UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

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.)

KELLS BUILDING, 621 SHADY RETREAT ROAD, P.O. BOX 1349, DOYLESTOWN, PA 18901

(Address of Principal Executive Offices) (Zip Code)

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

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

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

Title of each class	Name of each exchange on which registered
COMMON STOCK, $.0005 PAR VALUE PER SHARE	NASDAQ NATIONAL MARKET
COMMON SHARE PURCHASE RIGHTS	NOT APPLICABLE

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

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 [X]

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss. 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

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

The aggregate market value of the registrant's common stock held by non-affiliates was $66,267,472 as of June 30, 2005, based on the closing price of the common stock on The NASDAQ National Market.

Number of shares of each of the registrant's classes of securities outstanding

on March 23, 2006:

Common stock, $.0005 par value per share: 11,678,478.
Common share purchase rights: 0

DOCUMENTS INCORPORATED BY REFERENCE

Information set forth in Part III of this report is incorporated by reference from the registrant's proxy statement for the 2006 annual meeting of stockholders.

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FORWARD-LOOKING STATEMENTS

In addition to historical information, this Report contains forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, management of growth, competition, pricing pressures on the Company's products, industry growth and general economic conditions. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements.

CERTAIN RISK FACTORS

The Quigley Corporation makes no representation that the United States Food and Drug Administration ("FDA") or any other regulatory agency will grant an Investigational New Drug or take any other action to allow its formulations to

be studied or marketed. Furthermore, no claim is made that potential medicine discussed herein is safe, effective, or approved by the Food and Drug Administration. Additionally, data that demonstrates activity or effectiveness in animals or in vitro tests do not necessarily mean such formula test compound, referenced herein, will be effective in humans. Safety and effectiveness in humans will have to be demonstrated by means of adequate and well controlled clinical studies before the clinical significance of the formula test compound is known. Readers should carefully review the risk factors described in other sections of the filing as well as in other documents the Company files from time to time with the Securities and Exchange Commission ("SEC").

PART I

ITEM 1. BUSINESS

BUSINESS DEVELOPMENT

The Company, headquartered in Doylestown, Pennsylvania, is a leading manufacturer, marketer and distributor of a diversified range of homeopathic and health products which comprise the Cold Remedy, Health and Wellness and Contract Manufacturing segments. The Company is also involved in the research and development of potential prescription products that comprise the Ethical Pharmaceutical segment.

The Company's business is the development, manufacture, sale and distribution of over the counter (OTC) cold remedy products, proprietary health and wellness products through its direct selling subsidiary and the research and development of natural-source derived pharmaceuticals.

Cold-Eeze(R) is one of the Company's key cold remedy OTC 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(R) reduces the duration and severity of the common cold symptoms by nearly half. The Cold Remedy segment, where Cold-Eeze(R) is represented, is reviewed regularly to realize any new consumer opportunities in flavor, convenience and packaging to help improve market share for the Cold-Eeze(R) product. Additionally, the Company is constantly active in exploring and developing new products consistent with its brand image and standard of proven consumer benefit.

Effective October 1, 2004, the Company acquired substantially all of the assets of JoEl, Inc., the previous manufacturer of the Cold-Eeze(R) lozenge product assuring a future manufacturing capability necessary to support the business of the Cold Remedy segment. This manufacturing entity, now called Quigley Manufacturing Inc. ("QMI"), a wholly owned subsidiary of the Company, will continue to produce lozenge product along with performing such operational tasks as warehousing and shipping the Company's Cold-Eeze(R) products. In addition, QMI produces a variety of hard and organic candy for sale to third party customers in addition to performing contract manufacturing activities for non-related entities.

Our Health and Wellness segment is operated through Darius International Inc. ("Darius"), a wholly owned subsidiary of the Company which was formed in January 2000 to introduce new products to the marketplace through a network of independent distributor representatives. Darius is a direct selling organization specializing in proprietary nutritional and dietary supplement based health and wellness products. The formation of Darius has provided diversification to the Company in both the method of product distribution and the broader range of products available to the marketplace, serving as a balance to the seasonal revenue cycles of the Cold-Eeze(R) branded products.

In January 2001, the Company formed an Ethical Pharmaceutical segment, Quigley Pharma Inc. ("Pharma"), that is under the direction of its Executive Vice President and Chairman of its Medical Advisory Committee. Pharma was formed for the purpose of developing naturally derived prescription drugs. Pharma is currently undergoing research and development activity in compliance with regulatory requirements. At this time, five patents have been issued and assigned to the Company resulting from research activity of Pharma. In certain instances where a critical mass of positive scientific data has been established for compounds that the Company does not envision bringing to market, it may decide to sell or license its technology.

DESCRIPTION OF BUSINESS OPERATIONS

Since its inception, the Company has continued to conduct research and development into various types of health-related supplements and homeopathic cold remedies. Initially, the Company's business was the marketing and distribution of a line of nutritious health supplements (hereinafter "Nutri-Bars"). During 1995, the Company reduced the marketing emphasis of Nutri-Bars and commenced focusing its research and development and marketing resources on the Company's patented Cold-Eeze(R) zinc gluconate glycine cold relief products.

Prior to the fourth quarter 1996, the Company had minimal revenues and as a result suffered continued losses due to ongoing research and development and operating expenses. However, 1997 resulted in significant revenue increases as a result of the Company's nationwide marketing campaign and the increased public awareness through media public service announcements of the Cold-Eeze(R) lozenge product.

Since June 1996, the Cold Remedy segment has concentrated its business operations on the manufacturing, marketing and development of its proprietary Cold-Eeze(R) cold-remedy lozenge products and on development of various product extensions. These products are based upon a proprietary zinc gluconate glycine formula, which has been proven to reduce the duration and severity of common cold symptoms. The Quigley Corporation acquired worldwide manufacturing and distribution rights to this formulation in 1992 and commenced national marketing in 1996. The demand for the Company's cold-remedy products is seasonal, where the third and fourth quarters generally represent the largest sales volume. Prior to October 1, 2004, the manufacture of the lozenge form of Cold-Eeze(R) was outsourced. Since that date, the lozenge form of Cold-Eeze(R) has been manufactured by a subsidiary of the Company.

Darius is a direct selling organization specializing in proprietary health and wellness products, which commenced shipping product to customers in the third quarter of 2000.

Pharma is currently involved in the lengthy process of conducting research and development on certain of its patented formulations in compliance with FDA regulations required for bringing prescriptions and botanical drugs to market. The Company is in the initial stages of what may be a lengthy process to develop these patent applications into potential commercial products.

During 2005, approximately 92% of the Company's revenues were generated in the United States with the remainder being attributable to international trade compared to 93% in 2004.

Financial information regarding the Company's operating segments is set forth in Item 8, Notes to Financial Statements, Note 16 - Segment Information.

PRODUCTS

COLD-REMEDY PRODUCTS

In May 1992, the Company entered into an exclusive agreement for worldwide representation, manufacturing, marketing of Cold-Eeze(R) products in the United States. Cold-Eeze(R), a zinc gluconate glycine formulation (ZIGG(TM)), is an over-the-counter consumer product used to reduce the duration and severity of the common cold and is available in lozenge, sugar-free tablet and gum form. The Company has substantiated the effectiveness of Cold-Eeze(R) 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 called "ZINC GLUCONATE LOZENGES FOR TREATING THE COMMON COLD" was completed and published in THE ANNALS OF INTERNAL MEDICINE - VOL. 125 NO. 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, the Company announced the statistical results of a retrospective clinical adolescent study at the Heritage School facility in Provo, Utah that suggests that Cold-Eeze(R) 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(R) is administered as a first line treatment approach to the common cold.

In April 2002, the Company was assigned a Patent Application which was filed with the Patent Office of the United States Commerce Department for the use of Cold-Eeze(R) 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, the Company 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(R) 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(R) lozenges were administered, a reduction of 6 days.

The business of the Company is subject to federal and state laws and regulations

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

HEALTH AND WELLNESS

Darius, through Innerlight Inc., its wholly owned subsidiary, is a direct selling company specializing in the development and distribution of proprietary health and wellness products, including herbal vitamins and dietary supplements for the human condition, primarily within the United States and since the second quarter of 2003, internationally.

The continued success of this segment is dependent, among other things, on the Company's ability:

- To maintain existing independent distributor representatives and recruit additional successful independent distributor representatives. Additionally, the loss of key high-level distributors or business contributors as a result of business disagreements, litigation or otherwise could negatively impact future growth and revenues;

- To continue to develop and make available new and desirable products at an acceptable cost;

- To maintain safe and reliable multiple-location sources for product and materials;

- To maintain a reliable information technology system and internet capability. The Company has expended significant resources on systems enhancements in the past and will continue to do so to ensure prompt customer response times, business continuity and reliable reporting capabilities. Any interruption to computer systems for an extended period of time could be harmful to the business;

- To execute conformity with various federal, state and local regulatory agencies both within the United States and abroad. With the growth of international business, difficulties with foreign regulatory requirements could have a significant negative impact on future growth. Any inquiries from government authorities relating to the Company's business and compliance with laws and regulations could be harmful to the Company;

- To compete with larger more mature organizations operating within the same market and to remain competitive in terms of product relevance and business opportunity;

- To successfully implement methods for progressing the direct selling philosophy internationally; and

- To plan strategically for general economic conditions.

Any or all of the above risks could result in significant reductions in revenues and profitability of the Health and Wellness segment.

CONTRACT MANUFACTURING

From October 1, 2004, this manufacturing entity, now called QMI, a wholly owned subsidiary of the Company, has continued to produce lozenge product along with performing such operational tasks as warehousing and shipping the Company's Cold-Eeze(R) products. In addition to that function, QMI produces a variety of hard and organic candy for sale to third party customers in addition to performing contract manufacturing activities for non-related entities. QMI is an FDA-approved facility.

ETHICAL PHARMACEUTICAL

Pharma's current activity is the research and development of naturally-derived prescription drugs with the goal of improving the quality of life and health of those in need. Research and development will focus on the identification, isolation and direct use of active medicinal substances. One aspect of Pharma's research will focus on the potential synergistic benefits of combining isolated active constituents and whole plant components. The Company will search for new natural sources of medicinal substances from plants and fungi from around the world while also investigating the use of traditional and historic medicinals and therapeutics.

The pre-clinical development, clinical trials, product manufacturing and marketing of Pharma's potential new products are subject to federal and state regulation in the United States and other countries. Obtaining FDA regulatory approval for these pharmaceutical 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 the Company cannot obtain regulatory approval of these new products in a timely manner or if the patents are not granted or if the patents are subsequently challenged, these possible events could have a material effect on the business and financial condition of the Company. The strength of the Company's patent position may be important to its long-term success. There can be no assurance that these patents and patent applications will effectively

protect the Company's products from duplication by others.

The areas of focus are:

- A Patent (No. 6,555,573 B2) entitled "Method and Composition for the Topical Treatment of Diabetic Neuropathy." The patent extends through March 27, 2021.

- A Patent (No. 6,592,896 B2) entitled "Medicinal Composition and Method of Using It" (for Treatment of Sialorrhea and other Disorders) for a product to relieve sialorrhea (drooling) in patients suffering from Amyotrophic Lateral Sclerosis (ALS), otherwise known as Lou Gehrig's Disease. The patent extends through August 6, 2021.

- A Patent (No. 6,596,313 B2) entitled "Nutritional Supplement and Method of Using It" for a product to relieve sialorrhea (drooling) in patients suffering from Amyotrophic Lateral Sclerosis (ALS), otherwise known as Lou Gehrig's Disease. The patent extends through April 15, 2022.

- A Patent (No. 6,753,325 B2) entitled "Composition and Method for Prevention, Reduction and Treatment of Radiation Dermatitis," a composition for preventing, reducing or treating radiation dermatitis. The patent extends through November 5, 2021.

- A Patent (No. 6,827,945 B2) entitled "Nutritional Supplement and Method of Using It" for a method for treating at least one symptom of arthritis. The patent extends through April 22, 2023.

- In September 2002, the Company filed a foreign patent application entitled "Method and Composition for the Topical Treatment of Diabetic Neuropathy" in Europe and other foreign markets.

In April 2002, the Company initiated a Phase II Proof of Concept Study in France for treatment of diabetic neuropathy, which was concluded in 2003. In April 2003, the Company announced that an independently monitored analysis of the Phase II Proof of Concept Study concluded that subjects using this formulation had 67% of their symptoms improve, suggesting efficacy. In March 2004, the Company announced that it had completed its first meeting at the FDA prior to submitting the Company's Investigational New Drug ("IND") application for the relief of symptoms of diabetic symmetrical peripheral neuropathy. The FDA's pre-IND meeting programs are designed to provide sponsors with advance guidance and input on drug development programs. In September 2005, the Company announced that a preliminary report of its topical compound for the treatment of diabetic neuropathy was recently featured in the JOURNAL OF DIABETES AND ITS COMPLICATION. Authored by Dr. C. LeFante and Dr. P. Valensi, the article appeared in the June 1, 2005 issue, and included findings that showed the compound reduced the severity of numbness, and irritation from baseline values. In October 2005, the Company announced the results of pre-clinical toxicology studies that showed no irritation, photo toxicity, contact hypersensitivity or photo allergy when applied topically to hairless guinea pigs and another study that showed no difference in the dermal response of the compound or placebo when applied to Gottingen Minipigs. (Both animal models are suggested for the evaluation of topical drugs, by the FDA).

In March 2006, the Company and Pharma announced their filing of an IND application with the FDA for its topical compound for the treatment of Diabetic Peripheral Neuropathy. This filing allows Pharma to begin human clinical trials following a 30-day review period. If the FDA has no further comments, studies with human subjects will commence as soon as possible pending the availability of study drug. This application includes a compilation of all of the supporting development data and regulatory documentation required to file an IND application with the FDA.

In September 2003, the Company announced its intention to file for permission to study its patent pending potential treatment for psoriasis and other skin disorders. Continued testing will therefore have to be conducted under an IND application following positive preliminary results.

In December 2003, the Company announced positive test results of a preliminary independent in vitro study indicating that a test compound of the Company previously tested on the Influenza virus showed "significant virucidal activity against a strain of the Severe Acute Respiratory Syndrome (SARS) virus."

In January 2004, the Company announced that it would conduct two further studies evaluating the compound which had shown activity against Influenza and SARS. The first study was intended to repeat the previously announced results, which demonstrated the compound to be 100 percent effective in preventing non-infected ferrets in close proximity to an infected ferret from becoming infected with the Influenza A virus. The second study was a dose ranging study on the test compound. Upon dosage determination and confirmation results from these forthcoming animal model studies, a human proof of concept study using a virus challenge with Influenza A virus in a quarantine unit would be a viable next step.

At this time, the Company also reported that its compound, which was demonstrating antiviral activity, had shown virucidal and virustatic activity against the strain 3B of the Human Immunodeficiency Virus Type 1 (HIV-1) in an in-vitro study. Additionally, the Company decided that the derivative compound

of the anti-viral formulation previously found to be effective for treating Sialorrhea would probably postpone further development on the Sialorrhea indication and concentrate on further qualification and development of the anti-viral capabilities of the compound in humans.

In May 2004, the Company announced that an intranasal spray application of the anti-viral test compound demonstrated efficacy by significantly reducing the severity of illness in ferrets that had been infected with the Influenza A virus.

In November 2005, the Company was assigned nine Investigational New Animal Drugs, ("INADs"), a broad anti-viral agent by the Center for Veterinary Medicine of the FDA. Eight of the INAD's are for investigating the compound use against avain flu H5N1virus in chickens, turkeys, ducks, pigs, horses, dogs, cats and non-food birds. In January 2006, a ninth INAD was assigned for investigating its compound for treating arthritis in dogs.

In April 2004, the Company announced the results of a preliminary, pre-clinical animal study which measured the effect of its proprietary patent applied for formulation against ionizing (nuclear) radiation. This study determined that parenteral (injection) administration of the study compound was protective against the effects of a lethal, whole body ionizing radiation dose in a mouse model. This compound is being investigated to potentially reduce the effects of radiation exposure on humans.

PATENTS, TRADEMARKS, ROYALTY AND COMMISSION AGREEMENTS

The Company currently owns no patents for cold-remedy products. However, the Company has been assigned patent applications which are hereinafter discussed and has been granted an exclusive agreement for worldwide representation, manufacturing, marketing and distribution rights to a zinc gluconate glycine lozenge formulation, which are patented as follows:

United States:	No. 4 684 528 (August 4, 1987, expired August 2004) No. 4 758 439 (July 19, 1988, expired August 2004)
Canada:	No. 1 243 952 (November 1, 1988, expired June 2005)
Great Britain:	No. 2 179 536 (December 21, 1988, expired June 2005)
Germany:	No. 3,587,766 (March 2, 1994, expired June 2005)
Sweden:	No. 0 183 840 (March 2, 1994, expired June 2005)
France & Italy:	No. EP 0 183 840 B1 (March 2, 1994, expired June 2005)
Japan:	Pending

The following patents have been assigned to the Company in relation to Pharma, together with issue date:

United States:	No. 6 555 573 B2 (April 29, 2003) No. 6 592 896 B2 (July 15, 2003) No. 6 596 313 B2 (July 22, 2003) No. 6 753 325 B2 (June 22, 2004) No. 6 827 945 B2 (December 7, 2004)

The Cold-Eeze(R) products are marketed by the Company in accordance with the terms of a licensing agreement (between the Company and the developer). The contract is assignable by the Company with the developer's consent. In return for exclusive distribution rights, the Company must 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 is due to expire in 2007. However, the Company and the developer are in litigation and as such no potential offset from such litigation for these fees has been recorded.

During 1997, the Company obtained a trademark for the major components of its lozenge, ZIGG(TM) (denoting zinc gluconate glycine), to set Cold-Eeze(R) apart from the imitations then proliferating the marketplace.

An agreement between the Company and its founders was entered into on June 1, 1995. The founders, both officers and stockholders of the Company, in consideration of the acquisition of the Cold-Eeze(R) cold therapy product, have received a total commission of five percent (5%), on sales collected, less certain deductions. This agreement expired on May 31, 2005.

PRODUCT DISTRIBUTION AND CUSTOMERS

The Company has several Broker, Distributor and Representative Agreements, both nationally and internationally, which provide for commission compensation based on sales performance.

The Cold-Eeze(R) products are distributed through numerous food, chain drug and mass merchandisers throughout the United States, including Walgreen Co., Ahold, Albertsons, CVS, RiteAid, Publix, Brooks Drug, B.J's Wholesale Club, Inc., Sam's Club, Winn-Dixie Stores, Inc., Wal-Mart, Target, The Kroger Company, Safeway Inc., Costco Wholesale, Kmart Corporation, and wholesale distributors including, AmerisourceBergen and Cardinal Distribution.

The Company is not dependent on any single customer as the broad range of customers includes many large wholesalers, mass merchandisers, and multi-outlet pharmacy chains, five of which account for a significant percentage of sales volume. The top five customers of the Company represent 29%, 27%, and 23% of its continuing consolidated gross revenues for the years ended December 31, 2005, 2004 and 2003, respectively.

