 resulting in, but not limited to, (i) a reduction in the (a) term of agreement and (b) purchase commitment, and (ii) reformulation of the flavor of the product. In addition, a new agreement was entered into in February of 2010 for the development of two new products. The aggregate purchase commitment under the term of these agreements, as amended, was $660,000 at December 31, 2009.

On July 2, 2008, we entered into an agreement with Dr. Richard Rosenbloom, the then Executive Vice President and Chief Operating Officer of Pharma, whereby we agreed to compensate Dr. Rosenbloom for assigning, to us, the entire right, title and interest in and to Dr. Rosenbloom's concepts and/or inventions ("Inventions") made prior to the date he became an employee of the Company. In consideration of, and as full compensation for, the covenants made in the agreement, we agreed to pay Dr. Rosenbloom compensation in the amount of five percent (5%) of net sales collected, less certain deductions, of royalty bearing products developed as a consequence of the Inventions. Effective October 22, 2009, the employment of Dr. Rosenbloom was terminated when the position of Executive Vice President of Pharma was eliminated. In November 2009, we and Dr. Rosenbloom entered into an Assignment and Release Agreement which, among other matters, provided for (i) the payment of $120,000 to Dr. Rosenbloom which was charged to operations in Fiscal 2009 and (ii) Dr. Rosenbloom waived and released (a) any and all claims, rights, title or interest in the Inventions, including, but not limited to, any ownership interest in the Inventions and (b) claims for any future royalty compensation.

In August, 2009, we entered into a standard form of indemnity agreement with each member of our Board of Directors Mr. Ted Karkus, our Chairman and Chief Executive Officer, and Mr. Robert V. Cuddihy, Jr., our Chief Operating Officer. These agreements provide, among other things, that we will indemnify each director, Mr. Karkus and Mr. Cuddihy in the event that they become a party or otherwise a participant in any action or proceeding on account of their service as a director or officer of the Company (or service for another corporation or entity in any capacity at the request of the Company) to the fullest extent permitted by applicable law. Under the indemnity agreement, we will pay, in advance of the final disposition of any such action or proceeding, expenses (including attorneys' fees) incurred by our directors or officers in defending or otherwise responding to such action or proceeding upon receipt of a written undertaking from the directors or officers to repay the amount advanced consistent with applicable law in the event that a court shall ultimately determine that he or she is not entitled to be indemnified for such expenses. The contractual rights to indemnification provided by the indemnity

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 — COMMITMENTS AND CONTINGENCIES – (continued)

agreements are subject to the limitations and conditions specified in the agreements, and are in addition to any other rights each director and officer may have under our Articles of Incorporation and Amended and Restated Bylaws, each as amended from time to time, and applicable law.

On August 19, 2009, we entered into employment agreements, effective as of July 15, 2009, with each of Mr. Karkus and Mr. Cuddihy.

Pursuant to the terms of Mr. Karkus' employment agreement, which has a three year term, Mr. Karkus (i) will earn a salary of $750,000 per year as Chief Executive Officer, (ii) will receive regular benefits routinely provided to our senior executives and (iii) is eligible to receive an annual increase in base salary and may be awarded a bonus, payable in cash or stock, each in the sole discretion of the Board of Directors. Mr. Karkus is also subject to non-competition restrictions for the entire duration of the agreement and for a period of 18 months thereafter. In the event of the termination by the Company of the employment of Mr. Karkus without cause or due to a voluntary resignation by him without Good Reason (as defined in the agreement), Mr. Karkus will be paid a lump sum severance payment in cash equal to the greater of (A) the amount equal to 18 months base salary or (B) the amount equal to the his base salary for the remainder of the term as if the agreement had not been terminated. Additionally, Mr. Karkus is entitled to receive a lump sum severance payment in cash equal to the greater of A or B, if he, within 24 months of a Change in Control (as defined in the agreement) of the Company, is terminated without cause or due to a voluntary resignation by him without Good Reason (as defined in the agreement).

Pursuant to the terms of Mr. Cuddihy's employment agreement, which has a three year term, Mr. Cuddihy (i) will earn a salary of $275,000 per year as Chief Operating Officer, (ii) will receive regular benefits routinely provided to our senior executives, (iii) is eligible to receive an annual increase in base salary and may be awarded a bonus, payable in cash or stock, each in the sole discretion of the Board of Directors and (iv) will receive an annual grant of shares of Common Stock that is equal to $50,000, payable quarterly, promptly following the close of each quarter. The value of the shares is calculated based on the average closing price of our shares for the last five (5) trading days of the quarter in which the shares are earned. Mr. Cuddihy is also subject to non-competition restrictions for the entire duration of the agreement and for a period of 18 months thereafter. In the event of the termination by the Company of the employment of Mr. Cuddihy without cause or due to a voluntary resignation by him without Good Reason (as defined in the agreement), Mr. Cuddihy will be paid a lump sum severance payment in cash equal to the greater of (Y) the amount equal to 18 months of base salary plus $50,000, or (Z) the amount equal to base salary, plus any amounts owed to Mr. Cuddihy under Section 4(c) of the agreement with respect to the grant of shares equal to $50,000 per year, owed throughout the remainder of the term as if the agreement had not been terminated. Additionally, Mr. Cuddihy is entitled to receive a lump sum severance payment in cash equal to the greater of Y or Z, if he, within 24 months of a Change in Control (as defined in the agreement) of the Company, is terminated without cause or due to a voluntary resignation by him without Good Reason (as defined in the agreement).

THE QUIGLEY CORPORATION VS. JOHN C. GODFREY, ET AL.

This action was commenced by us in November 2004 in the Court of Common Pleas of Bucks County, Pennsylvania, against John C. Godfrey, Nancy Jane Godfrey, and Godfrey Science and Design, Inc. for injunctive relief regarding the Cold-EEZE® trade name and trademark; injunctive relief relating to the Cold-EEZE® formulations and manufacturing methods; injunctive relief for breach of the duty of loyalty, and declaratory judgment pending our payment of commissions to defendants. Our complaint is based in part upon the Exclusive Representation and Distribution Agreement and the Consulting Agreement (together the "Agreements") entered into between us and the defendants. We have terminated the Agreements due to the defendants' alleged material breaches of the Agreements. Defendants have answered the complaint and asserted counterclaims against us seeking remedies relative to the Agreements. We believe that the defendants' counterclaims are without merit and are vigorously defending those counterclaims and are prosecuting its action on the complaint.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 — COMMITMENTS AND CONTINGENCIES – (continued)

Pre-trial discovery is complete. Defendants moved for partial summary judgment, and we filed a response and cross-motion for summary judgment. On August 21, 2008, the court denied both motions for summary judgment. The case has not been assigned to a trial calendar, although it is possible that the case will be listed for trial in 2010. At this time no prediction as to the outcome of this action can be made.

THE QUIGLEY CORPORATION VS. WACHOVIA INSURANCE SERVICES, INC. AND FIRST UNION

INSURANCE SERVICES AGENCY, INC.

We instituted a Writ of Summons against Wachovia Insurance Services, Inc. and First Union Insurance Services Agency, Inc. on December 8, 2005 in the Court of Common Pleas of Bucks County, Pennsylvania. The purpose of this suit was to maintain an action and toll the statute of limitation against our insurance broker who failed to place excess limits coverage for us for the period from November 29, 2003 until April 6, 2004. As a result of the defendant's failure to place insurance and to notify us thereof, certain pending actions covered by our underlying insurance, which are currently being defended by insurance counsel and the underlying insurance carrier may cause an exhaustion of the underlying insurance for the policy periods ending November 29, 2004 and November 29, 2005. Any case in which an alleged action arose relating to the use of Cold-EEZE® Nasal Spray from November 29, 2003 to April 6, 2004 is not covered by excess insurance.

Our claim against Wachovia Insurance Services, Inc. and First Union Insurance Services Agency, Inc. is for negligence and for equitable insurance for these claims based on our undertaking of certain attorneys' fees and costs of settlement for claims that should have been covered by underlying insurance placed by Wachovia Insurance Services, Inc. At this time no prediction can be made as to the outcome of any action against Wachovia Insurance Services, Inc. and First Union Insurance Services Agency, Inc.

Other Litigation

In the normal course of our business, we are named as defendant in legal proceedings. It is our policy to vigorously defend litigation and/or enter into settlements of claims where management deems appropriate.

NOTE 8 — STOCKHOLDERS' EQUITY AND STOCK COMPENSATION

Stockholder Rights Plan

On September 8, 1998, our Board of Directors declared a dividend distribution of Common Stock Purchase Rights (each individually, a "Right" and collectively, the "Rights") payable to the stockholders of record on September 25, 1998, thereby creating a Stockholder Rights Plan (the "Rights Agreement"). The Plan was amended effective May 23, 2008 ("First Amendment") and further amended effective August 18, 2009 ("Second Amendment"). The Rights Agreement, as amended, provides that each Right entitles the stockholder of record to purchase from the Company that number of common shares having a combined market value equal to two times the Rights exercise price of $45. The Rights are not exercisable until the distribution date, which will be the earlier of a public announcement that a person or group of affiliated or associated persons has acquired 15% or more of the outstanding common shares, or the announcement of an intention by a similarly constituted party to make a tender or exchange offer resulting in the ownership of 15% or more of the outstanding common shares. The dividend has the effect of giving the stockholder a 50% discount on the share's current market value for exercising such right. In the event of a cashless exercise of the Right, and the acquirer has acquired less than 50% beneficial ownership of the Company, a stockholder may exchange one Right for one common share of the Company. The Rights Agreement, as amended, includes a provision pursuant to which our Board of Directors may exempt from the provisions of the Rights Agreement an offer for all outstanding shares of our Common Stock that the directors determine to be fair and not inadequate and to otherwise be in the best interests of the Company and its stockholders, after receiving advice from one or more investment banking firms. The expiration date of the Rights Agreement, as amended, is September 25, 2018.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 — STOCKHOLDERS' EQUITY AND STOCK COMPENSATION – (continued)

Stock Option Exercise

For Fiscal 2009, 2008 and 2007, we derived net proceeds of $127,000, $64,000 and $173,000, respectively, as a consequence of the exercise of options to acquire 125,000, 55,250 and 168,500 shares, respectively, of our Common Stock.

Stock options for purchase of our Common Stock have been granted to both employees and non-employees. Options are exercisable during a period determined by us, but in no event later than ten years from the date granted.

On December 2, 1997, our Board of Directors approved a new Stock Option Plan (the "1997 Option Plan"), which was amended in 2005, and provides for the granting of up to 4.5 million shares of Common Stock. Under the 1997 Option Plan, we were permitted to grant options to employees, officers or directors of the Company at variable percentages of the market value of stock at the date of grant. No incentive stock option could be exercisable more than ten years after the date of grant or five years after the date of grant where the individual owns more than ten percent of the total combined voting power of all classes of stock. Stockholders approved the 1997 Option Plan in Fiscal 1998. No options were granted under this Plan during Fiscal 2009, 2008 or 2007. At December 31, 2009, we are precluded from issuing any additional options or grants in the future under the 1997 Option Plan pursuant to the terms of the plan document. Options previously granted may continue to be available for exercise at any time prior to such options' respective expiration dates. Options outstanding as of December 31, 2009 expire from December 20, 2010 through December 11, 2015, depending upon the date of grant.

A summary of the status of our stock options and warrants granted to both employees and non-employees as of December 31, 2009, 2008 and 2007 and changes during the years then ended is presented below (in thousands, except per share data):

	Year Ended December 31,					
	2009		2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding – beginning of year	2,268	$ 7.76	2,482	$ 7.70	3,597	$ 7.96
Granted	—	—	—	—	—	—
Exercised	(125)	1.01	(55)	1.16	(169)	1.03
Cancelled	(655)	7.02	(159)	9.15	(946)	9.87
Options outstanding – end of year	1,488	$ 8.64	2,268	$ 7.76	2,482	$ 7.70
Exercisable, at end of year	1,488		2,268		2,482	
Available for grant	—		—		—	
Weighted average fair value per share of options granted during year	$ —		$ —		$ —	

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 — STOCKHOLDERS' EQUITY AND STOCK COMPENSATION – (continued)

The following table summarizes information about stock options outstanding and stock options exercisable at December 31, 2009 (in thousands, except remaining life and per share data):

Range of Exercise Prices	Options Outstanding		
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share
$0.81 – $1.26	189	0.6	$ 1.05
$1.27 – $5.19	231	1.0	$ 5.19
$5.20 – 8.11	307	1.4	$ 8.11
$8.12 – $9.50	357	1.7	$ 9.50
$9.51 – $13.80	404	1.5	$ 13.80
Total	1,488		$ 8.64

The total intrinsic value of options exercised during Fiscal 2009, 2008 and 2007 was $226,000, $207,000 and $478,000, respectively. The aggregate intrinsic value of options outstanding and exercisable at December 31, 2009 was $173,000.

NOTE 9 — DEFINED CONTRIBUTION PLANS

We maintain The Quigley Corporation 401(k) Savings and Retirement Plan, a defined contribution plan for our employees. Our contributions to the plan are based on the amount of the employee plan contributions and compensation. Our contributions to the plan in Fiscal 2009, 2008 and 2007 were $141,000, $375,000, and $417,000, respectively.

NOTE 10 — INCOME TAXES

The components of the provision (benefit) for income taxes, in the consolidated statement of operations are as follows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Current			
Federal	$ (84)	$ —	$ —
State	—	—	—
	(84)	—	—
Deferred			
Federal	(2,297)	(2,459)	(111)
State	(61)	(906)	(51)
	(2,358)	(3,365)	(162)
Total	$ (2,442)	$ (3,365)	$ (162)
Income taxes from continuing operations before valuation allowance	(2,442)	(3,365)	$ (162)
Change in valuation allowance	2,358	3,365	162
Income taxes from continuing operations	(84)	—	—
Income taxes from discontinued operations before valuation allowance	—	1,228	89
Change in valuation allowance from discontinued operations	—	(1,228)	(89)
Total	$ (84)	$ —	$ —

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 — INCOME TAXES – (continued)

A reconciliation of the statutory federal income tax expense (benefit) to the effective tax is as follows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Statutory rate – federal	$ (1,335)	$ (2,179)	$ (762)
State taxes, net of federal benefit	(61)	(598)	(33)
Permanent differences and other	(1,046)	(588)	633
Income tax from continuing operation before valuation allowance	(2,442)	(3,365)	(162)
Change in valuation allowance	2,358	3,365	162
Income taxes from continuing operations	(84)	—	—
Income taxes from discontinued operations before valuation allowance	—	1,228	89
Change in valuation allowance	—	(1,228)	(89)
Income taxes from discontinued operations	—	—	—
Total	$ (84)	$ —	$ —

The components of permanent and other differences are as follows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Permanent items:			
Meals and Entertainment	$ 6	$ 6	$ 5
Officers life insurance	9	36	36
Return to accrual for prior year, permanent items	(479)	27	46
Effective rate adjustment[1]	—	(215)	—
Capital loss carryforward utilization[2]	(582)	(442)	—
Deductions for stock options[3]	—	—	546
	$ (1,046)	$ (588)	$ 633

(1) This item represents an adjustment to the overall effective state tax rate due to the addition of multi-jurisdiction tax filings, with recent additions having higher tax rates.

(2) This item represents the utilization for tax purposes of prior year capital losses.

(3) This item relates to tax deductions taken by us for stock options exercised by grantees that were not expensed for financial reporting purposes (vested prior to the adoption of ASC 718) and the true-up between years resulting from our having a tax year ending September 30th and a calendar fiscal year.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 — INCOME TAXES – (continued)

The tax effects of the primary "temporary differences" between values recorded for assets and liabilities for financial reporting purposes and values utilized for measurement in accordance with tax laws giving rise to our deferred tax assets are as follows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Net operating loss, capital loss and tax credit carryforward	$ 10,808	$ 9,008	$ 5,731
Consulting-royalty costs	1,431	1,431	1,739
Depreciation	250	55	110
Other	801	438	1,145
Valuation allowance	(13,290)	(10,932)	(8,725)
Total	$ —	$ —	$ —

A valuation allowance for all of our net deferred tax assets has been provided as we are unable to determine, at this time, that the generation of future taxable income against which the net operating loss ("NOL") and tax credit carryforwards could be used can be predicted to be more likely than not. The net change in the valuation allowance for Fiscal 2009, 2008 and 2007 was $2.4 million, $2.1 million and $0.1 million, respectively. Certain exercises of options and warrants, and restricted stock issued for services that became unrestricted resulted in reductions to taxes currently payable and a corresponding increase to additional-paid-in-capital for prior years. In addition, certain tax benefits for option and warrant exercises totaling $6.9 million are deferred and will be credited to additional-paid-in-capital when the NOL's attributable to these exercises are utilized. As a result, these NOL's will not be available to offset income tax expense. The net operating loss carry-forwards currently approximate $25.7 million for federal purposes will be expiring through 2029. Additionally, there are net operating loss carry-forwards of $20.3 million for state purposes that will be expiring through 2029. Until sufficient taxable income to offset the temporary timing differences attributable to option, warrant and stock activities and alternative minimum tax credits of $26,000 are assured, a valuation allowance has been provided.

As noted above, we have net operating loss carry-forwards for both federal and certain states. However, effective December 31, 2009, we elected to conform our tax reporting year, historically a fiscal period ending September 30, to our financial reporting period ending December 31. As a consequence, we will file a full period tax return for the fiscal year ended September 30, 2009 with the IRS and will also file with the IRS a "short period return" for the three months ended December 31, 2009 in compliance with the election. For Fiscal 2009, we had a current tax benefit of $84,000 for certain federal and state alternative minimum income taxes incurred for the "short period return", inclusive of an alternative minimum tax refund of $110,000 due us as a consequence of a carry back of an alternative minimum tax net operating loss to a prior period. In future fiscal periods, our tax and financial reporting periods will be the same, the period ending December 31.

NOTE 11 — 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.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 — EARNINGS PER SHARE – (continued)

A reconciliation of the applicable numerators and denominators of the income statement periods presented is as follows (in thousands, except per share amounts):

	Year Ended December 31,								
	2009			2008			2007		
	Loss	Shares	EPS	Loss	Shares	EPS	Loss	Shares	EPS
Basic EPS	$(3,842)	12,963	$(0.30)	$(5,534)	12,848	$(0.43)	$(2,458)	12,729	$(0.19)
Dilutives:									
Options/Warrants	—	—	—	—	—	—	—	—	—
Diluted EPS	$(3,842)	12,963	$(0.30)	$(5,534)	12,848	$(0.43)	$(2,458)	12,729	$(0.19)

For Fiscal 2009, 2008 and 2007, diluted earnings per share is the same as basic earnings per share due to (i) the inclusion of common stock, in the form of stock options and warrants ("Common Stock Equivalents"), would have an anti-dilutive effect on the loss per share or (ii) there were no Common Stock Equivalents for the respective period. For Fiscal 2009, 2008 and 2007, there were Common Stock Equivalents in the amount of 133,792, 247,869 and 355,177, respectively, which were in the money, that were excluded in the earnings per share computation due to their dilutive effect.

NOTE 12 — RELATED PARTY TRANSACTIONS

We have sought to acquire sale and distribution licenses for our Cold-EEZE® products in certain countries through related party entities whose stockholders include Mr. Gary Quigley, then an employee of the Company and a relative of our former Chief Executive Officer, Mr. Guy Quigley (see Note 3). We paid fees to a related entity aggregating $46,000 during Fiscal 2007 (see Note 13) to assist with the regulatory aspects of obtaining such licenses. No fees were paid to related parties for Fiscal 2009 or 2008.

We disposed of certain automobiles in Fiscal 2009 and 2008 in the aggregate net book value of $114,000 and $25,000, respectively. The automobiles were purchased by certain former executive officers at our then book value of the automobiles.

NOTE 13 — VARIABLE INTEREST ENTITY

ASC-810 provides guidance for the *Consolidation of Variable Interest Entities* requiring the application by "Public Entities" to all Special Purpose Entities ("SPEs") at the end of the first interim or annual reporting period ending after December 15, 2003. Effective March 31, 2004, we adopted the provisions of ASC-810 for VIE's formed prior to February 1, 2003. We determined that Scandasystems, a related party, qualified as a variable interest entity and we consolidated Scandasystems beginning with the quarter ended March 31, 2004. Due to the fact that we had no long-term contractual commitments or guarantees, the maximum exposure to loss was insignificant.

We have determined that the conditions that applied in the past giving rise to the application of ASC-810 to the relationship between us and Scandasystems no longer apply. Therefore, effective with quarter ended March 31, 2008, Scandasystems balances were no longer consolidated with our financial results and balances.

NOTE 14 — SEGMENT INFORMATION

The basis for our presentation of segment results generally is consistent with our overall reporting. We report information about our operating segments in accordance with ASC-280 which establishes standards for reporting information about a company's operating segments. All consolidating items are included in Corporate & Other.

Prior to Fiscal 2009, we were organized into three business segments: (i) cold remedy, (ii) contract manufacturing and (iii) ethical pharmaceutical. We historically managed each of our segments separately as a consequence of different marketing, manufacturing and/or research and development strategies. However, as a

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 — SEGMENT INFORMATION – (continued)

consequence of our strategic review, as previously described, we realigned our operations to focus principally on the research, development, manufacture, marketing and sale of OTC cold remedy and consumer products, natural base health products and other supplements and cosmeceuticals for human and veterinary use. Research and development expenditures in the previously identified segment "Ethical Pharmaceutical" have been de-emphasized. Additionally, the previously identified segment "Contract Manufacturing" is now managed and considered an integrated component of our operations and no longer meets the criteria of a reportable segment. As a consequence, as of December 31, 2009, we are engaged principally in the OTC/Personal Care marketplace segment and currently report as a single segment.

Financial information relating to the historical reportable segment for Fiscal 2008 and 2007 for continuing operations by business segment follows (in thousands):

	Cold Remedy	Contract Manufacturing	Ethical Pharmaceutical	Corporate & Other	Total
Fiscal 2008					
Revenues					
Customers-domestic	$ 18,186	$ 2,321	$ —	$ —	$ 20,507
Inter-segment	$ —	$ 4,381	$ —	$ (4,381)	$ —
Segment operating profit (loss)	$ (690)	$ (1,294)	$ (4,872)	$ 127	$ (6,729)
Depreciation	$ 319	$ 426	$ —	$ —	$ 745
Capital expenditures	$ 63	$ 137	$ —	$ —	$ 200
Total assets	$ 26,460	$ 4,847	$ —	$ (6,938)	$ 24,369
Fiscal 2007					
Revenues					
Customers-domestic	$ 25,730	$ 2,511	$ —	$ —	$ 28,241
Inter-segment	$ —	$ 6,661	$ —	$ (6,661)	$ —
Segment operating profit (loss)	$ 4,801	$ (280)	$ (7,001)	$ (68)	$ (2,548)
Depreciation	$ 414	$ 523	$ —	$ —	$ 937
Capital expenditures	$ 187	$ 334	$ —	$ —	$ 521
Total assets	$ 32,839	$ 6,107	$ —	$ (5,444)	$ 33,502

NOTE 15 — SIGNIFICANT CLIENTS

Our products are distributed through numerous food, multi-outlet pharmacy, chain drug stores, large wholesalers and mass merchandisers throughout the United States. The loss of sales to any one or more of these large retail customers could have a material adverse effect on our business operations and financial condition. Revenues for Fiscal 2009, Fiscal 2008 and Fiscal 2007 were $19.8 million, $20.5 million and $28.2 million, respectively. CVS Caremark Corporation, Walgreen Company and Wal-Mart Stores, Inc. accounted for approximately 15%, 15% and 13% of our revenues for Fiscal 2009. Walgreen Company and Wal-Mart Stores, Inc. accounted for approximately 14% and 14%, respectively, and 13% and 14%, respectively of our revenues for Fiscal 2008 and 2007, respectively.

We are subject to account receivable credit concentrations from time-to-time as a consequence of the timing, payment pattern and ultimate purchase volumes or shipping schedules with our customers. These concentrations may impact our overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic, regulatory or other conditions that may impact the timing and

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 — SIGNIFICANT CLIENTS – (continued)

collectability of amounts due to us. Customers comprising the five largest accounts receivable balances represented 66% and 55% of total trade receivable balances at December 31, 2009 and 2008, respectively. Management believes that the provision for possible losses on uncollectible accounts receivable is adequate for our credit loss exposure. At December 31, 2009 and 2008, the allowance for doubtful accounts was $23,000 and $131,000, respectively.

NOTE 16 — QUARTERLY INFORMATION (UNAUDITED)

The following table presents unaudited quarterly financial information for Fiscal 2009 and Fiscal 2008 (in thousands, except per share amounts):

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
Fiscal 2009				
Net sales	$ 3,987	$ 1,748	$ 4,977	$ 9,104
Gross profit	$ 2,353	$ 291	$ 3,615	$ 5,310
Income (loss) from operations	$ (2,211)	$ (4,629)	$ 1,197	$ 1,708
Income (loss) from continuing operations	$ (2,199)	$ (4,625)	$ 1,201	$ 1,781
Net income (loss)	$ (2,199)	$ (4,625)	$ 1,201	$ 1,781
Basic earnings per share:				
Income (loss) from continuing operations	$ (0.17)	$ (0.36)	$ 0.09	$ 0.14
Net income (loss)	$ (0.17)	$ (0.36)	$ 0.09	$ 0.14
Diluted earnings per share:				
Income (loss) from continuing operations	$ (0.17)	$ (0.36)	$ 0.09	$ 0.14
Net income (loss)	$ (0.17)	$ (0.36)	$ 0.09	$ 0.14
Fiscal 2008				
Net sales	$ 5,306	$ 2,068	$ 6,354	$ 6,779
Gross profit	$ 3,570	$ 898	$ 4,082	$ 2,863
Income (loss) from operations	$ (2,581)	$ (2,963)	$ 814	$ (1,999)
Income (loss) from continuing operations	$ (2,444)	$ (2,879)	$ 879	$ (1,965)
Net income (loss)	$ (1,569)	$ (2,879)	$ 879	$ (1,965)
Basic earnings per share:				
Income (loss) from continuing operations	$ (0.19)	$ (0.22)	$ 0.07	$ (0.15)
Net income (loss)	$ (0.12)	$ (0.22)	$ 0.07	$ (0.15)
Diluted earnings per share:				
Income (loss) from continuing operations	$ (0.19)	$ (0.22)	$ 0.07	$ (0.15)
Net income (loss)	$ (0.12)	$ (0.22)	$ 0.07	$ (0.15)

NOTE 17 — SUBSEQUENT EVENT

On March 22, 2010, the Company, Phosphagenics Limited (“PSI Parent”), an Australian corporation, Phosphagenics Inc. (“PSI”), a Delaware corporation and subsidiary of PSI Parent, and Phusion Laboratories, LLC (the “Joint Venture”), a Delaware limited liability company, entered into a Limited Liability Company Agreement (the “LLC Agreement”) of the Joint Venture and additional related agreements for the purpose of developing and commercializing, for worldwide distribution and sale, a wide range of non-prescription remedies using PSI Parent’s proprietary patented TPM™ technology (“TPM”). TPM facilitates the delivery and depth of penetration of active molecules in pharmaceutical, nutraceutical, and other products.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 — SUBSEQUENT EVENT – (continued)

In connection with the LLC Agreement, PSI Parent granted to us, pursuant to the terms of a License Agreement, dated March 22, 2010 (the "Original License Agreement"), (i) an exclusive, royalty-free, world-wide (subject to certain limitations), paid-up license to exploit OTC drugs (and certain other products) that embody certain of PSI Parent's TPM-related patents and related know-how (collectively, the "PSI Technology") and (ii) a non-exclusive, royalty-free, world-wide (subject to certain limitations), paid-up license to exploit certain compounds that embody the PSI Technology for use in a product combining one or more of such compounds with an OTC drug or in a product that is part of a regimen that includes the application of an OTC drug.

Pursuant to the Original License Agreement, we issued 1,440,000 shares of our Common Stock having an aggregate value of approximately $2.6 million to PSI Parent (such shares, the "PSI Shares"), and made a one-time payment to PSI Parent of $1.0 million. PSI Parent has agreed, pursuant to a Share Transfer Restriction Agreement, dated March 22, 2010 (the "Share Transfer Restriction Agreement"), between us and PSI Parent, that, with certain exceptions, it will not sell or otherwise dispose of any of the PSI Shares prior to June 1, 2012. The PSI Shares were issued pursuant to an exemption from registration under the Securities Act, by virtue of Section 4(2) of the Securities Act and by virtue of Rule 506 of Regulation D under the Securities Act. Such sale and issuance did not involve any public offering and was made without general solicitation or advertising. Additionally, PSI Parent represented to us, among other things, that PSI Parent is not a US Person (as defined in Regulation S under the Securities Act), that PSI Parent is an accredited investor with access to all relevant information necessary to evaluate its investment and that the PSI Shares were being acquired for investment purposes only.

In accordance with a Contribution Agreement, dated March 22, 2010 (the "Contribution Agreement"), by and among us, PSI Parent, PSI, and the Joint Venture, we transferred, conveyed and assigned to the Joint Venture all of our rights, title and interest in, to and under the Original License Agreement, and the Joint Venture assumed, and undertook to pay, discharge and perform when due, all of our liabilities and obligations under and arising pursuant to the Original License Agreement (such actions, collectively, the "Assignment and Assumption"). Additionally, we agreed to contribute $500,000 to the Joint Venture as part of our initial capital contribution.

Pursuant to the Contribution Agreement and in order to reflect the Assignment and Assumption, we, PSI Parent, the Company and the Joint Venture entered into an Amended and Restated License Agreement, dated March 22, 2010 (the "Amended License Agreement"), which amends and restates the Original License Agreement to reflect that the Joint Venture is the licensee thereunder and which otherwise contains substantially the same terms as the Original License Agreement. The Joint Venture has the right to grant one or more sub-licenses of the rights granted under the Amended License Agreement to one or more third parties for reasonable consideration in any part of the applicable territory. The Amended License Agreement provides that PSI Parent shall not, directly or through third parties, exploit the covered intellectual property during the term thereof, subject to certain limitations. The Amended License Agreement will remain in effect until the expiration of the last to expire of the patents included within the PSI Technology or any extensions thereof. Either party may terminate the Amended License Agreement upon written notice to the other party in the event of certain events involving bankruptcy or insolvency. The Amended License Agreement also contains, among other things, provisions concerning the treatment of confidential information, the ownership of intellectual property and indemnification obligations.

THE QUIGLEY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 — SUBSEQUENT EVENT – (continued)

Pursuant to the LLC Agreement, we and PSI each own a 50% membership interest in the Joint Venture. PSI Parent will conduct and oversee much of the product development, formulation, testing and other research and development needed by the Joint Venture, and we will oversee much of the production, distribution, sales and marketing. The LLC Agreement provides that each member may be required, from time to time and subject to certain limitations, to make capital contributions to the Joint Venture to fund its operations, in accordance with agreed upon budgets for products to be developed. Specifically we agreed to contribute $500,000 of initial capital and are committed to fund up to $2.0 million, subject to agreed upon budgets, toward the initial development and marketing costs of new products for the Joint Venture. The Joint Venture will be managed by a four-person Board of Managers, with two managers appointed by each member. The initial Board of Managers is comprised of four representatives, two representatives from each of the Company and PSI Parent. The initial Company representatives on the Board of Managers are Mr. Karkus and Mr. Cuddihy. Mr. Karkus, on our behalf, and Mr. Harry Rosen, on behalf of PSI, are the Co-Chief Executive Officers of the Joint Venture. The LLC Agreement contains other normally found terms in such arrangements, including provisions relating to governance of the Joint Venture, indemnification obligations of the Joint Venture, allocation of profits and losses, the distribution of funds to the members and restrictions on transfer of a member's interest.

Our initial determination is that the Joint Venture will qualify as a variable interest entity and we will consolidate the Joint Venture financial statements beginning with the quarter ended March 31, 2010.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A(T). Controls and Procedures

Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that material information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that the information is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We performed an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of the end of the period covered by this report. Based on the existence of the material weaknesses discussed below under the heading "Material Weaknesses" our management, including our Chief Executive Officer and Interim Chief Financial Officer, concluded that the Company's disclosure controls and procedures were not effective at the reasonable assurance level as of the end of the period covered by this Report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Our system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Material Weaknesses

As a consequence of management's review of its effectiveness of the design and operation of the disclosure controls and procedures, and management's determination of the existence of material weaknesses, our management, including our Chief Executive Officer and Interim Chief Financial Officer, concluded that the Company's disclosure controls and procedures were not effective at the reasonable assurance level as of the end of the period covered by this Report. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in a reasonable probability that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Material Weakness — Control environment

Lack of management continuity due to changes in executive management of the Company. As a consequence of the Proxy Contest, our former Chief Executive Officer and our former Chief Operating Officer resigned without the benefit of a transition period between the effective date of their respective resignations and the recruitment of new management. We have filled both these positions with personnel who are new to the Company. Additionally, in October, the employment of our Chief Financial Officer ended and the role was consolidated, on an interim basis, with that of the new Chief Operating Officer. As a consequence of a lack of continuity of management with limited or no transition or consultation period with prior management, current management has concluded that this control deficiency constitutes a material weakness.

Lack of documentation and/or the availability of documentation or records in the Company's files of business transactions, contracts and/or evaluations engaged by the Company. As new management was installed by the Board of Directors, it was discovered during the second quarter of Fiscal 2009 that the Company was either missing or lacked pertinent information regarding its operations, including but not limited to certain business commitments to product supply agreements, advertising programs, product placement initiatives and other promotional initiatives, and asset sales. As a consequence of this lack of documentation or availability of documentation or records, management has concluded that this control deficiency constitutes a material weakness.

Lack of sufficient subject matter expertise. Management has determined that it lacks certain subject matter expertise in at least two of the following significant areas: (i) accounting for and the disclosure of complex transactions and (ii) the selection, monitoring and evaluation of certain vendors that provided services to Pharma. Our financial staff currently lacks sufficient training or experience in accounting for complex transactions and the required disclosure therein.

Other matters

Furthermore, as previously reported, on May 19, 2009, Pharma's Executive Vice President and Chief Operating Officer, Dr. Richard Rosenbloom, was suspended from the Company for allegedly receiving payments from external sources, including vendors of the Company, without disclosure to the Company's management. On June 23, 2009, our Board of Directors agreed to reinstate Dr. Rosenbloom and to form a Special Committee of the Board of Directors to investigate the allegations with respect to Dr. Rosenbloom's alleged receipt of payments and in due course to report its findings and recommendations to the full Board of Directors. Effective October 22, 2009, the employment of Dr. Rosenbloom was terminated when the position of Executive Vice President of the Pharma subsidiary was eliminated.

Remediation Plan for Material Weaknesses

The material weaknesses described above comprise control deficiencies that were discovered during the financial close process for the June 30, 2009 fiscal period. Management is making progress on its remediation plan which includes (i) obtaining and reviewing the underlying documentation for significant agreements, contracts, transactions and other material commitments entered into by the Company, (ii) the addition of a financial and operations professional, Mr. Cuddihy, to our executive management, (iii) reorganization of the financial staff, including personnel changes and recruitment, (iv) the implementation of a training program for our financial staff, (v) retention of outside financial consultants to augment our financial staff with certain subject matter expertise, (vi) meeting with retail customers and vendors and (vii) reorganization of Pharma staff and the retention of outside consultants to augment such Pharma staff with certain subject matter expertise and to conduct a thorough review of the entire research and development portfolio of potential products.

Though management has implemented a series of remediation actions as noted above, there was insufficient time to fully evaluate the effectiveness of these actions prior to the end of Fiscal 2009. However, we believe that these measures, if effectively implemented and maintained, will remediate the material weaknesses discussed above.