Darius is a direct selling organization specializing in proprietary health and wellness products and the introduction of new products to the marketplace through a network of independent distributors. This method of distribution is in contrast to traditional distribution channels using independent and chain drug and discount stores as utilized by the Company in the promotion of the cold-remedy products.

Pharma currently has no sales since it is undergoing research and development activity in compliance with regulatory requirements and is at the initial stages of what may be a lengthy process to develop commercial products.

RESEARCH AND DEVELOPMENT

The Company's research and development costs for the years ended December 31, 2005, 2004 and 2003 were $3,784,221, $3,232,569 and $3,365,698, respectively. Future research and development expenditures are anticipated in order to develop extensions of the Cold-Eeze(R) product, including potential unrelated new products in the consumer health care industry, that are primarily supported by clinical studies, for efficacious long-term products that can be coupled with possible line extension derivatives for a family of products. Clinical studies and testing are anticipated in connection with Pharma, such as the formulation of products for diabetic use, radiation dermatitis, influenza A, arthritis and other disorders. Pharma is currently involved in research activity following patent applications that have been assigned to the Company. Research and development costs, relating to potential products, are expected to increase significantly over time as milestones in the development and regulatory process may be achieved.

REGULATORY MATTERS

The business of the Company is subject to federal and state laws and regulations adopted for the health and safety of users of the Company's products. The Company's Cold-Eeze(R) product is a homeopathic remedy, which is subject to regulation by various federal, state and local agencies, including the FDA and the Homeopathic Pharmacopoeia of the United States. These regulatory authorities have broad powers, and the Company is 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, providing its products. Management believes that the Company is in compliance with all such laws, regulations and standards currently in effect including the Food, Drug and Cosmetics Act of 1938 and the Homeopathic Pharmacopoeia Regulatory Service. Although it is possible that future results of operations could be materially affected by the future costs of compliance, management believes that the future costs will not have a material adverse effect on the Company's financial position or competitive position.

The pre-clinical development, clinical trials, product manufacturing and marketing of Pharma's potential new products are subject to federal and state regulation in the United States and other countries. Obtaining FDA regulatory approval for these pharmaceutical 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 the Company cannot obtain regulatory approval of these new products in a timely manner or if the patents are not granted or if the patents are subsequently challenged, these possible events could all have a material effect on the business and financial condition of the Company. The strength of the Company's patent position may be important to its long-term success. There can be no assurance that these patents and patent applications will effectively protect the Company's products from duplication by others.

COMPETITION

The Company competes with other suppliers of cold-remedy and health and wellness products. These suppliers range widely in size. Some of the Company's competitors have significantly greater financial, technical or marketing resources than the Company. Management believes that its Cold-Eeze(R) 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 its competitors in the over-the-counter cold-remedy market. Management further believes that Darius' direct marketing distribution methods offer a significant advantage over many of its competitors. The Company believes that its ability to compete depends on a number of factors, including price, product quality, availability, speed to market, reliability, credit terms, name recognition, delivery time and post-sale service and support. Effective October 1, 2004, a subsidiary of the Company commenced manufacturing the Cold-Eeze(R) lozenge product. This subsidiary assures future production capabilities of the lozenge product which constitutes primarily all of the cold remedy revenue.

EMPLOYEES

At December 31, 2005 the Company employed 150 full-time persons, the majority of which were employed at the Company's manufacturing facility in a production function. The remainder were involved in an executive, marketing or administrative capacity. None of the Company's employees are covered by a collective bargaining agreement or are members of a union.

SUPPLIERS

Prior to October 1, 2004, the manufacturing of the lozenge form of Cold-Eeze(R) was outsourced, but is now under the control of the Company. The other forms of Cold-Eeze(R) and remaining products of both the cold remedy and health and wellness segments continue to be manufactured by contract manufacturers. Should these third party relationships terminate or discontinue for any reason, the Company has formulated a contingency plan necessary in order to prevent such discontinuance from materially affecting the Company's operations. Any such termination may, however, result in a temporary delay in production until the replacement facility is able to meet the Company's production requirements.

Raw materials used in the production of the cold-remedy products are available from numerous sources. Currently, they are being procured from a single vendor in order to secure purchasing economies and qualitative security. In a situation where this one vendor is not able to supply the ingredients, other sources have been identified. Any situation where the vendor is not able to supply the contract manufacturer with ingredients may result in a temporary delay in production until replacement supplies are obtained to meet the Company's production requirements.

ITEM 1A. RISK FACTORS

WE HAVE A HISTORY OF LOSSES AND LIMITED WORKING CAPITAL AND WE EXPECT TO INCREASE OUR SPENDING.

We have experienced net losses for three of our past seven fiscal years. Although we earned net income of approximately $3,217,000, $453,000 and $675,000, respectively, in our most recent fiscal years ended December 31, 2005, December 31, 2004 and 2003, we incurred net losses of $6,454,000, $5,196,000 and $4,204,000, respectively, in the fiscal years ended December 31, 2002, December 31, 2000 and December 31, 1999. In the fiscal year ended December 31, 2001, we earned net income of $216,000, but that amount included net settled litigation payments paid to us of approximately $700,000 related to licensing fees. As of December 31, 2005, we had working capital of approximately $20,682,000. Since we continue to increase our spending on research and development in connection with Pharma's product development, we are uncertain whether we will generate sufficient revenues to meet expenses or to operate profitably in the future.

WE HOLD PATENTS WHICH WE MAY NOT BE ABLE TO DEVELOP INTO PHARMACEUTICAL MEDICATIONS.

Our success depends in part on Pharma's ability to research and develop prescription medications based on our patents which are:

- A Patent (No. 6,555,573 B2) entitled "Method and Composition for the Topical Treatment of Diabetic Neuropathy." The patent extends through March 27, 2021.

- A Patent (No. 6,592,896 B2) entitled "Medicinal Composition and Method of Using It" (for Treatment of Sialorrhea and other Disorders) for a product to relieve Sialorrhea (drooling) in patients suffering from Amyotrophic Lateral Sclerosis (ALS), otherwise known as Lou Gehrig's Disease. The patent extends through August 6, 2021.

- A Patent (No. 6,596,313 B2) entitled "Nutritional Supplement and Method of Using It" for a product to relieve Sialorrhea (drooling) in patients suffering from Amyotrophic Lateral Sclerosis (ALS), otherwise known as Lou Gehrig's Disease. The patent extends through April 15, 2022.

- A Patent (No. 6,753,325 B2) entitled "Composition and Method for Prevention, Reduction and Treatment of Radiation Dermatitis," a composition for the preventing, reducing or treating radiation dermatitis. The patent extends through November 5, 2021.

- A Patent (No. 6,827,945 B2) entitled "Nutritional Supplement & Methods of Using Same" for a naturally derived compound developed for the treatment of arthritis and related inflammatory disorders. The patent extends through August 22, 2023.

These potential new products are in the development stage and we cannot give any assurances that we can develop commercially viable products from these patent applications. Prior to any new product being ready for sale, we will have to commit substantial resources for research, development, preclinical testing, clinical trials, manufacturing scale-up and regulatory approval. We face significant technological risks inherent in developing these products. We may 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.

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 clinical programs for, and obtain additional regulatory approvals for, prescription medications developed by Pharma, particularly in the U.S. and Europe. We cannot assure you that we will ever obtain such approvals or achieve significant levels of sales. Our current sales levels of Cold-Eeze(R) products and health and wellness products may not generate all the funds we anticipate will be needed to support our current plans for product development. We may need to obtain additional financing to support our long-term product development and commercialization programs. We may seek additional funds through public and private stock offerings, arrangements with corporate partners, borrowings under lines of credit or other sources.

The amount of capital we may need to complete product development of Pharma's products will depend on many factors, including;

- the cost involved in applying for and obtaining FDA and international regulatory approvals;
- whether we elect to establish partnering arrangements for development, sales, manufacturing and marketing of such products;
- the level of future sales of our Cold-Eeze(R) and health and wellness products, expense levels for our international sales and marketing efforts;
- whether we can establish and maintain strategic arrangements for development, sales, manufacturing and marketing of our products; and
- whether any or all of our outstanding options and warrants are exercised and the timing and amount of these exercises.

Many of the foregoing factors are not within our control. If we need to raise additional funds and such funds are not available on reasonable terms, we may have to reduce our capital expenditures, scale back our development of new products, reduce our workforce and out-license to others products or technologies that we otherwise would seek to commercialize ourselves. Any additional equity financing will be dilutive to stockholders, and any debt financing, if available, may include restrictive covenants.

OUR CURRENT PRODUCTS AND POTENTIAL NEW PRODUCTS ARE 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, we cannot predict 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 sanctions, including warning letters, fines, product recalls and seizures.

COLD REMEDY AND HEALTH AND WELLNESS PRODUCTS. The manufacturing, processing, formulation, packaging, labeling and advertising of our cold remedy and health and wellness products are subject to regulation by several federal agencies, including:

- the FDA;
- the Federal Trade Commission ("FTC");

- the Consumer Product Safety Commission;
- the United States Department of Agriculture;
- the United States Postal Service;
- the United States Environmental Protection Agency; and
- the Occupational Safety and Health Administration.

In particular, the FDA regulates the safety, 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 regulated 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 in the Federal Food, Drug and Cosmetics Act of 1938.

PHARMA. The preclinical development, clinical trials, product manufacturing and marketing of Pharma's potential new products are 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. 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 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 we cannot obtain regulatory approval of new products in a timely manner or at all we could be materially adversely affected. Even if we obtain regulatory approval of new products, 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.

OUR BUSINESS IS VERY COMPETITIVE AND INCREASED COMPETITION COULD HAVE A SIGNIFICANT IMPACT ON OUR EARNINGS.

Both the non-prescription healthcare product and pharmaceutical industries are highly competitive. Many of our competitors have substantially greater capital resources, research and development staffs, facilities and experience than we do. These and other entities may have or may develop new technologies. These technologies may be used to develop products that compete with ours.

We believe that our primary cold remedy product, Cold-Eeze(R), has a competitive advantage over other cold remedy products because it has been clinically proven to reduce the severity and duration of common cold symptoms. We believe Darius has an advantage over its competitors because it directly sells its proprietary health and wellness products through its extensive network of independent distributors. Competition in Pharma's expected product areas would most likely come from large pharmaceutical companies as well as other companies, universities and research institutions, many of which have resources far in excess of our resources.

The Company believes that its ability to compete depends on a number of factors, including price, product quality, availability, reliability and name recognition of its cold remedy, health and wellness products and Pharma's ability to successfully develop and market prescription medications. There can be no assurance that we will be able to compete successfully in the future. If we are unable to compete, our earnings may be significantly impacted.

OUR FUTURE SUCCESS IS DEPENDENT ON THE CONTINUED SERVICES OF KEY PERSONNEL INCLUDING OUR CHAIRMAN OF THE BOARD OF DIRECTORS, PRESIDENT AND CHIEF EXECUTIVE OFFICER.

Our future success depends in large part on the continued service of our key personnel. In particular, the loss of the services of Guy J. Quigley, our Chairman of the Board, President and Chief Executive Officer could have a material adverse effect on our operations. We have an employment agreement with Mr. Quigley which expired on December 31, 2005. Our future success and growth also depends on our ability to continue to attract, motivate and retain highly qualified employees. If we are unable to attract, motivate and retain qualified employees, our business and operations could be materially adversely affected.

OUR FUTURE SUCCESS DEPENDS ON THE CONTINUED EMPLOYMENT OF RICHARD A. ROSENBLOOM, M.D., PH.D., WITH PHARMA.

Pharma's potential new products are being developed through the efforts of Dr. Rosenbloom. The loss of his services could have a material adverse effect on our product development and future operations.

OUR FUTURE SUCCESS IS DEPENDENT ON THE CONTINUED ACCEPTANCE OF THE DIRECT SELLING PHILOSOPHY, THE MAINTENANCE OF OUR NETWORK OF EXISTING INDEPENDENT DISTRIBUTOR REPRESENTATIVES AND THE RECRUITMENT OF ADDITIONAL SUCCESSFUL INDEPENDENT DISTRIBUTOR REPRESENTATIVES.

Darius markets and sells herbal vitamins and dietary supplements for the human condition through its network of independent distributor representatives. Its products are sold to independent distributor representatives who either use the products for their own personal consumption or resell them to consumers. The independent distributor representatives receive compensation for sales achieved by means of a commission structure or compensation plan on certain product sales of certain personnel within their downstream independent distributor representative network. Since the independent distributor representatives are not employees of Darius, they are under no obligation to continue buying and selling Darius' products and the loss of key high-level distributors could negatively impact our future growth and profitability.

OUR FUTURE SUCCESS DEPENDS ON THE CONTINUED SALES OF OUR PRINCIPAL PRODUCT.

For the fiscal year ended December 31, 2005, our Cold-Eeze(R) products represented approximately 55% of our total sales. While we have diversified into health and wellness products, our line of Cold-Eeze(R) products continues to be a major part of our business. Accordingly, we have to depend on the continued acceptance of Cold-Eeze(R) products by our customers. However, there can be no assurance that our Cold-Eeze(R) products will continue to receive market

acceptance. The inability to successfully commercialize Cold-Eeze(R) in the future, for any reason, would have a material adverse effect on our financial condition, prospects and ability to continue operations.

WE HAVE A CONCENTRATION OF SALES TO AND ACCOUNTS RECEIVABLE FROM SEVERAL LARGE CUSTOMERS.

Although we have a broad range of customers that includes many large wholesalers, mass merchandisers and multiple outlet pharmacy chains, our five largest customers account for a significant percentage of our sales. These five customers accounted for 29% of total sales for the fiscal year ended December 31, 2005 and 29% of total sales for the fiscal year ended December 31, 2004. In addition, customers comprising the five largest accounts receivable balances represented 47% and 48% of total accounts receivable balances at December 31, 2005 and 2004, respectively. We extend credit to our customers based upon an evaluation of their financial condition and credit history, and we do not generally require collateral. If one or more of these large customers cannot pay us, the write-off of their accounts receivable would have a material adverse effect on our operations and financial condition. The loss of sales to any one or more of these large customers would also have a material adverse effect on our operations and financial condition.

WE ARE DEPENDENT ON THIRD-PARTY MANUFACTURERS AND SUPPLIERS FOR OUR HEALTH AND WELLNESS PRODUCTS AND THIRD-PARTY SUPPLIERS FOR CERTAIN OF OUR COLD REMEDY PRODUCTS.

We do not manufacture any of our Health and Wellness products, nor do we manufacture any of the ingredients in these products. In addition, we purchase all active ingredients that are raw materials used in connection with our Cold-Eeze(R) product from a single unaffiliated supplier. Should any of these relationships terminate, we believe that the contingency plans which we have formulated would prevent a termination from materially affecting our operations. However, if any of these relationship is terminated, there may be delays in production of our products until an acceptable replacement facility 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 we have identified secondary sources for some of our products and raw materials, our inability to find other sources for some of our other products and raw materials may have a material adverse effect on our operations. 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.

WE ARE UNCERTAIN AS TO WHETHER WE CAN PROTECT OUR PROPRIETARY RIGHTS.

The strength of our patent position may be important to our long-term success. We currently own five patents in connection with products that are being developed by Pharma. In addition, we have been granted an exclusive agreement for worldwide representation, manufacturing, marketing and distribution rights to a zinc/gluconate/glycine lozenge formulation. That formulation has been patented in the United States, Germany, France, Italy, Sweden, Canada and Great

Britain and a patent is pending in Japan. However, this patent in the United States expired in August 2004 and expired in June 2005 in all countries except Japan.

There can be no assurance that these patents and our exclusive license 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 our patents. Although we believe that our 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 our 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 are found to infringe on the proprietary rights of others, we are uncertain whether we will 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.

We also use non-disclosure agreements with our employees, suppliers, consultants and customers to establish and protect the ideas, concepts and documentation of our confidential non-patented and non-copyright protected proprietary technology and know-how. However, these methods may not afford complete protection. 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.

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 cold remedy products. There can be no assurance that we will be able to manage our working capital needs and our inventory to meet the fluctuating demand for our products. Failure to accurately predict and respond to consumer demand may cause us to

produce excess inventory. Conversely, if products achieve greater success than anticipated for any given quarter, we may not have sufficient inventory to meet customer demand.

OUR EXISTING PRODUCTS AND OUR NEW PRODUCTS UNDER DEVELOPMENT EXPOSE US TO POTENTIAL PRODUCT LIABILITY CLAIMS.

Our business exposes us 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 clinical trials of our 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, $15 million. A successful claim brought against us in excess of, or outside of, our 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 our products.

WE ARE INVOLVED IN LAWSUITS REGARDING CLAIMS RELATING TO CERTAIN OF OUR COLD-EEZE(R) PRODUCTS.

We are, from time to time, subject to various legal proceedings and claims, either asserted or unasserted. Any such claims, including those contained in Item 3 of this report, whether with or without merit, could be time-consuming and expensive to defend and could divert management's attention and resources. While management believes we have adequate insurance coverage and, if applicable, accrued loss contingencies for all known matters, we cannot assure that the outcome of all current or future litigation will not have a material adverse effect on us.

A SUBSTANTIAL AMOUNT OF OUR OUTSTANDING COMMON STOCK IS OWNED BY OUR CHAIRMAN OF THE BOARD AND PRESIDENT AND OUR EXECUTIVE OFFICERS AND DIRECTORS AS A GROUP CAN SIGNIFICANTLY INFLUENCE ALL MATTERS VOTED ON BY OUR STOCKHOLDERS.

Guy J. Quigley, our Chairman of the Board, President and Chief Executive Officer, through his beneficial ownership, has the power to vote approximately 33.2% of our common stock. Mr. Quigley and our other executive officers and directors collectively beneficially own approximately 48.7% of our common stock. These individuals have significant influence over the outcome of all matters submitted to stockholders for approval, including election of directors. Consequently, they exercise substantial control over all of our major decisions which could prevent a change of control of us.

OUR STOCK PRICE IS VOLATILE.

The market price of our common stock has experienced significant volatility. From January 1, 2002 to March 10, 2006, our per share bid price has ranged from a low of approximately $2.03 to a high of approximately $16.94. There are several factors which could affect the price of our common stock, 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 OUR 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 and, as a result, the value of the notes. As of March 10, 2006, we had 11,678,478 shares of common stock outstanding.

We also have outstanding options to purchase an aggregate of 3,068,750 shares of common stock at an average exercise price of $7.58 per share and outstanding warrants to purchase an aggregate of 1,555,000 shares of common stock at an exercise price of $4.76 per warrant. If the holders of these shares, options or warrants 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" the 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 our common stock being offered for sale to increase, the 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. We currently intend to retain earnings, if any, for use in our business and do not anticipate paying any cash dividends to our 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 to assume control of us by another corporation or person 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 our 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.

Sections 78.7502 and 78.751 of the Nevada General Corporation Law allow us to 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 ours or is or was serving at our 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. These provisions may also 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 us, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, to the extent that we expend funds to indemnify directors and officers, funds will be unavailable for operational purposes.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable

ITEM 2. PROPERTIES

The corporate office of The Quigley Corporation is located at 621 Shady Retreat Road, Doylestown, Pennsylvania. This property, with an area of approximately 13,000 square feet, was purchased in November 1998 and refurbished during 1999. The Company occupies warehouse space in Las Vegas, Nevada at a current monthly cost of $2,537. This Nevada location has a three-year lease that expires in July 2006. In addition to storage facilities at the manufacturing subsidiary's locations, the Company also stores product in a number of additional warehouses in Pennsylvania with storage charges based upon the quantities of product being stored.

The manufacturing facilities of the Company are located in each of Elizabethtown and Lebanon, Pennsylvania. The facilities were purchased effective October 1, 2004. In total, the facilities have a total area of approximately 73,000 square feet, combining both manufacturing and office space.

The Darius business in Utah is located at 867 East 2260 South, Provo, Utah, with an area of approximately 28,350 square feet. The current monthly lease cost of this office and warehouse space is $11,772 with the leases set to expire in July 2007. The Company expects that these leases will be renewed or that alternative spaces will be obtained.

The Company believes that its existing facilities are adequate at this time.

ITEM 3. LEGAL PROCEEDINGS

TESAURO AND ELEY VS. THE QUIGLEY CORPORATION

In September, 2000, the Company was sued by two individuals (Jason Tesauro and Elizabeth Eley, both residents of Georgia), on behalf of a "nationwide class" of "similarly situated individuals," in the Court of Common Pleas of Philadelphia County, Pennsylvania. The Complaint alleges that the Plaintiffs purchased certain Cold-Eeze(R) products between August, 1996, and November, 1999, based upon cable television, radio and internet advertisements which allegedly misrepresented the qualities and benefits of the Company's products. The Complaint requests an unspecified amount of damages for violations of Pennsylvania's consumer protection law, breach of warranty and unjust enrichment, as well as a judicial determination that the action be maintained as a class action.

In October, 2000, the Company filed Preliminary Objections to the Complaint seeking dismissal of the action. The Court sustained certain objections thereby narrowing Plaintiffs' Complaint. In May, 2001, Plaintiffs filed a Motion to Certify the Alleged Class. The Company opposed the Motion. In November, 2001, the Court held a hearing on Plaintiffs' Motion for Class Certification. In January, 2002, the Court denied in part and granted in part the Plaintiffs' Motion. The Court denied Plaintiffs' Motion to Certify a Class based on Plaintiffs' claim under the Pennsylvania Consumer Protection Law; however, the Court certified the class based on Plaintiffs' breach of warranty and unjust enrichment claims.

Discovery has been completed and trial that was originally scheduled for May

2004 has been continued pending determination of certain dispositive pre-trial motions filed by the Company which have been argued and briefed and have been pending before the Court for determination since March 2005. The Company is vigorously defending this lawsuit and believes that the action lacks merit.

PAIGE D. DAVISON VS. THE QUIGLEY CORPORATION

On February 26, 2004, the plaintiff filed an action against The Quigley Corporation (the "Company"), which was not served until April 5, 2004. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. Among the allegations of the plaintiff are that the nasal spray was defective and unreasonably dangerous, lacked proper and adequate warnings and/or instructions, and was not fit for the purposes and uses intended.

The Company has investigated the claims and believes they are without merit. The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact to the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

POLSKI VS. THE QUIGLEY CORPORATION

On August 12, 2004, plaintiff filed an action against The Quigley Corporation in the District Court for Hennepin County, Minnesota, which was not served until September 2, 2004. On September 17, 2004, the Company removed the case to the United States District Court for the District of Minnesota. The action alleges that plaintiff suffered certain losses and injuries as a result of the Company's nasal spray product. Among the allegations of plaintiff are negligence, products liability, alleged breach of express and implied warranties, and an alleged breach of the Minnesota Consumer Fraud Statute. Discovery should be completed in this matter within 120 days and trial is scheduled for October 2006.

The Company has investigated the claims and believes that they are without merit. The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact to the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

ANGELFIRE, ARVIN, BELL, BROWN, EDWARDS, HOHNSTEIN, HOFFMAN, LAURENT, MARTIN, RICHARDSON, RIGSBY, SEONE, SMALLEY, VAN BENTHEM AND WILLIAMS VS. THE QUIGLEY CORPORATION

On November 4, 2004, seven (7) plaintiffs filed an action in the Court of Common Pleas of Bucks County, Pennsylvania, against the Company. The complaint was amended on March 11, 2005 to add an additional eight (8) plaintiffs in the action. The action alleges that plaintiffs suffered certain losses and injuries as a result of using the Company's nasal spray product. Among the allegations of plaintiffs are claims that the Company is liable to them based on alleged negligence, alleged strict products liability (failure to warn and defective design), alleged breach of express warranty, alleged breach of implied warrant, and an alleged violation of the Pennsylvania Unfair Trade Practices and Consumer Protection Law and other consumer protection statutes.

At the present time, the matter is being defended by the Company's insurance carrier. An answer stating affirmative defenses has been filed. Pre-trial discovery is being scheduled.

The Company believes plaintiffs' claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact to the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiffs' claims, is not a matter which we can predict at this time.

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

This action was commenced in November 2004 in the Court of Common Pleas of Bucks County, Pennsylvania. In that action, the Company is seeking declaratory and injunctive relief against John C. Godfrey, Nancy Jane Godfrey, and Godfrey Science and Design, Inc. requesting injunctive relief regarding the Cold-Eeze(R) 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 the Company's payment of commissions to defendants. The Company's Complaint is based in part upon the Exclusive Representation and Distribution Agreement and the Consulting Agreement (together the "Agreements") entered into between the defendants and the Company. The Company terminated the Agreements for the defendants' alleged material

breaches of the Agreements. Defendants have answered the complaint and asserted counterclaims against the Company seeking remedies relative to the Agreements. The Company has moved to dismiss portions of defendant's counterclaims on the grounds that they are meritless.

At the present time, discovery is being conducted by the Company on its claims and on the counterclaims brought by John C. Godfrey, et al.

The Company believes Defendant's claims are without merit, and it is vigorously defending the counterclaims prosecuting its action on its complaint. Based upon the information the Company has at this time, it believes the action will not have a material impact to the Company. However, at this time no prediction as to the outcome can be made.

AXIS SPECIALTY INSURANCE CO. VS. THE QUIGLEY CORPORATION

This action, filed in January 2005, stems from a dispute between the Company and one of its excess liability insurance carriers, who seeks a judicial declaration of its insurance coverage obligations concerning certain product liability claims related to the Company's nasal spray product. The carrier's action follows a complaint by the Company filed in December 2004 with the Pennsylvania Insurance Commission, which ultimately sided with the Company in determining that the carrier failed to observe proper notification procedures when it first sought to limit, or alternatively to insure at a substantially higher premium, its coverage obligations.

The Company denied the material allegations of the carrier's complaint, and asserted its own counterclaim also seeking declaratory relief to establish the extent of its excess liability coverage. Thereafter, the parties engaged in discovery to establish a record upon which the court could decide the matter based on summary judgment motions on the carrier's claims and the Company's counterclaims. Both parties sought summary judgment in motions submitted to the court in the fall of 2005. On February 16, 2006, the court handed down its ruling, in which the court granted in part and denied in part both the carrier's motion and the Company's motion. The effect of the court's ruling is that the plaintiff insurer's responsibility for excess coverage is limited to claims for damages for bodily injury or property damage that occurred on or after April 6, 2004, but leaves uncertain coverage for claims filed after April 6, 2004 by persons who contacted the Company before then. Although the Company is evaluating grounds for appeal, and cannot rule out an appeal by the carrier, the court's ruling both clarifies the Company's potential exposure as well as establishes a basis for the Company to seek redress against parties liable for any lack of adequate excess insurance coverage for this exposure.

Based upon the information the Company has at this time relative to the defense of claims occurring before April 6, 2004, the Company believes that the claims are without merit and is fully defending those claims through insurance counsel. However, at this time no prediction as to the outcome can be made of these claims and whether insurance coverage from the period prior to April 6, 2004 is adequate for coverage of all claims.

CYNTHIA AARON VS. THE QUIGLEY CORPORATION, ET AL

On March 15, 2005, a complaint was filed in the Superior Court for San Diego County, California. This complaint was served on the Company on April 21, 2005. The plaintiff's complaint consists of causes of action sounding in negligence, negligent products liability, breach of warranty of merchantability, breach of express warranty, strict products liability and failure to warn. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. Discovery in this case will be completed within 120 days and trial is scheduled for September 18, 2006.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Insurance defense counsel has informed the Company that counsel is unable to evaluate the likelihood of an unfavorable outcome at this time. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

DOLORES SMITH VS. THE QUIGLEY CORPORATION

On May 25, 2005, a complaint was filed in the Court of Common Pleas of Bucks County, Pennsylvania. The complaint was served on the Company on or about June 14, 2005. The plaintiff's complaint consists of counts of negligence, strict product liability, breach of express warranty, breach of implied warranty, and violation of the Pennsylvania Unfair Trade Practices and Consumer Protection Law and other Consumer Protection Statutes relating to the use of the Company's COLD-EEZE Nasal Spray Product.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals.

Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

RICHARD FLYNN VS. THE QUIGLEY CORPORATION, ET AL

On May 20, 2005, a complaint was filed in the Superior Court of Orange County, California. This complaint was served on the Company on June 2, 2005. The action

alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. The complaint consists of causes of action sounding in negligence, products liability, and punitive damages.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. In particular, much of the complaint references acts of the Company during a period of time when it did not offer for sale the COLD-EEZE Nasal Spray Product which is the basis of the plaintiff's claim. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

KEITH J. KOCHIE VS. THE QUIGLEY CORPORATION, ET AL

On August 2, 2005, a complaint was filed in the United States District Court for the Eastern District of New York. The complaint was served on the Company on or about September 1, 2005. The plaintiff's complaint consists of counts for negligence, strict product liability, breach of express warranty, breach of implied warranties, fraudulent misrepresentation, fraudulent concealment, negligent misrepresentation, and fraud and deceit relating to the use of the Company's COLD-EEZE Nasal Spray Product.

The Company believes plaintiff's claims are without merit and is vigorously defending those actions. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

DOMINIC DOMINIJANNI, SONJA FORSBERG-WILLIAMS, VINT PAYNE,
MURRAY LOU ROGERS, AND RANDY STOVER
VS. THE QUIGLEY CORPORATION

On January 6, 2006, five (5) plaintiffs filed an action in the Court of Common Pleas of Bucks County, Pennsylvania, against the Company. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. The complaint was served on the Company on January 31, 2006. Plaintiffs' complaint consists of counts for negligence, strict products liability (failure to warn), strict products liability (defective design), breach of express and implied warranties, and a claim of violations under the Pennsylvania Unfair Trade Practices and Consumer Protection Law and other consumer protection statutes.

The Company believes plaintiffs' claims are without merit and is vigorously defending those actions. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals.

Whether the court will admit the testimony relating to the science behind plaintiffs' claims, is not a matter which we can predict at this time.

GREG SCRAGG VS THE QUIGLEY CORPORATION, ET AL

On November 30, 2005, an action was brought in the Colorado District Court in Denver, Colorado. The complaint was served on the Company soon thereafter. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. The complaint consists of counts for fraud and deceit (fraudulent concealment), negligent misrepresentation, strict liability (failure to warn), and strict product liability (design defect). On January 13, 2006, the case was removed to Federal District Court.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

GARRY KOMINAKIS VS. THE QUIGLEY CORPORATION, ET AL

On December 13, 2005, an action was brought in the Superior Court of the State of California (Western Division - Los Angeles). The complaint was served on the Company on December 27, 2005. The case was removed to Federal District Court on January 25, 2006. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. The complaint consists of counts for strict liability (products liability), negligence, and breach of implied and express warranties.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

DARIUS INTERNATIONAL INC., AND INNERLIGHT INC., F/K/A DARIUS MARKETING INC. VS. ROBERT O. YOUNG AND SHELLEY R. YOUNG (FEDERAL DISTRICT COURT - EASTERN DISTRICT, PA)

In this action, the Company seeks injunctive relief and monetary damages against two individuals for violation of a non-competition agreement between a wholly owned subsidiary of the Company, Innerlight Inc., and the defendants, each of whom are also under agreement to serve as consulting to the Company.

In late November, 2005, the Company learned that the defendants had launched a line of nutritional supplement products that competed with Innerlight products. Defendants promoted their line of products by a website, among other means. The Company moved for a temporary restraining order against the defendants, which the court denied; however, the court ordered expedited discovery and scheduled a preliminary injunction hearing. Before the hearing, the Company amended its complaint to add counts against defendants for unfair competition, trademark infringement and other causes, which the court allowed. In response, defendants initially moved to dismiss the case. While not ruling on defendants' motion formally, the court stated that it was inclined to deny the motion. Defendants answered the complaint and asserted nine counterclaims, including: breach of contract; breach of covenant of good faith and fair dealing; unjust enrichment; conversion; common law trademark infringement; common law violation of the right to publicity; violation of abuse of personal identity act; injunctive relief; and declaratory relief.

After the preliminary injunction hearing, the parties briefed the court on the significance of the hearing evidence in relation to the parties' respective claims. On February 17, 2006, the court held oral argument on the motion for preliminary injunction. A ruling is expected by mid-March, 2006.

The Company believes that the defendants' counterclaims are without merit and is vigorously defending those counterclaims and is prosecuting its action on its complaint. Based upon the information the Company has at this time, it believes the counterclaim actions are without merit. However, at this time no prediction as to the outcome can be made.

ROBERT O. AND SHELLEY YOUNG VS. DARIUS INTERNATIONAL INC. AND INNERLIGHT INC., (UTAH THIRD PARTY COMPLAINTS)

On September 14, 2005, a third-party complaint was filed by Shelley R. Young in Fourth District Court in Provo, Utah against Innerlight Inc. and its parent company, Darius. Robert O. Young has filed a motion to intervene to join as a third-party plaintiff with Shelley R. Young. On November 3, 2005, Shelley and Robert Young filed a parallel suit also in Fourth District Court in Provo, Utah. The allegations in both complaints include, but are not limited to, an alleged breach of contract by Innerlight Inc. for alleged failures to make certain payments under an asset purchase agreement entered into by all parties. Additional allegations stem from this alleged breach of contract including unjust enrichment, trademark infringement and alleged violation of rights of publicity. The plaintiffs are seeking both monetary and injunctive relief. Innerlight Inc. has objected to the complaint in the third-party action based on procedural deficiencies and other grounds. In the second action the Court has granted Innerlight Inc. and Darius permission to defer answering until the court can determine whether or not Provo, Utah, is the proper venue to hear these allegations.

In connection with the Utah actions the Company has sued the Youngs in Equity in the Court of Common Pleas of Philadelphia County, PA, and in United States District Court for the Eastern District of Pennsylvania. The Company has alleged breach of contract, including but not limited to breach of non-competition provisions in a consulting agreement between the parties and is seeking unspecified damages and injunctive relief. The Company believes the plaintiff's

allegations against Innerlight Inc. and Darius in Provo, Utah are without merit and it is vigorously defending against these claims. Innerlight Inc. and Darius have filed motions to stay both actions filed in Utah pending resolution of the litigation in PA. Further, the Company is actively prosecuting its state and

federal actions in PA. However, at this time no prediction as to the outcome can be made.

BRIGITTE YVON & KLAUS YVON VS. THE QUIGLEY CORPORATION, ET AL

On October 12, 2005, the Plaintiffs instituted an action against Caribbean Pacific Natural Products, Inc. and other defendants for personal injuries as a result of being hit by a chair on the pool deck of Waikoloa Beach Marriott Hotel d/b/a Outrigger Enterprises, Inc. in Honolulu, Hawaii. On December 9, 2005, the Company was added as an additional defendant without notice to this case. The main defendant in the case is Caribbean Pacific Natural Products, Inc. in which the Company formerly held stock. On January 22, 2003, all Caribbean Pacific Natural Products Inc. shares owned by the Company were sold to Suncoast Naturals, Inc. in return for stock of Suncoast Naturals, Inc. At the time of the accident, the Company had no ownership interest in Caribbean Pacific Natural Products, Inc.

The Company believes that the plaintiffs' claims are without merit and is vigorously defending this action. At the present time this matter is being defended by the Company's liability insurance carrier and a motion to dismiss is pending before the Federal District Court in Honolulu, Hawaii.

NICODROPS, INC. VS. QUIGLEY MANUFACTURING INC.

On January 30, 2006, QMI was put on notice of a claim by Nicodrops, Inc. Nicodrops, Inc. has claimed that the packaging contained incorrect expiration dates and caused it to lose sales through two (2) retailers. The total alleged sales of Nicodrops was approximately $250,000 and Nicodrops is claiming unspecified damages exceeding $2,000,000.

No suit has been filed. The Company is investigating this claim. Based on its investigation to date, the Company believes the claim is without merit. However, at this time no prediction can be made as to the outcome of this case.

TERMINATED LEGAL PROCEEDINGS

LITIGATION - FORMER EMPLOYEES

On April 12, 2002, the Company commenced a complaint in Equity in the Court of Common Pleas of Bucks County, Pennsylvania, against the former President of Darius International Inc., its wholly owned subsidiary, following termination of such President. The allegations in the complaint included, but were not limited to, an alleged breach of fiduciary duty owed to the Company. The Company sought both injunctive and monetary relief. On or about May 1, 2002, the defendant filed a counterclaim requesting that the Court declare him the lawful owner of 55,000 stock options, unspecified damages relating to an alleged breach of an oral contract and for commissions allegedly owed. In addition, the defendant requested the return of certain intellectual property used to commence and continue Darius' operations. On April 15, 2005, a Settlement Agreement and Mutual Release was executed between the Company, its subsidiaries and the defendants, Ronald Howell, Deborah Howell, Pro Pool, LLC, One Source, LLC, Pro Marketing LLC, and Eric Kaytes. All of defendants' counterclaims were withdrawn and dismissed with prejudice. In addition to the monetary consideration, Howell surrendered to the Company for cancellation 40,993 shares of the Company's common stock and agreed to forego any claim for any additional stock, warrants, stock options or other securities of or interest in the Company, Darius, Darius Marketing Inc., and Innerlight Inc. that were or could have been made in the lawsuits. Defendant Kaytes surrendered options/warrants in the Company.

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

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The Company's Common Stock, $.0005 par value, is currently traded on The NASDAQ National Market under the trading symbol "QGLY." The price set forth in the following table represents the high and low bid prices for the Company's Common Stock.

	Common Stock			
	2005		2004	
Quarter Ended	High	Low	High	Low
March 31	$8.85	$7.27	$10.89	$8.50
June 30	$9.28	$7.79	$10.29	$6.92
September 30	$10.50	$8.41	$9.94	$7.35
December 31	$16.94	$7.25	$9.92	$7.56

Such quotations reflect inter-dealer prices, without mark-up, mark-down or commission and may not represent actual transactions.