Changes in Internal Control Over Financial Reporting

We are currently undertaking a number of measures to remediate the material weaknesses discussed under "Management's Report on Internal Control Over Financial Reporting" above. Those measures, described under "Remediation Plan for Material Weaknesses," were implemented during the third and fourth quarter of Fiscal 2009, will materially affect, or are reasonably likely to materially affect, our internal control over financial reporting. Other than as described above, there have been no changes in our internal control over financial reporting during the Fiscal 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time. Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Our management conducted an evaluation of our effectiveness of the system of internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Item 9B. Other Information

On March 22, 2010, the Company, Phosphagenics Limited ("PSI Parent"), an Australian corporation, Phosphagenics Inc. ("PSI"), a Delaware corporation and subsidiary of PSI Parent, and Phusion Laboratories, LLC (the "Joint Venture"), a Delaware limited liability company, entered into a Limited Liability Company Agreement (the "LLC Agreement") of the Joint Venture and additional related agreements for the purpose of developing and commercializing, for worldwide distribution and sale, a wide range of non-prescription remedies using PSI Parent's proprietary patented TPM™ technology ("TPM"). TPM facilitates the delivery and depth of penetration of active molecules in pharmaceutical, nutraceutical, and other products.

In connection with the LLC Agreement, PSI Parent granted to us, pursuant to the terms of a License Agreement, dated March 22, 2010 (the "Original License Agreement"), (i) an exclusive, royalty-free, world-wide (subject to certain limitations), paid-up license to exploit OTC drugs (and certain other products) that embody certain of PSI Parent's TPM-related patents and related know-how (collectively, the "PSI Technology") and (ii) a non-exclusive, royalty-free, world-wide (subject to certain limitations), paid-up license to exploit certain compounds that embody the PSI Technology for use in a product combining one or more of such compounds with an OTC drug or in a product that is part of a regimen that includes the application of an OTC drug.

Pursuant to the Original License Agreement, we issued 1,440,000 shares of our Common Stock having an aggregate value of approximately $2.6 million to PSI Parent (such shares, the "PSI Shares"), and made a one-time payment to PSI Parent of $1.0 million. PSI Parent has agreed, pursuant to a Share Transfer Restriction Agreement, dated March 22, 2010 (the "Share Transfer Restriction Agreement"), between us and PSI Parent, that, with certain exceptions, it will not sell or otherwise dispose of any of the PSI Shares prior to June 1, 2012. The PSI Shares were issued pursuant to an exemption from registration under the Securities Act, by virtue of Section 4(2) of the Securities Act and by virtue of Rule 506 of Regulation D under the Securities Act. Such sale and issuance did not involve any public offering and was made without general solicitation or advertising. Additionally, PSI Parent represented to us, among other things, that PSI Parent is not a US Person (as defined in Regulation S under the Securities Act), that PSI Parent is an accredited investor with access to all relevant information necessary to evaluate its investment and that the PSI Shares were being acquired for investment purposes only.

In accordance with a Contribution Agreement, dated March 22, 2010 (the "Contribution Agreement"), by and among us, PSI Parent, PSI, and the Joint Venture, we transferred, conveyed and assigned to the Joint Venture all of our rights, title and interest in, to and under the Original License Agreement, and the Joint Venture assumed, and undertook to pay, discharge and perform when due, all of our liabilities and obligations under and arising pursuant to the Original License Agreement (such actions, collectively, the "Assignment and Assumption"). Additionally, we agreed to contribute $500,000 to the Joint Venture as part of our initial capital contribution.

Pursuant to the Contribution Agreement and in order to reflect the Assignment and Assumption, we, PSI Parent, the Company and the Joint Venture entered into an Amended and Restated License Agreement, dated March 22, 2010 (the "Amended License Agreement"), which amends and restates the Original License Agreement to reflect that the Joint Venture is the licensee thereunder and which otherwise contains substantially the same terms as the Original License Agreement. The Joint Venture has the right to grant one or more sub-licenses of the rights granted under the Amended License Agreement to one or more third parties for reasonable consideration in any part of the applicable territory. The Amended License Agreement provides that PSI Parent shall not, directly or through third parties, exploit the covered intellectual property during the term thereof, subject to certain limitations. The Amended License Agreement will remain in effect until the expiration of the last to expire of the patents included within the PSI Technology or any extensions thereof. Either party may terminate the Amended License Agreement upon written notice to the other party in the event of certain events

involving bankruptcy or insolvency. The Amended License Agreement also contains, among other things, provisions concerning the treatment of confidential information, the ownership of intellectual property and indemnification obligations.

Pursuant to the LLC Agreement, we and PSI each own a 50% membership interest in the Joint Venture. PSI Parent will conduct and oversee much of the product development, formulation, testing and other research and development needed by the Joint Venture, and we will oversee much of the production, distribution, sales and marketing. The LLC Agreement provides that each member may be required, from time to time and subject to certain limitations, to make capital contributions to the Joint Venture to fund its operations, in accordance with agreed upon budgets for products to be developed. Specifically we agreed to contribute $500,000 of initial capital and are committed to fund up to $2.0 million, subject to agreed upon budgets, toward the initial development and marketing costs of new products for the Joint Venture. The Joint Venture will be managed by a four-person Board of Managers, with two managers appointed by each member. The initial Board of Managers is comprised of four representatives, two representatives from each of the Company and PSI Parent. The initial Company representatives on the Board of Managers are Mr. Karkus and Mr. Cuddihy. Mr. Karkus, on our behalf, and Mr. Harry Rosen, on behalf of PSI, are the Co-Chief Executive Officers of the Joint Venture. The LLC Agreement contains other normally found terms in such arrangements, including provisions relating to governance of the Joint Venture, indemnification obligations of the Joint Venture, allocation of profits and losses, the distribution of funds to the members and restrictions on transfer of a member's interest.

Our initial determination is that the Joint Venture will qualify as a variable interest entity and we will consolidate the Joint Venture financial statements beginning with the quarter ended March 31, 2010.

The foregoing description of the terms of the LLC Agreement, Original License Agreement, the Contribution Agreement, the Amended License Agreement and the Share Transfer Restriction Agreement is qualified in its entirety by reference to the provisions of each such agreement, which are filed as Exhibits 10.11, 10.12, 10.13, 10.14 and 10.15, respectively, and the foregoing descriptions are qualified in their entirety by reference to such Exhibits. The above disclosure is being provided in this Report in lieu of in a Current Report on Form 8-K under Items 1.01 and 3.02.

On March 24, 2010, the Compensation Committee of the Board approved the payment of bonuses to Mr. Karkus, our Chairman and Chief Executive Officer, and Mr. Cuddihy, our Executive Vice President, Chief Operating Officer and Interim Chief Financial Officer in the amount of $87,500 and $27,500, respectively, for work performed by each executive in Fiscal 2009. Each executive was eligible to receive a bonus in the discretion of the Compensation Committee or the Board pursuant to each executive's employment agreement with the Company. These bonuses were awarded to each executive principally, but not limited to, each of their contributions to (i) the redefinition of the strategic vision for our business, (ii) their leadership and management through a series of operational transitions, (iii) the realignment of our product development strategies, initiatives and research and development costs, (iv) new product branding initiatives, and (v) various restructuring and corporate overhead reduction and cost control initiatives. The disclosure provided in this paragraph is being provided in this Report in lieu of in a Current Report on Form 8-K under Item 5.02.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated by reference to the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders (the "2010 Proxy Statement") which is to be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2009 and is hereby incorporated by reference.

Item 11. Executive Compensation

The information required under this item is incorporated by reference to the 2010 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required under this item is incorporated by reference to the 2010 Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required under this item is incorporated by reference to the 2010 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required under this item is incorporated by reference to the 2010 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Exhibits:

3.1	Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 of Form 10-KSB/A filed on April 4, 1997)
3.2	By-laws of the Company as amended and restated effective August 18, 2009, (incorporated by reference to Exhibit 3.1 of Form 8-K filed on August 18, 2009)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Form 10-KSB/A filed on April 4, 1997).
10.1*	1997 Stock Option Plan (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-8 (File No. 333-61313) filed on August 13, 1998).
10.2	Exclusive Representation and Distribution Agreement dated May 4, 1992 between the Company and Godfrey Science and Design, Inc. et al (incorporated by reference to Exhibit 10.2 of Form 10-KSB/A filed on April 4, 1997).
10.3	Consulting Agreement dated May 4, 1992 between the Company and Godfrey Science and Design, Inc. et al. (incorporated by reference to Exhibit 10.5 of Form 10-KSB/A filed on April 4, 1997).
10.4	Rights Agreement dated September 15, 1998 between the Company and American Stock Transfer and Trust Company (incorporated by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A filed on September 18, 1998).
10.5	First Amendment to the Rights Agreement, dated as of May 20, 2008 between the Company and American Stock Transfer and Trust Company (incorporated by reference to Exhibit 99.1 of Form 8-K filed on May 23, 2008).
10.6	Sale agreement of Darius to Innerlight Holdings, Inc. dated February 29, 2008 incorporated by reference to Exhibit 99.1 of Form 8-K filed on March 3, 2008).
10.7	Second Amendment to the Rights Agreement, dated as of August 18, 2009 between the Company and American Stock Transfer and Trust Company (incorporated by reference to Exhibit 10.1 of Form 8-K filed on August 18, 2009)
10.8	Form of Indemnification Agreement between the Company and each of its Officers and Directors dated August 19, 2009 (incorporated by reference to Exhibit 10.1 of Form 8-K filed on August 19, 2009)
10.9*	Employment Agreement dated August 15, 2009 between Ted Karkus and the Company (incorporated by reference to Exhibit 10.2 of Form 8-K filed on August 19, 2009)
10.10*	Employment Agreement dated August 15, 2009 between Robert V. Cuddihy, Jr., and the Company (incorporated by reference to Exhibit 10.3 of Form 8-K filed on August 19, 2009)
10.11**	Limited Liability Company Agreement, dated March 22, 2010, between the Company, Phosphagenics Limited, Phosphagenics Inc., and Phusion Laboratories, LLC.
10.12**	Contribution Agreement, dated March 22, 2010, between the Company, Phosphagenics Limited, Phosphagenics Inc., and Phusion Laboratories, LLC.
10.13**	License Agreement, dated March 22, 2010, between the Company and Phosphagenics Limited.
10.14**	Amended and Restated License Agreement, dated March 22, 2010, between the Company, Phosphagenics Limited, Phosphagenics Inc., and Phusion Laboratories, LLC.
10.15**	Share Transfer Restriction Agreement, dated March 22, 2010, between the Company, and Phosphagenics Limited.
14.1	Code of Ethics (incorporated by reference to Exhibit II of the Proxy Statement on Schedule 14A filed on March 31, 2003).
21.1**	Subsidiaries of The Quigley Corporation.
23.1**	Consent of Amper, Politziner & Mattia, LLP, Independent Registered Public Accounting Firm, dated March 24, 2010.
31.1**	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2**	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Indicates a management contract or compensatory plan or arrangement

** Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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
Registrant

Date: March 24, 2010

By: /s/ Ted Karkus
Ted Karkus, Chairman of the Board,
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Principal Executive Officer

By: /s/ Ted Karkus
Ted Karkus
Chairman of the Board and
Chief Executive Officer

Principal Financial and Accounting Officer

By: /s/ Robert V. Cuddihy, Jr.
Robert V. Cuddihy, Jr.
Chief Operating Officer and
Interim Chief Financial Officer

Date: March 24, 2010

Directors

/s/ Mark Burnett
Mark Burnett

/s/ John DeShazo
John DeShazo

/s/ Mark Frank
Mark Frank

/s/ Louis Gleckel
Louis Gleckel

/s/ Mark Leventhal
Mark Leventhal

/s/ James McCubbin
James McCubbin

Date: March 24, 2010

Execution Copy

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

OF

PHUSION LABORATORIES, LLC

a Delaware limited liability company

Dated March 22, 2010

TABLE OF CONTENTS

LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
PHUSION LABORATORIES, LLC

This Limited Liability Company Operating Agreement of Phusion Laboratories, LLC (this "Agreement"), dated as of March 22, 2010 (the "Effective Date"), is made by and among Phusion Laboratories, LLC, a Delaware limited liability company (the "Company"), The Quigley Corporation, a Nevada corporation ("Quigley"), Phosphagenics Inc., a Delaware corporation ("PSI" and, collectively with Quigley, the "Initial Members"), Phosphagenics Ltd., an Australian corporation ("PSI Parent"), for purposes of Articles 1, 3, 4, 14, 17, 18 and 20 and Sections 5.1 and 9.1(d), and such other Persons (as defined below) that are holders of Units (as defined below) and/or Unit Equivalents (as defined below) and that become a party hereto in accordance with the terms hereof (such other Persons, collectively with the Initial Members, the "Members"; the Members, PSI Parent and the Company, collectively, the "Parties").

A. The Company was formed on March 16, 2010 (the "Formation Date") upon the filing of its certificate of formation (the 'Certificate of Formation").

B. PSI was formed as a wholly owned Subsidiary (as defined below) of PSI Parent for the purpose of acquiring an interest in the Company, and PSI Parent will derive substantial benefit from its ownership of PSI and PSI's ownership interest in the Company.

C. The Parties desire to enter into this Agreement to reflect the admission of each Initial Member as a member of the Company, to set forth the manner in which the business and affairs of the Company will be managed and to set forth the Parties' respective rights, duties and obligations with respect to the Company.

D. Contemporaneously with the effectiveness of this Agreement, the Initial Members, PSI Parent and the Company are entering into a contribution agreement (the "Contribution Agreement"), pursuant to which, among other things, Quigley is (i) assigning all of its rights and obligations under the License Agreement (as defined below) to the Company and (ii) contributing $500,000 to the Company.

The Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS AND CONSTRUCTION

1.1 Definitions (PSI Parent). As used herein, the following capitalized terms have the following respective meanings:

"Act" means the Delaware Limited Liability Company Act, 6 Del. C. §18-101, et. seq.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Allocation Year, after giving effect to the following adjustments:

(i) credit to such Capital Account any amounts that such Member is deemed to be obligated to restore pursuant to the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) debit to such Capital Account the items described in paragraphs (4), (5) and (6) of Regulations Section 1.704-1(b)(2)(ii)(d).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with Regulations Section 1.704-1(b)(2)(ii)(d) to the extent relevant thereto and is to be interpreted consistently therewith.

"Affiliate" means, with reference to a specified Person: (i) a Person that, directly or indirectly, controls, is controlled by, or is under common control with the specified Person; or (ii) any Person that is an officer, director, general partner, manager, or trustee of, or serves in a similar capacity with respect to, the specified Person, or for which the specified Person is an officer, director, general partner, manager, or trustee, or serves in a similar capacity.

"Agreement" has the meaning set forth in the preamble.

"Allocation Year" means (i) the period commencing on the Effective Date and ending on December 31, 2010, (ii) any subsequent period commencing on January 1 and ending on the following December 31, or (iii) any portion of the period described in the foregoing clause (i) or (ii) for which the Company is required to allocate Net Profits, Net Losses and other items of Company income, gain, loss or deduction pursuant to Article 10.

"Annual Plan" has the meaning set forth in Section 3.1.

"Anti-Wrinkle Creams" means proprietary formulations developed by PSI Parent containing TPM in combination with retinol, ubiquinone, acetyl octapeptide, l-carnosine and such other additives as the parties may agree; provided, however, that the Company will not have rights to anti-wrinkle cream products sold in high-end, up-scale retail stores, such as (by way of example) Nieman Marcus and Bloomingdales.

"Approved by the Board," "Approval of the Board," "Board Approval," "determined by the Board," "determination of the Board," "Board determination" or similar expressions mean the Majority Vote of the Board, acting in its sole and absolute discretion, except as otherwise required by Law or any of the Company's Organizational Documents.

"Approved Excess Marketing Costs" means, with respect to an Approved Product, any Marketing Costs with respect to such Approved Product in excess of $500,000 that PSI and Quigley have agreed to expend.

"Approved Product" means any Proposed Product for which the Company has determined, in accordance with Section 4.1(d), that there is a reasonable likelihood that such Proposed Product will be capable of becoming one or more Developed Product and for which a Budget has been agreed upon in accordance with Section 4.1(d).

"Assignee" means any Person (i) to which a Member Transfers, in accordance with the terms hereof, all or any part of the Units or Economic Interest that such Member directly holds and (ii) that has not been admitted as a Member in accordance with Section 14.6.

"Assumed Tax Rate" means, for any Fiscal Quarter, 35%, or such other rate as may from time to time be determined by the Board.

"Bankruptcy" means the occurrence of any one or more of the events set forth in Section 18-101(1) of the Act.

"Board" has the meaning set forth in Section 8.1.

"Board Meeting" means a meeting of the Board, whether such meeting is regular or special in nature.

"Budget" has the meaning set forth in Section 4.1(d)(i).

"Business" means the formulation, development, marketing, distribution and sale of products that contain PSI Technologies and that fall within the scope of the License Agreement between PSI Parent and the Company.

"Business Day" means a day other than a Saturday, Sunday, federal or New York State holiday or other day on which commercial banks in New York City are authorized or required by law to close.

"Capital Account" means the capital account established and maintained for each Member pursuant to Section 5.3.

"Capital Contributions" means, with respect to each Member, the aggregate amount of cash and the initial Gross Asset Value of any property (net of liabilities assumed or taken subject to by the Company, without duplication) contributed by or in the name of such Member in connection with the issuance of Units or otherwise.

"CEO" means the Quigley Designated CEO or the PSI Designated CEO, as the case may be.

"Certificate of Formation" has the meaning set forth in the recitals.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Commercialize" means, with respect to any Proposed Product, to take appropriate steps to accomplish or achieve the commercialization of such Proposed Product.

"Company" has the meaning set forth in the preamble.

"Company Affiliate" means any Affiliate of the Company.

"Company Assets" means the assets (including cash, properties, rights (contractual or otherwise), real property, personal property, tangible property and intangible property) directly held by the Company (including the equity interests of any Entity that the Company directly holds).

"Company Entity" means the Company or any of its Subsidiaries.

"Company Entity Assets" means all assets held by the Company Entities.

"Company Minimum Gain" has the meaning assigned the term "partnership minimum gain" in Regulations Sections 1.704-2(b)(2) and 1.704-2(d).

"Company Sale" means any arm's-length transaction, whether by sale of Units, sale of Company Entity Assets, merger, recapitalization, reorganization or otherwise, upon the consummation of which one or more Persons (other than any Member or its Affiliates prior to the consummation of such transaction) will own more than 50% of the Voting Units or 50% of the Company Entity Assets, in each case whether effected pursuant to a single transaction or series of related transactions.

"Confidential Information" means any information, data, methods, or plans now or any time in the future developed, used or employed by the Company or any Company Affiliate that (i) are maintained as confidential by the Company or any Company Affiliate, (ii) are not generally known to or by a business that primarily engages in a business in the same industry as the Business, or (iii) relate to the Company, any Company Affiliates or any of their respective customers or suppliers, financial affairs, marketing strategies, pricing, products, processes, services, executives or similar internal affairs.

"Confidentiality Agreement" means that confidentiality agreement previously entered into between PSI Parent and Quigley.

"Contract" means any agreement, contract, commitment, purchase order, undertaking, instrument or other binding understanding, whether written or oral.

"Contribution Agreement" has the meaning set forth in the recitals.

"Cosmetic Compounds" means articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance; provided, however, that a product which contains an OTC Drug will not be deemed to be a Cosmetic Compound even though it has the ancillary effect of cleansing, beautifying, promoting attractiveness, or altering the appearance.

"Covered Person" means any Member, any Manager, any Officer, any Person to whom the Board duly delegates management responsibilities, or any Affiliate of a Member.

"Customers" means those persons and entities who distribute, wholesale, retail, purchase or consume the goods and services offered by the Company.

"Depreciation" means, for each Allocation Year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such period for federal income tax purposes, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such period, then Depreciation means an amount that bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such period bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such period is zero, then Depreciation is to be determined with reference to such beginning Gross Asset Value using any reasonable method determined by the Board.

"Developed Product" means, with respect to a Proposed Product, a product that has been developed such that it is capable of being manufactured on a broad scale, either by a Company Affiliate or by a Person that is unaffiliated with the Company, and that is capable of being marketed and distributed as contemplated by the Budget with respect to such Proposed Product.

"Development Costs" means, with respect to the commercialization of a given Proposed Product, the costs incurred by the Company, any Initial Member or any Initial Member's Affiliates associated with: (i) formulating one or more Developed Products with respect to such Proposed Product; (ii) developing such Developed Products; (iii) conducting such testing and clinical trial work as is required to support the claims that the Parties intend to make with respect to such Developed Products; (iv) the Research Program, patent investigation, protection of Intellectual Property, regulatory advice related to such Proposed Product and/or Developed Products; or (v) all other matters related to such Proposed Product and/or Developed Products or required to produce and sell such Developed Products as an OTC Drug, other than Marketing Costs.

"Development Program" means all formulation development, research, preclinical studies and clinical studies approved by the Company for any Proposed Product.

"Dietary Supplements" means orally consumed products intended to provide nutrients to humans to supplement any nutrient that may be missing from or not adequately consumed in a person's diet.

"Disability" means a physical disability or mental incapacity that renders a Person unable to direct his or her affairs for a period of 12 consecutive months.

"Drugs" means substances or articles (other than a food or device) that are intended for use in the diagnosis, cure, relief, treatment, or prevention of disease and any articles intended to affect the structure or function of the body of man or other animals. For the sake of clarity, Drugs do not include Cosmetic Compounds or Dietary Supplements.

"Economic Interest" means, with respect to a given Unit, the right with respect to such Unit to share in the Net Profits, Net Losses, or similar items of (including items of income, gain, loss, deduction or credit), and to receive distributions from, the Company, but does not include any other rights of with respect to such Unit, including the right to vote or to participate in the management of the Company, or, except as specifically provided herein or as required under the Act, any right to information concerning the business and affairs of the Company.

"Effective Date" has the meaning set forth in the preamble.

"Entity" means a Person that is not a natural Person.

"Fair Market Value" means, with respect to an asset, business or enterprise, and except as otherwise expressly provided herein, the fair market value of such asset, business or enterprise, as determined in good faith by the Board.

"Fiscal Quarter" means, as the case may be, the quarterly period ending March 31, June 30, September 30 or December 31.

"Fiscal Year" means the yearly period ending December 31.

"Formation Date" has the meaning set forth in the recitals.

"Funding Amount" means, with respect to a given Member and a given Fiscal Quarter, the aggregate amount of Marketing Costs (if any) and Development Costs (if any) for all Approved Products (if any) and Developed Products (if any), as specified in the Funding Notice with respect to such Fiscal Quarter, that such Member must fund, plus any Approved Excess Marketing Costs that Quigley elects to contribute with PSI's consent to the Company as a Capital Contribution pursuant to Section 4.5(c)(ii).

"Funding Notice" has the meaning set for in Section 4.5(c)(i).

"GAAP" means United States generally accepted accounting principles, consistently applied.

"Governmental Entity" means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any federal, state or local government, or any international, multinational or other government, and any department, commission, board, agency, instrumentality, political subdivision, bureau, official or other regulatory, administrative or judicial authority of any of the foregoing.

"Gross Asset Value" means with respect to any asset, the adjusted basis of the asset for federal income tax purposes, except as follows:

(i) the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross Fair Market Value of such asset;

(ii) the Gross Asset Values of all Company assets shall be adjusted to equal their respective gross Fair Market Values (taking Code Section 7701(g) into account), as reasonably determined by the Board as of the following times: (A) the acquisition of an additional interest in the Company by a new or existing Member in exchange for a more than de minimis Capital Contribution; (B) the distribution by the Company to a Member of more than a de minimis amount of Company assets as consideration for an interest in the Company; (C) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); and (D) the issuance of a Unit or Units in exchange for services rendered or to be rendered; provided, that an adjustment described in clause (A), (B) and (D) of this paragraph shall be made only if the Board reasonably determines that such adjustment is necessary to reflect the relative economic interests of the Members in the Company;

(iii) the Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross Fair Market Value (taking Code Section 7701(g) into account) of such Company asset on the date of distribution as reasonably determined by the Board; and

(iv) the Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such Company assets pursuant to Code Sections 734(b) or 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and paragraph (vi) of the definition of "Net Profits" and "Net Losses" or Section 10.2(g); provided, however, that Gross Asset Values shall not be adjusted pursuant to this paragraph (iv) to the extent that an adjustment pursuant to paragraph (ii) of the definition of "Gross Asset Value" is required in connection with a transaction that would otherwise result in an adjustment pursuant to this paragraph (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to paragraphs (i), (ii) or (iv) of the definition of "Gross Asset Value", then such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

"Guarantee" of or by any Person (any such Person, a "Guarantor") means any obligation, contingent or otherwise, of the Guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (any such Person, a "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Guarantor, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (ii) to purchase or lease property, Securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of such primary obligor so as to enable such primary obligor to pay such Indebtedness or other obligation or (iv) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation.

"Guaranty" has the meaning set forth in Section 20.2(a).

"Immediate Family" means, with respect to a Person who is a natural person, such Person's current spouse or legal domestic partner, parents, parents-in-law, grandparents, children, siblings and grandchildren, or a trust, estate, or other estate-planning vehicle, all of the beneficiaries of which consist of such Person or members of such Person's Immediate Family.

"Incapacity" means, with respect to a specified Person, the Bankruptcy, death, Disability, adjudication of incompetence, dissolution or termination, as the case may be, of such Person.

"Indebtedness" means, with respect to a specified Person and without duplication: (i) all Liabilities of such Person for borrowed money or with respect to deposits or advances of any kind; (ii) all Liabilities of such Person evidenced by bonds, debentures, notes or similar instruments; (iii) all Liabilities of such Person upon which interest charges are customarily paid; (iv) all Liabilities of such Person under conditional sale or other title retention agreements relating to property acquired by such Person; (v) all Liabilities of such Person in respect of the deferred purchase price of property or services or other similar contingent payment Liabilities; (vi) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed; (vii) all Guarantees by such Person of Indebtedness of others; (viii) all capitalized lease obligations of such Person; (ix) all Liabilities of such Person as an account party in respect of letters of credit and letters of guaranty; (x) all Liabilities of such Person in respect of bankers' acceptances; (xi) the Indebtedness of any other Entity to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such Entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor; and (xii) any interest, fees and other expenses with respect to any of the foregoing.

"Indemnified Party" has the meaning set forth in Section 20.23.

"Indemnifying Party" has the meaning set forth in Section 20.23.

"Initial Member Units" means the Quigley Units and the PSI Units, collectively.

"Initial Members" has the meaning set forth in the preamble.

"Initial Public Offering" means a registered public offering of Securities of (i) any Company Entity or (ii) any Newco.

"Intellectual Property" means, collectively: (a) all inventions (whether or not reduced to practice), and all improvements thereto, and all Patents; (b) all Trademarks, all goodwill associated therewith, and renewals or extensions in connection therewith; (c) all works of authorship, all copyrights and moral rights relating thereto and all applications, registrations and renewals in connection therewith; (d) all mask works and all applications, registrations and renewals in connection therewith; (e) all trade secrets and confidential business information (including confidential ideas, research and development, know how, show how, methods, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), invention disclosures, technology, discoveries, improvements, specifications, designs, formulae, techniques, technical data and manuals, methods and processes, and all other proprietary information and data; (f) all internet domain names and registrations therefor; (g) all copies and tangible embodiments of each of the foregoing (in whatever form or medium); (h) all modifications, improvements and derivatives of each of the foregoing; and (i) the right to seek past, present and future damages, including with respect to third-party infringement and misappropriation.

"IRS" means the Internal Revenue Service.

"Joinder Agreement" means a joinder agreement, in a form satisfactory to the Board, pursuant to which the Person signing such joinder agreement agrees to become a Member and a party hereto, subject to the rights and obligations hereunder.

"Key Party" has the meaning set forth in Section 17.1(a).

"Law" means any constitution, law, statute, treaty, rule, directive, ordinance, requirement, compact or agreement with or by any Governmental Entity, any Order and any rules or regulations of any self-regulatory organization.

"Liabilities" means any and all liabilities, debts, claims, losses, expenses, damages, fines, costs, royalties, deficiencies, obligations or commitments of any nature whatsoever (whether asserted or unasserted, disclosed or undisclosed, direct or indirect, known or unknown, absolute or contingent, determined or undeterminable, on- or off-balance sheet, liquidated or unliquidated, accrued or unaccrued, matured or unmatured, due or to become due or otherwise, regardless of when asserted and whether or not resulting from third-party claims), including any liability for taxes and any of the foregoing arising under any Law, Order or Contract.

"License Agreement" means that certain License Agreement, dated as of the Effective Date, by and between PSI Parent and Quigley.

"Lien" means any security interest (whether or not perfected), pledge, bailment (in the nature of a pledge or for purposes of security), mortgage, deed of trust, grant of a power to confess judgment, conditional sale, trust receipt or other title retention agreement (including any lease in the nature thereof), lien, charge, encumbrance, claim, reservation, restriction (including any limitation on a voting right), right of first refusal or first offer or other third-party right, option, license, hypothecation, assessment, covenant, right-of-way, encroachment, easement, tenancy, equity or other similar arrangement or interest in or with respect to real or personal property (including any of the foregoing created by, arising under or evidenced by any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such Lien relates as debtor under the Uniform Commercial Code or any comparable Law).

"Liquidation Assets" has the meaning set forth in Section 19.5(b)(ii).

"Liquidation FMV" has the meaning set forth in Section 19.5(b)(ii).

"Liquidation Statement" has the meaning set forth in Section 19.5(b)(ii).

"Liquidator" has the meaning set forth in Section 19.5(a).

"Liquidity Event" means an Initial Public Offering or a Company Sale.

"Losses" has the meaning set forth in Section 17.3(a).

"Majority Vote" means: (i) with respect to the Members, the affirmative vote or consent of Members entitled to vote (or any specified subset thereof) with respect to a matter holding of record, in the aggregate, a majority of the Units held of record by all Members entitled to vote (or by such specified subset) with respect to such matter at a Member Meeting at which a Quorum is present that includes the affirmative vote of a majority in interest of the Members holding Quigley Units at such time and a majority in interest of the Members holding PSI Units at such time; and (ii) with respect to the Board, the affirmative vote or consent of the Managers entitled to cast a majority of the votes at a Board Meeting at which a Quorum is present that includes the affirmative vote of at least one Quigley Designated Manager and at least one PSI Designated Manager (except that such Majority Vote need not include the affirmative vote of a Quigley Designated Manager or a PSI Designated Manager, as the case may be, if no Quigley Designated Managers or PSI Designated Managers, respectively, are required to be present at such Board Meeting in order for there to be a Quorum at such Board Meeting).

"Managers" has the meaning set forth in Section 8.1.

"Marketing Costs" means, with respect to the commercialization of a given Proposed Product, the costs incurred by the Company, any Initial Member or any Initial Member's Affiliates associated with packaging, performing market tests, advertising and promoting such Proposed Product and/or one or more Developed Products with respect to such Proposed Product.

"Members" has meaning set forth in the Preamble.

"Member Meeting" means a meeting of the Members, whether such meeting is regular or special in nature.

"Member Nonrecourse Debt" has the meaning assigned to the term "partner nonrecourse debt" in Regulations Section 1.704-2(b)(4).

"Member Nonrecourse Debt Minimum Gain" means that amount determined in accordance with the principles of Regulations Section 1.704-2(i)(3) pertaining to "partner nonrecourse debt minimum gain."

"Member Nonrecourse Deductions" has the meaning assigned to the term "partner nonrecourse deductions" in Regulations Sections 1.704-2(i)(1) and 1.704-2(i)(2).

"Member Schedule" means Exhibit A.

"Membership Interest" means, with respect to a Member, such Member's entire ownership interest in the Company, including such Member's Economic Interest, all rights to vote and otherwise participate in the affairs of the Company, as applicable, and the rights to all benefits to which such Member is entitled as provided herein, together with the obligations of such Member to comply with all of the terms hereof.

"Net Cash Proceeds" means, with respect to a given Fiscal Year, an amount (as reasonably determined by the Board) equal to the aggregate amount of gross cash proceeds from the Company's operations (other than Capital Contributions) during such Fiscal Year less the portion thereof used to pay or establish reserves for all expenses, debt payments, capital improvements, replacements, and contingencies, in each case as contemplated by the applicable Annual Plan or Annual Plans in effect during such period or as otherwise reasonably paid or reserved in respect of such Fiscal Year.

"Net Profits" and "Net Losses" mean, for each Allocation Year or other period, an amount equal to the Company's taxable income or loss, respectively, for such Allocation Year or other period determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments (without duplication):

(i) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profits or Net Losses shall be included;

(ii) any expenditures of the Company described in Code Section 705(a)(2)(B) (including expenditures treated as such pursuant to Regulations Section 1.704-1(b)(2)(iv)(i)), and not otherwise taken into account in computing Net Profits or Net Losses, shall be subtracted;

(iii) if the Gross Asset Value of any Company asset is adjusted pursuant to paragraphs (ii) or (iii) of the definition of "Gross Asset Value," then the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of such Company asset) or an item of loss (if the adjustment decreases the Gross Asset Value of such Company asset) from the disposition of such Company asset and shall be taken into account for purposes of computing Net Profits or Net Losses;

(iv) gain or loss resulting from any disposition of Company assets, with respect to which gain or loss is recognized for federal income tax purposes, shall be computed by reference to the Gross Asset Value of the Company assets disposed of, notwithstanding that the adjusted tax basis of such Company assets differs from its Gross Asset Value;

(v) in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Allocation Year or other period, computed in accordance with the definition thereof;

(vi) to the extent an adjustment to the adjusted tax basis of any Company assets pursuant to Code Section 734(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in complete liquidation of a Member's Units, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of such Company asset) or loss (if the adjustment decreases the basis of such Company asset) from the disposition of such Company asset and shall be taken into account for purposes of computing such Net Profits or Net Losses; and

(vii) notwithstanding any other provision of this definition, any items that are specially allocated under Section 10.2 shall not be taken into account in computing Net Profits or Net Losses.

The amounts of the items of Company income, gain, loss, or deduction available to be specially allocated pursuant to Section 10.2 shall be determined by applying rules analogous to those set forth in paragraphs (i) through (vi) above.

"Newco" means any Entity formed for the purpose of effecting an Initial Public Offering, including any Entity into which a Company Entity is converted.

"Newco Shares" has the meaning set forth in Section 20.3(a).

"Non-Initial Member Units" means Units that are not Initial Member Units.

"Nonprescription Drugs" means Drugs which in the United States may be dispensed without a prescription issued from a licensed professional with governmental approval to prescribe Drugs. For the purposes hereof, Nonprescription Drugs shall include, but not be limited to, caffeine solely for use in energy-related products. Additionally, for the purposes of clarity, Nonprescription Drugs shall include nicotine. Additionally, Nonprescription Drugs shall not include the drug diclofenac. Nonprescription Drugs also shall include those products listed as such in the United States Homeopathic Pharmacopeia. For the avoidance of doubt, if a Drug is a prescription Drug in the United States as of the Effective Date, but such prescription Drug subsequently becomes a non-prescription Drug in the United States, then such Drug will be deemed to be a "Nonprescription Drug" for purposes hereof.

"Nonrecourse Deductions" has the meaning assigned to the term "nonrecourse deductions" in Regulations Sections 1.704-2(b)(1) and 1.704-2(c).

"Notice" has the meaning set forth in Section 20.1.

"Offered Price" has the meaning set forth in Section 15.1(d).

"Offered Units" has the meaning set forth in Section 15.1.

"Offered Units Closing Date" has the meaning set forth in Section 15.3(b)(i)(C).

"Officer" means an officer of the Company appointed in accordance with the terms hereof.

"Order" means any award, injunction, judgment, decree, order, writ, determination, ruling, subpoena or verdict or other decision issued, promulgated or entered by any Governmental Entity of competent jurisdiction.