The Company's securities are traded on The NASDAQ National Market and consequently stock prices are available daily as generated by The NASDAQ National Market established quotation system.

HOLDERS

As of December 31, 2005, there were approximately 325 holders of record of the Company's 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 the Company's securities is not known but exceeds 400.

DIVIDENDS

The Company has not declared, nor paid, any cash dividends on its Common Stock. At this time the Company intends to retain its earnings to finance future growth and maintain liquidity.

WARRANTS AND OPTIONS

In addition to the Company's outstanding Common Stock, there are, as of December 31, 2005, issued and outstanding Common Stock Purchase Warrants and Options that are exercisable at the price-per-share stated and expire on the date indicated, as follows:

Description	Number	Exercise Price	Expiration Date
CLASS "E"	805,000	$1.7500	June 30, 2006
CLASS "F"	200,000	$2.5000	November 4, 2006
CLASS "G"	550,000	$10.0000	May 5, 2007
Option Plan	396,500	$9.6800	December 1, 2007
Option Plan	331,000	$5.1250	April 6, 2009
Option Plan	260,750	$0.8125	December 20, 2010
Option Plan	278,500	$1.2600	December 10, 2011
Option Plan	314,500	$5.1900	July 30, 2012
Option Plan	62,500	$5.4900	December 17, 2012
Option Plan	415,000	$8.1100	October 29, 2013
Option Plan	490,000	$9.5000	October 26, 2014
Option Plan	520,000	$13.8000	December 11, 2015

At December 31, 2005, there were 4,623,750 unexercised and vested options and warrants of the Company's Common Stock available for exercise.

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)	3,068,750	$7.58	1,184,000
Equity Plans Not Approved by Security Holders (2)	1,555,000	$4.76	-
Total	4,623,750	$6.63	1,184,000

(1) An incentive stock option plan was instituted in 1997, (the "1997 Stock Option Plan") and approved by the stockholders in 1998. Options pursuant to the 1997 Stock Option Plan have been granted to directors, executive officers, and employees.

(2) Other grants of warrants are specific and not part of a plan. These specific grants were to executive officers, employees and consultants for services in 1996 and 1997.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth the selected financial data of the Company for and at the end of the years ended December 31, 2005, 2004, 2003, 2002 and 2001.

The data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" and the Company's financial statements and notes thereto appearing elsewhere herein.

(Amounts in Thousands, Except Per Share Data)	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
STATEMENT OF INCOME DATA:					
Net sales	$53,658	$43,948	$41,499	$29,272	$21,226
Total revenue	53,658	43,948	41,499	29,421	22,772

Gross profit	27,834	20,375	20,011	12,212	12,551
Income (loss) - continuing operations	3,217	453	729	(5,132)	934
Loss - discontinued operations (1)	--	--	(54)	(1,322)	(718)
Net income (loss)	3,217	453	675	(6,454)	216
Basic earnings (loss) per share:					
Continuing operations	$0.28	$0.04	$0.06	($0.47)	$0.09
Discontinued operations	--	--	--	($0.12)	($0.07)
Net income (loss)	$0.28	$0.04	$0.06	($0.59)	$0.02
Diluted earnings (loss) per share:					
Continuing operations	$0.24	$0.03	$0.05	($0.47)	$0.09
Discontinued operations	--	--	--	($0.12)	($0.07)
Net income (loss)	$0.24	$0.03	$0.05	($0.59)	$0.02
Weighted average shares outstanding:					
Basic	11,661	11,541	11,467	10,894	10,675
Diluted	13,299	14,449	14,910	10,894	10,751

	As of December 31, 2005	As of December 31, 2004	As of December 31, 2003	As of December 31, 2002	As of December 31, 2001
BALANCE SHEET DATA:					
Working capital	$20,682	$17,853	$18,257	$16,662	$18,626
Total assets	35,976	31,530	26,270	24,935	24,756
Debt	1,464	2,893	--	--	--
Stockholders' equity	$25,320	$21,902	$20,787	$19,121	$21,200

(1) In December 2002, the Board of Directors of the Company approved a plan to sell Caribbean Pacific Natural Products, Inc. ("CPNP"). On January 22, 2003, the Board of Directors of the Company completed the sale of the Company's 60% equity interest in CPNP to Suncoast Naturals, Inc. 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 OPERATION

OVERVIEW

The Company, headquartered in Doylestown, Pennsylvania, is a leading manufacturer, marketer and distributor of a diversified range of homeopathic and health products which comprise the Cold Remedy, Health and Wellness and Contract Manufacturing segments. The Company is also involved in the research and development of potential prescription products that comprise the Ethical Pharmaceutical segment.

The Company's business is the manufacture and distribution of cold remedy products to the consumer through the over-the-counter marketplace together with the sale of proprietary health and wellness products through its direct selling subsidiary. One of the Company's key products in its Cold Remedy segment is Cold-Eeze(R), a zinc gluconate glycine product proven in two double-blind clinical studies to reduce the duration and severity of the common cold symptoms by nearly half. Cold-Eeze(R) is now an established product in the health care and cold remedy market. Effective October 1, 2004, the Company acquired substantially all of the assets of JoEl, Inc., the previous manufacturer of the Cold-Eeze(R) lozenge product. This manufacturing entity, now called Quigley Manufacturing Inc. ("QMI"), a wholly owned subsidiary of the Company, will continue to produce lozenge product along with performing such operational tasks as warehousing and shipping the Company's Cold-Eeze(R) products. In addition, QMI, which is an FDA approved facility, produces a variety of hard and organic candy for sale to third party customers in addition to performing contract manufacturing activities for non-related entities. The Cold-Eeze(R) products reported an improved sales performance in 2005 due to effective product support by means of media and in-store advertising; the introduction of new Cold-Eeze(R) flavors; and increased consumer demand for Cold-Eeze(R) as indicated by Information Resources Incorporated (IRI) data. During 2005, the margin of the Cold Remedy segment was improved as a result of the impact of the Cold-Eeze(R) now being produced by the manufacturing subsidiary and forming part of the consolidated results of the Company. However, these gains were offset by substantially lower gross profit margins on the Contract Manufacturing segment's non cold remedy sales and non-manufacturing operating costs of the manufacturing subsidiary being included in current operations rather than being carried as inventory and cost of sales as was the case prior to October 1, 2004.

Our Health and Wellness segment is operated through Darius International Inc. ("Darius"), a wholly owned subsidiary of the Company which was formed in January 2000 to introduce new products to the marketplace through a network of independent distributor representatives. Darius is a direct selling organization specializing in proprietary health and wellness products. The formation of Darius has provided diversification to the Company in both the method of product distribution and the broader range of products available to the marketplace, serving as a balance to the seasonal revenue cycles of the Cold-Eeze(R) branded

products. This segment's 2005 net sales remained relatively unchanged compared to 2004 due to a decline in the number of active domestic independent distributor representatives, which was offset by this segment's gain in international sales of 54.3%.

In January 2001, the Company formed an Ethical Pharmaceutical segment, Quigley Pharma Inc. ("Pharma"), that is under the direction of its Executive Vice President and Chairman of its Medical Advisory Committee. Pharma was formed for the purpose of developing naturally derived prescription drugs. Pharma is currently undergoing research and development activity in compliance with regulatory requirements. The Company is in the initial stages of what may be a lengthy process to develop these patent applications into commercial products. The Company continues to invest significantly with ongoing research and development activities of this segment.

Future revenues, costs, margins, and profits will continue to be influenced by the Company's ability to maintain its manufacturing availability and capacity together with its marketing and distribution capabilities and the requirements associated with the development of Pharma's potential prescription drugs in order to continue to compete on a national and international level. The continued expansion of Darius is dependent on the Company retaining existing independent distributor representatives and recruiting additional active representatives both internationally and within the United States, continued conformity with government regulations, a reliable information technology system capable of supporting continued growth and continued reliable sources for product and materials to satisfy consumer demand.

EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

In November 2004, the FASB issued SFAS NO. 151, "INVENTORY COSTS" ("SFAS 151"). SFAS 151 amends the guidance in Chapter 4 of Accounting Research Bulletin No. 43, "Inventory Pricing" to clarify the accounting for amounts of idle facility expense, freight, handling costs and wasted material. SFAS 151 requires that these types of items be recognized as current period charges as they occur. The provisions of SFAS 151 are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard is not expected to have an impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued Statement 123 (revised 2004),"SHARE-BASED PAYMENT." The standard eliminates the disclosure-only election under the prior SFAS 123 and requires the recognition of compensation expense for stock options and other forms of equity compensation based on the fair value of the instruments on the date of grant. The standard is effective for fiscal years beginning after June 15, 2005. In March 2005, the Securities & Exchange Commission (the "SEC") issued Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107"). SAB 107 summarizes the views of the SEC staff regarding the interaction between SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R") and certain SEC rules and regulations, and is intended to assist in the initial implementation of SFAS 123R, which for the Company is required by the beginning of its fiscal year 2006. The Company had no unvested options as of December 31, 2005 and therefore the adoption of this standard will not have an impact on the Company's consolidated balance sheets and statements of operations, shareholders' equity and cash flows.

In December 2004, the FASB issued Statement 153,"EXCHANGES OF NONMONETARY ASSETS, AN AMENDMENT OF APB OPINION NO.29." The standard is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged and eliminates the exception under APB Opinion No. 29 for an exchange of similar productive assets and replaces it with an exception for exchanges of nonmonetary assets that do not have commercial substance. The standard is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 did not have a material impact on the Company's financial position or results of operations.

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement 154, "ACCOUNTING CHANGES AND ERROR CORRECTIONS, A REPLACEMENT OF APB OPINION NO. 20 AND FASB STATEMENT NO. 3." The standard requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is deemed impracticable. The standard states that a change in method of depreciation, amortization or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is affected by a change in accounting principle. The standard is effective for accounting changes and corrections of errors made occurring in fiscal years beginning after December 15, 2005. The impact on the Company's financial position or results of operations as a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 154 cannot be determined.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

The Company is organized into four different but related business segments, Cold

Remedy, Health and Wellness, Contract Manufacturing and Ethical Pharmaceutical. When providing for the appropriate sales returns, allowances, cash discounts and cooperative advertising costs, each segment applies a uniform and consistent method for making certain assumptions for estimating these provisions that are applicable to that specific segment. Traditionally, these provisions are not material to net income in the Health and Wellness and Contract Manufacturing segments. The Ethical Pharmaceutical segment does not have any revenues.

The product in the Cold Remedy segment, Cold-Eeze(R), has been clinically proven in two double-blind studies 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: a unique product with limited competitors; competitively priced; promoted; unaffected for remaining shelf life as there is no expiration date; monitored for inventory levels at major customers and third-party consumption data, such as Information Resources, Inc. ("IRI").

At December 31, 2005 and 2004 the Company included reductions to accounts receivable for sales returns and allowances of $635,000 and $1,109,000, respectively, and cash discounts of $178,000 and $92,000, respectively. Additionally, current liabilities at December 31, 2005 and 2004 include $1,067,072 and $743,000, respectively for cooperative advertising costs.

The roll-forward of the sales returns and allowance reserve ending at December 31 is as follows:

Account - Sales Returns & Allowances	2005	2004
Beginning balance	$1,109,171	$403,850
Provision made for future charges relative to sales for each period presented	678,127	1,414,796
Current provision related to discontinuation of Cold-Eeze(R) nasal spray	183,716	625,756
Actual returns & allowances recorded in the current period presented	(1,336,434)	(1,335,231)
Ending balance	$634,580	$1,109,171

The reduction in the 2005 provision as compared to 2004 was principally due to the initiation of specific limits on product returns from customers, greater product acceptance and further enhanced evaluation of return requests from customers relative to the Cold Remedy segment.

Management believes there are no material charges to net income in the current period, related to sales from a prior period.

REVENUE

Provisions to reserves to reduce revenues for cold remedy products that do not have an expiration date, include the use of estimates, which are applied or matched to the current sales for the period presented. These estimates are based on specific customer tracking and an overall historical experience to obtain an effective applicable rate, which is tested on an annual basis and reviewed quarterly to ascertain the most applicable effective rate. 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.

A one percent deviation for these consolidated reserve provisions for the years ended December 31, 2005, 2004 and 2003 would affect net sales by approximately $599,000, $481,000 and $455,000, respectively. A one percent deviation for cooperative advertising reserve provisions for the years ended December 31, 2005, 2004 and 2003 could affect net sales by approximately $352,000, $275,000 and $241,000, respectively.

The reported results include a remaining returns provision of approximately $184,000 and $626,000 at December 31, 2005 and December 31, 2004, respectively in the event of future product returns following the discontinuation of the Cold-Eeze(R) Cold Remedy Nasal Spray product in September 2004.

INCOME TAXES

The Company has recorded a valuation allowance against its net deferred tax assets. Management believes that this allowance is required due to the uncertainty of realizing these tax benefits in the future. The uncertainty arises because the Company may incur substantial research and development costs in its Ethical Pharmaceutical segment.

RESULTS OF OPERATIONS

TWELVE MONTHS ENDED DECEMBER 31, 2005 COMPARED WITH SAME PERIOD 2004

Net sales for 2005 were $53,658,043 compared to $43,947,995 for 2004, reflecting an increase of 22.1% in 2005. Revenues, by segment, for 2005 were Cold Remedy, $29,284,651; Health and Wellness, $20,473,050; and Contract Manufacturing, $3,900,342, as compared to 2004 when the revenues for each respective segment were $22,834,249, $20,361,391 and $752,355.

The Cold Remedy segment reported a sales increase in 2005 of $6,450,402 or

28.2%. During 2005 the Company continued to strongly support the Cold-Eeze(R) product line through media and in-store advertising and the introduction of new Cold-Eeze(R) flavors thereby increasing the profile of the product through line extension. Cold-Eeze(R) product unit consumption increased by 27% in 2005 as measured by Information Resources Incorporated (IRI) data.

The Health and Wellness segment's net sales increased in 2005 by $111,659 or 0.5%. International sales for this segment increased by 54.3% due to an increase in the number of independent international distributor representatives in 2005 with offset due to a decline in the number of active domestic independent distributor representatives.

The Contract Manufacturing segment refers to the third party sales generated by QMI. In addition to the manufacture of the Cold-Eeze(R) product, QMI also manufactures a variety of hard and organic candies under its own brand names along with other products on a contract manufacturing basis for other customers. Sales for this segment in 2005 increased by $3,147,887 as the 2004 period consisted of three months activity.

Cost of sales from continuing operations for 2005 as a percentage of net sales was 48.1%, compared to 53.6% for 2004. The cost of sales percentage for the Cold Remedy segment decreased in 2005 by 6.2% primarily due to the impact of the discontinuation of the nasal spray product in 2004 and the conclusion of the Company's royalty obligations to the founders in May 2005. The 2004 nasal product discontinuation negatively impacted net sales by approximately $680,000 and resulted in an additional expense to cost of sales of approximately $672,000 due to obsolete product and materials. Remaining variations between the years is largely the result of product mix. The cost of sales percentage for the Health and Wellness segment increased in 2005 by 1.6% largely attributable to costs associated with increased international sales activity, product mix and variations in the independent distributor representative commission cost. The 2005 consolidated cost of sales was favorably impacted as a result of the consolidation effects of the manufacturing facility as it relates to Cold-Eeze(R). These gross profit gains of the Cold Remedy segment were offset by substantially lower gross profit margins for the Contract Manufacturing segment, which is significantly lower than the other operating segments.

Selling, marketing and administrative expenses for 2005 were $21,070,307 compared to $16,960,313 in 2004. The increase in 2005 was primarily due to increased sales brokerage commission costs of $816,000 due to significantly improved sales performance; the addition of Quigley Manufacturing Inc., for the whole of 2005 resulted in increased selling and administration costs of $1,276,459; insurance costs increased by $435,920, with the remaining increase largely due to increased payroll costs. Selling, marketing and administrative expenses, by segment, in 2005 were Cold Remedy $13,519,967, Health and Wellness $5,249,296, Pharma $724,394 and Contract Manufacturing $1,576,650, as compared to 2004 of $11,068,726, $5,098,834, $492,562 and $300,191, respectively.

Research and development costs for 2005 and 2004 were $3,784,221 and $3,232,569, respectively. Principally, the increase in research and development expenditure was the result of decreased cold-remedy related product testing costs in 2005 compared to the prior year, offset by increased Pharma study costs of approximately $756,000 in 2005.

During 2005, the Company's major operating expenses of salaries, brokerage commissions, promotion, advertising, and legal costs accounted for approximately $16,922,587 (68.1%) of the total operating expenses of $24,854,528, an increase of 31.2% over the 2004 amount of $12,900,314 (63.9%) of total operating expenses of $20,192,882, largely the result of increased sales brokerage commission costs and increased payroll costs in 2005. The 2005 amounts reflect the inclusion of QMI for the twelve months of 2005 compared to three months in 2004.

Total assets of the Company at December 31, 2005 and 2004 were $35,975,639 and $31,529,756, respectively. Working capital increased by $2,829,352 to $20,682,262 at December 31, 2005. The primary influences on working capital during 2005 were: the increase in cash balances, increased account receivable balances due to increased sales, increased inventory on hand as a result of increased sales including international activity; increased accrued royalties and sales commissions as a result of litigation between the Company and the developer of Cold-Eeze(R) and increased advertising payable balances due to increased advertising activity in the latter part of 2005 and related seasonal factors.

TWELVE MONTHS ENDED DECEMBER 31, 2004 COMPARED WITH SAME PERIOD 2003

Revenues from continuing operations for 2004 were $43,947,995 compared to $41,499,163 for 2003, reflecting an increase of 5.9% in 2004. Revenues, by segment, for 2004 were Cold Remedy, $22,834,249; Health and Wellness, $20,361,391; and Contract Manufacturing, $752,355, as compared to 2003 when the revenues for each respective segment were $20,474,969, $21,024,194 and zero. The Contract Manufacturing segment refers to the third party sales generated by QMI. In addition to the manufacture of the Cold-Eeze(R) product, QMI also manufactures a variety of hard and organic candies under its own brand names along with other products on a contract manufacturing basis for other customers. The 2004 revenues for the Cold Remedy segment were negatively affected by the discontinuation of the nasal spray product, reducing the 2004 revenues by approximately $680,000 as a result of actual and anticipated product returns. Notwithstanding the discontinuation of the nasal spray product, the Cold Remedy segment reported increased revenues which may be attributable to strategic media advertising during the early part of the cold season, strong trade and consumer

product promotions, and media attention during the fourth quarter of 2004

following the reported scarcity of flu vaccine products. The Health and Wellness segment reported reduced revenues in 2004 of $662,803 over the prior year. This segment experienced a reduction in domestic sales which were offset by increased sales to international markets of 135%.