"Organizational Documents" means, with respect to any Entity, such Entity's certificate of incorporation, articles of incorporation, bylaws, articles of organization, constitution, partnership agreement, limited liability company agreement, formation agreement, trust agreement and other similar organizational documents of such Entity (including, with respect to the Company, the Certificate of Formation and this Agreement).

"OTC Drugs" means Nonprescription Drugs that are permitted by law to be sold directly to consumers in the United States.

"Parties" has the meaning set forth in the preamble.

"Patents" means all letters patent and pending applications for, and disclosures related to, patents of any jurisdictions throughout the world and all reissues, reexaminations, divisions, continuations and extensions thereof.

"Per Unit Officer Price" has the meaning set forth in Section 15.1(d).

"Permitted Transferee" means, with respect to a Member as of a given time, (i) an Affiliate of such Member at such time, (ii) a member of such Member's Immediate Family at such time to whom Units are Transferred by will, by intestacy, as a gift or otherwise for estate planning purposes, or (iii) a trust exclusively for the benefit of such Member or one or more members of such Member's Immediate Family, r a combination of the foregoing, to which Units are Transferred by will, by intestacy, as a gift or otherwise for estate planning purposes.

"Person" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any other entity or body.

"Pre-Initial Public Offering Transaction" means any of the following actions taken in anticipation of or otherwise in connection with an Initial Public Offering: (i) a transfer of all or substantially all of the Company Entity Assets or Units to a Newco; (ii) a merger or consolidation of any Company Entity into or with a Newco; or (iii) another restructuring of all or substantially all of the Company Entity Assets or Units into a Newco, including by way of the conversion of the Company into a corporation.

"Product Class" means the class of products for human consumption or usage (including topical, oral and inhaled usage) that are OTC Drugs or Anti-Wrinkle Creams. Additionally, a product using any of the compounds set forth in Exhibit C in combination with an OTC Drug and a product using any of the compounds set forth in Exhibit C that is part of a regimen or routine that includes the application of an OTC Drug are hereby deemed to be products within the Product Class available to the Company on a non-exclusive basis pursuant to the License Agreement. By way of example only, the Company may be permitted to use the licensed technology in a non-OTC Drug product as part of a regimen or routine that includes the application of an OTC Drug. For illustrative purposes only, if an acne treatment program includes the use of non-OTC Drug products containing TPM, then the Company may market and sell cleaning and moisturizing products containing TPM.

"Program Patents" has the meaning set forth in the License Agreement.

"Proposed Product" has the meaning set forth in Section 4.1(b).

"Proposed Sale" has the meaning set forth in Section 15.1(a).

"Proposed Sale Notice" has the meaning set forth in Section 15.1.

"Proposed Sale Notice Receipt Date" has the meaning set forth in Section 15.1.

"Proposed Transferee" has the meaning set forth in Section 15.1(a).

"PSI" has the meaning set forth in the preamble.

"PSI Designated CEO" has the meaning set forth in Section 9.1(b)(ii).

"PSI Designated Manager" has the meaning set forth in Section 8.3(b)(ii).

"PSI Intermediate Entity" means any Subsidiary of PSI Parent that directly or indirectly owns equity Securities of PSI.

"PSI Obligations" has the meaning set forth in Section 20.2(a)(i).

"PSI Parent" has the meaning set forth in the preamble.

"PSI Qualified Expenses" means, with respect to any Approved Product or Developed Product, as the case may be, any out-of-pocket costs incurred by PSI Parent or any of its Affiliates in connection with such Person's provision of services as contemplated by, and performance of PSI's and PSI Parent's obligations under, Section 4.2, provided that the incurrence of any such costs was consistent (in terms of amount and the scope and extent of services to which such cost relates) with the Budget with respect to such Approved Product or Developed Product, respectively; provided, however, that "PSI Qualified Expenses" does not include (i) the costs of labor relating to any such services, and (ii) any costs incurred prior to such Approved Product of Developed Product, as the case may be, becoming an Approved Product.

"PSI Technologies" means those technologies of PSI Parent or its Subsidiaries that use tocopheryl phosphates and any products developed by or on behalf of PSI Parent which are substitutes for tocopheryl phosphate or which are used in combination with tocopheryl phosphate.

"PSI Units" means, at a given time, the Units directly held by PSI at such time or held by any transferee to which any such Units have been Transferred in accordance herewith.

"Quigley" has the meaning set forth in the preamble.

"Quigley Designated CEO" has the meaning set forth in Section 9.3(b)(i).

"Quigley Designated Manager" has the meaning set forth in Section 8.3(b)(i).

"Quigley Qualified Expenses" means, with respect to any Approved Product or Developed Product, as the case may be, any out-of-pocket costs incurred by Quigley or any of its Affiliates in connection with such Person's provision of services as contemplated by, and performance of Quigley's obligations under, Section 4.3, provided that the incurrence of any such costs was consistent (in terms of amount and the scope and extent of services to which such cost relates) with the Budget with respect to such Approved Product or Developed Product, respectively; provided, however, that "Quigley Qualified Expenses" does not include (i) the costs of labor relating to any such services and (ii) any costs incurred prior to such Approved Product of Developed Product, as the case may be, becoming an Approved Product

"Quigley Units" means, at a given time, the Units directly held by Quigley at such time or held by any transferee to which any such Units have been Transferred in accordance herewith.

"Quorum" means:

(i) in the case of a Member Meeting, the holders of a majority of the Units; and

(ii) in the case of a Board Meeting, Managers collectively holding a majority of all Manager votes (after giving effect to Sections 8.10(b)(ii) and/or (iii), if applicable), including at least one Quigley Designated Manager and at least one PSI Designated Manager; provided, however, that a Quorum will be deemed not to be present unless an equal number of Quigley Designated Managers and PSI Designated Managers is present.

"Receiving Party" has the meaning set forth in Section 18.1.

"Regulations" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code.

"Regulatory Allocations" has the meaning set forth in Section 10.2(h).

"Related Agreements" means the License Agreement, the Contribution Agreement, the Share Transfer Restriction Agreement, and the other documents, instruments and agreements specifically referred to herein or therein, or delivered pursuant hereto or thereto, collectively.

"Remaining Members" has the meaning set forth in Section 15.1.

"Research Program" means all research, experiments, product development efforts, formulations, trials, experiments and other activities with respect to the creation of products on behalf of the Company.

"ROFR Participation Notice" has the meaning set forth in Section 15.2.

"ROFR Unit Purchase Agreement" has the meaning set forth in Section 15.3(a).

"Security" means a security, as defined in Section 2(a)(1) of the United States Securities Act of 1933, as amended.

"Sell" means, with respect to any Units, any act to sell, transfer or other dispose of such Units. Each of "Sold" and "Sale" has a correlative meaning.

"Selling Member" has the meaning set forth in Section 15.1.

"Share Transfer Restriction Agreement" means the Share Transfer Restriction Agreement, dated as of the Effective Date, by and between Quigley and PSI Parent, regarding, among other things, (i) certain transfer restrictions with respect to, and other terms applicable to, the shares of Quigley's common stock issued to PSI Parent in connection with the transactions contemplated by the License Agreement and (ii) certain restrictions on PSI Parent's acquisition of additional shares of Quigley's common stock.

"Specified Person" has the meaning set forth in Section 17.4(b).

"Subsidiary" means, with respect to any specified Person and at a given time, an Entity of which such specified Person owns at such time, directly or indirectly, 50% or more of the outstanding capital stock of such Entity, the holders of which are (i) generally entitled to vote for the election of the board of directors or other governing body of such Entity or (ii) generally entitled to share in the profits or capital of such Entity.

"Substantial Modification" means, with respect to Annual Plans or Budgets that have been Approved by the Board in respect of a given year, changes to such Annual Plans or Budgets, respectively, that would result (individually or in the aggregate) in a change of 15% or more to the aggregate expenses reflected therein, relative to the amount of the aggregate expenses reflected in such Annual Plans or Budgets, respectively, as Approved by the Board.

"Suit" means any investigation, charge, action, grievance, claim, proceeding (whether administrative or otherwise), suit, arbitration or other dispute resolution proceeding or litigation, in each case by or before any court of law or equity, Governmental Entity or arbitrator.

"Tag-Along Member" has the meaning set forth in Section 16.2.

"Tag-Along Unit Closing Date" has the meaning set forth in Section 16.3(b)(i).

"Tag-Along Unit Purchase Agreement" has the meaning set forth in Section 16.3(a).

"Tag-Along Units" has the meaning set forth in Section 16.2.

"Tax Distribution" has the meaning set forth in Section 11.2.

"Tax Matters Member" has the same meaning as "tax matters partner" as defined in Code Section 6231(a)(7).

"TPM" means tocopheryl phosphate mixture.

"Trademarks" means trademarks, service marks, trade dress, trade names, company names, logos, slogans and other indicia of source or origin, all registrations and applications for registration of any of the foregoing, all renewals thereof, all translations, adaptations, derivations and combinations of the foregoing, together with all goodwill associated with each of the foregoing, in any jurisdiction throughout the world.

"Transfer" means, with respect to any Security (including any Unit) or Economic Interest, (i) a sale, conveyance, exchange, assignment, pledge, encumbrance, gift, bequest, hypothecation, issuance or other transfer or disposition by any other means, whether for value or not and whether voluntary or involuntary (including by operation of law), with respect to such Security or Economic Interest, respectively, (ii) the entry into a Contract that would afford a Person (other than the direct holder of such Security or Economic Interest, respectively) the right to direct all or a portion of the voting rights, or to receive all or a portion of the economic benefits, with respect to such Security or Economic Interest, respectively, or (iii) the entry into a Contract to do any of the events described in the foregoing clauses (i) and (ii). Used as a verb, "Transfer" means effecting any of the foregoing actions described in this definition.

"Unit Equivalent" means (i) any warrant, option, subscription or purchase right with respect to a Unit, (ii) any Security convertible into, exchangeable for or otherwise entitling the holder thereof to acquire any Unit or (iii) any warrant, option, subscription or purchase right with respect to any Security described in the foregoing clause (ii).

"Units" means any units representing Membership Interests that the Company may issue from time to time. Any reference herein to a "Unit" is deemed to also be a reference to the Membership Interest represented by such Unit.

"Unreturned Capital" means, with respect to Units and as of a given time, an amount equal to the excess, if any, of (i) the aggregate Capital Contributions that have been made in respect of such Units prior to such time (including any Capital Contributions made to satisfy any funding obligations pursuant to Section 4.5), over (ii) the aggregate amount of all prior distributions that the Company has made in respect of such Units pursuant to Section 11.3(a) or 11.4(a).

"Unreturned Funding Amount" means, with respect to Units and as of a given time, an amount equal to the excess, if any, of (i) the aggregate Capital Contributions that have been made in respect of such Units to satisfy any funding obligations pursuant to Section 4.5, over (ii) the aggregate amount of all prior distributions that the Company has made in respect of such Units pursuant to Section 11.3(a).

1.2 Construction (PSI Parent).

(a) Except as otherwise expressly provided herein: (i) where a word or phrase is defined herein, each of its other grammatical forms have a correlative meaning; (ii) the terms "hereof," "herein," "hereunder," "hereby," "hereto," "herewith" and words of similar import are to be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement; (iii) a reference herein to an Article, Section, paragraph, Exhibit or Schedule is a reference to an Article, Section, paragraph, Exhibit or Schedule, respectively, of or to this Agreement; (iv) the words "include," "includes," and "including" as used herein are deemed to be followed by the words "without limitation"; (v) the term "Dollars" and the symbol "$" mean United States Dollars; and (vi) all accounting terms used and not defined herein have the respective meanings given to them under GAAP.

(b) Unless otherwise expressly provided herein, any reference (i) to a Contract (including this Agreement) and all other contractual instruments is a reference to such Contract or instrument (including all exhibits, schedules, attachments and appendices thereto) as the same may be amended or otherwise modified from time to time in accordance with the terms thereof and (ii) to a law is a reference to all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such law.

(c) If an Entity has an obligation hereunder to not permit another Person from taking any action, then such Entity is deemed to have a concurrent obligation to cause such other Person, to the extent such Entity is capable of exercising control over the actions of such other Person, to cease taking such action (if applicable) and to refrain from taking such action.

(d) The term "control," as used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting Securities, by Contract or otherwise.

ARTICLE 2
GENERAL

2.1 Formation of the Company. The Company was formed on the Formation Date as a limited liability company under the Act.

2.2 Name. The name of the Company and under which the business of the Company is to be conducted is "Phusion Laboratories, LLC." The Company may conduct business under one or more fictitious names, in accordance with the Act and as Approved by the Board.

2.3 Purpose and Powers. The purpose of the Company is to conduct the Business, to engage in any activities necessary, customary, convenient or incidental thereto and to engage in any other lawful acts Approved by the Board that a Delaware limited liability company is permitted to engage in under the Act.

2.4 Principal Place of Business. The Company's principal place of business will be at such place or places as Approved from time to time by the Board. The Company may have other places of business as Approved from time to time by the Board.

2.5 Term of the Company. The Company commenced its existence on the Formation Date and will continue perpetually until terminated as a result of the dissolution and winding up of the Company in accordance with Article 19.

2.6 Statutory Compliance.

(a) The Certificate of Formation has been executed and filed with the Delaware Secretary of State. Any Manager or Officer, as an "authorized person" within the meaning of the Act, is hereby authorized in such capacity, at any time that the Board has Approved and the applicable Members have approved an amendment to the Certificate of Formation, in accordance with the terms hereof, to execute, deliver and file such amendment in accordance with the Act.

(b) The Company shall continuously maintain a registered office and a designated and duly qualified agent for service of process for the Company in the State of Delaware. The address of the registered office in Delaware as of the Formation Date is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, State of Delaware 19808 and the Company's registered agent for service of process at that address as of the Formation Date is Corporation Service Company.

(c) The Company shall qualify to do business in any jurisdiction in which it is required to do so under the laws of such jurisdiction.

2.7 Nature of Agreement. This Agreement constitutes a "limited liability company agreement," as defined under the Act.

ARTICLE 3
ANNUAL PLANS

3.1 Adoption of Annual Plans (PSI Parent). No later than December 15 of each year, the Parties shall prepare and agree upon a budget and an operating plan for the Company for the immediately following Fiscal Year (each such plan, an "Annual Plan") setting forth with respect to such Fiscal Year, among other things, (a) projected expenses and capital expenditures, (b) projected cash requirements, loan commitments and Capital Contribution requirements, (c) projected sources and uses of funds, and (d) projected distributions. The Parties shall cooperate to agree upon and prepare the Annual Plan for the remainder of the Fiscal Year ending December 31, 2010 on or before May 15, 2010.

3.2 Amendments to Annual Plans (PSI Parent). From time to time during a Fiscal year, the Parties shall review, and, as necessary, modify, the Annual Plan for such Fiscal Year. An Annual Plan may from time to time be amended upon the consent of the Company and each Member.

3.3 Company Operations (PSI Parent). The Company shall conduct its operations, and the Members shall cause the Company to conduct its operations, as closely as possible, in accordance with and otherwise consistent with the Annual Plan then in effect.

ARTICLE 4
COMMERCIALIZATION OF PRODUCTS

4.1 Selection of OTC Drugs and Product Class for Commercialization (PSI Parent).

(a) General. Subject to the terms hereof, the Company shall Commercialize Proposed Products The Parties shall follow the process set forth in Sections 4.1(b) through (d) with respect to the selection of an OTC Drug and/or Product Class for commercialization.

(b) Cooperation to Select Proposed Products for Commercialization. The Parties shall cooperate to indentify and jointly select OTC Drugs and/or products falling within the Product Class to be potentially Commercialized (any such OTC Drug or product falling within the Product Class so selected, a "Proposed Product"). Factors relevant to selecting a Proposed Product include (i) the ability of the PSI and PSI Parent, and the costs, to reasonably research, develop, test and formulate the Proposed Product and the Developed Product with respect to such Proposed Product, and (ii) the ability of the Company, and the costs, to reasonably market, advertise, package, sell and distribute the Developed Product arising from such Proposed Product.

(c) PSI Testing, Etc. of Proposed Products. With respect to each Proposed Product, PSI Parent shall, at their own expense, identify the unique characteristics and potential product claims that are anticipated to be applicable to any Developed Product with respect to such Proposed Product. PSI Parent will provide to the Company its view and advice as to whether a Proposed Product is capable of being formulated. PSI will formulate and develop the Proposed Product on behalf of the Company subject to the reasonable abilities and resources of PSI taking into account the number of employees PSI has and its own ongoing research. The Company is responsible for verifying any product claims described in this Section 4.1(c) and PSI Parent will not be liable with respect to the verification of any such product claims. From time to time, and subject to the agreement of the Parties, the Company may determine to contract with third parties to conduct research on behalf of the Company, with such research to be supervised by PSI Parent.

(d) Approval of Budget for the Commercialization of Proposed Products.

(i) If the Company determines, with respect to a Proposed Product, that there is a reasonable likelihood that such Proposed Product will be capable of becoming one or more Developed Products, then the Parties shall seek to agree on a budget for the commercialization of such Proposed Product in accordance with this Section 4.1(d) (any such budget, with respect to a given Proposed Product, a "Budget").

(ii) Each Budget must include the following items:

(A) a timeline for commercialization of such Proposed Product;

(B) reasonable estimates of the Development Costs with respect to such Proposed Product;

(C) reasonable estimates of the Marketing Costs with respect to such Proposed Product; and

(D) the estimated funding requirements of the Parties under Section 4.5(c)(ii) with respect to such Proposed Product.

(iii) The Initial Members may, by mutual agreement, amend, change or otherwise modify or supplement any Budget they have previously agreed to for the commercialization of any Proposed Product.

4.2 Obligations of PSI and PSI Parent in Connection with the Commercialization of Approved Products (PSI Parent).

(a) Research Program. PSI Parent shall undertake and supervise the Research Program determined by the for each Approved Product.

(b) Toxicology and Safety Data. PSI and PSI Parent shall provide to the Company all toxicology and safety data available to PSI Parent relating to tocopheryl phosphates, whether alone or formulated with another ingredient, pertaining to each Approved Product. Additionally, PSI and PSI Parent shall grant the Company the right to reference all applicable toxicology and safety data that is or becomes under PSI Parent's control.

(c) Supply the Tocopheryl Phosphate. PSI Parent shall, at its "fully allocated" costs of manufacturing, supply to the Company the tocopheryl phosphate required in the manufacture of the products marketed by the Company. For these purposes, PSI Parent's "fully allocated" costs shall consist of the following: the direct manufacturing costs incurred (i.e., materials, supplies, labor, factory floor overhead) and shall exclude all PSI Parent corporate overhead; provided, however, that in no event shall the price charged by PSI Parent exceed the then-current (*i.e.,* within 90 days before or after the date of shipping) lowest price charged by PSI Parent or any of its Affiliates to any third party for the supply of tocopheryl phosphate (excluding immaterial quantities supplied by PSI Parent or any of its Affiliates to third parties for strategic purposes).

(d) Third-Party Supplier of Tocopheryl Phosphate. If (i) PSI Parent is unable to supply to the Company cGMP-grade tocopheryl phosphates to formulate and commercially manufacture any Product or (ii) the Company or Quigley is able to find a reputable third-party manufacturer that is able to supply to the Company cGMP-grade tocopheryl phosphates at prices more favorable than the price charged by PSI Parent, then PSI Parent shall grant to a third-party manufacturer nominated by the Company or Quigley a fully paid-up license to practice PSI Parent's patents relating to its manufacturing process, provided that such third party agrees to produce only sufficient quantities of tocopheryl phosphate as may be required for use in formulation and commercial manufacturing of Developed Products for the Company.

(e) Implementation of Development Program. PSI and PSI Parent shall design and implement a Development Program that will be required to sell any products that the Company has determined to bring or attempt to bring to market.

(f) Patents and Patent Applications. PSI and PSI Parent shall manage the filing and prosecutions of any patents or applications for patents included in the Program Patents pursuant to such budget as the Parties have agreed upon. The Company shall bear all out of pocket costs incurred by the Parties in connection with such patent filing, application and prosecution. In the event a Member has incurred out of pocket costs, such costs will be reimbursed in accordance with Section 4.6(c).

(g) Office and Lab Space. PSI Parent shall make available to the Company at no charge reasonable office and lab space at its facility in Melbourne, Australia.

(h) Maintenance of Records. PSI Parent shall keep proper records relating to the costs it incurs in connection with the manufacture of tocopheryl phosphate for use in Developed Products. Each of PSI and PSI Parent shall keep proper records relating to any other costs for which it seeks recovery pursuant hereto and shall report and account to the Company from time to time with respect to the financial information relevant hereto. Quigley or its representatives may enter any premises occupied by PSI and/or PSI Parent at all reasonable times to examine and take copies of the books, records and documents relating thereto provided that such information shall only be used to verify the accountings required pursuant hereto.

4.3 Quigley's Obligations in Connection with the Commercialization of Developed Products (PSI Parent).

(a) Marketing of Developed Products. Quigley (either itself or through its Affiliates) shall manage the marketing, promotion, advertising and sale of Developed Products in the United States on behalf of the Company. The Company may grant third-party distribution rights and marketing rights in the United States and elsewhere as approved by the Board.

(b) Office and Warehouse Space. Quigley shall make available to the Company at no charge reasonable office and warehouse space at its facility in Doylestown, Pennsylvania: provided, however, that the Company will not be entitled to use of more than 20% of the warehouse space.

(c) Sale and Customer Information. Quigley shall assist the Company in maintaining accurate current sales information and statistics relating to the sales (dollar values and quantity volumes) of the Developed Products to Customers (individually and in aggregate) and a current list of all Customers. Except as required by law, both Quigley and PSI shall keep such Customer information confidential and shall use such information for any purpose other than to enforce this Agreement.

4.4 Reputation of Products (PSI Parent). The Parties shall cooperate to establish and maintain the reputation of Developed Products.

4.5 Funding (PSI Parent).

(a) Development Costs. Unless both Quigley and PSI agree to the contrary in writing, each Budget with respect to an Approved Product shall provide that, with respect to the Development Costs with respect to such Approved Product, (i) Quigley shall fund the first $100,000 of such Development Costs and one-half of such Development Costs in excess of $100,000 (in each case by contributing such amount to the Company as a Capital Contribution), and (ii) PSI shall fund one-half of such Development Costs in excess of $100,000 (by contributing such amount to the Company as a Capital Contribution). Each Budget for Development Costs will specify the estimated date when funding shall be required, and the Members shall fund their respective amounts as and when specified in the agreed Budget.

(b) Marketing Costs. Each Budget with respect to an Approved Product shall set forth an agreed Budget for Marketing Costs. Unless both Quigley and PSI agree to the contrary in writing, Quigley shall fund the first $500,000 of the agreed Marketing Costs for each Approved Product (by contributing such amount to the Company as a Capital Contribution). Each Budget for Marketing Costs will specify the estimated date when funding shall be required, and the Members shall fund their respective amounts as and when specified in the agreed Budget.

(c) Funding Obligations.

(i) Not more than 30 nor less than 10 days prior to the end of each Fiscal Quarter, the Company shall provide the Members with a written notice (a "Funding Notice") setting forth with respect to each Approved Product or (if such Approved Product has become Developed Product) Developed Product: (A) a good faith estimate of the anticipated Development Costs (if any) that will be required with respect to such Approved Product or Developed Product, respectively, for such Fiscal Quarter, and the amount of such anticipated Development Costs that each Member must fund (which amount must be consistent with the funding requirements contemplated by Section 4.5(a)); and (B) a good faith estimate of the anticipated Marketing Costs (if any) that will be required with respect to such Approved Product or Developed Product, respectively, for such Fiscal Quarter, and the amount of such anticipated Marketing Costs that each Member must fund (which amount must be consistent with the funding requirements contemplated by Section 4.5(b)).

(ii) On or before the first day of each Fiscal Quarter, each Member shall contribute its Funding Amount with respect to such Fiscal Quarter to the Company as a Capital Contribution in respect of the Units held by such Member at the time of such Capital Contribution.

4.6 Reimbursement of Expenses (PSI Parent).

(a) Quigley Qualified Expenses. Promptly after Quigley presents to the Company a reasonably detailed invoice for any Quigley Qualified Expenses, the Company shall pay Quigley, as reimbursement therefor, the amount of such Quigley Qualified Expenses.

(b) PSI Qualified Expenses. Promptly after PSI presents to the Company a reasonably detailed invoice for any PSI Qualified Expenses, the Company shall pay PSI, as reimbursement therefor, the amount of such PSI Qualified Expenses.

(c) Expenditures Related to Patents. The Members will be jointly responsible for paying the expenses related to the filing and prosecutions of any patents or applications for patents included in the Program Patents in proportion to the respective number of Units they hold. A Member shall reimburse another Member for its ratable share of such expenses promptly after the Member incurring such expense presents the reimbursing Member with a reasonably detailed invoice therefor (after taking into account any such expenses that the Member providing such invoice owes such reimbursing Member pursuant to this Section 4.6(c)).

(d) The Parties hereby acknowledge that the payroll and corporate overhead expenses of the employees of the Members who are providing services to the Company shall not be considered an expense which may be charged to or reimbursed by the Company; provided, however, that where an employee of a Member has devoted a disproportionate amount of time or made a disproportionate contribution to the Company, the Members may agree to reimburse or the Member making such contribution.

4.7 Cap on Quigley Funding Obligations (PSI Parent). Notwithstanding anything to the contrary herein, Quigley is not required to fund and/or pay in excess of Two Million Dollars ($2,000,000) in the aggregate pursuant to this Article 4. Any funding required above such amount is to be provided, as the Parties may mutually agree, by reinvestment of operating income, by third-party investment in the Company, by debt financing, by out-licensing, or as the Parties may otherwise agree from time to time.

4 . 8 Intellectual Property Ownership. Ownership rights with respect to the Intellectual Property (including Program Patents) developed by or on behalf of any Company Entity are as set forth in the License Agreement.

ARTICLE 5
ADMISSION OF MEMBERS AND CAPITAL ACCOUNTS

5.1 Initial Members and Initial Capital Contributions (PSI Parent).

(a) Each Party acknowledges that: (i) on the Effective Date, Quigley contributed to the Company, as an initial Capital Contribution, (A) all of its rights and obligations under the License Agreement, pursuant to the Assignment and Assumption Agreement, and (B) $500,000 in cash; and (ii) as of the Effective Date, PSI has not made, and on the Effective Date PSI did not make, any Capital Contributions to the Company.

(b) The Company hereby issues 1,000 Units to each Initial Member.

5 . 2 Units. The Member Schedule sets forth the respective names, addresses, initial Capital Contributions, and the number of Units held by each Member. Each Member acknowledges that each Member's aggregate initial Capital Contributions as set forth in the Member Schedule represent the amount of cash and the Fair Market Value of property other than cash that such Member has contributed to the Company in the aggregate as of the Effective Date.

5.3 Capital Accounts.

(a) The Company shall establish and maintain a separate Capital Account for each Member in accordance with Regulations Section 1.704-1(b)(2)(iv) and in accordance with the following provisions:

(i) To each Member's Capital Account there shall be credited such Member's Capital Contributions, such Member's allocable share of Net Profits, any items in the nature of income or gain that are specially allocated to such Member under Section 10.2, and the amount of any liabilities of the Company that are assumed by such Member (or liabilities that are secured by any Company assets distributed to such Member). The principal amount of a promissory note that is not readily traded on an established securities market and that is contributed to the Company by the maker of such note (or a Member related to the maker of such note within the meaning of Regulations Section 1.704-1(b)(ii)(c)) shall not be credited to the Capital Account of any Member until the Company makes a taxable disposition of such note or until (and to the extent) principal payments are made on such note, all in accordance with Regulations Section 1.704-1(b)(2)(iv)(d)(2).

(ii) To each Member's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Company assets distributed to such Member pursuant to any provision hereof (net of liabilities secured by such distributed Company assets that such Member is considered to assume or take subject to under Code Section 752), such Member's allocable share of Net Losses, any items in the nature of expenses or losses that are specially allocated to such Member under Section 10.2, and the amount of any liabilities of such Member that are assumed by the Company (or liabilities that are secured by any property contributed by such Member to the Company).

(iii) If any interest in the Company is transferred in accordance with the terms hereof, then the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest. In the case of a sale or exchange of an interest in the Company at a time when an election under Code Section 754 is in effect, the Capital Account of the transferee Member shall not be adjusted to reflect the adjustments to the adjusted tax basis of Company assets required under Code Sections 754 and 743, except as otherwise required or permitted by Regulations Section 1.704-1(b)(2)(iv)(m).

(iv) In determining the amount of any liability for purposes of Sections 5.3(a)(i) and (ii), there shall be taken into account Code Section 752(c), and any other applicable provisions of the Code.

(b) The foregoing provisions of this Section 5.3 and the other provisions hereof relating to the maintenance of Capital Accounts are intended to comply with Regulations Sections 1.704-1(b) and 1.704-2 and shall be interpreted and applied in a manner consistent with such Regulations.

(c) If the Board determines that it is prudent to modify the manner in which any debits or credits are made to the Capital Accounts (including debits or credits relating to liabilities that are secured by contributed or distributed property or that are assumed by the Company or any Members), the Board may make such modification, provided that it is not likely to have a material effect on the amounts distributed to any Person pursuant to Section 19.5 upon the dissolution of the Company.

(d) The Board also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

ARTICLE 6
ADDITIONAL CAPITAL, CONTRIBUTIONS, RETURN OF CAPITAL CONTRIBUTIONS AND MEMBER LOANS

6.1 Additional Capital Contributions. Except as provided in Section 4.5, no Member is hereby required to contribute additional capital to the Company. Subject the Approval of the Board, the Company may issue additional Units on such terms as are Approved by the Board, which may involve the issuance to existing Members or other Persons of Units in one or more classes or series with such rights, powers and duties as are Approved by the Board. If such issuance was effected in accordance with the terms hereof and the Person to which such Units were issued signs a Joinder Agreement, then the Person to which such Units were issued will thereby be deemed admitted as a Member with respect to such Units, the Member Schedule will thereby be deemed amended to reflect the name, address and Units of such Member, and the Company will thereby be permitted to insert a copy of Member Schedule that reflects such amendments. All Capital Contributions made to the Company in connection with the issuance of any additional Units to any Person pursuant to this Section 6.1 are to be credited to the Capital Account of such Person as and when such Capital Contribution is made, as reflected in the records of the Company. As a result of such Capital Contributions and the admission of each Person as a Member, the Board will have the right, but not the obligation, to adjust the respective Capital Accounts of the Members in accordance with the definition of Gross Asset Value and Regulations Section 1.704-1(b)(2)(iv)(f). None of the Members have any pre-emptive rights with respect to any issuances of Units.

6.2 Return of Member Capital Contributions. Except as otherwise provided herein: (a) no Member shall demand, and no Member will be entitled to receive, a return of, or interest on, its Capital Contributions or Capital Account with respect to the Company; (b) no Member shall withdraw any portion of its Capital Contributions or receive any distributions from the Company as a return of capital on account of such Capital Contributions; and (c) the Company shall not redeem or repurchase the Units of any Member.

6.3 Member Loans. No Member will be required to make, and each Member shall not make, any loans or otherwise lend any funds to the Company, except as otherwise provided herein or as otherwise Approved by the Board. Notwithstanding the foregoing, a Member may provide loans to or for the benefit of the Company from time to time on arm's length, commercially reasonable terms and conditions Approved by the Board. Each Member loan will represent a debt of the Company payable or collectible solely from the Company Assets in accordance with the terms and conditions upon which such loan was made. The Company shall repay all permitted Member loans (a) in accordance with any documents and instruments evidencing such loans or (b) absent any such documents or instruments, prior to making any distributions (other than Tax Distributions pursuant to Section 11.2).

6.4 No Liability of Member for Debts and Obligations of the Company. Except as otherwise required by any non-waivable provision of the Act or other applicable Law, or as provided in any guaranty or other form of credit enhancement by one or more Members, or as set forth in any other written instrument or document signed on or after the Effective Date by one or more of the Members: (a) no Member will be personally liable for any debt, liability or other obligation of the Company; and (b) no Member will, by virtue of its ownership of Units, have any liability to any Person in excess of (i) the aggregate amount of such Member's Capital Contributions to the Company, and (ii) without duplication, its share of any Company Assets and undistributed profits of the Company.

6.5 Registered Owner. The Company will be entitled to treat a Member as the owner of the Units registered in such Member's name on the books and records of the Company for all purposes, and, accordingly, will not be bound to recognize any equitable or other claim to or interest in such Units on the part of any other Person, regardless of whether the Company has actual or other notice thereof.

ARTICLE 7
MEMBERS

7.1 No Management By Members. Except as expressly set forth in the Act, this Agreement or the Company's other Organizational Documents, no Member, in its capacity as a Member, is entitled to take any part in the control or management of the Business or have any authority or power to act for or on behalf of the Company.

7.2 Limited Liability. No Member, in its capacity as a Member, will be liable to the Company, any creditor of the Company or any other Person for any Liabilities of the Company, whether arising in contract, tort or otherwise, except as specifically set forth herein or as otherwise agreed to in writing by such Member. No Member will be liable to the Company, any other Member, any creditor of the Company or any other Person for the repayment of amounts received from the Company in its capacity as Member. The failure of the Board to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs hereunder, the Company's other Organizational Documents or the Act will not be grounds for imposing personal liability on the Members or the Managers for Liabilities of the Company, whether arising in contract, tort or otherwise.

7.3 Admission of Members. No Person will be admitted to the Company as a Member except in accordance with Section 6.1 (in the case of Persons obtaining Units directly from the Company) or Section 14.6 (in the case of transferees of a permitted Transfer of Units from another Person). No admission of a Member will operate, by virtue thereof, to cause the dissolution of the Company. Any admission that is purportedly effected other than in accordance with this Agreement will be null and void *ab initio*. Upon admission as a Member in accordance with the terms hereof, a Person will have the rights, liabilities and obligations of a Member as provided hereunder with respect to the Units held by such Person.

7.4 Withdrawal or Resignation. Except as otherwise specifically set forth in Section 14.7, no Member is or will be entitled to retire or withdraw from being a Member without the Approval of the Board. No withdrawal of a Member will operate, by virtue thereof, to cause the dissolution of the Company. Any withdrawal that is purportedly effected other than in accordance with this Agreement will be null and void *ab initio*. If any Member withdraws from the Company without the Approval of the Board (other than pursuant to Section 14.7), such Member will not be entitled to receive from the Company any payment as a result of such withdrawal, unless otherwise Approved by the Board.

7.5 Meetings.

(a) General. Member Meetings that have been called in accordance with Section 7.5(b) or (c) may be held at any place within or outside Delaware, or by remote communication, as a Majority Vote of the Members may from time to time fix, or as specified in the notice or waivers of notice thereof. Any one or more Members may participate in a Member Meeting by means of telephone communications, video conference or similar communications equipment by means of which all persons participating in such Member Meeting can hear each other at the same time. Participation by such means constitutes presence in person at any such Member Meeting.

(b) Regular Member Meetings. Unless otherwise determined by a Majority Vote of the Members, the Members shall hold an annual Member Meeting each year at the time and place fixed by the Board.

(c) Special Member Meetings. Special Member Meetings are to be held whenever called by, and at such time and place as fixed by, a Majority Vote of the Members of any Initial Member.

(d) Notice. For a Member Meeting to be duly convened, notice of the time and place of such Member Meeting must be given at least four days prior to such Member Meeting pursuant to either oral or written notice to all of the Members (if such Member Meeting is to be held in person) or at least 72 hours prior to such Member Meeting pursuant to oral or written notice to all of the Members (if such Member Meeting is to be held by telephone communications, video conference or similar communications equipment), or (in either case) upon such shorter notice as may be approved by all of the Members. The business to be transacted at, or the purpose of, a Member Meeting must be specified in the notice of such Member Meeting or waiver of notice thereof. Notice provided to the applicable email addresses specified in the Member Schedule is hereby deemed to be effective notice for purposes of this Section 7.5(d).