Cost of sales from continuing operations for 2004 as a percentage of net sales was 53.6%, compared to 51.8% for 2003. The cost of sales percentage for the Cold Remedy segment increased in 2004 by 4.7% primarily due to the impact of the discontinuation of the nasal spray product. The discontinuation negatively impacted net sales by approximately $680,000 and resulted in an additional expense to cost of sales of approximately $672,000 due to obsolete product and materials. Remaining variations between the years is largely the result of product mix. The cost of sales percentage for the Health and Wellness segment increased in 2004 by 1.2% largely attributable to a charge of approximately $200,000 related to a reserve for expected obsolete inventory.

Selling, marketing and administrative expenses from continuing operations for 2004 were $16,960,313 compared to $16,010,164 in 2003. The increase in 2004 was primarily due to increased media advertising of $892,771, largely related to the commencement of Cold-Eeze(R) advertising activity earlier in the 2004/2005 cold season compared to prior year. Selling, marketing and administrative expenses, by segment, in 2004 were Cold Remedy $11,068,726, Health and Wellness $5,098,834, Pharma $492,562 and Contract Manufacturing $300,191, as compared to 2003 when these expenses for each respective segment were $10,061,349, $5,396,696, $552,119 and zero.

Research and development costs from continuing operations in 2004 and 2003 were $3,232,569 and $3,365,698, respectively. Principally, the decrease in research and development expenditure was the result of decreased Cold Remedy related product testing costs in 2004 compared to the prior year, which were offset by increased Pharma study costs of approximately $261,000.

During 2004, the Company's major operating expenses of salaries, brokerage commissions, promotion, advertising, and legal costs accounted for approximately $12,900,314 (64%) of the total operating expenses of $20,192,882, an increase of 13.9% over the 2003 amount of $11,328,608, largely the result of increased media advertising and payroll costs in 2004.

Revenues of CPNP (discontinued operations) for the twelve months periods ended December 31, 2004 and 2003 were zero and $59,824, respectively, and net losses for the same periods were zero and $54,349. The results of CPNP are presented as discontinued operations in the Statements of Operations.

Total assets of the Company at December 31, 2004 and 2003 were $31,529,756 and $26,269,759, respectively. Working capital decreased by $404,444 to $17,852,910 at December 31, 2004. The primary influences on working capital during 2004 were: the increase in cash balances, decreased account receivable balances due to attentive collections, reductions in inventory on hand as a result of increased revenues; increased liabilities due to current portion of long term debt of $428,571 related to the acquisition of certain assets, (primarily property, plant and equipment), and assumption of certain liabilities of the former contract manufacturer, JoEl, Inc., now QMI, along with the inclusion of assets and liabilities relating to QMI at December 31, 2004, and the increase in advertising payable balances due to increased advertising activity in the latter part of 2004.

MATERIAL COMMITMENTS AND SIGNIFICANT AGREEMENTS

Effective October 1, 2004, the Company acquired certain assets and assumed certain liabilities of JoEl, Inc., the sole manufacturer of the Cold-Eeze(R) lozenge product. As part of the acquisition, the Company entered into a loan obligation in the amount of $3.0 million payable to PNC Bank, N.A. The loan is collateralized by mortgages on real property located in each of Lebanon, Pennsylvania and Elizabethtown, Pennsylvania and was used to finance the majority of the cash portion of the purchase price. The Company can elect interest rate options of either the Prime Rate or LIBOR plus 200 basis points. The loan is payable in eighty-four equal monthly principal payments of $35,714 commencing November 1, 2004, and such amounts payable are reflected in the consolidated balance sheet as current portion of long-term debt amounting to $428,571 and long term debt amounting to $1,035,715. The Company is in compliance with all related loan covenants.

With the exception of the Company's Cold-Eeze(R) lozenge product, the Company's products are manufactured by outside sources. The Company has agreements in place with these manufacturers, which ensure a reliable source of product for the future.

The Company has agreements in place with independent brokers whose function is to represent the Company's Cold-Eeze(R) products, in a product sales and promotion capacity, throughout the United States and internationally. The brokers are remunerated through a commission structure, based on a percentage of sales collected, less certain deductions.

The Company has maintained a separate representation and distribution agreement relating to the development of the zinc gluconate glycine product formulation. In return for exclusive distribution rights, the Company must 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 is due to expire in 2007. However, the Company and the developer are in litigation and as such, no potential offset from such litigation for these fees have been recorded. A founder's commission totaling 5%, on sales collected, less certain deductions, has been paid to two of the officers of the Company, who are also directors and stockholders of the Company, and whose agreements expired in May 2005. The expenses for the respective periods relating to such agreements amounted to $1,745,748, $2,058,965 and $1,805,294 for the twelve months periods ended December 31, 2005, 2004 and 2003, respectively. Amounts accrued for these expenses at December 31, 2005 and 2004 were $2,077,411 and $1,129,654, respectively.

The Company has an agreement with the former owners of the Utah-based direct marketing and selling company, whereby they receive payments, currently totaling 5% of net sales collected, for exclusivity, consulting, marketing presentations, confidentiality and non-compete arrangements. Amounts paid or payable under such agreement during 2005, 2004 and 2003 were $838,607, $800,881 and $880,091, respectively. Amounts payable under such agreement at December 31, 2005 and 2004 were $58,597 and $60,876, respectively.

Certain operating leases for office and warehouse space maintained by the Company resulted in rent expense for the years ended December 31, 2005, 2004 and 2003, of $227,701, $335,226, and $255,078, respectively. The future minimum lease obligations under these operating leases are approximately $240,000.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $20,682,262 and $17,852,910 at December 31, 2005 and 2004, respectively. Changes in working capital overall have been primarily due to the following items: cash balances increased by $2,518,729; account receivable balances increased by $1,504,161 due to increased sales and effective collection practices; inventory increased by $445,382 due to sales growth and product line extensions along with increased international sales activity; accrued advertising increased by $941,403 due to variations in media advertising scheduling between years and seasonal factors; accrued royalties and sales commissions increased by $1,505,517 largely due to the effects of certain litigation in progress. Long-term debts decreased by $1,428,571 as a result of the prepayment of $1,000,000 in April 2005 against this debt and recurring monthly principal repayments. This item relates to the loan liability following the acquisition of JoEl, Inc. effective October 1, 2004 while the assets acquired are presented in property, plant and equipment. Total cash balances at December 31, 2005 were $16,885,170 compared to $14,366,441 at December 31, 2004.

Management believes that its strategy to establish Cold-Eeze(R) as a recognized brand name, its broader range of products, its diversified distribution methods as it relates to the Health and Wellness business segment, adequate manufacturing capacity, and growth in international sales, together with its current working capital, should provide an internal source of capital to fund the Company's business operations. The Cold Remedy and Health and Wellness segments contribute current expenditure support in relation to the Ethical Pharmaceutical segment. In addition to anticipated funding from operations, the Company and its subsidiaries may in the short and long term raise capital through the issuance of equity securities to finance anticipated growth.

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

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.

CONTRACTUAL OBLIGATIONS

The Company's future contractual obligations and commitments at December 31, 2005 consist of the following:

		Payment Due by Period			
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Long-Term Debt Obligations (1)	$1,464,286	$428,571	$857,142	$178,573	-
Operating Lease Obligations	271,000	180,000	91,000	-	-
Purchase Obligations	62,000	62,000	-	-	-
Research and Development	3,230,000	3,230,000	-	-	-
Advertising	1,000,000	1,000,000	-	-	-
Total Contractual Obligations	$6,027,286	$4,900,571	$948,142	$178,573	-

(1) See Note 7, "Long-Term Debt" to the Company's consolidated financial statements for additional information on long-term debt obligations.

OFF-BALANCE SHEET ARRANGEMENTS

It is not the Company's 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, the Company has no off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

IMPACT OF INFLATION

The Company is subject to normal inflationary trends and anticipates that any increased costs would be passed on to its customers.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's operations are not subject to risks of material foreign currency fluctuations, nor does it use derivative financial instruments in its investment practices. The Company places its marketable investments in instruments that meet high credit quality standards. The Company does not expect material losses with respect to its investment portfolio or exposure to market risks associated with interest rates. The impact on the Company's results of one percentage point change in short-term interest rates would not have a material impact on the Company's future earnings, fair value, or cash flows related to investments in cash equivalents or interest-earning marketable securities. At December 31, 2005, the Company had $1.5 million of variable rate debt. If the interest rate on the debt were to increase or decrease by 1% for the year, annual interest expense would increase or decrease by approximately $15,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

THE QUIGLEY CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,2005	December 31, 2004
CURRENT ASSETS:		
Cash and cash equivalents	$16,885,170	$14,366,441
Accounts receivable (net of doubtful accounts of $354,972 and $311,764)	7,880,140	6,375,979
Inventory	3,900,064	3,454,682
Prepaid expenses and other current assets	1,582,851	764,359
TOTAL CURRENT ASSETS	30,248,225	24,961,461
PROPERTY, PLANT AND EQUIPMENT - NET	5,585,793	6,473,688
OTHER ASSETS:		

Goodwill	30,763	30,763
Other assets	110,858	63,844
TOTAL OTHER ASSETS	141,621	94,607
TOTAL ASSETS	$35,975,639	$31,529,756
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$428,571	$428,571
Accounts payable	771,819	978,401
Accrued royalties and sales commissions	3,301,598	1,796,081
Accrued advertising	2,860,414	1,919,011
Other current liabilities	2,203,561	1,986,487
TOTAL CURRENT LIABILITIES	9,565,963	7,108,551
LONG-TERM DEBT	1,035,715	2,464,286
MINORITY INTEREST	54,314	54,980
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
STOCKHOLDERS' EQUITY:		
Common stock, $.0005 par value; authorized 50,000,000; Issued: 16,360,524 and 16,285,796 shares	8,180	8,143
Additional paid-in-capital	35,404,803	35,203,816
Retained earnings	15,094,823	11,878,139
Less: Treasury stock, 4,646,053 and 4,646,053 shares, at cost	(25,188,159)	(25,188,159)
TOTAL STOCKHOLDERS' EQUITY	25,319,647	21,901,939
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$35,975,639	$31,529,756

See accompanying notes to consolidated financial statements

THE QUIGLEY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
NET SALES	$53,658,043	$43,947,995	$41,499,163
COST OF SALES	25,824,085	23,573,126	21,487,763
GROSS PROFIT	27,833,958	20,374,869	20,011,400
OPERATING EXPENSES:			
Sales and marketing	8,414,065	7,140,365	6,166,318
Administration	12,656,242	9,819,948	9,843,846
Research and development	3,784,221	3,232,569	3,365,698
TOTAL OPERATING EXPENSES	24,854,528	20,192,882	19,375,862
INCOME FROM OPERATIONS	2,979,430	181,987	635,538
OTHER INCOME (EXPENSE)			
Interest income	402,580	104,339	93,385
Interest expense	(100,326)	(32,250)	-
Gain on dividend-in-kind	-	198,786	-
TOTAL OTHER INCOME, NET	302,254	270,875	93,385
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	3,281,684	452,862	728,923
INCOME TAXES	65,000	-	-

INCOME FROM CONTINUING OPERATIONS	3,216,684	452,862	728,923
DISCONTINUED OPERATIONS:			
Loss from discontinued operations	-	-	(54,349)
NET INCOME	$3,216,684	$452,862	$674,574
BASIC EARNINGS PER COMMON SHARE:			
Income from continuing operations	$0.28	$0.04	$0.06
Loss from discontinued operations	-	-	-
Net Income	$0.28	$0.04	$0.06
DILUTED EARNINGS PER COMMON SHARE:			
Income from continuing operations	$0.24	$0.03	$0.05
Loss from discontinued operations	-	-	-
Net Income	$0.24	$0.03	$0.05
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	11,660,561	11,541,012	11,467,087
Diluted	13,299,162	14,449,334	14,910,246

See accompanying notes to consolidated financial statements

THE QUIGLEY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Issued Amount	Additional Paid-in- Capital	Treasury Stock	Retained Earnings	Total
BALANCE DECEMBER 31, 2002	11,456,617	$8,051	$33,290,222	($25,188,159)	$11,010,703	$19,120,817
Tax benefits from options, warrants & common stock			133,014			133,014
Tax benefit allowance			(133,014)			(133,014)
Warrants issued for service			975,000			975,000
Proceeds from options and warrants exercised	46,409	23	16,227			16,250
Net income					674,574	674,574
BALANCE DECEMBER 31, 2003	11,503,026	8,074	34,281,449	(25,188,159)	11,685,277	20,786,641
Tax benefits from options, warrants & common stock			67,675			67,675
Tax benefit allowance			(67,675)			(67,675)
Shares issued for net asset acquisition, net of registration fees	113,097	58	895,392			895,450
Proceeds from options exercised	23,620	11	26,975			26,986
Dividend-in-kind					(260,000)	(260,000)
Net Income					452,862	452,862
BALANCE DECEMBER 31, 2004	11,639,743	8,143	35,203,816	(25,188,159)	11,878,139	21,901,939
Tax benefits from options, warrants & common stock			249,453			249,453
Tax benefit allowance			(249,453)			(249,453)
Proceeds from options exercised	74,728	37	200,987			201,024
Net Income					3,216,684	3,216,684

BALANCE DECEMBER 31, 2005	11,714,471	$8,180	$35,404,803	($25,188,159)	$15,094,823	$25,319,647

See accompanying notes to consolidated financial statements

THE QUIGLEY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
OPERATING ACTIVITIES:			
Net income	$3,216,684	$452,862	$674,574
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) CONTINUING OPERATIONS:			
Loss from discontinued operations	--	--	54,349
Depreciation and amortization	1,404,107	622,348	473,593
Gain on dividend-in-kind	--	(198,786)	--
Gain on the sales of fixed assets	(3,907)	--	--
Bad debts provision	98,751	25,289	71,030
(INCREASE) DECREASE IN ASSETS:			
Accounts receivable	(1,602,912)	1,460,615	(3,744,790)
Inventory	(445,382)	1,198,221	773,858
Prepaid expenses and other current assets	(896,552)	47,298	(243,480)
Other assets	3,748	(33,611)	--
INCREASE (DECREASE) IN LIABILITIES:			
Accounts payable	(206,582)	454,265	129,461
Accrued royalties and sales commissions	1,505,517	201,624	447,962
Accrued advertising	941,403	564,475	(205,041)
Other current liabilities	250,614	(134,573)	656,608
TOTAL ADJUSTMENTS	1,048,805	4,207,165	(1,586,450)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,265,489	4,660,027	(911,876)
INVESTING ACTIVITIES:			
Capital expenditures	(531,213)	(310,139)	(555,016)
Cost of assets acquired, net of registration fees	--	(4,295,380)	--
Proceeds from the sale of fixed assets	12,000	--	--
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(519,213)	(4,605,519)	(555,016)
FINANCING ACTIVITIES:			
Proceeds from long-term borrowings	--	3,000,000	--
Principal payments on long-term debt	(1,428,571)	(107,142)	--
Stock options and warrants exercised	201,024	26,986	16,250
NET CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,227,547)	2,919,844	16,250
CASH USED IN OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS	--	--	(54,349)
NET INCREASE (DECREASE) IN CASH	2,518,729	2,974,352	(1,504,991)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	14,366,441	11,392,089	12,897,080
CASH & CASH EQUIVALENTS, END OF PERIOD	$16,885,170	$14,366,441	$11,392,089
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
CASH PAID FOR:			
Interest	$100,326	$32,250	--
Taxes	65,000	--	--
NON-CASH INVESTING AND FINANCING:			
Common stock issued for net assets acquired	--	$977,158	--

See accompanying notes to consolidated financial statements

THE QUIGLEY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BUSINESS

The Company, headquartered in Doylestown, Pennsylvania, is a leading manufacturer, marketer and distributor of a diversified range of homeopathic and health products which comprise the Cold Remedy, Health and Wellness and Contract Manufacturing segments. The Company is also involved in the research and development of potential prescription products that comprise the Ethical Pharmaceutical segment.

The Company's business is the manufacture and distribution of cold remedy products to the consumer through the over-the-counter marketplace together with the sale of proprietary health and wellness products through its direct selling subsidiary. One of the Company's key products in its Cold Remedy segment is Cold-Eeze(R), a zinc gluconate glycine product proven in two double-blind clinical studies to reduce the duration and severity of the common cold symptoms by nearly half. Cold-Eeze(R) is now an established product in the health care and cold remedy market. Effective October 1, 2004, the Company acquired substantially all of the assets of JoEl, Inc., the previous manufacturer of the Cold-Eeze(R) lozenge product. This manufacturing entity, now called Quigley Manufacturing Inc. ("QMI"), a wholly owned subsidiary of the Company, will continue to produce lozenge product along with performing such operational tasks as warehousing and shipping the Company's Cold-Eeze(R) products. In addition, QMI produces a variety of hard and organic candy for sale to third party customers in addition to performing contract manufacturing activities for non-related entities.

Darius International Inc. ("Darius"), the Health and Wellness segment, a wholly owned subsidiary of the Company, was formed in January 2000 to introduce new products to the marketplace through a network of independent distributor representatives. Darius is a direct selling organization specializing in proprietary health and wellness products. The formation of Darius has provided diversification to the Company in both the method of product distribution and the broader range of products available to the marketplace, serving as a balance to the seasonal revenue cycles of the Cold-Eeze(R) branded products.

In January 2001, the Company formed an Ethical Pharmaceutical segment, Quigley Pharma Inc. ("Pharma"), that is under the direction of its Executive Vice President and Chairman of its Medical Advisory Committee. Pharma was formed for the purpose of developing naturally derived prescription drugs, cosmeceuticals, and dietary supplements. Pharma is currently undergoing research and development activity in compliance with regulatory requirements. The Company is in the initial stages of what may be a lengthy process to develop these patent applications into commercial products.

Future revenues, costs, margins, and profits will continue to be influenced by the Company's ability to maintain its manufacturing availability and capacity together with its marketing and distribution capabilities and the requirements associated with the development of Pharma's potential prescription drugs in order to continue to compete on a national and international level. The continued expansion of Darius is dependent on the Company retaining existing independent distributor representatives and recruiting additional active representatives both internationally and within the United States, continued conformity with government regulations, a reliable information technology system capable of supporting continued growth and continued reliable sources for product and materials to satisfy consumer demand.

During 2000, the Company acquired a 60% ownership position in Caribbean Pacific Natural Products, Inc. ("CPNP"). On January 22, 2003, the Company completed the sale of the Company's 60% equity interest in CPNP to Suncoast Naturals, Inc. ("Suncoast").

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated. Effective March 31, 2004, the financial statements include consolidated variable interest entities ("VIEs") of which the Company is the primary beneficiary (see discussion in Note 4, "Variable Interest Entity"). Certain prior period amounts have been reclassified to conform with the 2005 presentation.

USE OF ESTIMATES

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United Sates of America. In connection with the preparation of the consolidated financial statements, it is required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. These assumptions, estimates and judgments are based on historical experience, current trends and other factors that management believes to be relevant at the time the consolidated financial statements are prepared. Management reviews the accounting policies, assumptions, estimates and judgments on a quarterly basis to ensure the financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material.