(e) Waiver of Notice. Attendance by a Member at a Member Meeting will thereby constitute such Member's waiver of notice of such Member Meeting, unless such Member attends such Member Meeting for the express purpose of objecting, and does so object at the beginning of such Member Meeting, to the transaction of any business at such Member Meeting on the ground that such Member Meeting was not duly called or convened.

(f) Adjourned and Rescheduled Meetings. If a Quorum is not present at a duly called Member Meeting, then the Members present at such Member Meeting may adjourn the Member Meeting from time to time until a Quorum is present. Members not present at any Member Meeting that has been adjourned and rescheduled must be given notice of the rescheduled Member Meeting in accordance with Section 7.5(d) or waive such notice in accordance with Section 7.5(e).

(g) Member Meeting Observer. The Secretary (if any) or the Assistant Secretary (if any), or, in his or her absence, such individual as may be determined by the Board, is entitled to be present at each Member Meeting for the purpose of recording the events of such Member Meeting, including the actions taken by the Members thereat. Notice of each Member Meeting (including any adjournment and rescheduling thereof) and the materials to be provided thereat are to be provided to both the Secretary (if any) and the Assistant Secretary (if any) in the same manner as notice of such Member Meeting and such materials are to be provided to the Members. Neither the presence of the Secretary nor the presence of the Assistant Secretary at a Member Meeting is required in order for such Member Meeting to be duly held, and neither the presence of the Secretary nor the presence of the Assistant Secretary at a Member Meeting is required in order for the Members to take valid action at such Member Meeting.

7.6 Action by the Members.

(a) Quorum. A Quorum will constitute a quorum for the purpose of transacting business and taking action at a Member Meeting.

(b) Voting. Each Unit is entitled to one vote in respect of matters to be voted on by the Members. If a Quorum is present (either in person or by proxy) at a Member Meeting called in accordance with the terms hereof, then the Majority Vote of the Members will be the act of the Members, unless with respect to a given action of the Members a greater percentage is required by Law, this Agreement or any of the Company's other Organizational Documents.

(c) Actions Requiring a Majority Vote of the Members. None of the following actions is to be taken by or on behalf of any Company Entity (other than any action that such Company Entity is otherwise expressly entitled to take pursuant hereto without consent or upon requisite Member consent) without a Majority Vote of the Members:

(i) amending, altering or changing the rights or preferences of the Members;

(ii) amending any Organizational Document of any Company Entity;

(iii) changing the overall business purpose of the Company;

(iv) reorganizing or recapitalizing any Company Entity, or converting the Company into an entity other than a Delaware limited liability company;

(v) issuing any equity Securities or any other Security convertible into, exercisable for or exchangeable for any equity Securities, including any bona fide equity financing, Initial Public Offering or any registration of Securities;

(vi) increasing or decreasing the size of the Board;

(vii) entering into any transaction or series of related transactions pursuant to which the aggregate consideration to be paid by Company Entities is in excess of $50,000, except pursuant to an agreed Budget;

(viii) incurring any Indebtedness, other than trade debt incurred in the ordinary course of business and other than Indebtedness incurred pursuant to an agreed Budget;

(ix) creating, incurring, assuming or suffering to exist any Liens on Company Entity Assets;

(x) signing a definitive agreement with respect to or consummating any transaction (including any merger, consolidation or amalgamation of the Company) that results, or that would upon consummation result, in a change in control of the Company;

(xi) selling, transferring or otherwise disposing in any transaction or series of related transactions (A) all or substantially all of the Company Entity Assets, or (B) any material Company Entity Asset;

(xii) consummating, or entering into a Contract that contemplates the consummation of, a Pre-Initial Public Offering Transaction.

(xiii) entering into, amending, modifying, restating or supplementing any Contract, transaction or arrangement (including those involving the payment of any fees or compensation by any Company Entity) with any Company Entity's officers, directors, employees, shareholders (or other equity holders) or Affiliates, with any member of the Immediate Family of any of the foregoing or with any Entity in which any such Person owns a beneficial interest;

(xiv) taking any action that is contrary to the terms and conditions set forth in the License Agreement;

(xv) making any direct or indirect loans or advances to, Guarantees for the benefit of, or investments in any Person;

(xvi) approving and implementing Annual Plans and approving and implementing any Substantial Modification thereto;

(xvii) incurring an expense or series of related expenses greater than $50,000 (except pursuant to an agreed Budget and except for making reimbursement payments in accordance with Section 4.6);

(xviii) hiring or terminating the employment of an employee of any Company Entity who has, at such time, a salary that is greater than $50,000 per year or who is other than an at-will employee of such Company Entity;

(xix) receiving a Capital Contribution, other than pursuant to and in accordance with Section 4.5(c)(ii);

(xx) initiating, settling or compromising any Suit, other than a Suit against any Member, PSI Parent, or any of their respective Affiliates; and

(xxi) issuing of a press release or other broadly disseminated public disclosure with respect to any Company Entity or the Business (except as contemplated by the Contribution Agreement and except as any Company Entity or any Member is required to in accordance with any applicable laws or regulations, including any securities laws to which such Company Entity or such Member, respectively, is subject.

(d) Action By Written Consent. Any action that the Members are required or permitted to take may be taken without a Member Meeting if Members, the affirmative votes of which would be sufficient to take such action at a duly held Member Meeting at which all Members were present and voted, consent thereto in writing (or by electronic transmission) to the adoption of a resolution authorizing such action. The resolution and the written consents thereto by the applicable Members are to be filed with the minutes of the proceedings of the Members.

ARTICLE 8
BOARD OF MANAGERS

8 . 1 Establishment of Board. A board of managers of the Company (the "Board") comprised of natural persons (the "Managers") having the powers and duties set forth herein is hereby established.

8.2 Powers.

(a) The Board has general power to control and manage the affairs and Company Assets in accordance with, and subject to the provisions of, the Act, the Certificate of Formation and this Agreement. Each Manager is hereby designated as a "manager" (as that term is defined in the Act) of the Company, but no Manager has any rights or powers beyond the rights and powers granted to such Manager in any of the Company's Organizational Documents.

(b) Except with respect to actions requiring (either pursuant to applicable law or the Company's Organizational Documents) Board Approval or approval of all or some of the Members (including approval of a Majority Vote of the Members as contemplated by Section 7.6(c)), a Manager may take any action on behalf of any Company Entity that (i) is consistent with the Annual Plan in effect at the time of such action and/or (ii) has been specifically Approved by the Board or by a Majority Vote of the Members.

8.3 Qualifications, Number and Appointment.

(a) A Manager must be a natural person of at least 18 years of age. A Manager need not be a resident of the State of Delaware.

(b) The Board is to consist of four Managers in total, comprised as follows:

(i) Quigley will be entitled to designate (in its sole and absolute discretion), by providing written notice thereof to the Company, two individuals to serve as Managers (each such Manager, collectively with any replacement of or successor to such Manager, a "Quigley Designated Manager"), and, upon such designation, such individuals will thereby be appointed as Managers;

(ii) PSI will be entitled to designate (in its sole and absolute discretion), by providing written notice thereof to the Company, two individuals to serve as Managers (each such Manager, collectively with any replacement of or successor to such Manager, a "PSI Designated Manager"), and, upon such designation, such individuals will thereby be appointed as Managers.

(c) Each Member, in its capacity as such, shall from time to time take such action, including voting or causing to be voted all Units owned or controlled by such Member, as may be necessary to cause the Company to be managed at all times by the Board, comprised as set forth in Section 8.3(b).

(d) Each of the initial Managers is set forth inExhibit B.

8.4 Term. Each Manager will serve as a Manager until the earliest of such Manager's death, resignation or removal.

8.5 Removal. Quigley, and only Quigley, is entitled to remove (in its sole and absolute discretion) any Quigley Designated Manager by providing notice thereof to the Company and, upon providing such notice, such Manager will thereby be removed as a Manager. PSI, and only PSI, is entitled to remove (in its sole and absolute discretion) any PSI Designated Manager by providing notice thereof to the Company, and, upon providing such notice, such Manager will thereby be removed as a Manager.

8.6 Resignation. A Manager may resign at any time by giving written notice thereof to the Company. Any such resignation will take effect at the time of the Company's receipt thereof or any later effective time specified therein, and, unless otherwise specified therein, the acceptance of the resignation will not be necessary to make it effective.

8.7 Vacancies. Quigley, and only Quigley, will be entitled to designate (in its sole and absolute discretion) a replacement Manager to fill any vacancy in the manager position previously held by a Quigley Designated Manager that is caused by the resignation, death or removal of such Quigley Designated Manager. PSI, and only PSI, will be entitled to designate (in its sole and absolute discretion) a replacement Manager to fill any vacancy in the manager position previously held by a PSI Designated Manager that is caused by the resignation, death or removal of such PSI Designated Manager.

8.8 Chairman; Vice Chairman. The Board may, from time to time, designate (by Majority Vote of the Board) a Chairman of the Board and a Vice Chairman of the Board.

8.9 Meetings.

(a) General. Board Meetings that have been called in accordance with Section 8.9(b) or (c) may be held at any place within or outside Delaware, or by remote communication, as the Board may from time to time fix, or as specified in the notice or waivers of notice thereof. The Chairman of Board is to preside over Board Meetings. In the absence of the Chairman of Board at a Board Meeting, the Vice Chairman is to preside over such Board Meeting. In the absence of the Chairman of the Board and the Vice Chairman of the Board at a Board Meeting, the Board is to appoint a Manager in attendance at such Board Meeting to preside over such Board Meeting. Any one or more Managers may participate in a Board Meeting by means of a telephone communications, video conference or similar communications equipment by means of which all persons participating in such Board Meeting can hear each other at the same time. Participation by such means constitutes presence in person at any such Board Meeting.

(b) Regular Board Meetings. Unless otherwise determined by the Board, the Board is to hold an annual Board Meeting each year at the time and place fixed by the Board. The Board is to hold other regular Board Meetings on a quarterly basis and the Board will set the date, time and place of such other regular Board Meetings at the annual Board Meeting that is closest in time prior to such other regular Board Meetings.

(c) Special Board Meetings. Special Board Meetings are to be held whenever called by any two Managers at such time and place as fixed by the Managers calling the meeting.

(d) Notice. For a Board Meeting to be duly convened, notice of the time and place of a Board Meeting must be given at least two days prior to such Board Meeting pursuant to either oral or written notice to all of the Managers, or upon such shorter notice as may be approved by all of the Managers then in office. The business to be transacted at, or the purpose of, a Board Meeting must be specified in the notice of such Board Meeting or waiver of notice thereof. Notice provided to the applicable email addresses specified in the Member Schedule is hereby deemed to be effective notice for purposes of providing notice pursuant to this Section 8.9(d) to a director designated by a Member.

(e) Waiver of Notice. Attendance of a Manager at a Board Meeting will thereby constitute such Manager's waiver of notice of such Board Meeting, unless such Manager attends such Board Meeting for the express purpose of objecting, and does so object at the beginning of such Board Meeting, to the transaction of any business at such Board Meeting on the ground that such Board Meeting was not duly called or convened.

(f) Adjourned and Rescheduled Meetings. If a Quorum is not present at a duly called Board Meeting, then the Managers present at such Board Meeting may adjourn the Board Meeting from time to time until a Quorum is present. Managers not present at any Board Meeting that has been adjourned and rescheduled must be given notice of the rescheduled Board Meeting in accordance with Section 8.9(d) or waive such notice in accordance with Section 8.9(e).

(g) Board Meeting Observer. The Secretary, or, in his or her absence, the Assistant Secretary, is entitled to be present at each Board Meeting for the purpose of recording the events of such Board Meeting, including the actions taken by the Board thereat. Notice of each Board Meeting (including any adjournment and rescheduling thereof) and the materials to be provided thereat are to be provided to both the Secretary and the Assistant Secretary in the same manner as notice of such Board Meeting and such materials are to be provided to the Managers. Neither the presence of the Secretary nor the presence of the Assistant Secretary at a Board Meeting is required in order for such Board Meeting to be duly held, and neither the presence of the Secretary nor the presence of the Assistant Secretary at a Board Meeting is required in order for the Board to take valid action at such Board Meeting.

8.10 Action by the Board.

(a) Quorum. A Quorum will constitute a quorum for the purpose of transacting business and taking action at a Board Meeting.

(b) Voting.

(i) Subject to Sections 8.10(b)(ii) and (iii), each Manager is entitled to one vote in respect of matters to be voted on by the Board.

(ii) If at a given time there is only one Quigley Designated Manager serving on the Board, then such Quigley Designated Manager will be entitled (in addition to the one vote to which such Quigley Designated Manager is entitled pursuant to Section 8.10(b)(i)) to an additional vote in his or her capacity as a Manager.

(iii) If at a given time there is only one PSI Designated Manager serving on the Board, then such PSI Designated Manager will be entitled (in addition to the one vote to which such PSI Designated Manager is entitled pursuant to Section 8.10(b)(i)) to an additional vote in his or her capacity as a Manager.

(iv) If a Quorum is present (either in person or by proxy) at a Board Meeting called in accordance with the terms hereof, then the Majority Vote of the Board will be the act of the Board, unless, with respect to a given action of the Board, a greater percentage is required by Law or any of the Company's Organizational Documents.

(c) Action By Written Consent. Any action that the Board is required or permitted to take may be taken without a Board Meeting if all Managers presently serving on the Board consent thereto in writing (or by electronic transmission) to the adoption of a resolution authorizing such action. The resolution and the written consents thereto by the applicable Managers are to be filed with the minutes of the proceedings of the Board.

8 . 1 1 Compensation. A Manager, in his or her capacity as such, is not entitled to receive any compensation for such Manager's services, except as otherwise determined by the Board; provided, however, that the Company will reimburse a Manager for reasonable actual out-of-pocket expenses of attendance, if any, incurred by such Manager in respect of his or her attendance at each Board Meeting; provided, that nothing contained herein is to be construed to preclude or limit any Manager from serving any Company Entity in any other capacity and receiving compensation for such service.

8.12 Committees. The Board may from time to time, pursuant to a resolution of the Board that has been Approved by the Board, create such committees of the Board that are composed of such Managers and that have such authority and responsibilities as set forth in such resolution.

ARTICLE 9
OFFICERS

9.1 Qualifications and Appointment.

(a) Qualifications. An Officer need not be a Member or a Manager. Any number of titles may be held by the same Officer.

(b) Co-CEOs.

(i) Quigley will be entitled to designate (in its sole and absolute discretion), by providing written notice thereof to the Company, an individual to serve as a co-chief executive officer (such individual, collectively with any replacement of or successor to such individual, the "Quigley Designated CEO"), and, upon such designation, such individual will thereby be appointed as a CEO. Quigley hereby designates Ted Karkus as the initial Quigley Designated CEO.

(ii) PSI will be entitled to designate (in its sole and absolute discretion), by providing written notice thereof to the Company, an individual to serve as a co-chief executive officer (such individual, collectively with any replacement of or successor to such individual, the "PSI Designated CEO"), and, upon such designation, such individual will thereby be appointed as a CEO. PSI hereby designates Harry Rosen as the initial PSI Designated CEO.

(c) Officers Other than the CEOs. The Board is entitled to appoint Officers and delegate to such Officers such authority and duties, and assign such titles to such Officers as it determines in its sole and absolute discretion.

(d) Initial Officers (PSI Parent). The Parties acknowledge that, other than the CEOs, as of the Effective Date, there are no Officers.

9.2 Authority of Officers.

(a) General Management Authority. Subject to Sections 9.2(b) and (c):

(i) if the title assigned to an Officer is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law, then the assignment of such title will thereby constitute the delegation to such Officer of the authority and duties that are customarily associated with such office pursuant to the Delaware General Corporation Law;

(ii) an Officer has the right, power and authority in such capacity to transact business in the name of the Company, to act for or on behalf of the Company and to bind the Company; and

(iii) the Officers, in their respective capacities as Officers, have full and complete discretion to manage and control the day-to-day business, operations and affairs of the Company in the ordinary course of its business, to make all decisions affecting the day-to-day business, operations and affairs of the Company in the ordinary course of its business and to take all such actions as they deem necessary or appropriate to accomplish the foregoing.

(b) General Limitations. No Officer (including the CEOs) is entitled to take any action on behalf of any Company Entity if such action (i) is not within the scope of such Officer's authority, (ii) requires (either pursuant to applicable law or the Company's Organizational Documents) Board Approval, (iii) requires approval of all or some of the Members (including approval of a Majority Vote of the Members as contemplated by Section 7.6(c)) or (iv) is inconsistent with the Annual Plan in effect at the time of such action.

(c) Specific Limitations. The rights, powers and authorities of the Quigley Designated CEO are subject to any restriction (whether specific or general) that Quigley has placed upon such Quigley Designated Officer. The rights, powers and authorities of the PSI Designated CEO are subject to any restriction (whether specific or general) that PSI has placed upon such PSI Designated Officer. The rights, powers and authorities of the Officers other than the CEOs are subject to any restriction (whether specific or general) that the Board has placed upon such Officer pursuant to an action of the Board.

9.3 Removal, Resignation and Filling of Vacancy of Officers.

(a) Removal. The Board, acting by Majority Vote, may remove any Officer other than the CEOs, for any reason or for no reason, at any time. Quigley, and only Quigley, may remove the Quigley Designated CEO, for any reason or for no reason, at any time. PSI, and only PSI, may remove the PSI Designated CEO, for any reason or for no reason, at any time.

(b) Resignation. Any Officer may resign at any time by giving written notice to the Company, and such resignation will take effect on the date of the receipt of that notice or any later time specified in that notice. Unless otherwise specified in such a notice, the acceptance of such resignation will not be necessary to make it effective. Any such resignation will not in any way prejudice the rights, if any, of the Company or such Officer hereunder or otherwise.

(c) Filling Vacancies. A vacancy in any office because of death, resignation, removal or otherwise is to be filled in the manner prescribed herein for regular appointments to that office.

9.4 Compensation of Officers. The Officers will be entitled to receive compensation from the Company as Approved by the Board.

ARTICLE 10
ALLOCATIONS

10.1 Allocations of Net Profits and Net Losses.

(a) General. After taking into account the special allocations set forth in Section 10.2, and subject to Section 10.1(b), the Net Profits and Net Losses for each Allocation Year shall be allocated among the Members in the manner that will cause each of their Capital Accounts to proportionately equal, as closely as possible, the excess of (i) the amount that would be distributable to such Member under Section 11.4 if the Company were dissolved, its affairs wound up and (A) all Company assets were sold on the last day of the Allocation Year for cash equal to their respective Gross Asset Values (except Company assets actually sold during such Allocation Year shall be treated as sold for the consideration received therefor), (B) all Company liabilities were satisfied (limited, with respect to each "partner nonrecourse liability" and "partner nonrecourse debt," as defined in Regulations Section 1.704-2(b)(4), to the Gross Asset Value of the Company assets securing such liabilities) and (C) the net assets were immediately distributed in accordance with Section 11.4 to the Members over (ii) such Member's share (if any) of Company Minimum Gain and Member Nonrecourse Debt Minimum Gain, computed immediately prior to the hypothetical sale of Company assets.

(b) Limitation on Loss Allocations. If any allocation of Net Losses would cause a Member to have an Adjusted Capital Account Deficit, those Losses instead shall be allocated to the other Members pro rata until their Capital Accounts are reduced to zero, and any remaining Losses will be allocated to each Member in accordance with the relative number of Units held by such Member, as determined by the Board.

10.2 Special Allocations. The following allocations shall be made prior to the allocations set forth in Section 10.1 and in the following order and priority:

(a) Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding any other provision of this Article 10, if there is a net decrease in Company Minimum Gain during any Allocation Year, each Member shall be specially allocated items of Company income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 10.2(a) is intended to comply with the minimum gain chargeback requirement in Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(b) Member Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(i)(4), notwithstanding any other provision of this Article 10, if there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during any Allocation Year, each Member that has a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Company income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in an amount equal to such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2). This Section 10.2(b) is intended to comply with the minimum gain chargeback requirement in Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(c) Qualified Income Offset. If a Member unexpectedly receives any adjustments, allocations, or distributions described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), then items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, any Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 10.2(c) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article 10 have been tentatively made as if this Section 10.2(c) were not in this Agreement.

(d) Gross Income Allocation. If a Member has an Adjusted Capital Account Deficit at the end of any Allocation Year, then such Member shall be specially allocated items of Company gross income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 10.2(d) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article 10 have been made as if Section 10.2(c) and this Section 10.2(d) were not in this Agreement.

(e) Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Allocation Year shall be allocated to the Member that bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-2(i)(1).

(f) Nonrecourse Deductions. Nonrecourse Deductions for any Allocation Year shall be allocated to each Member in accordance with the relative number of Units held by such Member, as determined by the Board.

(g) Section 754 Adjustments. To the extent that an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or 743(b) is required pursuant to Regulations Sections 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of its interest in the Company, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of such Company asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated (i) to the Members in accordance with their respective interests in the Company, if Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or (ii) to the Member to which such distribution was made, if Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(h) Curative Allocations. The allocations set forth in Section 10.1(b) and Section 10.2(a) through (g) (collectively, the "Regulatory Allocations") are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 10(h). Therefore, notwithstanding any other provisions of this Article 10 (other than the Regulatory Allocations), the Board shall make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of this Agreement and all Company items were allocated pursuant to this Article 10 without regard to the Regulatory Allocations.

(i) Constructive Payments. Notwithstanding anything to the contrary contained herein, if a taxing authority determines that, for income tax purposes, the Company will be treated as making a payment to any Initial Member or any of its Affiliates for services or property (including any license) provided by such Person to the Company under the License Agreement, then (i) the Company shall specially allocate items of deduction or loss to such Initial Member in an amount equal to the amount of such constructive payment and (ii) such Initial Member shall be treated as having contributed to the Company an amount of cash equal to the gross amount of such constructive payment.

10.3 Other Allocation Rules.

(a) Net Profits, Net Losses and any other items of income, gain, loss or deduction shall be allocated to the Members pursuant to this Article 10 as of the last day of each Allocation Year; provided, that Net Profits, Net Losses and such other items shall also be allocated at such times as the Gross Asset Values of Company assets are adjusted pursuant to paragraph (ii) of the definition of Gross Asset Value.

(b) For purposes of determining the Net Profits, Net Losses, or any other items allocable to any period, Net Profits, Net Losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Board using any permissible method under Code Section 706 and the Regulations thereunder.

(c) The Members acknowledge the income tax consequences of the allocations made by this Article 10 and shall report their respective shares of Company income and loss for income tax purposes in a manner consistent with this Article 10.

10.4 Tax Allocations; Code Section 704(c) Allocations.

(a) Except as otherwise provided in this Section 10.4, each item of Company income, gain, loss and deduction for federal income tax purposes shall be allocated among the Members in the same manner as such items are allocated for book purposes under this Article 10, except that if such allocation is not permitted by the Code or other applicable law, then the Company's subsequent income, gains, losses, deductions and credits for federal income tax purposes will be allocated among the Members so as to reflect as nearly as possible the allocation set forth herein in computing their respective Capital Accounts.

(b) In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value using any allocation method permitted under Regulations Section 1.704-3, as determined by the Board.

(c) In the event the Gross Asset Value of any Company assets is adjusted pursuant to paragraph (ii) of the definition of Gross Asset Value, subsequent allocations of income, gain, loss, and deduction with respect to such Company assets shall take account of any variation between the adjusted basis of such Company assets for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

(d) Any elections or other decisions relating to such allocations shall be made by the Board, in any manner that reasonably reflects the purpose and intention hereof. Allocations pursuant to this Section 10.4 are solely for purposes of federal, state, and local income taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Net Profits, Net Losses, other items, or distributions pursuant to any provision hereof.

ARTICLE 11
DISTRIBUTIONS

1 1 . 1 Determination of Net Cash Proceeds. Within 30 days following the close of each Fiscal Quarter, the Board shall determine the Net Cash Proceeds for distribution pursuant to Section 11.3 with respect to such Fiscal Quarter.

11.2 Tax Distributions. So long as the Company is treated as a partnership for federal income tax purposes, and subject to the order of priority of distributions set forth in Section 11.3, the Board shall cause the Company to distribute to each Member no later than 40 days following the last day of each Fiscal Quarter, to the extent of Net Cash Proceeds with respect to such Fiscal Quarter, an amount of cash (a "Tax Distribution") that in the good faith judgment of the Board equals (a) the amount of taxable income allocable to such Member in respect of such Fiscal Quarter (net of taxable Net Losses allocated to such Member in respect of prior Fiscal Quarters and not previously taken into account under this Section 11.2), multiplied by (b) the Assumed Tax Rate.

11.3 Distributions Other than Upon a Sale of the Company. The Company shall, no later than 40 days following the close of each Fiscal Quarter and at such other times as the Board may determine, distribute Net Cash Proceeds (in an amount determined by the Board in accordance with Section 11.1), other than Net Cash Proceeds attributable to the sale, exchange or disposition of all or substantially all of the assets of the Company (such distributions to be governed solely by Section 11.4), to the Members in the following order of priority:

(a) first, to the Members (ratably among the Members based upon the aggregate Unreturned Funding Amount from each Member immediately prior to such distribution) until the aggregate Unreturned Funding Amount with respect to all outstanding Units held by all Members immediately prior to such distribution has been reduced to zero;

(b) second, to the Members, ratably among the Members based upon each Member's share of the aggregate Tax Distributions with respect to such Fiscal Quarter, as determined under Section 11.2; and

(c) third, to the Members, ratably among the Members based on the number of Units held by each Member immediately prior to such distribution.

11.4 Distributions Upon a Sale of the Company. The Company shall distribute to the Members the net proceeds that it receives upon a sale, exchange or other disposition of all or substantially all of the assets of the Company, as soon as reasonably practicable upon receipt thereof, in the following order of priority:

(a) first, to the Members (ratably among such Members based upon the aggregate Unreturned Capital with respect to all outstanding Units held by each Member immediately prior to such distribution) until the aggregate Unreturned Capital with respect to all outstanding Units held by all Members immediately prior to such distribution has been reduced to zero; and

(b) second, to the Members, ratably among the Members based on the number of Units held by each Member immediately prior to such distribution.

11.5 Distributions and Forfeiture of Units in Connection with a Liquidity Event In the event of a Liquidity Event, each Member will be entitled to receive the same portion of the aggregate consideration from such transaction that such Member would have received if such aggregate consideration had been distributed by the Company in accordance with Section 11.4. Each Member shall take all necessary or desirable actions in connection with the distribution of the aggregate consideration from any such transaction as requested by the Board. Notwithstanding anything to the contrary herein, if any class or series of Units would not be entitled pursuant to this Section 11.5 to receive any portion of the aggregate consideration from a Liquidity Event involving the Transfer of all of the outstanding Units, then, at the Board's election, effective as of immediately prior to the consummation of such Liquidity Event, all outstanding Units of such class or series shall automatically be forfeited and cancelled without consideration and all rights of the holders thereof shall cease and such Units shall not be deemed to be outstanding.

11.6 Withholding. Notwithstanding anything to the contrary herein, (a) each Member hereby authorizes the Company to withhold and pay over, or otherwise pay, any withholding or other taxes payable by the Company (pursuant to the Code or any other provision of United States federal, or state or local or other law) with respect to such Member or as a result of such Member's participation in the Company, including as a result of any distribution to such Member and (b) if and to the extent that the Company is required to withhold or pay any such taxes, such Member will be deemed for all purposes hereof to have received a payment from the Company as of the time such withholding or other tax is required to be paid, which payment will be deemed to be a distribution with respect to such Member's Units to the extent that the Member (or any successor to such Member's Units (or the Economic Interest with respect thereto)) is then entitled to receive a distribution. If the aggregate of such payments to a Member for any period exceeds the distributions that such Member would have received for such period but for such withholding, the Company shall notify such Member as to the amount of such excess and such Member shall promptly contribute to the Company, and shall indemnify the Company for, such amount.

ARTICLE 12
BOOKS, RECORDS AND REPORTS

12.1 Reporting and Accounting. The Company shall keep, or cause to be kept, appropriate books and records with respect to the Business, including all books and records necessary to provide any information, lists and copies of documents required to be provided pursuant to Section 12.2 or pursuant to applicable Law. All matters concerning (a) the determination of the relative amount of allocations and distributions among the Members pursuant to Articles 10 and 11, respectively, and (b) accounting procedures and determinations, and other determinations not specifically and expressly provided for by the terms hereof, shall be determined by the Board, the determination of which shall be final and conclusive as to all Members absent manifest error.

12.2 Delivery of Information. The Company shall use commercially reasonable efforts to deliver or cause to be delivered, within 45 days after the end of each Fiscal Year, to each Person who was a Member at any time during such Fiscal Year, all information necessary for the preparation of such Person's United States federal and state income tax returns. Except as set forth in this Article 12, no Member, other than an Initial Member, is entitled under Section 18-305 of the Act, under this Agreement or otherwise to inspect, review, obtain or receive any information about any Company Entity.

ARTICLE 13
TAX MATTERS

13.1 Tax Matters Member.

(a) Quigley is hereby designated as the Tax Matters Member. The Tax Matters Member is hereby authorized and required to represent the Company at the direction of the Board (at the expense of the Company) in connection with all examinations of the affairs of the Company by any federal, state or local tax authorities, including any resulting administrative and judicial proceedings, and to expend funds of the Company for professional services and costs associated therewith. The Board may change or otherwise designate the Tax Matters Member.

(b) The Tax Matters Member shall take such action as may be reasonably necessary to cause each other eligible Member to become a "notice partner" within the meaning of Code Section 6231(a)(8). To the extent and in the manner provided by applicable Code sections and Regulations thereunder, the Tax Matters Member (i) shall furnish the name, address, profits interest and taxpayer identification number of each Member to the IRS and (ii) shall keep the Members reasonably informed of all administrative and judicial proceedings for the adjustment of Company items required to be taken into account by a Member for income tax purposes. The Tax Matters Member shall notify the other Members within five Business Days after it receives notice from the IRS (or any state and local tax authority), of any administrative proceeding with respect to an examination of, or proposed adjustment to, any Company tax items. Each Member shall cooperate with the Board and the Tax Matters Member and shall do or refrain from doing any and all things reasonably required by the Board or the Tax Matters Member in connection with the conduct of such proceedings.

13.2 Tax Returns. The Company shall cause to be prepared and timely filed all federal, state and local income tax returns or other returns or statements required by applicable law. The Company shall, to the extent permitted by applicable law, elect or otherwise take such tax positions as the Board, in its discretion, determines.

13.3 Partnership Status for Income Tax Purposes. The Members intend that the Company shall be treated as a partnership for federal, state and local income tax purposes, and the Company shall not elect, and the Board shall not permit the Company to elect, to be treated as an association taxable as a corporation for federal, state or local income tax purposes under Regulations Section 301.7701-3 or under any corresponding provision of state or local law. Each Member and the Company shall file all tax returns consistent with such treatment. This characterization, solely for such tax purposes, does not create or imply a general partnership among the Members for state law or any other purpose.

ARTICLE 14
TRANSFER OF UNITS

14.1 Restriction on Transfers (PSI Parent). Except as otherwise permitted pursuant to this Article 14: (a) each Member shall not Transfer any Units or any Economic Interest that it holds; and (b) PSI Parent shall not Transfer, and shall not cause or permit the Transfer of (whether through the Transfer of Securities in a PSI Intermediate Entity or otherwise), any Security that represents a direct or indirect interest that PSI Parent has in the PSI Units Any Transfer (of Units or otherwise) other than in accordance with this Article 14 will be null and void *ab initio* (and, in the case of any such purported Transfer of Units, the Company shall not record any such Transfer upon its books).

14.2 Permitted Transfers (PSI Parent).

(a) Permitted Transfers by Members. Subject to Section 14.3, (i) a Member may Transfer all, but not less than all, of the Units held by such Member to a Person that is a Permitted Transferee of such Member at the time of Transfer, (ii) a Member may Sell Units in accordance with and subject to Articles 15 and 16, (iii) a Member may Transfer all or some of the Initial Member Units that it holds if all other Members holding Initial Member Units consent thereto in writing, (iv) a Member may Transfer all or some of the Non-Initial Member Units that it holds if all other Members consent thereto in writing, and (v) a Member may Transfer Units directly held by such Member in connection with a Liquidity Event Approved by the Board.

(b) Permitted Transfers by PSI Parent. Subject to Section 14.3, PSI Parent may Transfer any Security that represents an indirect interest in the PSI Units if, immediately after such Transfer, the transferee holding such PSI Units is a wholly owned Subsidiary of PSI Parent.

14.3 Certain Prohibited Transfers (PSI Parent).

(a) Generally. Notwithstanding anything to the Contrary herein, unless the Board determines otherwise, any direct or indirect Transfer of Units that is otherwise permitted hereunder will be null and void *ab initio*, and each Party shall not make or agree to make any such Transfer, if:

(i) such Transfer would, in the opinion of counsel to the Company, cause the Company to cease to be classified as a partnership for federal or state income tax purposes;

(ii) such Transfer requires the registration of the Units that are the subject of such Transfer pursuant to any applicable federal or state securities laws;

(iii) such Transfer subjects the Company to regulation under the Investment Company Act of 1940, the Investment Advisers Act of 1940 or the Employee Retirement Income Security Act of 1974;

(iv) such Transfer results in a violation of applicable Law;

(v) such Transfer is made to any Person who lacks the legal right, power or capacity to own such Units; or

(vi) the Company does not receive written instruments (including copies of any instruments of Transfer and such transferee's consent to be bound hereby as a Member) that are in a form reasonably satisfactory to the Board.

(b) Further Limitations.

(i) In order to permit the Company to qualify for the benefit of a "safe harbor" under Code Section 7704, notwithstanding anything to the contrary herein, no Transfer of any Unit will be permitted or recognized by the Company (within the meaning of Regulations Section 1.7704-1(d)) and the Company shall not issue any Units if and to the extent that such Transfer or issuance would cause the Company to have more than 100 partners (within the meaning of Regulations Section 1.7704-1(h), including the look-through rule in Regulations Section 1.7704-1(h)(3)).

(ii) Notwithstanding anything to the contrary herein, no Unit may be Transferred if such Transfer would affect the Company's existence or qualification as a limited liability company under the Act.

14.4 Termination of Restrictions (PSI Parent). The restrictions on Transfers set forth in this Article 14 will terminate immediately prior to the closing of an Initial Public Offering; provided, however, that any restrictions on Transfers that otherwise exist (including under applicable federal and state securities laws) will not be terminated thereby.

14.5 Rights of Assignees (PSI Parent). Until such time, if any, as a transferee of any Transfer of Units permitted pursuant to this Article 14 is admitted to the Company as a Member pursuant to Section 14.6: (a) such transferee will be an Assignee only, with respect to such Units, and will only be entitled to receive, to the extent Transferred, the distributions and allocations of income, gain, loss, deduction, credit, or similar items to which the transferring Member would be entitled in respect of such Units and assuming the transferee were a Member solely for such purposes; (b) such Assignee will not be entitled to exercise any other rights or powers of a Member, and such other rights or powers will remain with the transferring Member; and (c) the transferring Member will remain a Member with respect to the Units transferred (except to the extent provided in clause (a) of this Section 14.5), even if such Member has Transferred all of its Units to one or more Assignees. Subsequent Transfers of Units to an Assignee will be subject to this Article 14 to the same extent as Transfers of Units by a Member. Upon a transferee's admission, in accordance with this Article 14, as a Member with respect to Units Transferred to such transferee in accordance with this Article 14, such transferee will thereby be entitled to the same rights and be subject to the same obligations with respect to such Units as the transferor Member.

14.6 Admission of Assignees as Members (PSI Parent).

(a) An Assignee will become a Member with respect Units that have been Transferred to such Assignee only if and when each of the following conditions are satisfied:

(i) the transferor of such Units gives written notice to the Company requesting that the Assignee be admitted as a Member with respect to such Units and setting forth the name and address of the Assignee, the Units transferred and the effective date of the Transfer; and

(ii) the Company receives a Joinder Agreement signed by the Assignee and such other written documents effecting such Transfer in a form reasonably satisfactory to the Board.

(b) Upon the admission of any Person as a Member, (i) the Member Schedule will thereby be deemed amended to reflect the name, address and Units of such Member and to eliminate or adjust, if necessary, the name, address and Units of the applicable transferor Member and (ii) the Company will thereby be permitted to insert a copy of the Member Schedule that reflects such amendments.

14.7 Withdrawal of Members Upon Admission of Assignee (PSI Parent). If a Member has Transferred all of its Units in the Company to one or more Assignees, then such Member will be deemed withdrawn from the Company as a Member only if and when all such Assignees have been admitted as Members in accordance herewith. A Member will not cease to be a Member as a result of the Bankruptcy of such Member or as a result of any other events specified in § 18-304 of the Act. So long as a Member continues to own or hold any Units, such Member shall not resign as a Member prior to the dissolution and winding up of the Company and any such purported or attempted resignation by a Member prior to the dissolution or winding up of the Company shall be null and void *ab initio.*

14.8 Incapacity of Member (PSI Parent). Upon the Incapacity of a Member, such Member's Units will automatically be converted to an Economic Interest only, with respect thereto, and such Member (or its executor, administrator, trustee or receiver, as applicable) will thereby be deemed an Assignee for all purposes hereof with respect to the same Economic Interest as was held by such Member prior to its Incapacity (but without any other rights of a Member unless the holder of such Economic Interest is admitted as a Member pursuant to Section 14.6).

14.9 Death of a Member (PSI Parent). The death of a Member will not operate to dissolve the Company. Upon the death of a Member, the Company shall continue to conduct its business and the Units owned by the deceased Member will thereby be transferred pursuant to such Member's will or by operation by law, as the case may be, subject to the terms hereof.

ARTICLE 15
RIGHT OF FIRST REFUSAL

15.1 Notice of Proposed Sale. After the date that is the two-year anniversary of the Effective Date, any Member (any such Member, the "Selling Member") may Sell, in accordance with and subject to this Article 15, all, but not less than all, of the Units it then holds (such Units, collectively, the "Offered Units"), but only for cash consideration and only if the proposed purchaser or transferee (the "Proposed Transferee") agrees to purchase all Tag-Along Units (if any) in accordance with Article 16. At least 30 days before the Selling Member Sells the Offered Units to the Proposed Transferee, the Selling Member shall deliver to all other Members (such other Members, the "Remaining Members"), with a copy to the Company, a written notice (the "Proposed Sale Notice") stating: (a) the Selling Member's bona fide intention to Sell the Offered Units (any such Sale, a "Proposed Sale") pursuant to a bona fide written offer to one (but only one) Proposed Transferee; (b) the name and address of the Proposed Transferee; (c) the number of Offered Units to be Sold to the Proposed Transferee; (d) the bona fide cash price for which the Selling Member proposes to Sell the Offered Units (the amount of such bona fide cash price, the "Offered Price"; the amount of such bona fide cash price determined on a per Offered Unit basis, the "Per Unit Offered Price"), which Offered Price must be the product of an arms' length negotiation; (e) the proposed date of the Sale; and (f) other general terms and conditions to which the proposed Sale is subject. Each Proposed Sale Notice, when duly delivered, will constitute, for 21 days after the first date on which a Remaining Member has received (or is deemed to have received) such Proposed Sale Notice (such date, the "Proposed Sale Notice Receipt Date"), an irrevocable offer by such Selling Member to sell the Offered Units at the Offered Price to the Remaining Member, subject to this Article 15. The Selling Member shall certify in the Proposed Sale Notice that the Selling Member has received a firm offer at the Offered Price from the Proposed Transferee with respect to the proposed Sale and in good faith believes that the Selling Member (or one of its Affiliates) and the Proposed Transferee will enter into a binding agreement with respect to the proposed Sale on the general terms set forth in the Proposed Sale Notice.

15.2 Exercise of Right of First Refusal. Subject to Article 16, on and after the Proposed Sale Notice Receipt Date and prior to the date that is 21 days thereafter, the Remaining Members may elect, acting collectively, by giving written notice to the Selling Member (such notice, the "ROFR Participation Notice"), to purchase all, but not less than all, of the Offered Units at the Offered Price. The ROFR Participation Notice must specify the number of Offered Units to be purchased by each Remaining Member. The ROFR Participation Notice given, collectively, by the Remaining Members in accordance with this Section 15.2 and the election of the Remaining Members set forth therein will be irrevocable except with the written consent of the Selling Member. If the terms reflected in the Proposed Sale Notice, at any time after the Selling Member has provided a Proposed Sale Notice in accordance with Section 15.1 and prior to the consummation of the applicable Proposed Sale, are amended or do not reflect the terms of the applicable Proposed Sale (including with respect to the Offered Price), then (a) the Selling Member shall thereafter promptly provide to the Remaining Members a revised Proposed Sale Notice accurately reflecting the terms of the Proposed Sale (and otherwise in accordance with Section 15.1), (b) the Remaining Members will thereby be afforded an additional 21-day period after the provision of such revised Proposed Sale Notice to elect to exercise their right of first refusal pursuant to this Section 15.2, and (c) the terms of this Article 15 and Article 16 will thereby apply to such new Proposed Sale Notice. A Member's failure to exercise its rights pursuant to this Section 15.2 will not operate as a waiver of any prior or future exercise of its rights under this Section 15.2.

15.3 Payment; Closing.

(a) Subject to Section 15.3(b), the Sale of Offered Units to Remaining Members will be effected pursuant to one or more written agreements between the Selling Member and the Remaining Members on the terms and conditions set forth in the Proposed Sale Notice (any such written agreement, a "ROFR Unit Purchase Agreement") and that contains customary representations and warranties, including a representation and warranty by the Selling Member that the Offered Units are being Sold free and clear of all Liens (except those arising hereunder or under applicable federal or state laws); provided, however, that no Remaining Member will be required to make any representations or warranties in connection with the transaction other than customary representations and warranties solely with respect to such Remaining Member and its ownership of the Offered Units being Sold to such Remaining Member.

(b) To the extent that the terms or conditions reflected in the Proposed Sale Notice are inconsistent with this Section 15.3(b), or to the extent that the terms or conditions of this Section 15.3(b) are absent from the Proposed Sale Notice, each ROFR Unit Agreement will contain the following terms and conditions:

(i) the closing of the Sale of Offered Units to each Remaining Member will take place (A) at the offices of counsel for the Selling Member (or at such other location as may be agreed to by the Selling Member and the Remaining Members), (B) at 11:00 AM local time (or at such other time as may be agreed to by the Selling Member and the Remaining Members) and (C) on the date (the "Offered Units Closing Date") that is the third Business Day after the satisfaction or waiver of the closing conditions (if any) provided in such ROFR Unit Purchase Agreement, other than such conditions as are to be satisfied at the closing, or, if no closing conditions are provided in such ROFR Unit Purchase Agreement, the tenth Business Day following the Selling Member's receipt (or deemed receipt) of the ROFR Participation Notice (or that is such other date as may be agreed to by the Selling Member and the Remaining Members); and

(ii) the Remaining Members will pay, in aggregate, the Offered Price (subject to any applicable withholdings specified in the ROFR Unit Purchase Agreement) at the closing in cash by wire transfer of immediately available funds to an account specified at least two Business Days prior to the Offered Units Closing Date by the Selling Member to the Remaining Members or otherwise in the manner and at the time(s) set forth in the Proposed Sale Notice.

15.4 Selling Member's Right to Sell. Subject to the last sentence of this Section 15.2, if the Remaining Members have not elected, in accordance with Section 15.2, to purchase all of the Offered Units, then the Selling Member may Sell all, but not less than all, of the Offered Units to the Proposed Transferee at the Offered Price, and upon terms and conditions no more favorable to the Proposed Transferee than are specified in the Proposed Sale Notice; provided, that (a) the Sale of the Offered Units is consummated within 75 days after the date of the Proposed Sale Notice, (b) the Sale of the Offered Units is made in accordance with the terms hereof (including Article 16) and all other agreements between the Selling Member and the Company, (c) the Sale of such Offered Units is effected in accordance with any applicable securities laws, and (d) simultaneously with or prior to the Sale of any Offered Units, the Proposed Transferee (unless already a Member) executes and delivers to the Company a Joinder Agreement with respect to the Offered Units being acquired by the Proposed Transferee, and (e) if applicable, the Sale of the Offered Units complies with Article 16. If the Offered Units are not Sold to the Proposed Transferee within such 75-day period and as otherwise described in the Proposed Sale Notice, then, thereafter, before such Selling Member Sells the Offered Units, such Selling Member shall give a new Proposed Sale Notice to the Remaining Members at such time with respect to the Offered Units, and the Remaining Members will again have the rights afforded under this Article 15 and Article 16 with respect to the Offered Units.

15.5 Termination of Rights of First Refusal. All rights and benefits afforded to the Members under this Article 15 and all obligations, duties and liabilities imposed upon the Member under this Article 15 will not apply after, and will terminate immediately before, the closing of the IPO; provided, however, that, following the closing of the IPO, each Member will be and remain liable for any breach or violation of such obligations, duties and liabilities arising or accruing prior to the closing of the IPO.

ARTICLE 16
TAG-ALONG RIGHTS

16.1 Right to Participate in Proposed Sale. With respect to any Proposed Sale to a Proposed Transferee that is permitted under Section 15.4, all Remaining Members have the right, subject to the terms of this Article 16, to participate in such Proposed Sale.

16.2 Exercise of Tag-Along Right. If a ROFR Participation Notice is not delivered in accordance with Section 15.2, then, on and after the Proposed Sale Notice Receipt Date and prior to the date that is 21 days thereafter, each Remaining Member may elect (a Remaining Member making such election in accordance with this Section 16.2, a "Tag-Along Member") by giving written notice to the Selling Member (such notice, a "Tag-Along Participation Notice"), to Sell all, but not less than all, of the Units held at such time by such Tag-Along Member (such Units, with respect to each Tag-Along Member, " Tag-Along Units") to the Proposed Transferee at a per Tag-Along Unit price equal to the Per Unit Offered Price. Each Tag-Along Participation Notice must specify the number of Tag-Along Units to be Sold by the Tag-Along Member providing such Tag-Along Participation Notice. Any Tag-Along Participation Notice given by a Tag-Along Member in accordance with this Section 16.2 and the election of such Tag-Along Member set forth therein will be irrevocable except with the written consent of the Selling Member. A Member's failure to exercise its rights pursuant to this Section 16.2 will not operate as a waiver of any prior or future exercise of its rights under this Section 16.2.

16.3 Payment; Closing.

(a) Subject to Section 16.3(b), the Sale of the Offered Units and the Tag-Along Units to the Proposed Transferee will be effected pursuant to one or more written agreements between the Selling Member and the Tag-Along Members, on the one hand, and the Proposed Transferee, on the other hand, on the terms and conditions set forth in the Proposed Sale Notice (any such written agreement, a "Tag-Along Unit Purchase Agreement"), on the terms set forth in Section 15.4, and that contains customary representations and warranties, including a representation and warranty by each Tag-Along Member that such Tag-Along Member's Tag-Along Units are being Sold free and clear of all Liens (except those arising hereunder or under applicable federal or state laws); provided, however, that no Tag-Along Member will be required to make any representations or warranties in connection with the transaction other than customary representations and warranties solely with respect to such Tag-Along Member and its ownership of and delivery of good title to its Tag-Along Units being Sold to the Proposed Transferee.

(b) To the extent that the terms or conditions reflected in the Proposed Sale Notice are inconsistent with this Section 16.3(b), or to the extent that the terms or conditions of this Section 16.3(b) are absent from the Proposed Sale Notice, each Tag-Along Unit Agreement will contain the following terms and conditions:

(i) the closing of the Sale of Tag-Along Units and Offered Units to the Proposed Transferee will take place (A) at the offices of counsel for the Selling Member (or at such other location as may be agreed to by the Selling Member, the Tag-Along Members and the Proposed Transferee), (B) at 11:00 AM local time (or at such other time as may be agreed to by the Selling Member, the Tag-Along Members and the Proposed Transferee) and (C) on the date (the "Tag-Along Unit Closing Date") that is the third Business Day after the satisfaction or waiver of the closing conditions (if any) provided in such Tag-Along Unit Purchase Agreement, other than such conditions as are to be satisfied at the closing, or, if no closing conditions are provided in such Tag-Along Unit Purchase Agreement, the tenth Business Day following the Selling Member's receipt (or deemed receipt) of the Tag-Along Participation Notice (or that is such other date as may be agreed to by the Proposed Transferee, the Selling Member and the Tag-Along Members); and

(ii) the Proposed Transferee will pay to each Tag-Along Member an amount equal to the number of Tag-Along Units being Sold by such Tag-Along Member multiplied by the Per Unit Offered Price (subject to any applicable withholdings specified in the Tag-Along Unit Purchase Agreement) at the closing in cash by wire transfer of immediately available funds to one or more accounts specified at least two Business Days prior to the Tag-Along Units Closing Date by such Tag-Along Member to the Proposed Transferee or otherwise in the manner and at the time(s) set forth in the Proposed Sale Notice.

16.4 Selling Member's Right to Sell. Subject to the last sentence of Section 15.2, if no Remaining Members have elected, in accordance with Section 16.2, to Sell Tag-Along Units, then the Selling Member may Sell all, but not less than all, of the Offered Units to the Proposed Transferee at the Offered Price, or at a higher price, and upon terms and conditions no more favorable to the Proposed Transferee than are specified in the Proposed Sale Notice and otherwise in accordance with Section 15.4.

16.5 Termination of Tag-Along Rights. All rights and benefits afforded to the Members under this Article 16 and all obligations, duties and liabilities imposed upon the Member under this Article 16 will not apply after, and will terminate immediately before, the closing of the IPO; provided, however, that, following the closing of the IPO, each Member will be and remain liable for any breach or violation of such obligations, duties and liabilities arising or accruing prior to the closing of the IPO.

ARTICLE 17
STANDARDS OF CONDUCT, EXCULPATION, INDEMNIFICATION AND INSURANCE

17.1 Standards of Conduct (PSI Parent).

(a) No Fiduciary Duties; Other Duties and Standards. Each Member or Manager, in his, her or its capacity as such (each Member or Manager, in such capacity, a "Key Party"), will be and hereby is relieved of any and all fiduciary duties that might otherwise arise out of or in connection herewith or the relationships created or evidenced hereby or thereby, whether at law or in equity, other than to act in good faith with respect to the Company, the Members and this Agreement. Without limiting the generality of the immediately foregoing sentence, to the extent that the provisions hereof restrict or eliminate the duties of a Key Party otherwise existing at law or in equity, such provisions replace such duties to the greatest extent permitted under applicable Law. Whenever a Key Party is required or permitted to make a decision, take or approve an action, or omit to do any of the foregoing with an express standard of behavior (including standards such as "reasonable" or "good faith"), then such Key Party shall comply with such express standard but will not be subject to any other, different or additional standard imposed by this Agreement or otherwise applicable Law.

(b) Reliance Upon Provisions. To the extent that any Key Party, has, at law or in equity, duties to the Company, any other Member or any Person that is subject to the terms hereof, such Key Party acting in good faith in accordance herewith will not be liable to the Company, any Member or any other Person in respect of any breach of any such duty for its good faith reliance on the provisions hereof.

(c) Consideration of Interests in Decision-Making. Whenever a Key Party is required or permitted to make a decision, take or approve an action, or omit to do any of the foregoing in its discretion, under a similar grant of authority or latitude, or without an express standard of behavior, then such Key Party will be entitled to consider only such interests and factors, including its own, as it desires, and will, to the fullest extent permitted by applicable Law, have no duty or obligation to consider any other interests or factors whatsoever. The Parties acknowledge that (i) the Quigley Designated Managers are and will be appointed in part to protect and further the interests of Quigley and are entitled to act, refrain from acting and make decisions, in their capacities as Managers, solely in the interests of Quigley and (ii) the PSI Designated Managers are and will be appointed in part to protect and further the interests of PSI and PSI Parent and are entitled to act, refrain from acting and make decisions, in their capacities as Managers, solely in the interests of PSI.

17.2 Liability (PSI Parent). Except as otherwise provided by the Act, the Company's debts, obligations and Liabilities, whether arising in contract, tort or otherwise, will be solely the Company's debts, obligations and Liabilities, and no Manager or Member will be obligated personally for any such debt, obligation or Liability solely by reason of being a Manager or Member.

17.3 Exculpation (PSI Parent).

(a) General. No Covered Person will be liable to the Company or to any other Covered Person in respect of any Suits, Orders, losses, damages, penalties, dues, fines, costs, amounts paid in settlement, Liabilities, obligations, expenses (including all attorneys' and experts' fees), interest, fees and other costs of enforcement (collectively, "Losses") by reason of any act taken or not taken by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person hereby; provided, however, that the foregoing will not apply to the extent that a Loss was incurred by reason of such Covered Person's gross negligence, fraud or willful misconduct.

(b) Reliance Upon Records and Other Information. A Covered Person will be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and that has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, Net Profits, Net Losses or net cash flow or any other facts pertinent to the existence and amount of assets from which distributions to Members might properly be paid.

17.4 Indemnification (PSI Parent).

(a) Covered Persons. To the fullest extent permitted by applicable Law, a Covered Person will be entitled to indemnification from the Company in respect of any Loss incurred or suffered by such Covered Person by reason of any act taken or not taken by such Covered Person (including alleged breaches of fiduciary duty) in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person hereby, except that no Covered Person will be entitled to be indemnified hereunder in respect of any Loss incurred or suffered by such Covered Person by reason of gross negligence, fraud or willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section 17.4(a) will be provided out of and to the extent of Company Assets only, and neither any Manager nor any other Member will have any personal liability with respect to such indemnity.

(b) Specified Persons. Without limiting any obligation of the Company under Section 17.4(a), the Company may, but only if so authorized by the Board in its sole and absolute discretion, indemnify any employee or agent of the Company or any other Person (each such employee, agent or other Person, as the case may be, a "Specified Person") for any Loss incurred or suffered by such Specified Person by reason of any act taken or not taken by such Specified Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of authority conferred on such Specified Person by the Company, except that no Specified Person will be entitled to be indemnified in respect of any Loss incurred or suffered by such Specified Person by reason of gross negligence, fraud or willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section 17.4(b) will be provided out of and to the extent of Company Assets only, and neither any Manager nor any other Member will have any personal liability with respect to such indemnity.

17.5 Expenses (PSI Parent). To the fullest extent permitted by applicable Law, but subject to Board Approval, the Company may from time to time advance expenses (including legal fees) that a Covered Person incurs in defending any Suit prior to the final disposition of such Suit upon the Company's receipt of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in this Section 17.5. If and only if the Board, in its sole and absolute discretion, Approves, then the Company may advance expenses (including legal fees and expert fees) incurred by a Specified Person in defending any Suit.

17.6 Insurance (PSI Parent). The Company may purchase and maintain insurance for the Business, to the extent and in such amounts as the Board deems prudent and Approves in its sole and absolute discretion, on behalf of Covered Persons, Specified Persons and such other Persons as the Board may Approve in its sole and absolute discretion, against any Liability that may be asserted against or expenses that may be incurred by any such Person in connection with the activities of the Company or such indemnitees, regardless of whether the Company would have the power to indemnify such Person against such Liability under the provisions hereof. The Company may enter into indemnity contracts with Covered Persons, Specified Persons and such other Persons as the Board Approves in its sole and absolute discretion and may adopt written procedures pursuant to and which arrangements are made for the advancement of expenses and the funding of obligations under Section 17.4 and containing such other procedures regarding indemnification as the Board may Approve in its sole and absolute discretion.

17.7 Third-Party Beneficiary Status (PSI Parent). Each Key Party and Covered Person is hereby made a third-party beneficiary of the rights that would be afforded to such Key Party or Covered Person, respectively, as if such Key Party or Covered Person, respectively, were an original signatory hereto for such purposes (and only for such purposes).

ARTICLE 18
CONFIDENTIALITY

18.1 Confidentiality Obligations (PSI Parent). Subject to the other terms of this Article 18 and except as the Members may otherwise agree, each Member and PSI Parent (each, a "Receiving Party") shall hold in strict confidence and shall not directly or indirectly disclose to any other Person any Confidential Information. Each Receiving Party acknowledges that disclosure of Confidential Information could destroy the value thereof and cause irreparable harm to the Company and/or another Member. Each Receiving Party shall use, and shall cause its Affiliates to use, at least the same level of care and protection of Confidential Information as such Receiving Party uses to prevent unauthorized use and unauthorized disclosure of its own confidential information (but in no event less than a reasonable standard of care).

18.2 Certain Limitations on Confidentiality Obligations (PSI Parent).

(a) Disclosure to Affiliates. A Receiving Party may disclose Confidential Information to one or more of its Affiliates, provided that such Affiliate (i) has a need to know such Confidential Information in order to fulfill their duties related to the Company or the business operations of such Receiving Party and (ii)(A) agrees in writing to be bound by the obligations of this Article 18 or (B) at the time of such disclosure is bound to protect Confidential Information from unauthorized disclosure pursuant to a fiduciary or similar duty or pursuant to the terms of an enforceable confidentiality agreement containing comparable restrictions on the disclosure of Confidential Information. The Receiving Party warrants that it will be fully responsible for any breach hereof by its Affiliates to which it discloses Confidential Information.

(b) Disclosure Required by Law, Etc. A Receiving Party may disclose Confidential Information to others as required by Law. Any such Receiving Party shall promptly notify the Company of the specifics of such requirement prior to the actual disclosure, use diligent efforts to limit such disclosure and to obtain confidential treatment or a protective order for such Confidential Information, and allow the Company to participate in such process undertaken to protect the Confidential Information. The Receiving Party shall cooperate with the Company, upon the Company's reasonable request, in connection therewith. In the absence of a protective order or other appropriate remedy, the Receiving Party may disclose only that portion of such Confidential Information that is legally required to be disclosed. Notwithstanding anything to the contrary herein, nothing herein will operate to restrict any Member or PSI Parent from making such disclosures as are required, as advised by competent securities law counsel, to comply with any applicable securities laws or regulations.

(c) Other Exceptions (PSI Parent). The restrictions on disclosure of Confidential Information set forth inSection 18.1 will not apply to information that the Receiving Party can demonstrate:

(i) was publicly known at the time of its communication to the Receiving Party;

(ii) becomes publicly known, through no fault of the Receiving Party or its Affiliates, subsequent to the communication of such Confidential Information to the Receiving Party;

(iii) was in the Receiving Party's possession prior to the communication of such Confidential Information to the Receiving Party and is not otherwise subject to a confidentiality obligation; or

(iv) was rightfully obtained by the Receiving Party from a third party that is not under any obligation of confidentiality with respect to such Confidential Information and is otherwise authorized to make such disclosure without restriction.

18.3 Term (PSI Parent). The confidentiality obligations provided for in Section 18.1 expire upon the date that is two years after the date that is earlier to occur of the following: (a) the date on which Quigley and its Affiliates cease to own any Units or Unit Equivalents; and (b) PSI Parent ceases to own any Units or Unit Equivalents (either directly and/or through one or more Subsidiaries); provided, however, that the confidentiality obligations provided for in Section 18.1 will survive indefinitely with respect to any Confidential Information that is a trade secret.

ARTICLE 19
DISSOLUTION AND LIQUIDATION

19.1 Limitations. The Company may be dissolved, liquidated and terminated only pursuant to the provisions of this Article 19, and the Members hereby irrevocably and unconditionally waive any and all other rights they may have to cause a dissolution of the Company or a sale or partition of any or all of the Company Entity Assets.

19.2 Exclusive Causes. Notwithstanding the Act, the following and only the following events will operate to cause the Company to be dissolved, liquidated and terminated by virtue of the occurrence thereof:

(a) the unanimous consent of all Members to dissolve, liquidate and terminate the Company (or to take action that would otherwise cause the dissolution, liquidation or termination of the Company);

(b) the Board's determination by Board Approval to dissolve, liquidate and terminate the Company;

(c) the entry of a decree of judicial dissolution pursuant to Section 18-802 of the Act; provided, that, notwithstanding anything to the contrary herein, each Member shall not make an application for the dissolution of the Company pursuant to Section 18-802 of the Act without the unanimous consent of all Members and any such purported application will be null and void *ab initio*; or

(d) any time there are no Members, unless the Company is continued in accordance with the Act.

Any dissolution, liquidation or termination of the Company other than as provided in this Section 19.2 will be in contravention of the terms hereof.

19.3 Effect of Dissolution. The dissolution of the Company will be effective on the day on which the event giving rise to such dissolution occurs, but, to the extent provided in the Act, the Company will remain in existence for the purposes of and until it has been wound up and the Company Assets have been distributed as provided in Section 19.5. Notwithstanding the dissolution of the Company, prior to the termination of the Company, the business of the Company and the affairs of the Members, as such, will continue to be governed hereby.

19.4 No Capital Contribution upon Dissolution. Each Member is entitled to look solely to the Company Assets for all distributions with respect to the Company, its Capital Contribution, its Capital Account and its share of Net Profits or Net Losses, and such Member will not have recourse therefor (upon dissolution or otherwise) against any other Member. Accordingly, if any Member has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which the liquidation occurs), then such Member will have no obligation to make any Capital Contribution with respect to such deficit, and such deficit is not to be considered a debt owed to the Company or to any other Person for any purpose whatsoever.

19.5 Liquidation.

(a) Upon the dissolution of the Company, the Board will act as liquidator or may appoint one or more other Persons as liquidators (as the case may be, the "Liquidators"). The Liquidators shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The Company shall bear the costs of liquidation as an expense. Until final distribution of the Company Assets, the Liquidators will be empowered to and shall continue to operate the Company Assets with all of the power and authority of the Board.

(b) The Company is to be liquidated as follows:

(i) The Liquidators shall pay, satisfy or discharge from the Company's funds all of the debts, liabilities and obligations of the Company (including all expenses incurred in liquidation) or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash fund for contingent liabilities in such amount and for such term as the Liquidators may reasonably determine).

(ii) As promptly as practicable after dissolution, the Liquidators must (A) determine the Fair Market Value (the "Liquidation FMV") of the remaining Company Assets at such time (the "Liquidation Assets"), (B) determine the amounts to be distributed to each Member in accordance with Section 11.3, and (C) deliver to each Member a statement (the "Liquidation Statement"), which will be final and binding upon the Members, setting forth the Liquidation FMV and the amounts to be distributed in accordance with Section 11.3 and recipients of such distributions.

(iii) Promptly after the Liquidators have delivered the Liquidation Statement pursuant to and in accordance withSection 19.5(b)(ii), the Liquidators must promptly distribute the Liquidation Assets to the Members in accordance with Section 11.3.

(iv) In making such distributions, the Liquidators shall allocate each type of Liquidation Assets among the Members ratably based upon the aggregate amounts to be distributed with respect to the Units held by each such Member; provided, that the Liquidators may allocate each type of Liquidation Asset so as to give effect to and take into account the relative priorities of the different Units, if applicable. Any non-cash Liquidation Assets must first be written up or down to their Fair Market Value, and the Net Profit or Net Loss created thereby (if any) is to be allocated in accordance with Article 10. If, after making such allocations, any Member's Capital Account is not equal to the amount to be distributed to such Member pursuant to Section 19.5(b)(iii), then the Net Profits and Net Losses for the Fiscal Year in which the Company is dissolved are to be allocated among the Members in such a manner as to cause, to the extent possible, each Member's Capital Account to be equal to the amount to be distributed to such Member pursuant to Section 19.5(b)(iii).

(v) The distribution of Liquidation Assets to a Member in accordance with the provisions of this Section 19.5(b) will constitute a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its interest in the Company and all of the Company Assets and will constitute a compromise to which all Members hereby consent within the meaning of the Act. A Member will have no claim against any other Member in respect of funds that it has returned to the Company.

19.6 Deferral; Distribution in Kind. Notwithstanding Section 19.5(a), if the Liquidator reasonably determines that an immediate sale of all or any portion of the Liquidation Assets would cause undue loss to the Members, then the Liquidator, in order to avoid such loss to the extent not then prohibited by the Act, may either defer liquidation of and withhold from distribution for a reasonable time any Liquidation Assets, except those necessary to satisfy the Company's debts and obligations, or distribute the Liquidation Assets to the Members in kind.

ARTICLE 20
MISCELLANEOUS

20.1 Notices (PSI Parent). To be valid for purposes hereof, any notice, request, demand, waiver, consent, approval or other communication (any of the foregoing, a "Notice") that is required or permitted hereunder must be in writing. A Notice will be deemed given only as follows: (i) on the date established by the sender as having been delivered personally; (ii) on the date delivered by a reputable overnight courier as established by the sender by evidence obtained from the courier; (iii) on the date sent by facsimile, with confirmation of transmission, if sent during normal business hours of the recipient (and, if not sent during normal business hours of the recipient, then on the next Business Day); or (iv) on the fifth Business Day after the date mailed, by certified or registered mail, return receipt requested, international postage prepaid. Subject to Sections 7.5(d) and 8.9(d), to be valid for purposes hereof, a Notice must be delivered as follows:

(a) If sent to a Member, to the address or facsimile, as the case may be, set forth in the Member Schedule, together with a copy of such Notice delivered to the recipient indentified immediately below such Member's address (if any) at such recipient's specified address or facsimile;

(b) If sent to the Company, to the following address or facsimile, as the case may be:

Phusion Laboratories, LLC
621 N. Shady Retreat Road
Doylestown, PA 18901
Facsimile: (215) 345-5920

With a copy (the delivery of which, by itself, will not constitute a valid Notice to the Company) to:

Phosphagenics Ltd.
11 Duerdin Street, Clayton
Victoria, Australia 3168
Attention: Harry Rosen
Facsimile: 61-3-9565 1151

The Quigley Corporation
621 N. Shady Retreat Road
Doylestown, PA 18901
Attention: Ted Karkus
Facsimile: (215) 345-5920

Reed Smith LLP
599 Lexington Avenue
New York, NY 10022
Attention: Herbert F. Kozlov, Esq.
Facsimile: (212) 521-5450

(c) If sent to PSI Parent, to the following address or facsimile, as the case may be:

Phosphagenics Ltd.
11 Duerdin Street, Clayton
Victoria, Australia 3168
Attention: Harry Rosen
Facsimile: 61-3-9565 1151

Alternatively, a valid Notice may be delivered to such other address or to the attention of such Person or Persons as the recipient Party has specified by prior written notice (in accordance with this Section 20.1) to the sending Party (or, in the case of counsel, to such other readily ascertainable business address as such counsel may hereafter maintain). If more than one method for sending Notice as set forth above is used, the earliest notice date established as set forth above will control for purposes of determining when such Notice is deemed to have been given.

20.2 Guaranty (PSI Parent).

(a) PSI Parent (i) hereby fully, unconditionally, irrevocably and absolutely guarantees each obligation of PSI hereunder (such obligations, collectively, the "PSI Obligations"), (ii) shall cause PSI fully to comply with, to observe and to perform each of the PSI Obligations and (iii) shall provide any and all funds and take such action as may be necessary to enable and to cause PSI to fully to comply with, to observe and to perform, and shall refrain from taking any action that would prevent PSI from fully complying with, observing or performing, each of the PSI Obligations. The guaranty provided pursuant to this Section 20.2(a) (the "Guaranty") will extend to performance of the PSI Obligations by any subsequent holder of PSI Units and will inure to the benefit of any Person to which Quigley Units are transferred in accordance with the term hereof. The Guaranty is a full, unconditional, irrevocable, absolute and continuing guarantee of performance.

(b) Quigley hereby has a direct right of enforcement against PSI Parent for PSI's failure to comply in any respect with any of the PSI Obligations. The right of Quigley to enforce the Guaranty fully against PSI Parent will in no way be impaired or diminished by any enforcement of rights under any other Contract.

(c) PSI Parent acknowledges that, by virtue of the Guaranty, PSI Parent specifically assumes any and all risks that a bankruptcy, reorganization case or similar proceeding of PSI may have with respect to PSI's ability to comply with, to observe or to perform the PSI Obligations and that no modification of the PSI Obligations in connection with any such bankruptcy, reorganization case or similar proceeding will operate to affect the obligation of PSI Parent under the Guaranty with respect to the PSI Obligations as currently contemplated hereby.

(d) In addition to all other amounts payable by the PSI Parent hereunder, PSI Parent hereby agrees to pay to Quigley upon demand any and all Losses that Quigley incurs in any Suit to enforce the obligations of PSI Parent under the Guaranty (to the extent that Quigley is successful in any such Suit).

(e) PSI Parent is party hereto for purposes of those provisions with captions including the following text: "(PSI Parent)".

20.3 Pre-Initial Public Offering Transaction (PSI Parent).

(a) Subject to any approvals required under any mandatory provisions of the Act, if at any time the Board approves (with the requisite approval required hereunder) a Pre-Initial Public Offering Transaction, then each Member shall take such steps to effect such Pre-Initial Public Offering Transaction as may be reasonably requested by the Board, including transferring or tendering such Member's Units to a Newco in exchange or consideration for shares of equity Securities of such Newco (such equity Securities, "Newco Shares"), as determined by the Board.

(b) The Newco Shares that a Member receives in connection with the applicable Pre-Initial Public Offering Transaction will be subject to (i) the restrictions on Transfer under Article 14 (subject to the termination of such restrictions as provided in Section 14.4), (ii) applicable restrictions under federal and state securities laws and (iii) any restrictions set forth in the agreements or other instruments relating to the applicable Initial Public Offering and/or such Pre-Initial Public Offering Transaction.

(c) In connection with a Pre-Initial Public Offering Transaction, the Board shall, in good faith, determine the Fair Market Value of the Company Assets and/or Units transferred, the aggregate Fair Market Value of Newco and the number of Newco Shares to be issued to each Member in exchange or consideration therefor in a manner consistent with Section 19.5(b). Neither the engagement of any appraisers nor any determination of value will affect the right of the Board to terminate any Pre-Initial Public Offering Transaction, which the Board may do at any time in its sole discretion.

20.4 Amendments (PSI Parent).

(a) This Agreement may be amended if, and only if, such amendment is in writing and is signed by the Company, each Initial Member (if such Initial Member is a Member at the time of such proposed amendment), each Permitted Transferee to which an Initial Member has Transferred Units (if such Permitted Transferee is a Member at the time of such proposed amendment), and the holders of a majority of all Units issued and outstanding, and any such amendment will be binding upon all of the Members; provided, however, that, if such amendment would (i) disproportionately affect one or more classes and/or series of Units in a materially adverse manner, then such amendment will be valid only if the holders of a majority of the Units of each such class and series agrees in writing thereto or (ii) otherwise disproportionately affect one or more Members in a materially adverse manner, then such amendment will be valid only if each such Member agrees in writing thereto.

(b) Other than with respect to amendments to the Member Schedule, the Company shall distribute to all Members any amendment hereof that has been effected in accordance with the terms hereof. The Company shall from time to time, at the direction and discretion of the Board, distribute updated versions of the Member Schedule to all of the Members, and the Company shall provide a complete and accurate Member Schedule to any Member upon the written request of such Member.

20.5 Waivers (PSI Parent). Any Party may waive any right, power or privilege hereunder, but no such waiver will be binding against any other Party. No such waiver will be enforceable against such Party unless such waiver was effected pursuant to a written instrument signed by such Party. The waiver by any Party of any right, power or privilege hereunder arising because of any breach, default or misrepresentation under or with respect to a provision hereof, whether intentional or not, will not thereby extend (and will not be deemed to thereby extend) to any right, power or privilege hereunder arising because of any prior or subsequent breach, default or misrepresentation, respectively, and will not affect in any way any rights, powers or privileges arising by virtue of any such prior or subsequent occurrence. No failure or delay by any Party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

20.6 Successors and Assigns (PSI Parent). Except as expressly provided herein, this Agreement may not be assigned by any Party without the prior written consent of each other Party. This Agreement will be binding upon the Parties and their respective successors and assigns and will inure to the benefit of the Parties and their respective successors and permitted assigns.