The Company is organized into four different but related business segments, Cold-Remedy, Health and Wellness, Contract Manufacturing and Ethical Pharmaceutical. When providing for the appropriate sales returns, allowances, cash discounts and cooperative advertising costs, each segment applies a uniform and consistent method for making certain assumptions for estimating these provisions that are applicable to each specific segment. Traditionally, these provisions are not material to reported revenues in the Health and Wellness and Contract Manufacturing segments and the Ethical Pharmaceutical segment does not have any revenues.

Provisions to these reserves within the Cold Remedy segment include the use of such estimates, which are applied or matched to the current sales for the period presented. These estimates are based on specific customer tracking and an overall historical experience to obtain an applicable effective rate. Estimates for sales returns are tracked at the specific customer level and are tested on an annual historical basis, and reviewed quarterly, as is the estimate for cooperative advertising costs. Cash discounts follow the terms of sales and are taken by virtually all customers. Additionally, the monitoring of current occurrences, developments by customer, market conditions and any other occurrences that could affect the expected provisions for any future returns or allowances, cash discounts and cooperative advertising costs relative to net sales for the period presented are also performed.

CASH EQUIVALENTS

The Company considers 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. The consolidated financial statements include a reserve for excess or obsolete inventory of $369,508 and $1,388,590 as of December 31, 2005 and 2004, respectively. The majority of the 2004 provision was related to the discontinuation of the Cold-Eeze(R) Cold Remedy Nasal Spray product in 2004. Inventories included raw material, work in progress and packaging amounts of approximately $1,340,000 and $1,087,000 at December 31, 2005 and December 31, 2004, respectively, with the remainder comprising finished goods.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. The Company uses 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 following ranges of estimated asset lives: building and improvements - twenty to thirty nine years; machinery and equipment - - five to seven years; computer software - three years; and furniture and fixtures - seven years.

GOODWILL AND INTANGIBLE ASSETS

Goodwill is not amortized but reviewed annually for impairment when events and circumstances indicate the carrying amount may not be recoverable or on an annual basis.

CONCENTRATION OF RISKS

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

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

Trade accounts receivable potentially subjects the Company to credit risk. The

Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history and generally does not require collateral. The Company's broad range of customers includes many large wholesalers, mass merchandisers and multi-outlet pharmacy chains, five of which account for a significant percentage of sales volume, representing 29% for the year ended December 31, 2005, 27% for the year ended December 31, 2004 and 23% for the year ended December 31, 2003. Customers comprising the five largest accounts receivable balances represented 47% and 48% of total trade receivable balances at December 31, 2005 and 2004, respectively. During 2005, 2004 and 2003, approximately 92%, 93% and 97%, respectively, of the Company's revenues were generated in the United States with the remainder attributable to international markets.

The Company's revenues are currently generated from the sale of the Cold-Remedy products which approximated 55%, 52% and 49% of total revenues in the twelve month periods ended December 31, 2005, 2004 and 2003, respectively. The Health and Wellness segment approximated 38%, 46% and 51%, for the twelve month periods ended December 31, 2005, 2004 and 2003, respectively. The Contract Manufacturing segment approximated 7% and 2% for the twelve month periods ended December 31, 2005 and 2004, respectively.

Raw materials used in the production of the products are available from numerous sources. Raw materials for the Cold-Eeze(R) lozenge product are currently procured from a single vendor in order to secure purchasing economies. In a situation where this one vendor is not able to supply QMI with the ingredients, other sources have been identified. Should these product sources terminate or discontinue for any reason, the Company has formulated a contingency plan in order to prevent such discontinuance from materially affecting the Company's operations. Any such termination may, however, result in a temporary delay in production until the replacement facility is able to meet the Company's production requirements.

Darius' products for resale can be sourced from several suppliers. In the event that such sources were no longer in a position to supply Darius with products, other vendors have been identified as reliable alternatives with minimal adverse loss of business.

LONG-LIVED ASSETS

The Company reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future undiscounted cash flows. If it is determined that an impairment loss has occurred based on the expected cash flows compared to the related asset value, an impairment loss is recognized in the Statement of Operations.

REVENUE RECOGNITION

Sales are recognized at the time ownership is transferred to the customer, which for the Cold Remedy segment is the time the shipment is received by the customer and for both the Health and Wellness segment and the Contract Manufacturing segment, when the product is shipped 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. The Company makes estimates of potential future product returns and other allowances related to current period revenue. The Company analyzes historical returns, current trends, and changes in customer and consumer demand when evaluating the adequacy of the sales returns and other allowances. The consolidated financial statements include reserves of $634,580 for future sales returns and $533,250 for other allowances as of December 31, 2005 and $1,109,171 and $404,221 at December 31, 2004, respectively. The 2005 and 2004 reserve balances include a remaining returns provision at December 31, 2005 and December 31, 2004 of approximately $184,000 and $626,000, respectively, in the event of future product returns following the discontinuation of the Cold-Eeze(R) Cold Remedy Nasal Spray product in September 2004. The reserves also include an estimate of the uncollectability of accounts receivable resulting in a reserve of $354,972 at December 31, 2005 and $311,764 at December 31, 2004.

COST OF SALES

For the Cold Remedy Segment, in accordance with contract terms, payments calculated based upon net sales collected to the patent holder of the Cold-Eeze formulation and payments to the corporation founders and developers of the final saleable Cold-Eeze(R) product amounting to $1,745,748, $2,052,746 and $1,805,294, respectively, at December 31, 2005, 2004 and 2003 are presented in the financial statements as cost of sales.

In the Health and Wellness Segment, agreements with Independent Distributor Representatives ("IR's") require payments to them to be calculated based upon net commissionable sales of other IR's in their down-line and not on any of their individual purchases of products including not taking title to the products that are sold by other IR's. In accordance with EITF 01-9, such payments to the IR's do not qualify as a reduction of the selling price as these payments are not offered as an allowance or as a percentage rebate of direct purchases made, and the IR's are not offered any cooperative advertising incentives of any type. Such payments, among other factors, are related to expand the cycle of additional IR's and for maintaining the distribution channel for this segment's products.

Accordingly, such distribution payments amounting to $9,207,613, $9,053,612 and $9,439,100, respectively, at December 31, 2005, 2004 and 2003 are presented in the financial statements as cost of sales.

OPERATING EXPENSES

Agreements relating to the Cold Remedy segment with a major national sales brokerage firm are for this firm to sell the manufactured Cold-Eeze product to our customers. Such related costs are presented in the financial statements as selling expenses.

In the Health and Wellness Segment, the Company includes payments in accordance with agreements with the former owner of its acquired proprietary products, to be calculated based upon net sales collected. These agreements provide for exclusivity, consulting, marketing presentations, confidentiality and non-compete arrangements with such payments being classified as administration expense.

SHIPPING AND HANDLING

Product sales relating to Health and Wellness products carry an additional identifiable shipping and handling charge to the purchaser, which is classified as revenue. For the Cold Remedy and Contract Manufacturing segments, such costs are included as part of the invoiced price. In all cases costs related to this revenue are recorded in cost of sales.

STOCK COMPENSATION

Stock options and warrants for purchase of the Company's common stock have been granted to both employees and non-employees since the date the Company became publicly traded. Options and warrants are exercisable during a period determined by the Company, but in no event later than ten years from the date granted.

Expense relating to options granted to non-employees has been appropriately recorded in the periods presented based on fair values as determined by the Black-Scholes pricing model dependent upon the circumstances relating to the specific grants.

The Company used the Black-Scholes pricing model to determine the fair value of stock options granted during the periods presented using the following assumptions: expected life of the option of 5 years and expected forfeiture rate of 0%; expected stock price volatility of 58.3% for the year ended December 31, 2005, expected stock price volatility of 49.8% for the year ended December 31, 2004, ranging between 67.9% and 120% for the year ended December 31, 2003; expected dividend yield of 0% and risk-free interest rate of 4.46% for the year ended December 31, 2005; expected dividend yield of 0% and risk-free interest rate of 3.3% for the year ended December 31, 2004, expected dividend yield of 0% and risk-free interest rate of between 3.37% and 4.5% for the year ended December 31, 2003. The impact of applying SFAS No. 123 in this pro forma disclosure is not indicative of the impact on future years' reported net income as SFAS No. 123 does not apply to stock options granted prior to the beginning of fiscal year 1996 and additional stock options awards may be granted in future years. All options were immediately vested upon grant.

The Company applies Accounting Principles Board Opinion No. 25 ("APB 25") in accounting for its grants of options to employees. Under the intrinsic value method prescribed by APB 25, no compensation expense relating to grants to employees has been recorded by the Company in periods reported. If compensation expense for awards made during the years ended December 31, 2005, 2004 and 2003 had been determined under the fair value method of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Net income			
As reported	$3,216,684	$452,862	$674,574
Add: Stock-based compensation expense included in reported net income as determined under the intrinsic value method	-	-	-
Deduct: Adjustment to stock-based employee compensation expense as determined under the fair value based method	(3,884,400)	(2,230,000)	(2,026,720)
Pro forma net loss	($667,716)	($1,777,138)	($1,352,146)
Basic earnings (loss) per share			
As reported	$0.28	$0.04	$0.06
Pro forma	($0.06)	($0.15)	($0.12)

Diluted earnings (loss) per share			
As reported	$0.24	$0.03	$0.05
Pro forma	($0.05)	($0.15)	($0.12)

Expense relating to warrants granted to non-employees has been appropriately recorded in the periods presented based on fair values as determined by the Black Scholes pricing model dependent upon the circumstances relating to the specific grants.

A total of 520,000, 500,000, and 424,000 stock options were granted to employees and non-employees in 2005, 2004 and 2003, respectively.

ADVERTISING

Advertising costs are expensed within the period in which they are utilized. Advertising expense is comprised of media advertising, presented as part of sales and marketing expense; co-operative advertising, which is accounted for as part of net sales; and free product, which is accounted for as part of cost of sales. Advertising costs incurred for the years ended December 31, 2005, 2004 and 2003 were $8,688,233, $6,584,600, and $5,483,465, respectively. Included in prepaid expenses and other current assets was $96,050 and $41,375 at December 31, 2005 and 2004 relating to prepaid advertising and promotion expenses.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to operations in the period incurred. Expenditures for the years ended December 31, 2005, 2004 and 2003 were $3,784,221, $3,232,569 and $3,365,698, respectively. Principally, research and development costs are related to Pharma's study activities and costs associated with Cold-Eeze(R).

INCOME TAXES

The Company utilizes 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 the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax law or rates. Until sufficient taxable income to offset the temporary timing differences attributable to operations and the tax deductions attributable to option, warrant and stock activities are assured, a valuation allowance equaling the total deferred tax asset is being provided. See Note 13 - Income Taxes for further discussion.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents, accounts receivable and accounts payable are reflected in the consolidated financial statements at carrying value which approximates fair value because of the short-term maturity of these instruments. The fair value of long-term debt was approximately equivalent to its carrying value due to the fact that the interest rates currently available to the Company for debt with similar terms are approximately equal to the interest rates for its existing debt. Determination of the fair value of related party payables is not practicable due to their related party nature.

RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2004, the FASB issued SFAS NO. 151, "INVENTORY COSTS" ("SFAS 151"). SFAS 151 amends the guidance in Chapter 4 of Accounting Research Bulletin No. 43, "Inventory Pricing" to clarify the accounting for amounts of idle facility expense, freight, handling costs and wasted material. SFAS 151 requires that these types of items be recognized as current period charges as they occur. The provisions of SFAS 151 are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard is not expected to have an impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued Statement 123 (revised 2004),"SHARE-BASED PAYMENT." The standard eliminates the disclosure-only election under the prior SFAS 123 and requires the recognition of compensation expense for stock options and other forms of equity compensation based on the fair value of the instruments on the date of grant. The standard is effective for fiscal years beginning after June 15, 2005. In March 2005, the Securities & Exchange Commission (the "SEC") issued Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107"). SAB 107 summarizes the views of the SEC staff regarding the interaction between SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R") and certain SEC rules and regulations, and is intended to assist in the initial implementation of SFAS 123R, which for the Company is required by the beginning of its fiscal year 2006. The Company has no unvested options as of December 31, 2005 and therefore the adoption of this standard will not have an impact on the Company's consolidated balance sheets and statements of operations, shareholders' equity and cash flows.

In December 2004, the FASB issued Statement 153,"EXCHANGES OF NONMONETARY ASSETS, AN AMENDMENT OF APB OPINION NO.29." The standard is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged and eliminates the exception under APB

Opinion No. 29 for an exchange of similar productive assets and replaces it with an exception for exchanges of nonmonetary assets that do not have commercial substance. The standard is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 did not have a material impact on the Company's financial position or results of operations.

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement 154, "ACCOUNTING CHANGES AND ERROR CORRECTIONS, A REPLACEMENT OF APB OPINION NO. 20 AND FASB STATEMENT NO. 3." The standard requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is deemed impracticable. The standard states that a change in method of depreciation, amortization or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is affected by a change in accounting principle. The standard is effective for accounting changes and corrections of errors made occurring in fiscal years beginning after December 15, 2005. The impact on the Company's financial position or results of operations as a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 154 cannot be determined.

NOTE 3 - ACQUISITIONS

On October 1, 2004, the Company acquired certain assets of JoEL, Inc, including inventory, land, buildings, machinery and equipment of two manufacturing facilities located in Lebanon and Elizabethtown, Pennsylvania, and assumed certain liabilities. The acquisition cost was approximately $5.2 million, which consisted of $1.2 million in cash, transaction costs of $113,671, a $3.0 million term loan (see Note 7) and the issuance of 113,097 common shares of The Quigley Corporation in the amount of $895,449, net of registration fees of $81,709.

The fair value of these long-lived assets were as of October 1, 2004, as determined by accredited independent third parties.

The fair value of the common stock issued of $8.64 per share was determined by averaging the closing price for four business days before and after the closing date of October 1, 2004, resulting in a value to the shares issued of $977,158 less registration costs of $81,709.

The fair value of assets acquired and liabilities assumed at October 1, 2004 follow:

	Allocated Excess Fair Value	Unallocated Excess Fair Value
Inventory	$900,000	$900,000
Land	386,588	528,000
Buildings and improvements	982,578	1,342,000
Machinery and equipment	2,933,089	4,006,000
Furniture and fittings	58,574	80,000
	5,260,829	6,856,000
Liabilities assumed	(70,000)	(70,000)
Excess of net fair value over purchase price	-	(1,595,171)
	$5,190,829	$5,190,829

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

The acquisition was executed in order to ensure that the integrity and formulation of the Cold-Eeze(R) products remained under the control of the Company and the assurance of a continued supply of Cold-Eeze(R) to the marketplace. This is an FDA approved facility with available capacity for future product development and manufacture.

PRO FORMA RESULTS. The following unaudited pro forma information presents the results of operations of the Company as if the JoEl acquisition had occurred at the beginning of the periods shown. The pro forma information, however, is not necessarily indicative of the results of operations assuming the JoEl acquisition had occurred at the beginning of the periods presented, nor is it necessarily indicative of future results.

	Year Ended	
	December 31, 2004	December 31, 2003
	(Unaudited)	(Unaudited)
AS REPORTED		

Total Revenue	$43,947,995	$41,499,163
Income from continuing operations	452,862	728,923
Income from continuing operations - basic earnings per common share	$0.04	$0.06

PRO FORMA

Total Revenue	$45,784,627	$44,987,013
(Loss)/income from continuing operations	(88,368)	934,452
(Loss)/income from continuing operations - basic (loss)/earnings per common share	($0.01)	$0.08

NOTE 4 - VARIABLE INTEREST ENTITY

In December 2003, the Financial Accounting Standards Board (FASB or the "Board") issued FASB Interpretation No. 46 (revised December 2003), CONSOLIDATION OF VARIABLE INTEREST ENTITIES (FIN 46R), to address certain implementation issues. FIN 46R varies significantly from FASB Interpretation No. 46, CONSOLIDATION OF VARIABLE INTERESTENTITIES("VIE") (FIN 46), which it supersedes. FIN 46R requires the application of either FIN 46 or FIN 46R 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. FIN 46R is applicable to all non-SPEs created prior to February 1, 2003 by Public Entities that are not small business issuers at the end of the first interim or annual reporting period ending after March 15, 2004. Effective March 31, 2004, the Company adopted FIN 46R for VIE's formed prior to February 1, 2003. The Company has determined that Scandasystems, a related party, qualifies as a variable interest entity and the Company has consolidated Scandasystems beginning with the quarter ended March 31, 2004. Due to the fact that the Company has no long-term contractual commitments or guarantees, the maximum exposure to loss is insignificant. As a result of consolidating the VIE of which the Company is the primary beneficiary, the Company recognized a minority interest of approximately $54,314 and $54,980 on the Consolidated Balance Sheet in 2005 and 2004 which represents the difference between the assets and the liabilities recorded upon the consolidation of the VIE.

The liabilities recognized as a result of consolidating the VIE do not represent additional claims on the Company's general assets. Rather, they represent claims against the specific assets of the consolidated VIE. Conversely, assets recognized as a result of consolidating this VIE do not represent additional assets that could be used to satisfy claims against the Company's general assets. Reflected on the Company's Consolidated Balance Sheet are $61,844 and $96,051 in 2005 and 2004 of VIE assets, representing all of the assets of the VIE. The VIE assists the Company in acquiring licenses and research and development activities in certain countries.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Consisted of the following as of:	December 31, 2005	December 31, 2004
Land	$538,791	$538,791
Buildings and improvements	2,496,536	2,496,536
Machinery and equipment	4,935,636	4,542,645
Computer software	520,787	459,557
Furniture and fixtures	260,277	253,574
	8,752,027	8,291,103
Less: Accumulated depreciation	3,166,234	1,817,415
Property, Plant and Equipment, net	$5,585,793	$6,473,688

Depreciation expense for the years ended December 31, 2005, 2004 and 2003 was $1,404,107, $622,348, and $473,593, respectively. During the year ended December 31, 2005, the Company retired equipment with an original cost of approximately $63,382 and accumulated depreciation of approximately $55,288.

NOTE 6 - PATENT RIGHTS AND RELATED ROYALTY COMMITMENTS

The Company has maintained a separate representation and distribution agreement relating to the development of the zinc gluconate glycine product formulation. In return for exclusive distribution rights, the Company must 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 is due to expire in 2007. However, the Company and the developer are in litigation (see Note 9) and as such no potential offset from such litigation for these fees have been recorded. A founder's commission totaling 5%, on sales collected, less certain deductions, has been paid to two of the officers, who are also directors and stockholders of the Company, and whose agreements expired in 2005, (see Note 15).

The expenses for the respective periods relating to such agreements amounted to $1,745,748, $2,052,746 and $1,805,294, for the years ended December 31, 2005, 2004 and 2003, respectively. Amounts accrued for these expenses at December 31, 2005 and 2004 were $2,077,411 and $1,129,654, respectively.