20.7 Governing Law (PSI Parent). This Agreement is governed by, and is to be interpreted and enforced in accordance with, the internal Laws of the State of Delaware applicable to contracts entered into and performed entirely within the State of Delaware, without giving effect to any choice of Law or conflict of Laws rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

20.8 Dispute Resolution and Arbitration (PSI Parent). If any dispute arises between or among the Parties regarding or relating to this Agreement, then, IN LIEU OF LITIGATION AND A TRIAL BY JURY, the Parties hereby consent to and shall resolve such dispute through mandatory arbitration under the Commercial Rules of the American Arbitration Association, before a single arbitrator in New York, New York. The Parties hereby consent to the entry of judgment upon an award being rendered by the arbitrator in any court of competent jurisdiction. Notwithstanding the foregoing, if adequate grounds exist for seeking immediate injunctive or immediate equitable relief, any Party may seek and obtain such relief; provided, that, upon obtaining such relief, such injunctive or equitable action will be stayed pending the resolution of the arbitration proceedings called for herein. The Parties hereby consent to the exclusive jurisdiction in the state and Federal courts located in the City of New York, County of New York and State of New York for purposes of seeking such injunctive or equitable relief as set forth above. Except as otherwise provided herein, each party to any arbitration contemplated hereby shall bear its own costs; provided, however, that any fees assessed by the American Arbitration Association shall be allocated equally between the entities who are parties to such arbitration. PSI Parent hereby consents to being bound by this Section 20.8 and, if any dispute arises involving PSI or PSI Parent, each of PSI and PSI Parent (a) is hereby bound by the determination of the decision of the arbitrator in the arbitration with respect to such dispute, (b) is entitled to participate in such arbitration and may be made a party to such arbitration, and (c) will not be entitled to and shall not institute or seek to institute a separate arbitration with respect to such dispute. Service of process upon any Party may be made in the same manner as Notice may be duly provided pursuant to Section 20.1.

20.9 Counterparts (PSI Parent). This Agreement may be executed in multiple counterparts, and any Party may execute any such counterpart, each of which when executed and delivered will thereby be deemed to be an original and all of which taken together will constitute one and the same instrument. The delivery of this Agreement may be effected by means of an exchange of facsimile or portable document format (.pdf) signatures.

20.10 Effectiveness (PSI Parent). This Agreement will become effective as of the Effective Date when each Party has duly executed this Agreement and duly delivered this Agreement to each other Party; provided, however, that neither PSI nor PSI Parent is required to deliver this Agreement to the other in order for this Agreement to be so effective.

20.11 No Third-Party Beneficiaries (PSI Parent). Except as provided in Article 17, no provision hereof is intended to confer, will not confer and will not be deemed to confer upon any Person other than the Parties, their respective successors and their respective permitted assigns any rights or remedies hereunder.

20.12 Entire Agreement (PSI Parent). This Agreement, all documents delivered in connection with a Member's admission to the Company as a Member, all documents delivered by a Party pursuant to the terms hereof and (with respect to the Persons that are party to the Related Agreements) the Related Agreements, (a) set forth the entire understanding of the Parties with respect to the subject matter hereof and thereof the transactions contemplated hereby and thereby and (b) supersede any and all previous agreements and understandings between or among the Parties regarding the subject matter hereof or thereof, whether written or oral.

20.13 Captions (PSI Parent). All captions contained herein are for convenience of reference only, do not form a part hereof and are not to affect in any way the meaning or interpretation hereof.

20.14 Severability (PSI Parent). If any portion or provision hereof is to any extent declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, and the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, will not be affected thereby, and each portion and provision hereof will be valid and enforceable to the fullest extent permitted by Law.

20.15 Interpretation (PSI Parent). The Parties have participated jointly in the negotiation and drafting of this Agreement, and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party by virtue of the authorship of this Agreement is not to affect the construction and interpretation hereof.

20.16 Consent to Jurisdiction and Venue (PSI Parent). Each Party hereby irrevocably submits to the exclusive jurisdiction of, and venue in, any state or federal court located within City of New York in the state of New York for the purposes of any Suit arising out of this Agreement or any transaction contemplated hereby, and agrees to commence any such Suit only in such courts. Each Party further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth herein will be effective service of process for any such Suit. Each Party hereby irrevocably and unconditionally waives any objection to the laying of venue of any Suit arising out of this Agreement or the transactions contemplated hereby in such courts, and hereby irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Suit brought in any such court has been brought in an inconvenient forum.

20.17 Specific Performance (PSI Parent). Each Party acknowledges that the rights of each other Party contemplated hereby are special, unique and of extraordinary character and that, if a Party violates or fails and refuses to perform any covenant made by it herein, then each other Party may be without an adequate remedy at law. If a Party violates or fails and refuses to perform any covenant that it makes hereunder, each other Party may (except to the extent the satisfaction of such covenant been has been waived by such other Party in accordance with the terms hereof), in addition to any remedies for damages or other relief, institute and prosecute an action in any court of competent jurisdiction (subject to Section 20.16) to enforce specific performance of such covenant or seek any other equitable relief. This Section 20.16 is subject to Section 20.8.

20.18 Further Assurances (PSI Parent). Each Party shall, without further consideration, prepare, execute, acknowledge, file, record, publish and deliver such other instruments, documents and statements, and take such other action as may be required by Law or reasonably necessary to effectively carry out the purposes hereof.

20.19 Signed Writings (PSI Parent). Emails, including emails that bear an electronic "signature block" identifying the sender, do not constitute signed writings for purposes hereof.

20.20 Business Days (PSI Parent). If any date by which an action is to be taken, or by which a notice is to be provided, hereunder falls on a day other than a Business Day, then such date is to be deemed to refer to the first Business Day following such date.

20.21 Access to Counsel (PSI Parent). Each Member acknowledges that it has had adequate opportunity to engage its own legal counsel in connection with its entry into this Agreement.

20.22 Employment (PSI Parent). Nothing herein (a) creates an employer-employee relationship between any Company Entity, on the one hand, and any Member or Affiliate of any Member, on the other, (b) obligates any Company Entity to employ any Member or any Affiliate of any Member or (c) prohibits or restricts any Company Entity from terminating, at any time or for any reason, the employment of any employee that is a Member or an Affiliate of a Member.

20.23 Indemnification Against Certain Claims (PSI Parent). Each Party (such Party, the "Indemnifying Party") shall indemnify each other Party (each such other Party, an "Indemnified Party") against any and all liabilities, losses, damages, costs and expenses (including attorneys' and other experts' fees and other legal costs, including those related to any appeal, and costs of any investigation) if such Indemnified Party is subjected to or becomes involved in any Suits arising from or relating to the assertion of claims by any Affiliate or shareholder of the Indemnifying Party relating to the grant of the license covered by the License Agreement, entering into this Agreement or the payment of the license fee under the License Agreement or of any amounts hereunder.

20.24 Reimbursement of Certain Expenses (PSI Parent). On or promptly after the Effective Date, the Company shall reimburse Quigley for the costs charged by Reed Smith LLP that Quigley incurred in connection with the Company's formation and the execution and delivery of this Agreement and the other documents entered into in connection herewith; provided, however, that the Company is not required to so reimburse Quigley pursuant to this Section 20.24 for more than $75,000 in such costs.

20.25 Controlling Provisions (PSI Parent). To the extent that the terms of the License Agreement conflict with the terms hereof, the terms of the License Agreement control.

[Signature page follows.]

The Parties are signing this Agreement as of the Effective Date.

THE QUIGLEY CORPORATION

By: /s/ Ted Karkus
Name: Ted Karkus
Title: Chief Executive Officer

PHOSPHAGENICS INC.

By: /s/ Fred Banti
Name: Fred Banti
Title: President

PHUSION LABORATORIES, LLC

By: /s/ Ted Karkus
Name: Ted Karkus
Title: Co-Chief Executive Officer

PHOSPHAGENICS LTD.,
for the purposes set forth in the preamble (including Section 20.2)

By: /s/ Fred Banti
Name: Fred Banti
Title: Senior Vice President and Chief Business Officer

Exhibit A

Member	Address	Initial Capital Contributions	Number of Units
The Quigley Corporation	621 N. Shady Retreat Road Doylestown, PA 18901 Attention: Ted Karkus Facsimile: (215) 345-5920 Email: Karkus@Quigleyco.com With a copy to: Reed Smith LLP 599 Lexington Avenue New York, NY 10022 Attention: Herbert F. Kozlov, Esq. Facsimile: (212) 521-5450 Email: HKozlov@reedsmith.com	$ [4,500,000]	1,000 Units
Phosphagenics Inc.	c/o Phosphagenics Ltd. 11 Duerdin Street, Clayton Victoria, Australia 3168 Attention: Harry Rosen Facsimile: +61-3-9565 1151 Email: hrosen@phosphagenics.com	$ 0	1,000 Units

Exhibit B

Initial Managers

Quigley Designated Managers

Ted Karkus

Robert Cuddihy

PSI Designated Managers

Harry Rosen

Fred Banti

Exhibit C

List of Certain Compounds

List of compounds that we have agreed to use on a non-exclusive worldwide basis in combination with OTC actives and / or in regimens:

- Peptides
- Amino acids
- Lipoaminoacids (Palmitoyl glycine Cocoyl alanine)
- Alpha hydroxy acids
- Vitamins B, C, D (all forms)
- Alpha lipoic acid
- Sodium hyaluronate
- Allantoin
- Panthenol
- Ceramides
- TPM
- Niacinamide
- Retinyl propionate
- Lycopene
- Omega-3 fatty acids
- GABA
- Polyphenols
- Phytosterols
- Quercetin
- Tea Tree Oil
- Evening Primrose Oil
- Phenylalanine
- Glucuronolactone
- Inositol
- Tyrosine
- Citicoline
- Taurine

CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT (this "Agreement"), dated as of March 22, 2010 (the "Effective Date"), is made by and among Phusion Laboratories, LLC, a Delaware limited liability company (the "Company"), The Quigley Corporation, a Nevada corporation ("Quigley"), Phosphagenics Inc., a Delaware corporation ("PSI" and, collectively with Quigley, the "Initial Members"), and Phosphagenics Ltd., an Australian corporation ("PSI Parent" and, collectively with the Initial Members and the Company, the "Parties").

A. Quigley and PSI Parent are party to a license agreement, dated as of the Effective Date, an executed copy of which is attached as Exhibit A (the "License Agreement"), pursuant to which, among other things, (i) Phosphagenics Ltd. granted to Quigley a perpetual, paid-up, global, exclusive license to exploit Products (as defined in the License Agreement) embodying Phosphagenics Intellectual Property (as defined in the License Agreement), as more specifically set forth in the License Agreement, and (ii) in exchange therefor, Quigley paid to PSI Parent $1,000,000 and issued to PSI Parent 1,440,000 shares of Quigley's common stock, par value $0.0005 per share.

B. The Company was formed on March 16, 2010.

C. Contemporaneously with the entry into this Agreement, the Parties are entering into a limited liability company agreement of the Company, the form of which is attached as Exhibit B (the "LLC Agreement"), pursuant to which, among other things, the Company will issue 1,000 Units (as defined therein) to each Initial Member.

D. The Parties desire that Quigley contribute to the Company, as a capital contribution, (i) $500,000 (the "Contributed Cash") and (ii) all of Quigley's rights and obligations under the License Agreement.

The Parties therefore hereby agree as follows:

1. Contribution of Cash. On the Effective Date, Quigley shall contribute the Contributed Cash to the Company as a capital contribution.

2. Assignment and Assumption; Contribution of License.

(a) Quigley hereby transfers, conveys and assigns to the Company all of its rights, title and interest in, to and under the License Agreement (collectively, the "Assigned Rights"). The Company hereby assumes, and undertakes to pay, discharge and perform when due, all of Quigley's liabilities and obligations under and arising pursuant to the License Agreement (collectively, the Assumed Liabilities"). "Assignment and Assumption" means the transfer, conveyance and assignment of the Assigned Rights pursuant to this Section 2(a) and the assumption of, and the undertaking to pay, discharge and perform when due, the Assigned Liabilities pursuant to this Section 2(a).

(b) The Assignment and Assumption constitutes a capital contribution to the Company by Quigley.

(c) The Company hereby replaces Quigley as the Licensee (as defined in the License Agreement). For the convenience of the Parties, PSI Parent and the Company shall enter into a license agreement in the form attached as Exhibit C, which will amend and restate the License Agreement in its entirety and which will reflect that the Company is the Licensee (as defined therein).

(d) Notwithstanding anything in the License Agreement to the contrary, PSI Parent (i) acknowledges and hereby consents to the Assignment and Assumption, (ii) acknowledges and hereby consents to the Company replacing Quigley as the Licensee pursuant hereto, (iii) is not entitled to, and shall not seek to, enforce any of its rights under the License Agreement against Quigley, and (iv) hereby irrevocably and unconditionally releases Quigley from any and all Assumed Liabilities.

3. Miscellaneous.

(a) Amendments. Any provision of this Agreement may be amended if, and only if, such amendment is in writing and is signed by each Party.

(b) Incorporation of Provisions in LLC Agreement. The following provisions of the LLC Agreement are hereby incorporated by reference as if set forth herein in full, *mutatis mutandis*: Sections 1.2 (Construction); 20.1 (Notices); 20.5 (Waivers); 20.6 (Successors and Assigns); 20.7 (Governing Law); 20.8 (Dispute Resolution and Arbitration); 20.9 (Counterparts); 20.11 (No Third-Party Beneficiaries); 20.13 (Captions); 20.14 (Severability); 20.15 (Interpretation); 20.16 (Consent to Jurisdiction and Venue); 20.17 (Specific Performance); 20.18 (Further Assurances); 20.19 (Signed Writings); and 20.21 (Access to Counsel).

[Signature page follows.]

The Parties are signing this Agreement as of the Effective Date.

THE QUIGLEY CORPORATION

By: /s/ Ted Karkus
Name: Ted Karkus
Title: Chief Executive Officer

PHOSPHAGENICS INC.

By: /s/ Fred Banti
Name: Fred Banti
Title: President

PHOSPHAGENICS LTD.

By: /s/ Fred Banti
Name: Fred Banti
Title: Senior Vice President and Chief Business Officer

PHUSION LABORATORIES, LLC

By: /s/ Ted Karkus
Name: Ted Karkus
Title: Co-Chief Executive Officer

Exhibit A

License Agreement

Exhibit B

Form of LLC Agreement

Exhibit C

Form of Amended and Restated License Agreement

Phosphagenics Limited ACN 056 482 403
of Level 2, 90 William Street, Melbourne, Australia 3000

and

The Quigley Corporation
a Nevada corporation

License Agreement

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This License Agreement (this **"License Agreement"**), dated as of March 22, 2010 (the **"Effective Date"**), is made by and among:

Phosphagenics Limited ACN 056 482 403 of Level 2, 90 William Street, Melbourne, Australia 3000 (**"Phosphagenics"**)

and

The Quigley Corporation, a Nevada corporation (the **"Licensee"**)

Recitals

A. Phosphagenics holds Patents in the Phosphagenics Intellectual Property.

B. Phosphagenics has agreed to grant the Licensee, pursuant to the terms of this License Agreement, an exclusive license for the use of the Phosphagenics Technology in the Field in the Territory and a non-exclusive license to use the Phosphagenics Technology in the Non-Exclusive Field worldwide, for the express purpose of assigning this License Agreement in accordance with the Contribution Agreement attached hereto.

C. Phosphagenics has agreed to license Phosphagenics Technology to the Licensee on the terms and conditions hereinafter contained.

The parties hereby agree as follows:

1. Definitions and interpretation

1.1 Definitions

(a) "**Anti-Wrinkle Creams**" means proprietary formulations developed by Phosphagenics containing TPM in combination with retinol, ubiquinone, acetyl octapeptide, l-carnosine and such other additives as the parties may agree; provided, however, that the Licensee will not have rights to anti-wrinkle cream products sold in high-end, up-scale retail stores, such as (by way of example) Nieman Marcus and Bloomingdales.

(b) **"Company"** means Phusion Laboratories, LLC, a Delaware limited liability company.

(c) **"Cosmetic Compounds"** means articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance; provided, however, that a product which contains an OTC Drug will not be deemed to be a Cosmetic Compound even though it has the ancillary effect of cleansing, beautifying, promoting attractiveness, or altering the appearance.

(d) **"Contribution Agreement**" means the Contribution Agreement, dated as of the Effective Date, to be entered into by and between the Licensee, Phosphagenics, Phosphagenics, Inc., a Delaware corporation, and the Company, the form of which is attached as Exhibit B hereto.

(e) "**Dietary Supplements**" means orally consumed products intended to provide nutrients to humans to supplement any nutrient that may be missing from or not adequately consumed in a person's diet.

(f) **"Drugs"** means substances or articles (other than a food or device) that are intended for use in the diagnosis, cure, relief, treatment, or prevention of disease and any articles intended to affect the structure or function of the body of man or other animals. For the sake of clarity, Drugs do not include Cosmetic Compounds or Dietary Supplements.

(g) **"Field"** means OTC Drugs and Anti-Wrinkle Creams.

(h) **"Governmental Entity"** means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any federal, state or local government, or any international, multinational or other government, and any department, commission, board, agency, instrumentality, political subdivision, bureau, official or other regulatory, administrative or judicial authority of any of the foregoing.

(i) **"Improvements"** means any improvement, substantial alteration or modification to the Field and/or the Non-Exclusive Field or to the method of delivering the Field and/or the Non-Exclusive Field.

(j) **"Intellectual Property Rights"** means all rights of ownership and the exclusive entitlement to claim ownership and/or registration of exclusive rights created under or by copyright, design registration, patent registration, trade mark registration and all other exclusive rights in or to intangible property, including rights in present and future intangible property and rights in information, including know-how, granted by law or equity from time to time under a Law or otherwise in the Territory or any other jurisdiction throughout the world.

(k) **"Know-How"** means any and all data, instructions, processes, formulae, trade secrets, expert opinions and other information (in written or other tangible form) including, without limitation, any chemical, pharmacological, toxicological, clinical, assay, control and manufacturing data, biological materials, manufacturing or related technology, analytical methodology, chemical and quality control procedures, protocols, techniques, improvements and results of experimentation and testing.

(l) **"Law"** means any constitution, law, statute, treaty, rule, directive, ordinance, requirement, compact or agreement with or by any Governmental Entity, any Order and any rules or regulations of any self-regulatory organization.

(m) **"Licensee Confidential Information"** means confidential information disclosed by the Licensee to Phosphagenics that is identified by the Licensee as being confidential under the terms of this License Agreement, but that does not include any part of the Phosphagenics Confidential Information.

(n) **"Licensee Intellectual Property"** means all Intellectual Property Rights, know-how, technical information, data, improvements, and developments owned or controlled by the Licensee relating to the Field and the Non-Exclusive Field.

(o) "**Non-Exclusive Field**" means those products identified in Exhibit C hereto.

(p) **"Nonprescription Drugs"** means Drugs which in the United States may be dispensed without a prescription issued from a licensed professional with governmental approval to prescribe Drugs. For the purposes of this License Agreement, Nonprescription Drugs shall include, but not be limited to, caffeine solely for use in energy-related products. Additionally, for the purposes of clarity, Nonprescription Drugs shall include nicotine. Additionally, Nonprescription Drugs shall not include the drug diclofenac. Nonprescription Drugs also shall include those products listed as such in the United States Homeopathic Pharmacopeia. For the avoidance of doubt, if a Drug is a prescription Drug in the United States as of the Effective Date, but such prescription Drug subsequently becomes a non-prescription Drug in the United States, then such Drug will be deemed to be a "Nonprescription Drug" for purposes of this License Agreement.

(q) **"Operating Agreement"** means the agreement entered by the parties, the Company and Phosphagenics, Inc., a Delaware corporation, contemporaneously with the entry into this License Agreement, which sets out the operations of the Company.

(r) **"Order"** means any award, injunction, judgment, decree, order, writ, determination, ruling, subpoena or verdict or other decision issued, promulgated or entered by any Governmental Entity of competent jurisdiction.

(s) **"OTC Drugs"** means Nonprescription Drugs that are permitted by law to be sold directly to consumers in the United States.

(t) **"Patents"** means all letters patent and pending applications for, and disclosures related to, patents of any jurisdictions throughout the world and all reissues, reexaminations, divisions, continuations and extensions thereof.

(u) **"Phosphagenics Confidential Information"** means confidential information disclosed by Phosphagenics that is identified by Phosphagenics as being confidential under the terms of this License Agreement, but does not include any Licensee Confidential Information.

(v) **"Phosphagenics Intellectual Property"** means the Phosphagenics Patents identified in Exhibit A, all Intellectual Property Rights, know-how, technical information, data, improvements, and developments owned or controlled by Phosphagenics relating to the use of TPM.

(w) **"Phosphagenics Technology"** means the Patents identified in Exhibit A and the Know How associated therewith.

(x) **"Program Patents"** means all patent applications lodged jointly in the names of Phosphagenics and the Licensee during the course of and as a direct result of carrying out their respective obligations under the Operating Agreement or the research program contemplated therein.

(y) **"Program IP**" means all Program Patents, results, research data, know-how, materials, compounds, inventions, and intellectual property relating to the Field or the Non-Exclusive Field that are created by Phosphagenics or the Licensee during the course of the term of the Operating Agreement or the research program contemplated therein.

(z) **"Related Body Corporate"** means where a body corporate is a person that is related to such body corporate, including, without limitation, the following:

(i) a holding company of another body corporate;

(ii) a subsidiary of another body corporate; or

(iii) a subsidiary of a holding company of another body corporate.

(aa) **"Regulatory Approval"** means an approval of the Relevant Regulatory Authority permitting the marketing of the Field and/or the Non-Exclusive Field in the Territory or any part of the Territory.

(bb) **"Relevant Regulatory Authorities"** means a governmental authority, whether Federal, State or municipal, regulating the importation, distribution, marketing and/or sale of therapeutic substances in a country in the Territory.

(cc) **"Term"** has the meaning given to that term in clause 10.1.

(dd) **"Territory"** means the World, excluding the manufacture anywhere in the world for use in Australia or high-end stores, and excluding the sale or distribution of Anti-Wrinkle products in Australia.

(ee) **"TPM"** means tocopheryl phosphate mixtures.

1.2 Interpretation

Unless the contrary intention appears a reference in this License Agreement:

(a) a clause, exhibit, annexure or schedule is a reference to a clause, annexure or schedule in or to this License Agreement;

(b) a document (including this License Agreement) includes any variation, amendment or replacement of it;

(c) the singular includes the plural and vice versa;

(d) the word "person" includes an individual, a firm, a body corporate, a partnership, joint venture, an unincorporated body or association or any government agency (including the Relevant Regulatory Authorities);

(e) an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;

(f) an agreement, representation or warranty by two or more persons binds them jointly and each of them individually;

(g) a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(h) a group of persons or things is a reference to any two or more of them jointly and to each of them individually;

(i) A reference to "$" is a reference to the lawful currency of the United States;

(j) a statute, regulation, proclamation, code (which has the force of law), ordinance or by-law includes all statutes, regulations, proclamations, codes (which have the force of law), ordinances or by-laws amending, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and bylaws issued under that statute;

(k) the words "include", "including", "for example" or "such as" are not used as, and are not to be interpreted as, words of limitation and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and

(l) if a period of time dates from a given day or the day of an act or event, it is to be calculated exclusive of that day.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this License Agreement.

2. Exploitation of Phosphagenics Intellectual Property

2.1 License

(a) Phosphagenics hereby grants to the Licensee:

(i) an exclusive, royalty-free, paid-up license to exploit the Field embodying the Phosphagenics Technology within the Territory; and

(ii) a non-exclusive, royalty-free, paid-up license to exploit the Non-Exclusive Field embodying the Phosphagenics Technology within the Territory for use in a product combining the Non-Exclusive Field with an OTC Drug or in a product that is part of a regimen or routine that includes the application of an OTC Drug. By way of example only, the Licensee may be permitted to use the licensed technology in a non-OTC Drug product as part of a regimen or routine that includes the application of an OTC Drug. For illustrative purposes only, if an acne treatment program includes the use of non-OTC Drug products containing TPM, then the Licensee may market and sell cleaning and moisturizing products containing TPM.

(b) Phosphagenics shall not, directly or through third parties, exploit the Phosphagenics Intellectual Property with respect to the Field in the Territory.

2.2 Assignment

The Licensee shall, on the Effective Date, transfer, convey and assign to the Company all of the Licensee's rights, title and interest in, to and under this License Agreement, and the Company will assume all of the Licensee's obligations and liabilities hereunder. Upon such assignment, The Quigley Corporation will no longer be a party hereto, will have no liability hereunder to any party, and the Company will have all rights, liabilities and obligations of the Licensee hereunder.

2.3 Sub-License

The Licensee has the right to grant one or more sub-licenses of the rights granted hereunder to one or more third parties for reasonable consideration in any part of the Territory.

3. Payments

3.1 Amount

The Licensee shall pay Phosphagenics the following once-only payments on the Effective Date:

(i) $ 1,000,000; and

(ii) the issue of 1,440,000 shares of common stock, par value $0.0005 per share, of the Licensee.

No additional royalty, milestone or other payments in respect of the license granted hereby are or will be due or payable.

3.2 No refund of Payments

Once paid, no part of any Payment shall be refundable to the Licensee, including by reason of the termination of this License Agreement at any time.

4. Manufacture and Sale of Products

(a) The Licensee hereby has the exclusive right, for the Term, to manufacture and/or otherwise exploit the Field in the Territory and Phosphagenics shall, subject to the terms contained in the Operating Agreement, be the supplier of TPM to the Licensee to enable it to manufacture and/or otherwise exploit the Field.

(b) The Licensee hereby has the non-exclusive right, for the Term, to manufacture and/or otherwise exploit the Non-Exclusive Field worldwide and Phosphagenics shall, subject to the terms contained in the Operating Agreement, be the supplier of TPM to the Licensee to enable it to manufacture and otherwise exploit the Non-Exclusive Field in accordance with this License Agreement.

(c) The Licensee shall use commercially reasonable efforts to develop the Field in the Territory. Without limiting any of the foregoing or being limited thereby, the Licensee shall be responsible for ensuring that the activities it undertakes or causes to be undertaken to develop the Field are consistent with and supportive of the efficient and expeditious development and regulatory approval of Field.

(d) The Licensee shall use commercially reasonable efforts to commercialise the Field throughout the Territory.

(e) Without limiting any of the foregoing or being limited thereby, the Licensee shall be responsible for ensuring that the activities it undertakes or causes to be undertaken to commercialise the Field are consistent with and supportive of the ensuring that all commercially reasonable efforts are used to market, promote, offer for sale and sell the Field so as to optimise sales throughout the Territory.

(f) The Licensee is responsible for determining strategies for marketing, selling, distributing and determining pricing and other terms of sale for the Field.

(g) The Licensee, if required, shall prosecute before Relevant Regulatory Authorities any matter with respect to Field and the Non-Exclusive Field, shall have the exclusive right to do so, and shall own all filings it or its Related Body Corporate submit to any Relevant Regulatory Authority relating to the Field and the Non-Exclusive Field.

5. Inspection Right

(a) The Licensee shall permit Phosphagenics or its agent or representative at all reasonable times to enter any place where the manufacture of the Field by the Licensee shall be carried on for the purpose of inspection of methods of manufacture of the Field and the Non-Exclusive Field.

(b) The Licensee shall provide Phosphagenics with copies of all communications to and from Relevant Regulatory Authorities relating to the Field and/or the Non-Exclusive Field within ten (10) working days of receipt or transmission of the communication.

6. Confidentiality

6.1 Phosphagenics Confidential Information

(a) The Licensee agrees that Phosphagenics Confidential Information is and will be considered for the purposes of this License Agreement to be confidential information and will be the property solely of Phosphagenics.

(b) The Licensee agrees that its officers, employees and/or agents will not disclose or make direct or derivative use of the Phosphagenics Confidential Information other than for the purposes of this License Agreement and for obtaining the registration and approval, if any, of the Field and Non-Exclusive Field from the Relevant Regulatory Authorities.

(c) The Licensee agrees to hold such Phosphagenics Confidential Information in strict confidence and will disclose such Phosphagenics Confidential Information only in strict confidence to its officers, employees or agents or to those officers, employees, or agents of its subsidiaries or related bodies corporate, only on a "need to know" basis and only to those officers, employees, professional advisers and agents who agree to be bound and obligated by the same provisions of confidentiality as the Licensee.

6.2 Licensee Confidential Information

(a) Phosphagenics agrees that the Licensee Confidential Information is and will be considered for the purposes of this License Agreement to be confidential information and will be the property solely of the Licensee.

(b) Phosphagenics agrees that its officers, employees and/or agents will not disclose or make direct or derivative use of the Licensee Confidential Information other than for the purposes of this License Agreement and for obtaining the registration and approval, if any, of the Field and Non-Exclusive Field from the Relevant Regulatory Authorities.

(c) Phosphagenics agrees to hold the Licensee Confidential Information in strict confidence and will disclose the Licensee Confidential Information in only strict confidence to its officers, employees or agents or to those officers, employees, or agents of its subsidiaries or related bodies corporate, only on a "need to know" basis and only to those officers, employees, professional advisers and agents who agree to be bound and obligated by the same provisions of confidentiality as Phosphagenics.

6.3 Permitted Disclosure

The obligations set out in clauses 6.1 and 6.2 will not arise with respect to:

(a) any information that is now or later becomes publicly available through no fault of the party receiving such information (the **"Recipient"**) , its officers, employees or agents;

(b) any information that the Recipient obtains from a third party that is not under a confidentiality obligation to the discloser of such information with respect to such information;

(c) any information that the Recipient already has in its possession prior to its disclosure by the discloser of such information, as indicated by the Recipient's written records;

(d) any information that the Recipient is required to disclose by Law or the listing rules of a stock exchange on which the shares of the Recipient (or a Related Body Corporate of the Recipient) are listed; provided, that (i) the Recipient shall use diligent efforts to limit such disclosure and to obtain confidential treatment or a protective order for such Confidential Information, (ii) the Recipient shall allow the disclosing party to participate in such process undertaken to protect Confidential Information, (iii) the Recipient shall cooperate with the disclosing party, upon the disclosing party's reasonable request, in connection therewith, and (iv) in the absence of a protective order or other appropriate remedy, the Recipient may disclose only that portion of such Confidential Information that is legally required to be disclosed; or

(e) any information that is necessary or desirable to include in any application for regulatory approval or Intellectual Property registration in the Territory.

6.4 Use of Other Parties' Names

Neither party will use the name of the other party in any public statement about this License Agreement or the Field without the other party's prior written consent which will not be unreasonably withheld if such a statement is required by Law or the listing rules of a stock exchange on which the shares of the Recipient (or a Related Body Corporate of the Recipient) are listed.

7. Intellectual Property

7.1 IP Ownership

(a) In the event that the Program IP gives rise to patentable subject matter, the parties shall join together to file and prosecute patent applications in such parts of the Territory as they may agree upon. All Patents costs shall be paid for by the Company.

(b) Program IP will be owned by the Company, except as follows:

(i) All inventions pertaining solely to Licensee Intellectual Property made by or on behalf of any party or jointly will be owned solely by the Licensee. The parties hereby assign any and all existing and/or future right, title and interest in and to Licensee Intellectual Property to the Licensee. The parties shall execute all documents and do such things as are necessary or reasonably requested by the Licensee in order to perfect the assignment referred to in this clause 7.1(b)(i).

(ii) All inventions pertaining solely to Phosphagenics Intellectual Property made by or on behalf of any party or jointly will be owned solely by Phosphagenics. The parties hereby assign any and all existing and/or future right, title and interest in and to Phosphagenics Intellectual Property to Phosphagenics. The parties shall execute all documents and do such things as are necessary or reasonably requested by Phosphagenics in order to perfect the assignment referred to in this clause 7.1(b)(ii).

(c) The Licensee acknowledges and agrees that Phosphagenics may license or otherwise exploit the Phosphagenics Intellectual Property in any manner other than with respect to the Field in the Territory.

7.2 Infringement

(a) In the event of the Licensee becoming aware of a patent or other third-party Intellectual Property Right which may be potentially infringed by the use of the Phosphagenics Intellectual Property or upon receiving a notice alleging such infringement, the Licensee will immediately notify Phosphagenics. The Licensee will at Phosphagenics' expense provide Phosphagenics with such assistance as Phosphagenics may reasonably require in order to deal with the potential alleged infringement.

(b) The Licensee agrees that it will not take or omit to take any step in relation to the potential or alleged infringement, without first receiving the informed prior written consent of Phosphagenics.

7.3 Property in and Sharing of Documents , Data and Other Information

The Company will own all documents, reports, data and other records of whatever form and content created for the purposes of or arising from any clinical or other trials or studies performed in connection with the Field and/or the Non-Exclusive Field.

The parties will disclose to each other all data and information generated by or on behalf of each of them in relation to the implementation of the Operating Agreement, the Field and/or the Non-Exclusive Field and the Program IP. Without limiting the foregoing the sharing of data and information shall extend to toxicology, pre-clinical and clinical studies relating to the Products.

7.4 Improvements

(a) If Phosphagenics shall at any time during the Term devise, discover or acquire rights in any Improvement it shall, to the extent that it is not prohibited by law or by any obligation to any other person, promptly notify the Licensee in writing giving details of it and shall, following the request for the same, provide to the Licensee such information and explanations as the Licensee shall reasonably require to be able to effectively utilise the same. In any case where such Improvement constrains or otherwise limits Licensee's exploitation of the Field in the Territory or the Non-Exclusive Field worldwide, and not dependant on the rights licensed under this License Agreement, Phosphagenics shall grant and hereby grants a royalty-free, paid-up, non-exclusive and irrevocable licence under all rights protecting such Improvement throughout the world to Licensee for use on the Field throughout the Territory and on the Non-Exclusive Field worldwide under the terms of this License Agreement.

(b) If the Licensee shall at any time during the Term devise, discover or acquire rights in any Improvement it shall, to the extent that it is not prohibited by law or by any undertaking given to any other person, promptly notify Phosphagenics in writing giving details of it and provide to Phosphagenics such information or explanations as Phosphagenics may reasonably require to be able effectively to utilise the same. In any case where such Improvement is severable from and not dependant on the rights licensed under this License Agreement, Licensee shall grant and hereby grants a royalty-free, paid-up, irrevocable and non-exclusive licence under all rights protecting such Improvement throughout the world.

8. Warranties and Representations

8.1 The Licensee's warranties and representations

The Licensee warrants and represents to Phosphagenics:

(a) it has and will during the Term have the personnel, expertise, resources, and capability to carry out its obligations under this License Agreement;

(b) it has and will during the Term have all other licenses, authorisations, consents, approvals and permits required by applicable Laws in order to perform its obligations under this License Agreement;

(c) it will at all times comply with any applicable Laws, cGMP and cGLP (if applicable) in performing its obligations under this License Agreement;

(d) it has and will during the Term have the unfettered right, power and entitlement to enter into and perform this License Agreement; and

(e) it has taken all necessary actions to authorise the execution and performance of this License Agreement.

8.2 Phosphagenics' warranties and representations

Phosphagenics warrants and represents to the Licensee:

(a) it has and will during the Term have the unfettered right, power and entitlement to enter into and perform this License Agreement; and

(b) it has taken all necessary actions to authorise the execution and performance of this License Agreement.

(c) it is the exclusive owner of the Phosphagenics Intellectual Property and it has the unfettered right, power and entitlement to grant the license provided in clause 2.1;

(d) it is not aware of any Intellectual Property Rights owned by a third party that will be infringed or misused by the manufacture, use, or sale of the Field and/or the Non-Exclusive Field in the Territory or the exercise or exploitation of Phosphagenics Technology for the Field and/or the Non-Exclusive Field in the Territory;

(e) except as disclosed to the Licensee, as at the Effective Date and to Phosphagenics' best knowledge and belief no person has asserted any written claim alleging:

(i) that the Phosphagenics Intellectual Property or any part thereof is invalid;

(ii) a contrary claim to ownership of the Phosphagenics Intellectual Property;

(iii) opposition to the Phosphagenics Intellectual Property or any part thereof.

(f) to Phosphagenics' best knowledge and belief the exercise or exploitation of Phosphagenics Intellectual Property will not infringe any third party's Intellectual Property Rights;

(g) to Phosphagenics best knowledge and belief that the Phosphagenics Technology is valid, and that there are no references, public disclosures, or other information material to the rights inherent in the Phosphagenics Technology;

(h) to Phosphagenics' best knowledge and belief as at the date of this License Agreement there is no litigation or threatened litigation in relation to Phosphagenics or the Phosphagenics Intellectual Property that relates to the subject matter of this License Agreement, except as identified on Exhibit D hereto;

(i) to the knowledge of Phosphagenics, no person is engaging in any activities that constitute, or that Phosphagenics believes may constitute, infringement of Phosphagenics, rights in the Phosphagenics Intellectual Property in the Territory;

(j) Other than the Phosphagenics Technology, the Phosphagenics Intellectual Property does not otherwise restrict Licensee's exploitation of the Field in the Territory and the Non-Exclusive Field worldwide, and should any Phosphagenics Intellectual Property be asserted or determined to restrict Licensee's exploitation of the Field in the Territory, or the Non-Exclusive Field worldwide, Phosphagenics shall and hereby does grant Licensee an exclusive, royalty-free, irrevocable, and paid-up license to exploit the Field embodying such Phosphagenics Intellectual Property within the Territory, and a non-exclusive, royalty-free, irrevocable and paid-up license to exploit the Non-Exclusive Field embodying such Phosphagenics Intellectual Property worldwide; and

(k) it will not during the Term offer for sale or sell products in the Field in the Territory.

9. Liability and Indemnities

9.1 Phosphagenics not liable; Phosphagenics indemnifies the Licensee

(a) except as provided in clause 8.2, Phosphagenics disclaims all representations and warranties, whether express, implied, or statutory, including any implied warranty of merchantability or of fitness for a particular purpose and any implied warranty arising from course of dealing or usage of trade. Except as provided in clause 8.2, there is no warranty against interference with the Licensee's enjoyment of the license granted under this License Agreement or any rights to the Field or with respect to infringement.

(b) Phosphagenics shall not be liable for:

(i) any injury to or the death of any person (including any of the Licensee's personnel) arising out of the Licensee 's performance of its obligations under this License Agreement; or

(ii) any loss of or damage to any property of any person (including the Licensee and its personnel) arising out of the Licensee's performance of its obligations under this License Agreement, except to the extent that the same is caused by the negligence of Phosphagenics, provided that in no case shall Phosphagenics be liable for the payment of damages in respect of consequential losses;

(c) Phosphagenics indemnifies, and shall defend and hold harmless, the Licensee against all claims, actions, damages, losses (other than consequential losses), liabilities, costs, charges, expenses and outgoings (collectively, "**Losses**") that the Licensee pays, suffers or incurs as a result of, in connection with, or arising from:

(i) breach by Phosphagenics of this License Agreement (including any breach of a warranty or representation given under clause 8);

(ii) any infringement on the intellectual property rights of a third party because of the use of the Intellectual Property contemplated by this License Agreement;

(iii) any claims by a third party that use of the Intellectual Property contemplated by this License Agreement infringes on such third party's rights; or

(iv) any obligation of the Licensee under applicable law to withhold portions of the amounts that the Licensee is required to pay pursuant to this License Agreement.

Notwithstanding anything in this clause 9.1(c) to the contrary, Phosphagenics will not be required to indemnify the Licensee to the extent that Losses for which Phosphagenics would otherwise be required to indemnify the Licensee pursuant to this clause 9.1(c) exceed, in the aggregate, the sum of (x) $1,000,000 and (y) 1,440,000 multiplied by the closing price per share, as reflected on the NASDAQ, of the Licensee's common stock, par value $0.0005 per share, on the Effective Date.

9.2 The Licensee indemnifies Phosphagenics

(a) Subject to clause 9.2(b), the Licensee indemnifies, and shall defend and hold harmless, Phosphagenics from and against all Losses that Phosphagenics pays, suffers or incurs as a result of, in connection with, or arising from:

(i) injuries suffered or death sustained by persons as a result of the conduct of any clinical trials in connection with the Field and/or the Non-Exclusive Field;

(ii) injuries suffered or death sustained by persons as a result of any Field and/or the Non-Exclusive Field developed pursuant to this License Agreement and supplied by Phosphagenics to consumers;

(iii) wilful, tortious or negligent conduct on the part of the Licensee; or

(iv) breach by the Licensee of this License Agreement (including any breach of a warranty or representation given by the Licensee under clause 8).

(b) The Licensee shall not be required to indemnify Phosphagenics to the extent that any Loss suffered or incurred by Phosphagenics arises as a result of any wilful, tortious or negligent conduct on the part of Phosphagenics or any breach by Phosphagenics of this License Agreement.

10. Term and Termination

10.1 Term

This License Agreement commences on the date of execution of this License Agreement and, unless determined in accordance with this clause 10, will continue until the expiration of the last to expire of the Phosphagenics Patents or any extensions thereof (such term, as may be extended, the **"Term"**).

10.2 Termination with Cause

Either party may terminate this License Agreement by giving notice in writing to the other in the event that:

(a) the other party:

(i) is, or is deemed by Law to be, unable to pay its debts;

(ii) resolves, or proposes to resolve, that it be wound up; or

(iii) is placed under official management;

(b) an administrator, receiver or receiver and manager, or other insolvency administrator is appointed in respect of any of the property or assets of the other party;

(c) a liquidator or a provisional liquidator is appointed to the other party, except for the purposes of solvent amalgamation or reconstruction or corporate reorganisation; or

(d) the other party enters into an arrangement or compromise with its creditors or any class of creditors other than for the purposes of solvent amalgamation or reconstruction or corporate reorganisation, provided that such termination will be without prejudice to the rights and remedies of the parties otherwise having arisen under this License Agreement.

11. Consequences of Termination/Expiration

11.1 Return of documents

Upon termination of this License Agreement by Phosphagenics for Cause (as provided in clause 10.2):

(a) Phosphagenics will promptly deliver up or return to the Licensee any property of the Licensee , including documents and records of the Licensee, in Phosphagenics' possession, custody or control (other than any Phosphagenics Confidential Information);

(b) The Licensee will promptly deliver up or return to Phosphagenics any property, including documents and records, of Phosphagenics in the Licensee 's possession, custody or control (other than any Licensee Confidential Information);

(c) The Licensee shall cooperate with Phosphagenics and a cancellation of all or any licenses registered pursuant to this License Agreement and shall execute any and all such documents and do acts and things as may be necessary in such connection;

(d) The Licensee shall within, six (6) months of the date of termination or expiry, transfer to Phosphagenics all Regulatory Approvals and will work with Phosphagenics to ensure that such transfer occurs;

(e) The Licensee will promptly deliver to Phosphagenics all data information which has been created or collected as a consequence of the carrying out of the Development Plan including but not limited to any clinical trials conducted in respect of the Field and/or the Non-Exclusive Field.

(f) The Licensee shall have the right to dispose of all stocks of the Field and/or the Non-Exclusive Field in its possession and in the normal course of manufacture at the date of termination or expiry provided that any royalty payable under the provisions of this License Agreement shall be received within a period of ninety (90) days following termination or expiry; and

(g) All rights and licenses, including sublicenses granted under this License Agreement, shall cease except to the extent expressly provided otherwise under the terms of this License Agreement.

11.2 No further rights

(a) If Phosphagenics terminates this License Agreement under clause 10.2, then, except as provided in clause 11.1, the Licensee will have no further right to manufacture or sell the Field and/or the Non-Exclusive Field.

(b) Subject to this clause 11, termination of this License Agreement will not prejudice any accrued rights or liabilities of a party or excuse any party from a breach of this License Agreement occurring prior to termination or expiration or excuse any party from paying any amount which is or becomes due and payable to the other party in respect of performance by the other party prior to termination.

12. Assignment

12.1 Restriction upon Assignment

Subject to clauses 2.2, 2.3 and 12.2, (a) neither party will assign its rights and/or obligations under this License Agreement to a third party without the prior written consent of the other party, which consent will not be unreasonably refused or withheld, but which consent may be subject to reasonable conditions, and (b) any such Assignment must constitute an assignment of all rights and obligations under this License Agreement.

12.2 Permitted Assigns

Either party may assign its rights or obligations under this License Agreement without the other party's consent to a Related Body Corporate or a purchaser or successor of all or substantially all of that party's business, provided that the assignor shall be, and remain, responsible for the performance of its obligations under this License Agreement.

12.3 Restriction upon Sub-Contracting

Subject to clauses 2.2 and 2.3, neither party will sub-contract its obligations under this License Agreement to a third party without the prior written consent of the other party, provided that such consent may not be unreasonably withheld.

13. Force Majeure

13.1 Force Majeure Events

No failure or omission by a party in the performance of any obligation of this License Agreement will be deemed to be a breach of this License Agreement and will not create any liability if it arises from any cause or causes beyond the control of the parties (exercising reasonable diligence), including but not limited to, acts of God, acts or omissions of any government or governmental authority (including relevant health authorities) any rules, regulations or orders issued by any governmental authority or by any officers, department, agency or instrumentality thereof, fire, storm, flood, earthquake, accident, acts of the public enemy, war, rebellion, insurrection, riot, invasion, strikes and lockouts (a **"Force Majeure Event"**).

13.2 Reliance Upon Force Majeure

A party seeking to rely upon clause 13.1 must immediately advise the other party by notice in writing of the details of the Force Majeure Event.

14. Dispute Resolution

Section 20.8 of the Operating Agreement (Dispute Resolution and Arbitration) is hereby incorporated by reference as if set forth herein in full, *mutatis mutandis*.

15. Notices

Any notice or other communication, including but not limited to any request, demand, consent or approval, to or by a party must be in legible writing and forwarded by personal delivery, registered air mail or facsimile addressed as shown below (in the absence of written notice of change):

If to the Licensee:

Attention: Ted Karkus

Address: The Quigley Corporation
621 N. Shady Retreat Road
Doylestown, PA 18901
Facsimile: (215) 345-5920

If to Phosphagenics:

Attention: Managing Director,
Phosphagenics

Address: Phosphagenics Ltd.
11 Duerdin Street, Clayton
Victoria, Australia 3168
Facsimile: 61-3-9565 1151

16. Governing Law; Jurisdiction and Venue

Sections 20.7 (Governing Law) and 20.16 (Consent to Jurisdiction and Venue) are hereby incorporated by reference as if set forth herein in full, *mutatis mutandis*.

17. General

17.1 Relationship

(a) The parties are independent contractors and are not by this License Agreement made agents or employees of the other.

(b) A party has no authority to bind the other party in any manner whatsoever and is not entitled at any time to hold itself out to third parties as having authority to enter commitments, expenses, liabilities or obligations of any nature on behalf of the first mentioned party.

17.2 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this License Agreement.

17.3 Expenses

Each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this License Agreement.

17.4 Amendments

This License Agreement may only be varied or amended by a document signed by or on behalf of each of the parties.

17.5 Waiver

(a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this License Agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this License Agreement.

(b) Any waiver or consent given by any party under this License Agreement will only be effective and binding on that party if it is given or confirmed in writing by that party.

(c) No waiver of a breach of any term of this License Agreement will operate as a waiver of another breach of that term or of a breach of any other term of this License Agreement.

17.6 Counterparts

This License Agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this License Agreement, all of which together constitute one License Agreement. This License Agreement may be delivered via facsimile or by portable document format (.pdf).

17.7 Indemnities

(a) Each indemnity in this License Agreement is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination, completion or expiration of this License Agreement.

(b) It is not necessary for a party to incur expense or to make any payment before enforcing a right of indemnity conferred by this License Agreement.

17.8 Entire License Agreement

To the extent permitted by law, in relation to the license granted under this License Agreement, this License Agreement:

(a) embodies the entire understanding of the parties, and constitutes the entire terms agreed on between the parties; and

(b) supersedes any prior written or other agreement between the parties.

17.9 Survival of certain provisions; no merger

(a) Clauses 1, 2, 6, 7, 8, 9, 11, 14, 15, 16 and this clause 17 will survive rescission or termination of this License Agreement.

(b) If this License Agreement is rescinded or terminated, no party will be liable to any other party except:

(i) under the clauses set out in clause 17.9(a); or

(ii) in respect of any breach of this License Agreement occurring before rescission or termination.

(c) No right or obligation of any party will merge on completion of any transaction under this License Agreement.

[Signature page follows.]

The parties are signing this License Agreement as of the Effective Date.

Signed as an Agreement.

PHOSPHAGENICS LTD.

By: /s/ Fred Banti
Name: Fred Banti
Title: Senior Vice President and Chief Business Officer

THE QUIGLEY CORPORATION

By: /s/ Ted Karkus
Name: Ted Karkus
Title: Chief Executive Officer

Exhibit A

Phosphagenics Technology

Name	Priority date	Number
A carrier comprising one or more di and/or mono-(electron transfer agent) phosphate derivatives or complexes thereof	17 June 2005	WO 2006/133506
Formulation Containing Phosphate Derivatives Of Electron Transfer Agents	14 November 2000	WO 02/40033
Dermal Therapy Using Phosphate Derivatives Of Electron Transfer Agents	27 July 2001	WO 03/011303
Complexes Of Phosphate Derivatives	14 November 2000	WO 02/40034
Transdermal Transport Of Compounds	13 December 2001	WO 03/049774
Carrier	9 August 2002	WO 2004/014432
Improved Process for Phosphorylation and Compounds Produced by this Method	14 May 1999	WO 00/69865
Carrier Composition	23 December 2009	US provisional 61/289507
New Carrier Composition	19 February 2010	US provisional 61/306115

Exhibit B

Form of Contribution Agreement

Exhibit C

Non-Exclusive Field

List of compounds that we have agreed to use on a non-exclusive worldwide basis in combination with OTC actives and / or in regimens:

- Peptides
- Amino acids
- Lipoaminoacids (Palmitoyl glycine
  Cocoyl alanine)
- Alpha hydroxy acids
- Vitamins B, C, D (all forms)
- Alpha lipoic acid
- Sodium hyaluronate
- Allantoin
- Panthenol
- Ceramides
- TPM
- Niacinamide
- Retinyl propionate
- Lycopene
- Omega-3 fatty acids
- GABA
- Polyphenols
- Phytosterols
- Quercetin
- Tea Tree Oil
- Evening Primrose Oil
- Phenylalanine
- Glucuronolactone
- Inositol
- Tyrosine
- Citicoline
- Taurine

Exhibit D

Litigation

Novel Therapeutic Technologies Inc., an Israeli-based corporation, has asserted that Phosphagenics Ltd. has infringed claims embodied in US Patent numbers 5,540,934 and 5,716,638. In particular Novel Therapeutic Technologies Inc. asserts that Phosphagenics Ltd.'s patent, entitled "A carrier comprising one or more di and/or phosphate derivatives or complexes thereof" and being patent number WO 2006/133506, infringes its patents.

Phosphagenics Limited ACN 056 482 403
of Level 2, 90 William Street, Melbourne, Australia 3000

and

Phusion Laboratories, LLC
a Delaware limited liability company

Amended and Restated License Agreement

TABLE OF CONTENTS

This Amended and Restated License Agreement (this **"License Agreement"**), dated as of March 22, 2010 (the **"Effective Date"**), is made by and among:

Phosphagenics Limited ACN 056 482 403 of Level 2, 90 William Street, Melbourne, Australia 3000 (**"Phosphagenics"**)

and

Phusion Laboratories, LLC, a Delaware limited liability company (the **"Company"**)

Recitals

A. Phosphagenics holds Patents in the Phosphagenics Intellectual Property.

B. Phosphagenics has granted The Quigley Corporation, a Nevada corporation (**"Quigley"**), pursuant to the terms of a License Agreement, dated as of the Effective Date and entered into immediately prior hereto (the **"Original License Agreement"**), an exclusive license for the use of the Phosphagenics Technology in the Field in the Territory and a non-exclusive license to use the Phosphagenics Technology in the Non-Exclusive Field worldwide, for the express purpose of assigning the Original License Agreement in accordance with the Contribution Agreement, dated as of the Effective Date (the **"Contribution Agreement"**), by and between Quigley, Phosphagenics, Phosphagenics, Inc., a Delaware corporation, and the Company.

C. Phosphagenics has licensed Phosphagenics Technology to Quigley on the terms and conditions set forth in the Original License Agreement.

D. Pursuant to the Original License Agreement and the Contribution Agreement, (i) Quigley transferred, conveyed and assigned to the Company all of its rights, title and interest in, to and under the Original License Agreement, and (ii) the Company assumed, and undertook to pay, discharge and perform when due, all of Quigley's liabilities and obligations under and arising pursuant to the Original License Agreement.

E. For convenience of the parties, and pursuant to the Contribution Agreement, Phosphagenics and the Company are entering into this License Agreement to amend and restate the Original License Agreement in its entirety and reflect that the Company is the licensee hereunder.

The parties hereby agree that the Original License Agreement is hereby amended and restated in its entirety to read as follows:

1. Definitions and interpretation

1.1 Definitions

(a) **"Anti-Wrinkle Creams"** means proprietary formulations developed by Phosphagenics containing TPM in combination with retinol, ubiquinone, acetyl octapeptide, l-carnosine and such other additives as the parties may agree; provided, however, that the Company will not have rights to anti-wrinkle cream products sold in high-end, up-scale retail stores, such as (by way of example) Nieman Marcus and Bloomingdales.

(b) **"Company Confidential Information"** means confidential information disclosed by the Company to Phosphagenics that is identified by the Company as being confidential under the terms of this License Agreement, but that does not include any part of the Phosphagenics Confidential Information.

(c) **"Company Intellectual Property"** means all Intellectual Property Rights, know-how, technical information, data, improvements, and developments owned or controlled by the Company relating to the Field and the Non-Exclusive Field.

(d) **"Cosmetic Compounds"** means articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance; provided, however, that a product which contains an OTC Drug will not be deemed to be a Cosmetic Compound even though it has the ancillary effect of cleansing, beautifying, promoting attractiveness, or altering the appearance.

(e) **"Dietary Supplements"** means orally consumed products intended to provide nutrients to humans to supplement any nutrient that may be missing from or not adequately consumed in a person's diet.

(f) **"Drugs"** means substances or articles (other than a food or device) that are intended for use in the diagnosis, cure, relief, treatment, or prevention of disease and any articles intended to affect the structure or function of the body of man or other animals. For the sake of clarity, Drugs do not include Cosmetic Compounds or Dietary Supplements.

(g) **"Field"** means OTC Drugs and Anti-Wrinkle Creams.

(h) **"Governmental Entity"** means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any federal, state or local government, or any international, multinational or other government, and any department, commission, board, agency, instrumentality, political subdivision, bureau, official or other regulatory, administrative or judicial authority of any of the foregoing.

(i) **"Improvements"** means any improvement, substantial alteration or modification to the Field and/or the Non-Exclusive Field or to the method of delivering the Field and/or the Non-Exclusive Field.

(j) **"Intellectual Property Rights"** means all rights of ownership and the exclusive entitlement to claim ownership and/or registration of exclusive rights created under or by copyright, design registration, patent registration, trade mark registration and all other exclusive rights in or to intangible property, including rights in present and future intangible property and rights in information, including know-how, granted by law or equity from time to time under a Law or otherwise in the Territory or any other jurisdiction throughout the world.

(k) **"Know-How"** means any and all data, instructions, processes, formulae, trade secrets, expert opinions and other information (in written or other tangible form) including, without limitation, any chemical, pharmacological, toxicological, clinical, assay, control and manufacturing data, biological materials, manufacturing or related technology, analytical methodology, chemical and quality control procedures, protocols, techniques, improvements and results of experimentation and testing.

(l) **"Law"** means any constitution, law, statute, treaty, rule, directive, ordinance, requirement, compact or agreement with or by any Governmental Entity, any Order and any rules or regulations of any self-regulatory organization.

(m) **"Non-Exclusive Field"** means those products identified in Exhibit B hereto.

(n) **"Nonprescription Drugs"** means Drugs which in the United States may be dispensed without a prescription issued from a licensed professional with governmental approval to prescribe Drugs. For the purposes of this License Agreement, Nonprescription Drugs shall include, but not be limited to, caffeine solely for use in energy-related products. Additionally, for the purposes of clarity, Nonprescription Drugs shall include nicotine. Additionally, Nonprescription Drugs shall not include the drug diclofenac. Nonprescription Drugs also shall include those products listed as such in the United States Homeopathic Pharmacopeia. For the avoidance of doubt, if a Drug is a prescription Drug in the United States as of the Effective Date, but such prescription Drug subsequently becomes a non-prescription Drug in the United States, then such Drug will be deemed to be a "Nonprescription Drug" for purposes of this License Agreement.

(o) **"Operating Agreement"** means the agreement entered by the parties, the Company and Phosphagenics, Inc., a Delaware corporation, contemporaneously with the entry into this License Agreement, which sets out the operations of the Company.

(p) **"Order"** means any award, injunction, judgment, decree, order, writ, determination, ruling, subpoena or verdict or other decision issued, promulgated or entered by any Governmental Entity of competent jurisdiction.

(q) **"OTC Drugs"** means Nonprescription Drugs that are permitted by law to be sold directly to consumers in the United States.

(r) **"Patents"** means all letters patent and pending applications for, and disclosures related to, patents of any jurisdictions throughout the world and all reissues, reexaminations, divisions, continuations and extensions thereof.

(s) **"Phosphagenics Confidential Information"** means confidential information disclosed by Phosphagenics that is identified by Phosphagenics as being confidential under the terms of this License Agreement, but does not include any Company Confidential Information.

(t) **"Phosphagenics Intellectual Property"** means the Phosphagenics Patents identified in Exhibit A, all Intellectual Property Rights, know-how, technical information, data, improvements, and developments owned or controlled by Phosphagenics relating to the use of TPM.

(u) **"Phosphagenics Technology"** means the Patents identified in Exhibit A and the Know How associated therewith.

(v) **"Program Patents"** means all patent applications lodged jointly in the names of Phosphagenics and the Company during the course of and as a direct result of carrying out their respective obligations under the Operating Agreement or the research program contemplated therein.

(w) **"Program IP**" means all Program Patents, results, research data, know-how, materials, compounds, inventions, and intellectual property relating to the Field or the Non-Exclusive Field that are created by Phosphagenics or the Company during the course of the term of the Operating Agreement or the research program contemplated therein.

(x) **"Quigley Intellectual Property"** means all Intellectual Property Rights, know-how, technical information, data, improvements, and developments owned or controlled by Quigley relating to the Field and the Non-Exclusive Field.

(y) **"Related Body Corporate"** means where a body corporate is a person that is related to such body corporate, including, without limitation, the following:

(i) a holding company of another body corporate;

(ii) a subsidiary of another body corporate; or

(iii) a subsidiary of a holding company of another body corporate.

(z) **"Regulatory Approval"** means an approval of the Relevant Regulatory Authority permitting the marketing of the Field and/or the Non-Exclusive Field in the Territory or any part of the Territory.

(aa) **"Relevant Regulatory Authorities"** means a governmental authority, whether Federal, State or municipal, regulating the importation, distribution, marketing and/or sale of therapeutic substances in a country in the Territory.

(bb) **"Term"** has the meaning given to that term in clause 10.1.

(cc) **"Territory"** means the World, excluding the manufacture anywhere in the world for use in Australia or high-end stores, and excluding the sale or distribution of Anti-Wrinkle products in Australia.

(dd) **"TPM"** means tocopheryl phosphate mixtures.

1.2 Interpretation

Unless the contrary intention appears a reference in this License Agreement:

(a) a clause, exhibit, annexure or schedule is a reference to a clause, annexure or schedule in or to this License Agreement;

(b) a document (including this License Agreement) includes any variation, amendment or replacement of it;

(c) the singular includes the plural and vice versa;

(d) the word "person" includes an individual, a firm, a body corporate, a partnership, joint venture, an unincorporated body or association or any government agency (including the Relevant Regulatory Authorities);

(e) an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;

(f) an agreement, representation or warranty by two or more persons binds them jointly and each of them individually;

(g) a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(h) a group of persons or things is a reference to any two or more of them jointly and to each of them individually;

(i) A reference to "$" is a reference to the lawful currency of the United States;

(j) a statute, regulation, proclamation, code (which has the force of law), ordinance or by-law includes all statutes, regulations, proclamations, codes (which have the force of law), ordinances or by-laws amending, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and bylaws issued under that statute;

(k) the words "include", "including", "for example" or "such as" are not used as, and are not to be interpreted as, words of limitation and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and

(l) if a period of time dates from a given day or the day of an act or event, it is to be calculated exclusive of that day.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this License Agreement.

2. Exploitation of Phosphagenics Intellectual Property

2.1 License

(a) Phosphagenics hereby grants to the Company:

(i) an exclusive, royalty-free, paid-up license to exploit the Field embodying the Phosphagenics Technology within the Territory; and

(ii) a non-exclusive, royalty-free, paid-up license to exploit the Non-Exclusive Field embodying the Phosphagenics Technology within the Territory for use in a product combining the Non-Exclusive Field with an OTC Drug or in a product that is part of a regimen or routine that includes the application of an OTC Drug. By way of example only, the Company may be permitted to use the licensed technology in a non-OTC Drug product as part of a regimen or routine that includes the application of an OTC Drug. For illustrative purposes only, if an acne treatment program includes the use of non-OTC Drug products containing TPM, then the Company may market and sell cleaning and moisturizing products containing TPM.

(b) Phosphagenics shall not, directly or through third parties, exploit the Phosphagenics Intellectual Property with respect to the Field in the Territory.

2.2 [Intentionally Omitted.]

2.3 Sub-License

The Company has the right to grant one or more sub-licenses of the rights granted hereunder to one or more third parties for reasonable consideration in any part of the Territory.

3. Payments

3.1 Acknowledgments.

The parties acknowledge that: (a) pursuant to the Original License Agreement, on the Effective Date, Quigley paid $ 1,000,000 to Phosphagenics; (b) pursuant to the Original License Agreement, on the Effective Date, Quigley issued of 1,440,000 shares of its common stock, par value $0.0005 per share to Phosphagenics; and (c) no additional royalty, milestone or other payments in respect of the license granted hereby are or will be due or payable.

3.2 No refund of Payments

Once paid, no part of any Payment shall be refundable to the Company, including by reason of the termination of this License Agreement at any time.

4. Manufacture and Sale of Products

(a) The Company hereby has the exclusive right, for the Term, to manufacture and/or otherwise exploit the Field in the Territory and Phosphagenics shall, subject to the terms contained in the Operating Agreement, be the supplier of TPM to the Company to enable it to manufacture and/or otherwise exploit the Field.

(b) The Company hereby has the non-exclusive right, for the Term, to manufacture and/or otherwise exploit the Non-Exclusive Field worldwide and Phosphagenics shall, subject to the terms contained in the Operating Agreement, be the supplier of TPM to the Company to enable it to manufacture and otherwise exploit the Non-Exclusive Field in accordance with this License Agreement.

(c) The Company shall use commercially reasonable efforts to develop the Field in the Territory. Without limiting any of the foregoing or being limited thereby, the Company shall be responsible for ensuring that the activities it undertakes or causes to be undertaken to develop the Field are consistent with and supportive of the efficient and expeditious development and regulatory approval of Field.

(d) The Company shall use commercially reasonable efforts to commercialise the Field throughout the Territory.

(e) Without limiting any of the foregoing or being limited thereby, the Company shall be responsible for ensuring that the activities it undertakes or causes to be undertaken to commercialise the Field are consistent with and supportive of the ensuring that all commercially reasonable efforts are used to market, promote, offer for sale and sell the Field so as to optimise sales throughout the Territory.

(f) The Company is responsible for determining strategies for marketing, selling, distributing and determining pricing and other terms of sale for the Field.

(g) The Company, if required, shall prosecute before Relevant Regulatory Authorities any matter with respect to Field and the Non-Exclusive Field, shall have the exclusive right to do so, and shall own all filings it or its Related Body Corporate submit to any Relevant Regulatory Authority relating to the Field and the Non-Exclusive Field.

5. Inspection Right

(a) The Company shall permit Phosphagenics or its agent or representative at all reasonable times to enter any place where the manufacture of the Field by the Company shall be carried on for the purpose of inspection of methods of manufacture of the Field and the Non-Exclusive Field.

(b) The Company shall provide Phosphagenics with copies of all communications to and from Relevant Regulatory Authorities relating to the Field and/or the Non-Exclusive Field within ten (10) working days of receipt or transmission of the communication.

6. Confidentiality

6.1 Phosphagenics Confidential Information

(a) The Company agrees that Phosphagenics Confidential Information is and will be considered for the purposes of this License Agreement to be confidential information and will be the property solely of Phosphagenics.

(b) The Company agrees that its officers, employees and/or agents will not disclose or make direct or derivative use of the Phosphagenics Confidential Information other than for the purposes of this License Agreement and for obtaining the registration and approval, if any, of the Field and Non-Exclusive Field from the Relevant Regulatory Authorities.

(c) The Company agrees to hold such Phosphagenics Confidential Information in strict confidence and will disclose such Phosphagenics Confidential Information only in strict confidence to its officers, employees or agents or to those officers, employees, or agents of its subsidiaries or related bodies corporate, only on a "need to know" basis and only to those officers, employees, professional advisers and agents who agree to be bound and obligated by the same provisions of confidentiality as the Company.

6.2 Company Confidential Information

(a) Phosphagenics agrees that the Company Confidential Information is and will be considered for the purposes of this License Agreement to be confidential information and will be the property solely of the Company.

(b) Phosphagenics agrees that its officers, employees and/or agents will not disclose or make direct or derivative use of the Company Confidential Information other than for the purposes of this License Agreement and for obtaining the registration and approval, if any, of the Field and Non-Exclusive Field from the Relevant Regulatory Authorities.

(c) Phosphagenics agrees to hold the Company Confidential Information in strict confidence and will disclose the Company Confidential Information in only strict confidence to its officers, employees or agents or to those officers, employees, or agents of its subsidiaries or related bodies corporate, only on a "need to know" basis and only to those officers, employees, professional advisers and agents who agree to be bound and obligated by the same provisions of confidentiality as Phosphagenics.

6.3 Permitted Disclosure

The obligations set out in clauses 6.1 and 6.2 will not arise with respect to:

(a) any information that is now or later becomes publicly available through no fault of the party receiving such information (the **"Recipient"**) , its officers, employees or agents;

(b) any information that the Recipient obtains from a third party that is not under a confidentiality obligation to the discloser of such information with respect to such information;

(c) any information that the Recipient already has in its possession prior to its disclosure by the discloser of such information, as indicated by the Recipient's written records;

(d) any information that the Recipient is required to disclose by Law or the listing rules of a stock exchange on which the shares of the Recipient (or a Related Body Corporate of the Recipient) are listed; provided, that (i) the Recipient shall use diligent efforts to limit such disclosure and to obtain confidential treatment or a protective order for such Confidential Information, (ii) the Recipient shall allow the disclosing party to participate in such process undertaken to protect Confidential Information, (iii) the Recipient shall cooperate with the disclosing party, upon the disclosing party's reasonable request, in connection therewith, and (iv) in the absence of a protective order or other appropriate remedy, the Recipient may disclose only that portion of such Confidential Information that is legally required to be disclosed; or

(e) any information that is necessary or desirable to include in any application for regulatory approval or Intellectual Property registration in the Territory.

6.4 Use of Other Parties' Names

Neither party will use the name of the other party in any public statement about this License Agreement or the Field without the other party's prior written consent which will not be unreasonably withheld if such a statement is required by Law or the listing rules of a stock exchange on which the shares of the Recipient (or a Related Body Corporate of the Recipient) are listed.

6.5 Quigley Confidential Information

Quigley is hereby a third-party beneficiary of the rights, and subject to the obligations, of the Company set forth in this clause 6 as if Quigley were the "Company" hereunder (and as if references in the definition of "Company Confidential Information" to the "Company" were references to Quigley).

7. Intellectual Property

7.1 IP Ownership

(a) In the event that the Program IP gives rise to patentable subject matter, the parties shall join together to file and prosecute patent applications in such parts of the Territory as they may agree upon. All Patents costs shall be paid for by the Company.

(b) Program IP will be owned by the Company, except as follows:

(i) All inventions pertaining solely to Company Intellectual Property made by or on behalf of any party or jointly will be owned solely by the Company. The parties hereby assign any and all existing and/or future right, title and interest in and to Company Intellectual Property to the Company. The parties shall execute all documents and do such things as are necessary or reasonably requested by the Company in order to perfect the assignment referred to in this clause 7.1(b)(i).

(ii) All inventions pertaining solely to Phosphagenics Intellectual Property made by or on behalf of any party or jointly will be owned solely by Phosphagenics. The parties hereby assign any and all existing and/or future right, title and interest in and to Phosphagenics Intellectual Property to Phosphagenics. The parties shall execute all documents and do such things as are necessary or reasonably requested by Phosphagenics in order to perfect the assignment referred to in this clause 7.1(b)(ii).

(iii) All inventions pertaining solely to Quigley Intellectual Property made by or on behalf of any party or jointly will be owned solely by Quigley. The parties hereby assign any and all existing and/or future right, title and interest in and to Quigley Intellectual Property to Quigley. The parties shall execute all documents and do such things as are necessary or reasonably requested by the Quigley in order to perfect the assignment referred to in this clause 7.1(b)(iii).

(c) The Company acknowledges and agrees that Phosphagenics may license or otherwise exploit the Phosphagenics Intellectual Property in any manner other than with respect to the Field in the Territory.

7.2 Infringement

(a) In the event of the Company or Quigley, as the case may be, becoming aware of a patent or other third-party Intellectual Property Right which may be potentially infringed by the use of the Phosphagenics Intellectual Property or upon receiving a notice alleging such infringement, the Company or Quigley, respectively, will immediately notify Phosphagenics. The Company or Quigley, as the case may be, will at Phosphagenics' expense provide Phosphagenics with such assistance as Phosphagenics may reasonably require in order to deal with the potential alleged infringement.

(b) Each of the Company and Quigley agrees that it will not take or omit to take any step in relation to the potential or alleged infringement, without first receiving the informed prior written consent of Phosphagenics.

7.3 Property in and Sharing of Documents, Data and Other Information

The Company will own all documents, reports, data and other records of whatever form and content created for the purposes of or arising from any clinical or other trials or studies performed in connection with the Field and/or the Non-Exclusive Field.

The parties will disclose to each other all data and information generated by or on behalf of each of them in relation to the implementation of the Operating Agreement, the Field and/or the Non-Exclusive Field and the Program IP. Without limiting the foregoing the sharing of data and information shall extend to toxicology, pre-clinical and clinical studies relating to the Products.

7.4 Improvements

(a) If Phosphagenics shall at any time during the Term devise, discover or acquire rights in any Improvement it shall, to the extent that it is not prohibited by law or by any obligation to any other person, promptly notify the Company in writing giving details of it and shall, following the request for the same, provide to the Company such information and explanations as the Company shall reasonably require to be able to effectively utilise the same. In any case where such Improvement constrains or otherwise limits Company's exploitation of the Field in the Territory or the Non-Exclusive Field worldwide, and not dependant on the rights licensed under this License Agreement, Phosphagenics shall grant and hereby grants a royalty-free, paid-up, non-exclusive and irrevocable licence under all rights protecting such Improvement throughout the world to Company for use on the Field throughout the Territory and on the Non-Exclusive Field worldwide under the terms of this License Agreement.