Amounts included in accrued royalties and sales commissions in the balance

sheets at December 31, 2005 and 2004, apportioned between related party and other balances, are as follows:

	2005	2004
Related party balances (see Note 15)	-	$459,583
Other non-related party balances	$3,301,598	1,336,498
Total accrued royalties and sales commissions	$3,301,598	$1,796,081

NOTE 7 - LONG-TERM DEBT

In connection with the Company's acquisition of certain assets of JoEl, Inc. in October 2004, the Company entered into a term loan in the amount of $3 million payable to PNC Bank, N.A. which is collateralized by mortgages on real property located in each of Lebanon and Elizabethtown, Pennsylvania. The Company can elect interest rate options at either the Prime Rate or LIBOR plus 200 basis points. The loan is payable in eighty-four equal monthly principal payments of $35,714 that commenced on November 1, 2004. In April 2005, the Company prepaid an amount of $1.0 million against the outstanding balance on the long-term loan. The Company is in compliance with all related loan covenants. The entire loan balance is under a six-month LIBOR rate of 6.22%, this rate expires on March 31, 2006.

The schedule of principal payments of long-term debt is as follows:

December 31,	
2006	$428,571
2007	428,571
2008	428,571
2009	178,573
	1,464,286
Less - current portion	(428,571)
	$1,035,715

NOTE 8 - OTHER CURRENT LIABILITIES

Included in other current liabilities are $923,411 and $717,038 related to accrued compensation at December 31, 2005 and 2004, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Certain operating leases for office and warehouse space maintained by the Company resulted in rent expense for the years ended December 31, 2005, 2004 and 2003, of $227,701, $335,226, and $255,078, respectively. The Company has approximate future obligations over the next five years as follows:

Year	Research and Development	Property and Other Leases	Advertising	Other	Total
2006	$3,230,000	$180,000	$1,000,000	$62,000	$4,472,000
2007	-	91,000	-	-	91,000
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
Total	$3,230,000	$271,000	$1,000,000	$62,000	$4,563,000

Additional advertising and research and development costs are expected to be incurred during the remainder of 2006.

The Company has an agreement with the former owners of the Utah based direct marketing and selling company, whereby they receive payments, currently totaling 5% of net sales collected, for product exclusivity, consulting, marketing presentations, confidentiality and non-compete arrangements. Amounts paid or payable under such agreement during the twelve months periods ended December 31, 2005, 2004 and 2003 were $838,607, $800,881 and 880,091, respectively. Amounts payable under such agreement at December 31, 2005 and December 31, 2004 were $58,597 and $60,876, respectively.

The Company has several licensing and other contractual agreements, see Note 6.

TESAURO AND ELEY VS. THE QUIGLEY CORPORATION

In September, 2000, the Company was sued by two individuals (Jason Tesauro and Elizabeth Eley, both residents of Georgia), on behalf of a "nationwide class" of

"similarly situated individuals," in the Court of Common Pleas of Philadelphia County, Pennsylvania. The Complaint alleges that the Plaintiffs purchased certain Cold-Eeze(R) products between August, 1996, and November, 1999, based upon cable television, radio and internet advertisements which allegedly misrepresented the qualities and benefits of the Company's products. The Complaint requests an unspecified amount of damages for violations of Pennsylvania's consumer protection law, breach of warranty and unjust enrichment, as well as a judicial determination that the action be maintained as a class action.

In October, 2000, the Company filed Preliminary Objections to the Complaint seeking dismissal of the action. The Court sustained certain objections thereby narrowing Plaintiffs' Complaint. In May, 2001, Plaintiffs filed a Motion to Certify the Alleged Class. The Company opposed the Motion. In November, 2001, the Court held a hearing on Plaintiffs' Motion for Class Certification. In January, 2002, the Court denied in part and granted in part the Plaintiffs' Motion. The Court denied Plaintiffs' Motion to Certify a Class based on Plaintiffs' claim under the Pennsylvania Consumer Protection Law; however, the Court certified the class based on Plaintiffs' breach of warranty and unjust enrichment claims.

Discovery has been completed and trial that was originally scheduled for May 2004 has been continued pending determination of certain dispositive pre-trial motions filed by the Company which have been argued and briefed and have been pending before the Court for determination since March 2005. The Company is vigorously defending this lawsuit and believes that the action lacks merit.

PAIGE D. DAVISON VS. THE QUIGLEY CORPORATION

On February 26, 2004, the plaintiff filed an action against The Quigley Corporation (the "Company"), which was not served until April 5, 2004. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. Among the allegations of the plaintiff are that the nasal spray was defective and unreasonably dangerous, lacked proper and adequate warnings and/or instructions, and was not fit for the purposes and uses intended.

The Company has investigated the claims and believes they are without merit. The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact to the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

POLSKI VS. THE QUIGLEY CORPORATION

On August 12, 2004, plaintiff filed an action against The Quigley Corporation in the District Court for Hennepin County, Minnesota, which was not served until September 2, 2004. On September 17, 2004, the Company removed the case to the United States District Court for the District of Minnesota. The action alleges that plaintiff suffered certain losses and injuries as a result of the Company's nasal spray product. Among the allegations of plaintiff are negligence, products liability, alleged breach of express and implied warranties, and an alleged breach of the Minnesota Consumer Fraud Statute. Discovery should be completed in this matter within 120 days and trial is scheduled for October 2006.

The Company has investigated the claims and believes that they are without merit. The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact to the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

ANGELFIRE, ARVIN, BELL, BROWN, EDWARDS, HOHNSTEIN, HOFFMAN, LAURENT, MARTIN, RICHARDSON, RIGSBY, SEONE, SMALLEY, VAN BENTHEM AND WILLIAMS VS. THE QUIGLEY CORPORATION

On November 4, 2004, seven (7) plaintiffs filed an action in the Court of Common Pleas of Bucks County, Pennsylvania, against the Company. The complaint was amended on March 11, 2005 to add an additional eight (8) plaintiffs in the action. The action alleges that plaintiffs suffered certain losses and injuries as a result of using the Company's nasal spray product. Among the allegations of

plaintiffs are claims that the Company is liable to them based on alleged negligence, alleged strict products liability (failure to warn and defective design), alleged breach of express warranty, alleged breach of implied warrant, and an alleged violation of the Pennsylvania Unfair Trade Practices and Consumer Protection Law and other consumer protection statutes.

At the present time, the matter is being defended by the Company's insurance carrier. An answer stating affirmative defenses has been filed. Pre-trial discovery is being scheduled.

The Company believes plaintiffs' claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact to the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiffs' claims, is not a matter which we can predict at this time.

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

This action was commenced in November 2004 in the Court of Common Pleas of Bucks County, Pennsylvania. In that action, the Company is seeking declaratory and injunctive relief against John C. Godfrey, Nancy Jane Godfrey, and Godfrey Science and Design, Inc. requesting injunctive relief regarding the Cold-Eeze(R) 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 the Company's payment of commissions to defendants. The Company's Complaint is based in part upon the Exclusive Representation and Distribution Agreement and the Consulting Agreement (together the "Agreements") entered into between the defendants and the Company. The Company terminated the Agreements for the defendants' alleged material breaches of the Agreements. Defendants have answered the complaint and asserted counterclaims against the Company seeking remedies relative to the Agreements. The Company has moved to dismiss portions of defendant's counterclaims on the grounds that they are meritless.

At the present time, discovery is being conducted by the Company on its claims and on the counterclaims brought by John C. Godfrey, et al.

The Company believes Defendant's claims are without merit, and it is vigorously defending the counterclaims prosecuting its action on its complaint. Based upon the information the Company has at this time, it believes the action will not have a material impact to the Company. However, at this time no prediction as to the outcome can be made.

AXIS SPECIALTY INSURANCE CO. VS. THE QUIGLEY CORPORATION

This action, filed in January 2005, stems from a dispute between the Company and one of its excess liability insurance carriers, who seeks a judicial declaration of its insurance coverage obligations concerning certain product liability claims related to the Company's nasal spray product. The carrier's action follows a complaint by the Company filed in December 2004 with the Pennsylvania Insurance Commission, which ultimately sided with the Company in determining that the carrier failed to observe proper notification procedures when it first sought to limit, or alternatively to insure at a substantially higher premium, its coverage obligations.

The Company denied the material allegations of the carrier's complaint, and asserted its own counterclaim also seeking declaratory relief to establish the extent of its excess liability coverage. Thereafter, the parties engaged in discovery to establish a record upon which the court could decide the matter based on summary judgment motions on the carrier's claims and the Company's counterclaims. Both parties sought summary judgment in motions submitted to the court in the fall of 2005. On February 16, 2006, the court handed down its ruling, in which the court granted in part and denied in part both the carrier's motion and the Company's motion. The effect of the court's ruling is that the plaintiff insurer's responsibility for excess coverage is limited to claims for damages for bodily injury or property damage that occurred on or after April 6, 2004, but leaves uncertain coverage for claims filed after April 6, 2004 by persons who contacted the Company before then. Although the Company is evaluating grounds for appeal, and cannot rule out an appeal by the carrier, the court's ruling both clarifies the Company's potential exposure as well as establishes a basis for the Company to seek redress against parties liable for any lack of adequate excess insurance coverage for this exposure.

Based upon the information the Company has at this time relative to the defense of claims occurring before April 6, 2004, the Company believes that the claims are without merit and is fully defending those claims through insurance counsel. However, at this time no prediction as to the outcome can be made of these claims and whether insurance coverage from the period prior to April 6, 2004 is adequate for coverage of all claims.

CYNTHIA AARON VS. THE QUIGLEY CORPORATION, ET AL

On March 15, 2005, a complaint was filed in the Superior Court for San Diego County, California. This complaint was served on the Company on April 21, 2005. The plaintiff's complaint consists of causes of action sounding in negligence, negligent products liability, breach of warranty of merchantability, breach of express warranty, strict products liability and failure to warn. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. Discovery in this case will be completed within 120 days and trial is scheduled for September 18, 2006.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Insurance defense

counsel has informed the Company that counsel is unable to evaluate the likelihood of an unfavorable outcome at this time. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

DOLORES SMITH VS. THE QUIGLEY CORPORATION

On May 25, 2005, a complaint was filed in the Court of Common Pleas of Bucks County, Pennsylvania. The complaint was served on the Company on or about June 14, 2005. The plaintiff's complaint consists of counts of negligence, strict product liability, breach of express warranty, breach of implied warranty, and violation of the Pennsylvania Unfair Trade Practices and Consumer Protection Law and other Consumer Protection Statutes relating to the use of the Company's COLD-EEZE Nasal Spray Product.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

RICHARD FLYNN VS. THE QUIGLEY CORPORATION, ET AL

On May 20, 2005, a complaint was filed in the Superior Court of Orange County, California. This complaint was served on the Company on June 2, 2005. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. The complaint consists of causes of action sounding in negligence, products liability, and punitive damages.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. In particular, much of the complaint references acts of the Company during a period of time when it did not offer for sale the COLD-EEZE Nasal Spray Product which is the basis of the plaintiff's claim. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

KEITH J. KOCHIE VS. THE QUIGLEY CORPORATION, ET AL

On August 2, 2005, a complaint was filed in the United States District Court for the Eastern District of New York. The complaint was served on the Company on or about September 1, 2005. The plaintiff's complaint consists of counts for negligence, strict product liability, breach of express warranty, breach of implied warranties, fraudulent misrepresentation, fraudulent concealment, negligent misrepresentation, and fraud and deceit relating to the use of the Company's COLD-EEZE Nasal Spray Product.

The Company believes plaintiff's claims are without merit and is vigorously defending those actions. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

DOMINIC DOMINIJANNI, SONJA FORSBERG-WILLIAMS, VINT PAYNE, MURRAY LOU ROGERS, AND RANDY STOVER VS. THE QUIGLEY CORPORATION

On January 6, 2006, five (5) plaintiffs filed an action in the Court of Common Pleas of Bucks County, Pennsylvania, against the Company. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. The complaint was served on the Company on January 31, 2006. Plaintiffs' complaint consists of counts for negligence, strict products liability (failure to warn), strict products liability (defective design), breach of express and implied warranties, and a claim of violations under the Pennsylvania Unfair Trade Practices and Consumer Protection Law and other consumer protection statutes.

The Company believes plaintiffs' claims are without merit and is vigorously defending those actions. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals.

Whether the court will admit the testimony relating to the science behind plaintiffs' claims, is not a matter which we can predict at this time.

GREG SCRAGG VS THE QUIGLEY CORPORATION, ET AL

On November 30, 2005, an action was brought in the Colorado District Court in Denver, Colorado. The complaint was served on the Company soon thereafter. The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. The complaint consists of counts for fraud and deceit (fraudulent concealment), negligent misrepresentation, strict liability (failure to warn), and strict product liability (design defect). On January 13, 2006, the case was removed to Federal District Court.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

GARRY KOMINAKIS VS. THE QUIGLEY CORPORATION, ET AL

On December 13, 2005, an action was brought in the Superior Court of the State of California (Western Division - Los Angeles). The action alleges that the plaintiff suffered certain losses and injuries as a result of using the Company's nasal spray product. The complaint was served on the Company on December 27, 2005. The case was removed to Federal District Court on January 25, 2006. The complaint consists of counts for strict liability (products liability), negligence, and breach of implied and express warranties.

The Company believes plaintiff's claims are without merit and is vigorously defending those claims. Based upon the information the Company has at this time, it believes the action will not have a material impact on the Company. However, at this time no prediction as to the outcome can be made. Defense counsel takes the position that the science proposed in the litigation appears to be more advanced than the science which exists in peer reviewed medical journals. Whether the court will admit the testimony relating to the science behind plaintiff's claims, is not a matter which we can predict at this time.

DARIUS INTERNATIONAL INC., AND INNERLIGHT INC., F/K/A DARIUS MARKETING INC. VS. ROBERT O. YOUNG AND SHELLEY R. YOUNG (FEDERAL DISTRICT COURT - EASTERN DISTRICT, PA)

In this action, the Company seeks injunctive relief and monetary damages against two individuals for violation of a non-competition agreement between a wholly owned subsidiary of the Company, Innerlight Inc., and the defendants, each of whom are also under agreement to serve as consulting to the Company.

In late November, 2005, the Company learned that the defendants had launched a line of nutritional supplement products that competed with Innerlight products. Defendants promoted their line of products by a website, among other means. The Company moved for a temporary restraining order against the defendants, which the court denied; however, the court ordered expedited discovery and scheduled a preliminary injunction hearing. Before the hearing, the Company amended its complaint to add counts against defendants for unfair competition, trademark infringement and other causes, which the court allowed. In response, defendants

initially moved to dismiss the case. While not ruling on defendants' motion formally, the court stated that it was inclined to deny the motion. Defendants answered the complaint and asserted nine counterclaims, including: breach of contract; breach of covenant of good faith and fair dealing; unjust enrichment; conversion; common law trademark infringement; common law violation of the right to publicity; violation of abuse of personal identity act; injunctive relief; and declaratory relief.

After the preliminary injunction hearing, the parties briefed the court on the significance of the hearing evidence in relation to the parties' respective claims. On February 17, 2006, the court held oral argument on the motion for preliminary injunction. A ruling is expected by mid-March, 2006.

The Company believes that the defendants' counterclaims are without merit and is vigorously defending those counterclaims and is prosecuting its action on its complaint. Based upon the information the Company has at this time, it believes the counterclaim actions are without merit. However, at this time no prediction as to the outcome can be made.

ROBERT O. AND SHELLEY YOUNG VS. DARIUS INTERNATIONAL INC. AND INNERLIGHT INC., (UTAH THIRD PARTY COMPLAINTS)

On September 14, 2005, a third-party complaint was filed by Shelley R. Young in Fourth District Court in Provo, Utah against Innerlight Inc. and its parent company, Darius. Robert O. Young has filed a motion to intervene to join as a third-party plaintiff with Shelley R. Young. On November 3, 2005, Shelley and Robert Young filed a parallel suit also in Fourth District Court in Provo, Utah. The allegations in both complaints include, but are not limited to, an alleged breach of contract by Innerlight Inc. for alleged failures to make certain payments under an asset purchase agreement entered into by all parties. Additional allegations stem from this alleged breach of contract including

unjust enrichment, trademark infringement and alleged violation of rights of publicity. The plaintiffs are seeking both monetary and injunctive relief. Innerlight Inc. has objected to the complaint in the third-party action based on procedural deficiencies and other grounds. In the second action the Court has granted Innerlight Inc. and Darius permission to defer answering until the court can determine whether or not Provo, Utah, is the proper venue to hear these allegations.

In connection with the Utah actions the Company has sued the Youngs in Equity in the Court of Common Pleas of Philadelphia County, PA, and in United States District Court for the Eastern District of Pennsylvania. The Company has alleged breach of contract, including but not limited to breach of non-competition provisions in a consulting agreement between the parties and is seeking unspecified damages and injunctive relief. The Company believes the plaintiff's allegations against Innerlight Inc. and Darius in Provo, Utah are without merit and it is vigorously defending against these claims. Innerlight Inc. and Darius have filed motions to stay both actions filed in Utah pending resolution of the litigation in PA. Further, the Company is actively prosecuting its state and federal actions in PA. However, at this time no prediction as to the outcome can be made.

BRIGITTE YVON & KLAUS YVON VS. THE QUIGLEY CORPORATION, ET AL

On October 12, 2005, the Plaintiffs instituted an action against Caribbean Pacific Natural Products, Inc. and other defendants for personal injuries as a result of being hit by a chair on the pool deck of Waikoloa Beach Marriott Hotel d/b/a Outrigger Enterprises, Inc. in Honolulu, Hawaii. On December 9, 2005, the Company was added as an additional defendant without notice to this case. The main defendant in the case is Caribbean Pacific Natural Products, Inc. in which the Company formerly held stock. On January 22, 2003, all Caribbean Pacific Natural Products Inc. shares owned by the Company were sold to Suncoast Naturals, Inc. in return for stock of Suncoast Naturals, Inc. At the time of the accident, the Company had no ownership interest in Caribbean Pacific Natural Products, Inc.

The Company believes that the plaintiffs' claims are without merit and is vigorously defending this action. At the present time this matter is being defended by the Company's liability insurance carrier and a motion to dismiss is pending before the Federal District Court in Honolulu, Hawaii.

NICODROPS, INC. VS. QUIGLEY MANUFACTURING INC.

On January 30, 2006, QMI was put on notice of a claim by Nicodrops, Inc. Nicodrops, Inc. has claimed that the packaging contained incorrect expiration dates and caused it to lose sales through two (2) retailers. The total alleged sales of Nicodrops was approximately $250,000 and Nicodrops is claiming unspecified damages exceeding $2,000,000.

No suit has been filed. The Company is investigating this claim. Based on its investigation to date, the Company believes the claim is without merit. However, at this time no prediction can be made as to the outcome of this case.