(b) If the Company or Quigley, as the case may be, shall at any time during the Term devise, discover or acquire rights in any Improvement it shall, to the extent that it is not prohibited by law or by any undertaking given to any other person, promptly notify Phosphagenics in writing giving details of it and provide to Phosphagenics such information or explanations as Phosphagenics may reasonably require to be able effectively to utilise the same. In any case where such Improvement is severable from and not dependant on the rights licensed under this License Agreement, Company or Quigley, as the case may be, shall grant and hereby grants a royalty-free, paid-up, irrevocable and non-exclusive licence under all rights protecting such Improvement throughout the world.

8. Warranties and Representations

8.1 The Company's warranties and representations

The Company warrants and represents to Phosphagenics:

(a) it has and will during the Term have the personnel, expertise, resources, and capability to carry out its obligations under this License Agreement;

(b) it has and will during the Term have all other licenses, authorisations, consents, approvals and permits required by applicable Laws in order to perform its obligations under this License Agreement;

(c) it will at all times comply with any applicable Laws, cGMP and cGLP (if applicable) in performing its obligations under this License Agreement;

(d) it has and will during the Term have the unfettered right, power and entitlement to enter into and perform this License Agreement; and

(e) it has taken all necessary actions to authorise the execution and performance of this License Agreement.

8.2 Phosphagenics' warranties and representations

Phosphagenics warrants and represents to the Company :

(a) it has and will during the Term have the unfettered right, power and entitlement to enter into and perform this License Agreement; and

(b) it has taken all necessary actions to authorise the execution and performance of this License Agreement.

(c) it is the exclusive owner of the Phosphagenics Intellectual Property and it has the unfettered right, power and entitlement to grant the license provided in clause 2.1;

(d) it is not aware of any Intellectual Property Rights owned by a third party that will be infringed or misused by the manufacture, use, or sale of the Field and/or the Non-Exclusive Field in the Territory or the exercise or exploitation of Phosphagenics Technology for the Field and/or the Non-Exclusive Field in the Territory;

(e) except as disclosed to the Company, as at the Effective Date and to Phosphagenics' best knowledge and belief no person has asserted any written claim alleging:

(i) that the Phosphagenics Intellectual Property or any part thereof is invalid;

(ii) a contrary claim to ownership of the Phosphagenics Intellectual Property;

(iii) opposition to the Phosphagenics Intellectual Property or any part thereof.

(f) to Phosphagenics' best knowledge and belief the exercise or exploitation of Phosphagenics Intellectual Property will not infringe any third party's Intellectual Property Rights;

(g) to Phosphagenics best knowledge and belief that the Phosphagenics Technology is valid, and that there are no references, public disclosures, or other information material to the rights inherent in the Phosphagenics Technology;

(h) to Phosphagenics' best knowledge and belief as at the date of this License Agreement there is no litigation or threatened litigation in relation to Phosphagenics or the Phosphagenics Intellectual Property that relates to the subject matter of this License Agreement, except as identified on Exhibit C hereto;

(i) to the knowledge of Phosphagenics, no person is engaging in any activities that constitute, or that Phosphagenics believes may constitute, infringement of Phosphagenics, rights in the Phosphagenics Intellectual Property in the Territory;

(j) Other than the Phosphagenics Technology, the Phosphagenics Intellectual Property does not otherwise restrict Company's exploitation of the Field in the Territory and the Non-Exclusive Field worldwide, and should any Phosphagenics Intellectual Property be asserted or determined to restrict Company's exploitation of the Field in the Territory, or the Non-Exclusive Field worldwide, Phosphagenics shall and hereby does grant Company an exclusive, royalty-free, irrevocable, and paid-up license to exploit the Field embodying such Phosphagenics Intellectual Property within the Territory, and a non-exclusive, royalty-free, irrevocable and paid-up license to exploit the Non-Exclusive Field embodying such Phosphagenics Intellectual Property worldwide; and

(k) it will not during the Term offer for sale or sell products in the Field in the Territory.

9. Liability and Indemnities

9.1 Phosphagenics not liable; Phosphagenics indemnifies the Company

(a) except as provided in clause 8.2, Phosphagenics disclaims all representations and warranties, whether express, implied, or statutory, including any implied warranty of merchantability or of fitness for a particular purpose and any implied warranty arising from course of dealing or usage of trade. Except as provided in clause 8.2, there is no warranty against interference with the Company's enjoyment of the license granted under this License Agreement or any rights to the Field or with respect to infringement.

(b) Phosphagenics shall not be liable for:

(i) any injury to or the death of any person (including any of the Company's personnel) arising out of the Company 's performance of its obligations under this License Agreement; or

(ii) any loss of or damage to any property of any person (including the Company and its personnel) arising out of the Company's performance of its obligations under this License Agreement, except to the extent that the same is caused by the negligence of Phosphagenics, provided that in no case shall Phosphagenics be liable for the payment of damages in respect of consequential losses;

(c) Phosphagenics indemnifies, and shall defend and hold harmless, the Company and Quigley against all claims, actions, damages, losses (other than consequential losses), liabilities, costs, charges, expenses and outgoings (collectively, "**Losses**") that the Company pays, suffers or incurs as a result of, in connection with, or arising from:

(i) breach by Phosphagenics of this License Agreement (including any breach of a warranty or representation given under clause 8);

(ii) any infringement on the intellectual property rights of a third party because of the use of the Intellectual Property contemplated by this License Agreement;

(iii) any claims by a third party that use of the Intellectual Property contemplated by this License Agreement infringes on such third party's rights; or

(iv) any obligation of the Company under applicable law to withhold portions of the amounts that the Company is required to pay pursuant to this License Agreement.

Notwithstanding anything in this clause 9.1(c) to the contrary, Phosphagenics will not be required to indemnify the Company or Quigley to the extent that Losses for which Phosphagenics would otherwise be required to indemnify the Company or Quigley pursuant to this clause 9.1(c) exceed, in the aggregate, the sum of (x) $1,000,000 and (y) 1,440,000 multiplied by the closing price per share, as reflected on the NASDAQ, of the Company's common stock, par value $0.0005 per share, on the Effective Date.

(d) Quigley as Third-Party Beneficiary

Quigley is hereby a third-party beneficiary of the rights set forth with respect to Quigley in this clause 9.1 (subject to the limitations set forth in this clause 9.1) as if Quigley were an original party hereto for such purposes.

9.2 The Company indemnifies Phosphagenics

(a) Subject to clause 9.2(b), the Company indemnifies, and shall defend and hold harmless, Phosphagenics from and against all Losses that Phosphagenics pays, suffers or incurs as a result of, in connection with, or arising from:

(i) injuries suffered or death sustained by persons as a result of the conduct of any clinical trials in connection with the Field and/or the Non-Exclusive Field;

(ii) injuries suffered or death sustained by persons as a result of any Field and/or the Non-Exclusive Field developed pursuant to this License Agreement and supplied by Phosphagenics to consumers;

(iii) wilful, tortious or negligent conduct on the part of the Company; or

(iv) breach by the Company of this License Agreement (including any breach of a warranty or representation given by the Company under clause 8).

(b) The Company shall not be required to indemnify Phosphagenics to the extent that any Loss suffered or incurred by Phosphagenics arises as a result of any wilful, tortious or negligent conduct on the part of Phosphagenics or any breach by Phosphagenics of this License Agreement.

10. Term and Termination

10.1 Term

This License Agreement commences on the date of execution of this License Agreement and, unless determined in accordance with this clause 10, will continue until the expiration of the last to expire of the Phosphagenics Patents or any extensions thereof (such term, as may be extended, the **"Term"**).

10.2 Termination with Cause

Either party may terminate this License Agreement by giving notice in writing to the other in the event that:

(a) the other party:

(i) is, or is deemed by Law to be, unable to pay its debts;

(ii) resolves, or proposes to resolve, that it be wound up; or

(iii) is placed under official management;

(b) an administrator, receiver or receiver and manager, or other insolvency administrator is appointed in respect of any of the property or assets of the other party;

(c) a liquidator or a provisional liquidator is appointed to the other party, except for the purposes of solvent amalgamation or reconstruction or corporate reorganisation; or

(d) the other party enters into an arrangement or compromise with its creditors or any class of creditors other than for the purposes of solvent amalgamation or reconstruction or corporate reorganisation, provided that such termination will be without prejudice to the rights and remedies of the parties otherwise having arisen under this License Agreement.

11. Consequences of Termination/Expiration

11.1 Return of documents

Upon termination of this License Agreement by Phosphagenics for Cause (as provided in clause 10.2):

(a) Phosphagenics will promptly deliver up or return to the Company any property of the Company, including documents and records of the Company, in Phosphagenics' possession, custody or control (other than any Phosphagenics Confidential Information);

(b) The Company will promptly deliver up or return to Phosphagenics any property, including documents and records, of Phosphagenics in the Company's possession, custody or control (other than any Company Confidential Information);

(c) The Company shall cooperate with Phosphagenics and a cancellation of all or any licenses registered pursuant to this License Agreement and shall execute any and all such documents and do acts and things as may be necessary in such connection;

(d) The Company shall within, six (6) months of the date of termination or expiry, transfer to Phosphagenics all Regulatory Approvals and will work with Phosphagenics to ensure that such transfer occurs;

(e) The Company will promptly deliver to Phosphagenics all data information which has been created or collected as a consequence of the carrying out of the Development Plan including but not limited to any clinical trials conducted in respect of the Field and/or the Non-Exclusive Field.

(f) The Company shall have the right to dispose of all stocks of the Field and/or the Non-Exclusive Field in its possession and in the normal course of manufacture at the date of termination or expiry provided that any royalty payable under the provisions of this License Agreement shall be received within a period of ninety (90) days following termination or expiry; and

(g) All rights and licenses, including sublicenses granted under this License Agreement, shall cease except to the extent expressly provided otherwise under the terms of this License Agreement.

11.2 No further rights

(a) If Phosphagenics terminates this License Agreement under clause 10.2, then, except as provided in clause 11.1, the Company will have no further right to manufacture or sell the Field and/or the Non-Exclusive Field.

(b) Subject to this clause 11, termination of this License Agreement will not prejudice any accrued rights or liabilities of a party or excuse any party from a breach of this License Agreement occurring prior to termination or expiration or excuse any party from paying any amount which is or becomes due and payable to the other party in respect of performance by the other party prior to termination.

12. Assignment

12.1 Restriction upon Assignment

Subject to clauses 2.3 and 12.2, (a) neither party will assign its rights and/or obligations under this License Agreement to a third party without the prior written consent of the other party, which consent will not be unreasonably refused or withheld, but which consent may be subject to reasonable conditions, and (b) any such Assignment must constitute an assignment of all rights and obligations under this License Agreement.

12.2 Permitted Assigns

Either party may assign its rights or obligations under this License Agreement without the other party's consent to a Related Body Corporate or a purchaser or successor of all or substantially all of that party's business, provided that the assignor shall be, and remain, responsible for the performance of its obligations under this License Agreement.

12.3 Restriction upon Sub-Contracting

Subject to clause 2.3, neither party will sub-contract its obligations under this License Agreement to a third party without the prior written consent of the other party, provided that such consent may not be unreasonably withheld.

13. Force Majeure

13.1 Force Majeure Events

No failure or omission by a party in the performance of any obligation of this License Agreement will be deemed to be a breach of this License Agreement and will not create any liability if it arises from any cause or causes beyond the control of the parties (exercising reasonable diligence), including but not limited to, acts of God, acts or omissions of any government or governmental authority (including relevant health authorities) any rules, regulations or orders issued by any governmental authority or by any officers, department, agency or instrumentality thereof, fire, storm, flood, earthquake, accident, acts of the public enemy, war, rebellion, insurrection, riot, invasion, strikes and lockouts (a **"Force Majeure Event"**).

13.2 Reliance Upon Force Majeure

A party seeking to rely upon clause 13.1 must immediately advise the other party by notice in writing of the details of the Force Majeure Event.

14. Dispute Resolution

Section 20.8 of the Operating Agreement (Dispute Resolution and Arbitration) is hereby incorporated by reference as if set forth herein in full, *mutatis mutandis*.

15. Notices

Any notice or other communication, including but not limited to any request, demand, consent or approval, to or by a party must be in legible writing and forwarded by personal delivery, registered air mail or facsimile addressed as shown below (in the absence of written notice of change):

If to the Company:

Attention: Ted Karkus

Address: Phusion Laboratories, LLC
621 N. Shady Retreat Road
Doylestown, PA 18901
Facsimile: (215) 345-5920

If to Phosphagenics:

Attention: Managing Director,
Phosphagenics

Address: Phosphagenics Ltd.
11 Duerdin Street, Clayton
Victoria, Australia 3168
Facsimile: 61-3-9565 1151

16. Governing Law; Jurisdiction and Venue

Sections 20.7 (Governing Law) and 20.16 (Consent to Jurisdiction and Venue) are hereby incorporated by reference as if set forth herein in full, *mutatis mutandis*.

17. General

17.1 Relationship

(a) The parties are independent contractors and are not by this License Agreement made agents or employees of the other.

(b) A party has no authority to bind the other party in any manner whatsoever and is not entitled at any time to hold itself out to third parties as having authority to enter commitments, expenses, liabilities or obligations of any nature on behalf of the first mentioned party.

17.2 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this License Agreement.

17.3 Expenses

Each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this License Agreement.

17.4 Amendments

This License Agreement may only be varied or amended by a document signed by or on behalf of each of the parties.

17.5 Waiver

(a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this License Agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this License Agreement.

(b) Any waiver or consent given by any party under this License Agreement will only be effective and binding on that party if it is given or confirmed in writing by that party.

(c) No waiver of a breach of any term of this License Agreement will operate as a waiver of another breach of that term or of a breach of any other term of this License Agreement.

17.6 Counterparts

This License Agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this License Agreement, all of which together constitute one License Agreement. This License Agreement may be delivered via facsimile or by portable document format (.pdf).

17.7 Indemnities

(a) Each indemnity in this License Agreement is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination, completion or expiration of this License Agreement.

(b) It is not necessary for a party to incur expense or to make any payment before enforcing a right of indemnity conferred by this License Agreement.

17.8 Entire License Agreement

To the extent permitted by law, in relation to the license granted under this License Agreement, this License Agreement:

(a) embodies the entire understanding of the parties, and constitutes the entire terms agreed on between the parties; and

(b) supersedes any prior written or other agreement between the parties.

17.9 Survival of certain provisions; no merger

(a) Clauses 1, 2, 6, 7, 8, 9, 11, 14, 15, 16 and this clause 17 will survive rescission or termination of this License Agreement.

(b) If this License Agreement is rescinded or terminated, no party will be liable to any other party except:

(i) under the clauses set out in clause 17.9(a); or

(ii) in respect of any breach of this License Agreement occurring before rescission or termination.

(c) No right or obligation of any party will merge on completion of any transaction under this License Agreement.

[Signature page follows.]

The parties are signing this License Agreement as of the Effective Date.

Signed as an Agreement.

PHOSPHAGENICS LTD.

By: /s/ Fred Banti
Name: Fred Banti
Title: Senior Vice President and Chief Business Officer

PHUSION LABORATORIES, LLC

By: /s/ Ted Karkus
Name: Ted Karkus
Title: Co-Chief Executive Officer

Acknowledged, for purposes of clauses 6, 7 and 9.1

THE QUIGLEY CORPORATION

By: /s/ Ted Karkus
Name: Ted Karkus
Title: Chief Executive Officer

Exhibit A

Phosphagenics Technology

Name	Priority date	Number
A carrier comprising one or more di and/or mono-(electron transfer agent) phosphate derivatives or complexes thereof	17 June 2005	WO 2006/133506
Formulation Containing Phosphate Derivatives Of Electron Transfer Agents	14 November 2000	WO 02/40033
Dermal Therapy Using Phosphate Derivatives Of Electron Transfer Agents	27 July 2001	WO 03/011303
Complexes Of Phosphate Derivatives	14 November 2000	WO 02/40034
Transdermal Transport Of Compounds	13 December 2001	WO 03/049774
Carrier	9 August 2002	WO 2004/014432
Improved Process for Phosphorylation and Compounds Produced by this Method	14 May 1999	WO 00/69865
Carrier Composition	23 December 2009	US provisional 61/289507
New Carrier Composition	19 February 2010	US provisional 61/306115

Exhibit B

Non-Exclusive Field

List of compounds that we have agreed to use on a non-exclusive worldwide basis in combination with OTC actives and / or in regimens:

- Peptides
- Amino acids
- Lipoaminoacids (Palmitoyl glycine
  Cocoyl alanine)
- Alpha hydroxy acids
- Vitamins B, C, D (all forms)
- Alpha lipoic acid
- Sodium hyaluronate
- Allantoin
- Panthenol
- Ceramides
- TPM
- Niacinamide
- Retinyl propionate
- Lycopene
- Omega-3 fatty acids
- GABA
- Polyphenols
- Phytosterols
- Quercetin
- Tea Tree Oil
- Evening Primrose Oil
- Phenylalanine
- Glucuronolactone
- Inositol
- Tyrosine
- Citicoline
- Taurine

Exhibit C

Litigation

Novel Therapeutic Technologies Inc., an Israeli-based corporation, has asserted that Phosphagenics Ltd. has infringed claims embodied in US Patent numbers 5,540,934 and 5,716,638. In particular Novel Therapeutic Technologies Inc. asserts that Phosphagenics Ltd.'s patent, entitled "A carrier comprising one or more di and/or phosphate derivatives or complexes thereof" and being patent number WO 2006/133506, infringes its patents.

SHARE TRANSFER RESTRICTION AGREEMENT

This SHARE TRANSFER RESTRICTION AGREEMENT (this "Agreement"), dated as of March 22, 2010 (the "Effective Date"), is made by and between The Quigley Corporation, a Nevada corporation ("Quigley"), and Phosphagenics Ltd., an Australian corporation ("PSI Parent" and, collectively with Quigley, the "Parties").

A. Quigley and PSI Parent are party to a license agreement, dated as of the Effective Date, an executed copy of which is attached as Exhibit A (the "License Agreement"), pursuant to which, among other things, (i) PSI Parent granted to Quigley a perpetual, paid-up, global, exclusive license to exploit Products (as defined in the License Agreement) embodying Phosphagenics Intellectual Property (as defined in the License Agreement), as more specifically set forth in the License Agreement, and (ii) in exchange therefor, Quigley paid to PSI Parent $1,000,000 and issued to PSI Parent 1,440,000 shares (such shares, collectively, the "Acquired Shares") of Quigley's common stock, par value $0.0005 per share (such class of Quigley's stock, "Common Stock").

B. The Parties desire to set forth herein, and that PSI Parent acknowledge, (i) certain transfer restrictions with respect to, and other terms applicable to, the Acquired Shares and the acquisition thereof by PSI Parent and (ii) certain restrictions on PSI Parent's acquisition of Additional Shares (as defined in Section 5(b)).

C. Contemporaneously with their entry into this Agreement, the Parties are entering into a limited liability company agreement (the "LLC Agreement") of Phusion Laboratories, LLC, a Delaware limited liability company (the "Company"), by and among Quigley, Phosphagenics Inc., a Delaware corporation, PSI Parent (for the purposes stated therein), and the Company.

The Parties therefore hereby agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined herein have the respective meanings given to such terms in the LLC Agreement.

2. Restrictions on Transfer of Acquired Shares.

(a) Without the prior written consent of Quigley, prior to June 1, 2012, PSI Parent shall not, directly or indirectly, Transfer the Acquired Shares, in whole or in part; provided, however, that, subject to Section 2(b), PSI Parent may Transfer any or all of the Acquired Shares in connection with, and contemporaneously upon the consummation of, a Company Sale.

(b) PSI Parent shall not Transfer any of the Acquired Shares in contravention of applicable law.

(c) "Company Sale" means any arm's-length transaction in which (i) Quigley sells all or substantially all of its assets to a Third Party, (ii) a Third Party purchases outstanding Common Stock such that, upon the consummation thereof, such Third Party will own more than 50% of the shares of capital stock of Quigley entitled to vote generally in the election of Quigley's directors, or (iii) a Third Party merges with Quigley such that, immediately upon consummation of such merger, the equityholders of such Third Party will own, in the aggregate, more than 50% of the shares of capital stock of Quigley entitled to vote generally in the election of Quigley's directors.

(d) "Third Party" means any Person that is not an Affiliate of Quigley immediately prior to the consummation of a transaction of the type described in Section 2(c).

(e) Any purported Transfer in contravention of this Section 2 will be null and void *ab initio.*

3. PSI Parent Representations and Acknowledgments.

(a) In order to induce Quigley to issue the Acquired Shares to PSI Parent, PSI Parent represents and warrants to Quigley that:

(i) PSI Parent has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Acquired Shares;

(ii) no broker has acted on behalf of PSI Parent in connection with this Agreement or the License Agreement, and there are no brokerage commissions, finders' fees or commissions payable in connection herewith or therewith based on any agreement, arrangement or understanding with PSI Parent or any action taken by PSI Parent;

(iii) PSI Parent is acquiring the Acquired Shares for investment purposes only, for its own account and not with a view to, or for resale in connection with, any distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act");

(iv) the offer of the Acquired Shares to PSI Parent was not made by any public or general means or pursuant to any public or general solicitation;

(v) PSI Parent is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act;

(vi) PSI Parent is not purchasing the Acquired Shares for the account or on behalf of any U.S. Person (which, for the purposes of this Agreement, shall have the definition ascribed thereto in Regulation S promulgated under the Securities Act ("Regulation S"));

(vii) PSI Parent is not a U.S. Person, was not formed under the laws of any United States jurisdiction and was not formed for the purpose of investing in securities not registered under the Securities Act;

(viii) PSI Parent has not made any pre-arrangement to transfer any of the Acquired Shares to a U.S. Person or to return any of the Acquired Shares to the United States securities markets (which includes short sales and hedging transactions in the United States within the periods restricted under Regulation S (the "Restricted Periods") to be covered by delivery of any of the Acquired Shares) and is not acquiring the Acquired Shares as part of any plan or scheme to evade the registration requirements of the Securities Act;

(ix) PSI Parent acknowledges and understands that (A) all offers and sales of any of the Acquired Shares by PSI Parent in the United States or to U.S. Persons or otherwise, whether prior to the expiration or after the expiration of the Restricted Periods, shall be made only pursuant to a registration of such Acquired Shares under the Securities Act or an exemption from registration requirements of the Securities Act and (B) Quigley will, in order to approve removal of the restrictive legend from certificates evidencing the Acquired Shares, require from PSI Parent (i) certain written representations to indicate that the sale of the Acquired Shares was made in a transaction that complies with the provisions of Regulation S, pursuant to a registration of the Acquired Shares under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and (ii) require a legal opinion that removal of the legend is appropriate;

(x) PSI Parent has not engaged in any "directed selling efforts" (as defined in Regulation S) in the United States regarding any of the Acquired Shares, nor has it engaged in any act intended to or that reasonably might have the effect of preconditioning the U.S. market for the resale of any of the Acquired Shares;

(xi) PSI Parent is not a "distributor" as defined in Regulation S and is not an officer, director or "affiliate" (as that term is defined in Rule 405 under the Securities Act) of Quigley or an "underwriter" or "dealer" (as such terms are defined in the federal securities laws of the United States); and

(xii) PSI Parent does not have a short position in, or other hedged position with respect to, the Acquired Shares or any other shares of the Common Stock and will not have a short position in, or other hedged position with respect to, such securities at any time prior to the expiration of the Restricted Periods.

(b) PSI Parent acknowledges:

(i) that the Acquired Shares have not been registered under (and that Quigley has no present intention to register the Acquired Shares under) the Securities Act or applicable state securities law and that the offering and sale of the Acquired Shares have been made in reliance on the exemption from the registration requirements provided by Section 4(2) of the Securities Act and the regulations promulgated thereby and analogous provisions of certain state securities laws or in accordance with Regulation S under the Securities Act;

(ii) that the Acquired Shares may not be sold or otherwise transferred unless, among other things, the Acquired Shares have been registered under the Securities Act and applicable state securities laws or are sold or transferred in a transaction exempt therefrom; and

(iii) that it may have to bear the economic risk associated with its ownership of the Acquired Shares for an indefinite period of time or to suffer a complete loss of its investment;

(iv) that: (A) it has received and reviewed this Agreement; (B) it, its attorney and its accountant have had access to, and an opportunity to review, all documents and other materials requested of Quigley; and (C) it and they have been given an opportunity to ask any and all questions of, and receive answers from, Quigley concerning the terms and conditions of the offering and issuance of Acquired Shares and to obtain all information that it or they believe necessary or appropriate to invest in Quigley and to purchase the Acquired Shares, to verify the accuracy of documents and materials requested of Quigley and to evaluate the suitability of an investment in the Acquired Shares; and

(v) that, in evaluating the suitability of an investment in the Acquired Shares, it has not relied upon any representations, warranties or other information (whether oral or written), other than such information as has been made publicly available in Quigley's periodic reports, as filed with the United States Securities and Exchange Commission (such information, "Public Information").

(c) PSI Parent hereby waives, to the maximum extent permitted by law, any claim, or potential claim, it has or may have against Quigley and its officers, directors, shareholders, partners, successors and assigns, relating to any such person's possession of information that is not Public Information.

4. Legends on Share Certificates. PSI Parent hereby consents to the placement of the following legends on the stock certificate or certificates representing the Acquired Shares:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE 'SECURITIES ACT'), AND MAY NOT BE OFFERED OR SOLD (I) IN THE UNITED STATES OR TO U.S. PERSONS BY OR ON BEHALF OF ANY U.S. PERSON, UNLESS (A) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT IS IN EFFECT WITH RESPECT THERETO OR (B) PURSUANT TO AN EXEMPTION FROM REGISTRATION AND A WRITTEN OPINION FROM COUNSEL FOR THE ISSUER OR COUNSEL FOR THE HOLDER REASONABLY ACCEPTABLE TO THE ISSUER HAS BEEN OBTAINED TO THE EFFECT THAT NO SUCH REGISTRATION IS REQUIRED AND (II) OUTSIDE THE UNITED STATES, UNLESS IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT AND THE PURCHASER IN SUCH TRANSACTION PROVIDES A CERTIFICATION TO THE ISSUER THAT IT IS A NON-U.S. PERSON. EACH BENEFICIAL HOLDER, BY ACCEPTING AN INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE, AGREES THAT NO HEDGING TRANSACTION INVOLVING SUCH SECURITIES IS PERMITTED TO BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT. TERMS IN THIS LEGEND HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT."

"TRANSFER OF SECURITIES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED UNDER THE TERMS OF A SHARE TRANSFER RESTRICTION AGREEMENT, DATED AS OF MARCH 22, 2010, TO WHICH THE ISSUER IS PARTY. A COPY OF THE SHARE TRANSFER RESTRICTION AGREEMENT WILL BE FURNISHED TO ANY HOLDER OF SECURITIES EVIDENCED BY THIS CERTIFICATE UPON WRITTEN REQUEST, AND WITHOUT CHARGE, WITHIN FIVE DAYS AFTER THE ISSUER'S RECEIPT OF A WRITTEN REQUEST THEREFOR."

5. Restrictions on Acquisition of Additional Shares.

(a) Without the prior written consent of Quigley, PSI Parent shall not, and shall not cause any of its Subsidiaries to, directly or indirectly: (i) acquire any (A) Additional Shares, (B) Common Stock Equivalents, and/or (C) beneficial or other interest (whether with respect to voting rights, economic rights, or otherwise) in any Additional Shares or in any Common Stock Equivalents; and/or (ii) enter into any Contract with respect to any of the actions described in the immediately foregoing clause (i).

(b) "Additional Shares" means any shares of Common Stock other than the Acquired Shares.

(c) "Common Stock Equivalents" means (i) any warrant, option, subscription or purchase right with respect to one or more shares of Common Stock, (ii) any Security convertible into, exchangeable for or otherwise entitling the holder thereof to acquire one or more shares of Common Stock, or (iii) any warrant, option, subscription or purchase right with respect to any Security described in the immediately foregoing clause (ii).

6. Piggyback Rights.

(a) If, at any time after June 1, 2012, Quigley proposes to register any Common Stock (such Common Stock, "Offered Securities") under the Securities Act in connection with an underwritten public offering by Quigley of such Offered Securities solely for cash and on any form that would permit the registration of the Acquired Shares (other than a registration (i) relating solely to the sale of securities to participants in a stock grant, option or purchase plan or other employee stock incentive program or agreement, (ii) on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of Acquired Shares, (iii) in which such Offered Securities constitute all or part of the consideration in connection with a Company Sale (or analogous transaction with respect to any Subsidiary of Quigley) or (iv) in which such Offered Securities are being registered in connection with a private investment in Quigley's securities or a transaction commonly referred to as a "PIPE" transaction), then, on or before the date that is 20 days prior to the filing of a registration statement in connection with such registration (any such registration, a "Registration"), Quigley shall give written notice (such notice, a "Registration Notice") of such proposed Registration to PSI Parent, specifying in such Registration Notice the number of Offered Securities that Quigley intends to register.

(b) PSI Parent may elect to participate (subject to the terms of this Section 6) in such Registration, with respect to the Acquired Shares, by giving written notice to Quigley (such notice, a "Registration Participation Notice") on or before the date that is 15 days after Quigley gives a Registration Notice, specifying in such Registration Participation Notice the number of Acquired Shares that it elects to include in such Registration (such Acquired Shares, as specified in such Registration Participation Notice and as may thereafter be reduced in number pursuant to Section 6(d), the "Registration Requested Acquired Shares").

(c) If PSI Parent elects to participate in a given Registration in accordance with this Section 6, then (i) PSI Parent shall enter into an underwriting agreement in usual and customary form with the underwriter or underwriters selected by Quigley for such underwriting (including, if applicable, provisions relating to a lock-up period after such Registration is effected with respect to the sale of Registration Requested Acquired Shares) and (ii) PSI Parent shall complete and execute all questionnaires, powers of attorney, indemnities and other documents, each in customary form, reasonably required under the terms of such underwriting agreement; provided, however, that (x) PSI Parent will not be required to make any representations or warranties in connection with any such underwriting agreement other than customary representations and warranties with respect to itself and the Registration Requested Acquired Shares, and (y) any obligation of PSI Parent to indemnify any Person pursuant to any such underwriting agreement will be limited to the net amount received by PSI Parent from the sale of its Registration Requested Acquired Shares pursuant to such Registration.

(d) Notwithstanding anything in this Section 6 to the contrary, if the managing underwriter for such Registration (such underwriter, the "Managing Underwriter") advises Quigley that marketing factors require a limitation of the number of securities to be underwritten in such Registration, then Quigley shall give written notice thereof to PSI Parent and the number of Registration Requested Acquired Shares that PSI Parent will be entitled to include in such Registration and the number of other securities (such other securities, collectively with the Registration Requested Acquired Shares, "Participating Securities") offered for the account of other Persons (such other Persons, collectively with PSI Parent, "Participating Stockholders") will be collectively reduced on a pro rata basis based upon the number of securities that each Participating Stockholder has elected to include in such Registration, such that the aggregate number of Participating Securities included in such Registration can be sold (in the opinion of the Managing Underwriter) in light of such marketing factors.

(e) Notwithstanding anything in this Section 6 to the contrary, Quigley may elect to abandon any given Registration, whether or not PSI Parent has elected to participate in such Registration, by providing written notice to PSI Parent that it would be detrimental to Quigley or its stockholders to proceed with such Registration.

(f) The rights afforded to PSI Parent pursuant to this Section 6 will extend to any Person that acquires Acquired Shares in accordance with this Agreement and applicable law.

(g) Notwithstanding anything in this Section 6 to the contrary, the rights afforded pursuant to this Section 6 will not apply with respect to Acquired Shares that have been registered and sold pursuant to the Securities Act, that have been sold pursuant to Rule 144 under the Securities Act (or any similar rules promulgated pursuant to the Securities Act), or that are eligible for sale pursuant to Rule 144(k) under the Securities Act.

7. Miscellaneous.

(a) Amendments. Any provision of this Agreement may be amended if, and only if, such amendment is in writing and is signed by each Party.

(b) Incorporation of Provisions in LLC Agreement. The following provisions of the LLC Agreement are hereby incorporated by reference as if set forth herein in full, *mutatis mutandis*: Sections 1.2 (Construction); 20.1 (Notices); 20.5 (Waivers); 20.6 (Successors and Assigns); 20.7 (Governing Law); 20.8 (Dispute Resolution and Arbitration); 20.9 (Counterparts); 20.11 (No Third-Party Beneficiaries); 20.13 (Captions); 20.14 (Severability); 20.15 (Interpretation); 20.16 (Consent to Jurisdiction and Venue); 20.17 (Specific Performance); 20.18 (Further Assurances); 20.19 (Signed Writings); and 20.21 (Access to Counsel).

[Signature page follows.]

The Parties are signing this Agreement as of the Effective Date.

THE QUIGLEY CORPORATION

By: /s/ Ted Karkus
Name: Ted Karkus
Title: Chief Executive Officer

PHOSPHAGENICS LTD.

By: /s/ Fred Banti
Name: Fred Banti
Title: Senior Vice President and Chief Business Officer

Exhibit A

License Agreement

EXHIBIT 21.1

SUBSIDIARIES OF THE QUIGLEY CORPORATION

Subsidiaries	State or other Jurisdiction of Incorporation
Quigley Pharma Inc.	Delaware
Quigley Manufacturing Inc.	Delaware

The above subsidiaries are included in the consolidated financial statements for the year ended December 31, 2009.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of The Quigley Corporation:

We hereby consent to incorporation by reference in the registration statements of The Quigley Corporation and Subsidiaries on Form S-8 (No. 333-73456, No. 333-61313, No. 333-10059, No. 333-14687, No. 333-26589 and 333-132770), Form SB-2 (No. 333-31241) and Form S-3 (No. 333-86976, 333-104148 and 333-119748) of our report dated March 24, 2010 with respect to the consolidated financial statements as of December 31, 2009, which report appears in the December 31, 2009 Annual Report on Form 10-K .

/s/ Amper, Politziner & Mattia LLP

Edison, New Jersey
March 24, 2010

EXHIBIT 31.1

OFFICER'S CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Ted Karkus, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Quigley Corporation;

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 131-15(f) and 15d015(f) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2010

By: /s/ Ted Karkus
Ted Karkus
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

OFFICER'S CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Robert V. Cuddihy, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of The Quigley Corporation;

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 131-15(f) and 15d015(f) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2010

By: /s/ Robert V. Cuddihy, Jr.
Robert V. Cuddihy, Jr.
Chief Operating Officer and Interim Chief Financial Officer
(Principal Accounting and Financial Officer)

EXHIBIT 32.1

THE QUIGLEY CORPORATION
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ted Karkus, Chief Executive Officer of The Quigley Corporation, a Nevada corporation (the "Registrant"), in connection with the Registrant's Annual Report on Form 10-K for the period ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), do hereby represent, warrant and certify, in compliance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

March 24, 2010

/s/ Ted Karkus

Ted Karkus
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

THE QUIGLEY CORPORATION
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert V. Cuddihy, Jr., Chief Financial Officer of The Quigley Corporation, a Nevada corporation (the "Registrant"), in connection with the Registrant's Annual Report on Form 10-K for the period ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), do hereby represent, warrant and certify, in compliance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

March 24, 2010

/s/ Robert V. Cuddihy, Jr.
Robert V. Cuddihy, Jr.
Chief Operating Officer and
Interim Chief Financial Officer
(Principal Accounting and Financial Officer)