TERMINATED LEGAL PROCEEDINGS

LITIGATION - FORMER EMPLOYEES

On April 12, 2002, the Company commenced a complaint in Equity in the Court of Common Pleas of Bucks County, Pennsylvania, against the former President of Darius International Inc., its wholly owned subsidiary, following termination of such President. The allegations in the complaint included, but were not limited to, an alleged breach of fiduciary duty owed to the Company. The Company sought both injunctive and monetary relief. On or about May 1, 2002, the defendant filed a counterclaim requesting that the Court declare him the lawful owner of 55,000 stock options, unspecified damages relating to an alleged breach of an oral contract and for commissions allegedly owed. In addition, the defendant requested the return of certain intellectual property used to commence and continue Darius' operations. On April 15, 2005, a Settlement Agreement and Mutual Release was executed between the Company, its subsidiaries and the defendants, Ronald Howell, Deborah Howell, Pro Pool, LLC, One Source, LLC, Pro Marketing LLC, and Eric Kaytes. All of defendants' counterclaims were withdrawn and dismissed with prejudice. In addition to the monetary consideration, Howell surrendered to the Company for cancellation 40,993 shares of the Company's common stock and agreed to forego any claim for any additional stock, warrants, stock options or other securities of or interest in the Company, Darius, Darius Marketing Inc., and Innerlight Inc. that were or could have been made in the lawsuits. Defendant Kaytes surrendered options/warrants in the Company.

NOTE 10 - TRANSACTIONS AFFECTING STOCKHOLDERS' EQUITY

On September 8, 1998, the Company's Board of Directors declared a dividend distribution of Common Stock Purchase Rights (the "Rights"), thereby creating a Stockholder Rights Plan (the "Plan"). The dividend was payable to the stockholders of record on September 25, 1998. 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 to make a tender or exchange offer resulting in

the ownership of 15% or more of the outstanding common shares by a similarly constituted party. 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 a 50% beneficial ownership of the Company, a stockholder may exchange one Right for one common share of the Company. The Final Expiration of the Plan is September 25, 2008.

Since the inception of the stock buy-back program in January 1998, the Board has subsequently increased the authorization on five occasions, for a total authorized buy-back of 5,000,000 shares or approximately 38% of the previous shares outstanding. Such shares are reflected as treasury stock and will be available for general corporate purposes. From the initiation of the plan until December 31, 2005, 4,159,191 shares have been repurchased at a cost of $24,042,801 or an average cost of $5.78 per share. No shares were repurchased during 2005, 2004 or 2003.

As a result of the litigation relating to the case against Nutritional Foods Corporation, in March of 1998, a subsequent order of the Court of Common Pleas of Bucks County modified the decree of January 23, 1997 to provide for a return to treasury of 604,928 shares to the Company. As payment for legal services, 118,066 of these shares were reissued with a market value of approximately $1,145,358. This value, the cost of reacquiring these shares, then became the value of the net treasury stock ($2.35 per share) represented by 486,862 shares returned to treasury.

On April 9, 2002, The Quigley Corporation entered into an agreement with Forrester Financial LLC, ("Forrester") providing for Forrester to act as a financial consultant to the Company. The consulting agreement commenced as of March 7, 2002 for a term of twelve months, but may be terminated by the Company in its sole discretion at any time. As compensation for services to be provided by Forrester to the Company, the Company granted to Forrester, or its designees, warrants to purchase up to a total of 1,000,000 shares of the Company's common stock. The Company's financial statements reflected a $1,125,000 non-cash charge in 2002 resulting from the granting and exercising of these warrants. The warrants have three exercise prices, 500,000 warrants exercisable at $6.50 per share, which were exercised in May 2002 resulting in cash to the Company in the amount of $3,250,000, 250,000 warrants exercisable at $8.50 per share, and 250,000 warrants exercisable at $11.50 per share. The warrants were initially exercisable until the earlier to occur of (i) March 6, 2003 or (ii) the termination of the Consulting Agreement.

On December 7, 2002, Forrester commenced an action by a Writ of Summons filed in the Court of Common Pleas of Bucks County, PA against The Quigley Corporation. No Complaint was filed detailing the claim of Forrester against The Quigley Corporation. This action was terminated with prejudice by Forrester as part of its Amended and Restated Warrant Agreement (the "Amended Agreement") with The Quigley Corporation on February 2, 2003 whereby certain warrants that were scheduled to expire on March 7, 2003 were extended to March 7, 2004 (warrants to purchase 250,000 shares at $8.50; warrants to purchase 250,000 shares at $11.50)

are no longer cancelable by the Company. As an additional part of this agreement, Forrester was granted warrants to purchase 250,000 shares at any time until March 7, 2004 at the price of $9.50 a share. As a result of this Amended Agreement the Company recorded a further non-cash charge of $975,000 in the fourth quarter of 2002, amounting to a total expense of $2,100,000, classified as administrative expense in the Consolidated Statement of Operations, relating to this warrant agreement in 2002.

In July 2004, the Company announced that its Board of Directors had approved a distribution-in-kind to its stockholders of approximately 500,000 shares of common stock of Suncoast Naturals, Inc. (OTCBB: SNTL), which it acquired through a sale of the Company's 60% equity interest in Caribbean Pacific Natural Products, Inc. These shares were distributed on the basis of approximately .0434 shares of Suncoast common stock for each share of the Company's common stock owned of record on September 1, 2004, with fractional shares paid in cash. As a result of the Company's dividend-in-kind to stockholders and the issuance of 499,282 shares of common stock of Suncoast in September 2004, representing approximately two-thirds of its common stock ownership, the remaining 250,718 shares, owned by the Company are valued at $26,455 and such amount is included in Other Assets in the Consolidated Balance Sheet at December 31, 2004. This transaction was completed in September 2004 resulting in a dividend-in-kind distribution of $260,000 which represents the fair value of the asset transferred and is reflected as a reduction of retained earnings and a related gain on the dividend of stock of $198,786 which is reflected on the Statement of Operations. On October 1, 2004, the Company issued 113,097 shares of its common stock to the stockholders of JoEL, Inc., in order to satisfy the common stock component of acquiring certain assets and assuming certain liabilities of JoEl, Inc. (see Note 3)

NOTE 11 - STOCK COMPENSATION

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

On December 2, 1997, the Company's Board of Directors approved a new Stock Option Plan ("Plan") which was amended in 2005 and provides for the granting of

up to four million five hundred thousand shares of which 1,184,000 remain available for grant at December 31, 2005. Under this Plan, the Company may 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 shall be exercisable more than ten years after the date of grant or five years where the individual owns more than ten percent of the total combined voting power of all classes of stock of the Company. Stockholders approved the Plan in 1998. A total of 520,000, 500,000 and 424,000 options were granted under this Plan during the years ended December 31, 2005, 2004 and 2003, respectively.

A summary of the status of the Company's stock options and warrants granted to both employees and non-employees as of December 31, 2005, 2004 and 2003 and changes during the years then ended is presented below:

YEAR ENDED DECEMBER 31, 2005:

	EMPLOYEES		NON-EMPLOYEES		TOTAL	
	Shares (,000)	Weighted Average Exercise Price	Shares (,000)	Weighted Average Exercise Price	Shares (,000)	Weighted Average Exercise Price
Options/warrants outstanding at beginning of period	3,880	$5.35	445	$8.64	4,325	$5.68
Additions/deductions:						
Granted	440	13.80	80	13.80	520	13.80
Exercised	112	4.87	-	-	112	4.87
Cancelled	109	4.80	-	-	109	4.80
Options/warrants outstanding at end of period	4,099	$6.28	525	$9.42	4,624	$6.64
Options/warrants exercisable at end of period	4,099		525		4,624	
Weighted average fair value of Grants		$7.47		$7.47		$7.47
Price range of options/warrants:						
Exercised	$0.81 - $9.50		-		$0.81 - $ 9.50	
Outstanding	$0.81 - $13.80		$0.81 - $13.80		$0.81 - $13.80	
Exercisable	$0.81 - $13.80		$0.81 - $13.80		$0.81 - $13.80	

YEAR ENDED DECEMBER 31, 2004:

	EMPLOYEES		NON-EMPLOYEES		TOTAL	
	Shares (,000)	Weighted Average Exercise Price	Shares (,000)	Weighted Average Exercise Price	Shares (,000)	Weighted Average Exercise Price
Options/warrants outstanding at beginning of period	3,486	$4.82	1,115	$9.38	4,601	$5.92
Additions/deductions:						
Granted	420	9.50	80	9.50	500	9.50
Exercised	26	1.98	-	-	26	1.98
Cancelled	-	-	750	9.83	750	9.83
Options/warrants outstanding at end of period	3,880	$5.35	445	$8.64	4,325	$5.68
Options/warrants exercisable at end of period	3,880		445		4,325	
Weighted average fair value of Grants		$4.46		$4.46		$4.46
Price range of options/warrants:						
Exercised	$0.81 - $5.19		-		$0.81 - $5.19	
Outstanding	$0.81 - $10.00		$0.81 - $10.00		$0.81 - $10.00	
Exercisable	$0.81 - $10.00		$0.81 - $10.00		$0.81 - $10.00	

YEAR ENDED DECEMBER 31, 2003:

	EMPLOYEES		NON-EMPLOYEES		TOTAL	
	Shares (,000)	Weighted Average Exercise Price	Shares (,000)	Weighted Average Exercise Price	Shares (,000)	Weighted Average Exercise Price
Options/warrants outstanding at beginning of period	3,363	$4.45	900	$8.86	4,263	$5.38
Additions/deductions:						
Granted	394	8.11	280	9.35	674	8.63
Exercised	16	0.83	35	1.00	51	0.95
Cancelled	255	5.35	30	3.25	285	5.13

Options/warrants outstanding at end of period	3,486	$4.82	1,115	$9.38	4,601	$5.92
Options/warrants exercisable at end of period	3,486		1,115		4,601	
Weighted average fair value of grants		$4.78		$1.63		$3.47
Price range of options/warrants:						
Exercised	$0.81 - $1.26		$0.81 - $1.26		$0.81 - $1.26	
Outstanding	$0.81 - $10.00		$0.81 - $11.50		$0.81 - $11.50	
Exercisable	$0.81 - $10.00		$0.81 - $11.50		$0.81 - $11.50	

The following table summarizes information about stock options outstanding and stock options exercisable, as granted to both employees and non-employees, at December 31, 2005:

	EMPLOYEES			NON-EMPLOYEES		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.81 - $2.50	1,509,250	2.2	$1.61	35,000	5.4	$1.00
$5.13 - $13.80	2,589,500	6.0	$8.99	490,000	4.8	$10.02
	4,098,750			525,000		

Options and warrants outstanding as of December 31, 2005, 2004 and 2003 expire from June 30, 2006 through December 11, 2015, depending upon the date of grant.

NOTE 12 - DEFINED CONTRIBUTION PLANS

During 1999, the Company implemented a 401(k) defined contribution plan for its employees. The Company's contribution to the plan is based on the amount of the employee plan contributions and compensation. The Company's contribution to the plan in 2005, 2004 and 2003 was approximately $414,000, $283,000, and $201,000, respectively. The plan was amended in October 2004 to accommodate the participation of employees of Quigley Manufacturing Inc.

NOTE 13 - INCOME TAXES

The provision (benefit) for income taxes, consists of the following:

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Current:			
Federal	$65,000	-	-
State	-	-	-
	65,000	-	-
Deferred:			
Federal	$815,738	$436,353	($660,321)
State	192,107	129,453	(71,457)
	1,007,845	565,806	(731,778)
Valuation allowance	(1,007,845)	(565,806)	731,778
Total	$65,000	-	-

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

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Statutory rate - Federal	$1,115,773	$153,973	$247,834
State taxes net of federal benefit	126,791	85,439	(47,162)
Permanent differences and other	(169,719)	326,394	(932,450)
	1,072,845	565,806	(731,778)

Less valuation allowance	(1,007,845)	(565,806)	731,778
Total	$65,000	-	-

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 the Company's deferred tax assets are as follows:

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Net operating loss carry-forward	$4,034,746	$4,758,315	$5,313,829
Consulting-royalty costs	317,850	-	-
Bad debt expense	138,439	121,588	331,849
Other	297,331	666,857	381,802
Valuation allowance	(4,788,366)	(5,546,760)	(6,027,480)
Total	-	-	-

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 $4,097,128 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 that currently approximate $9.9 million for federal purposes, of which $3.5 million will expire in 2019, $4.0 million in 2020 and $2.4 million in 2022. Additionally, there are net operating loss carry-forwards of $14.9 million for state purposes, of which $9.7 million will expire in 2009, $2.1 million in 2010, $2.8 million in 2012 and $0.3 million in 2013. 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 $65,000 are assured, a valuation allowance equaling the total deferred tax asset is being provided.

NOTE 14 - EARNINGS PER SHARE

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

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

	Year Ended December 31, 2005			Year Ended December 31, 2004			Year Ended December 31, 2003		
	Income	Shares	EPS	Income	Shares	EPS	Income	Shares	EPS
Basic EPS	$3.2	11.7	$0.28	$0.5	11.5	$0.04	$0.7	11.5	$0.06
Dilutives: Options and Warrants	-	1.6		-	2.9		-	3.4	
Diluted EPS	$3.2	13.3	$0.24	$0.5	14.4	$0.03	$0.7	14.9	$0.05

Options and warrants outstanding at December 31, 2005, 2004 and 2003 were 4,623,750, 4,324,500 and 4,601,000, respectively. Stock options and warrants with exercise prices above average market price in the amount of 520,000, 1,481,500 and 2,155,500 shares for the years ended December 31, 2005, 2004 and 2003, respectively, were not included in the computation of diluted earnings per share as they are anti-dilutive.

NOTE 15 - RELATED PARTY TRANSACTIONS

An agreement between the Company and the founders Mr. Guy J. Quigley and Mr. Charles A. Phillips, both officers and stockholders of the Company, was entered

into on June 1, 1995. The founders, in consideration of the acquisition of the Cold-Eeze(R) cold therapy product, shared a total commission of five percent (5%), on sales collected, less certain deductions until this agreement expired

on May 31, 2005. For the years ended December 31, 2005, 2004 and 2003, amounts of $366,788, $1,043,346 and $889,340, respectively, were paid or payable under such founder's commission agreements. Amounts payable under such agreements at December 31, 2005 and 2004 were zero and $459,583, respectively.

The Company is in the process of acquiring licenses in certain countries through related party entities whose stockholders include Mr. Gary Quigley, a relative of the Company's Chief Executive Officer. Fees amounting to $266,882, $369,000 and $369,000 have been paid to a related entity during 2005, 2004 and 2003, respectively to assist with the regulatory aspects of obtaining such licenses.

NOTE 16 - SEGMENT INFORMATION

The basis for presenting segment results generally is consistent with overall Company reporting. The Company reports information about its operating segments in accordance with Financial Accounting Standard Board Statement No. 131, "Disclosure About Segments of an Enterprise and Related Information," which establishes standards for reporting information about a company's operating segments. All consolidating items are included in Corporate & Other.

The Company had divided its operations into four reportable segments as follows: The Quigley Corporation (Cold- Remedy), whose main product is Cold-Eeze(R), a proprietary zinc gluconate glycine lozenge for the common cold; Darius (Health and Wellness), whose business is the sale and direct marketing of a range of health and wellness products; Quigley Manufacturing (Contract Manufacturing), which is the production facility for the Cold-Eeze(R) lozenge product and also performs contract manufacturing services for third party customers, and Pharma, (Ethical Pharmaceutical), currently involved in research and development activity to develop patent applications for potential pharmaceutical products.

Financial information relating to 2005, 2004 and 2003 continuing operations by business segment follows:

AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005	Cold Remedy	Health and Wellness	Contract Manufacturing	Ethical Pharmaceutical	Corporate & Other	Total
Revenues						
Customers-domestic	$29,284,651	$16,034,960	$3,900,342	-	-	$49,219,953
Customers-international	-	4,438,090	-	-	-	4,438,090
Inter-segment	-	-	7,090,523	-	($7,090,523)	-
Segment operating profit (loss)	6,693,192	859,956	(80,419)	($4,044,162)	(449,137)	2,979,430
Depreciation	387,840	143,726	872,541	-	-	1,404,107
Capital expenditures	228,688	35,523	267,002	-	-	531,213
Total assets	$38,171,897	$4,918,271	$7,042,169	-	($14,156,698)	$35,975,639

AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004	Cold Remedy	Health and Wellness	Contract Manufacturing	Ethical Pharmaceutical	Corporate & Other	Total
Revenues						
Customers-domestic	$22,834,249	$17,484,246	$752,355	-	-	$41,070,850
Customers-international	-	2,877,145	-	-	-	2,877,145
Inter-segment	-	-	1,975,779	-	($1,975,779)	-
Segment operating profit (loss)	1,618,534	1,509,001	406,811	($3,056,757)	(295,602)	181,987
Depreciation	340,828	168,696	112,824	-	-	622,348
Capital expenditures	250,246	32,569	4,388,153	-	-	4,670,968
Total assets	$31,236,129	$6,143,769	$6,806,026	-	($12,656,168)	$31,529,756

NOTE: The stated capital expenditure of $4,388,153 related to the Contract Manufacturing segment for the year of 2004 is inclusive of an amount of $4,360,829 following the acquisition by the Company of certain assets of JoEl, Inc., on October 1, 2004.

AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003	Cold Remedy	Health and Wellness	Contract Manufacturing	Ethical Pharmaceutical	Corporate & Other	Total
Revenues						
Customers-domestic	$20,474,969	$19,801,759	-	-	-	$40,276,728
Customers-international	-	1,222,435	-	-	-	1,222,435
Segment operating profit (loss)	1,699,378	1,791,454	-	($2,855,294)	-	635,538
Depreciation	318,419	155,174	-	-	-	473,593

Capital expenditures	414,129	140,887	-	-	-	555,016
Total assets	$24,892,338	$3,881,970	-	-	($2,504,549)	$26,269,759

NOTE 17 - QUARTERLY INFORMATION (UNAUDITED)

	QUARTER ENDED			
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
2005				
Net Sales	$11,753,270	$8,844,173	$15,319,980	$17,740,620
Gross Profit	5,702,972	3,033,521	8,294,204	10,803,261
Administration	2,994,769	2,986,507	2,897,941	3,777,025
Operating expenses	5,897,903	4,893,925	5,380,400	8,682,300
Income (loss) from operations	(1,860,404)	2,913,804	2,120,961	(194,931)
Income (loss) from continuing operations	(1,790,410)	2,998,503	2,163,086	(154,495)
Net Income (loss)	($154,495)	($1,790,410)	$2,998,503	$2,163,086
Basic EPS				
Income (loss) from continuing operations	($0.01)	($0.15)	$0.26	$0.19
Net Income (loss)	($0.01)	($0.15)	$0.26	$0.19
Diluted EPS				
Income (loss) from continuing operations	($0.01)	($0.15)	$0.23	$0.16
Net Income (loss)	($0.01)	($0.15)	$0.23	$0.16

	QUARTER ENDED			
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
2004				
Net Sales	$9,605,617	$6,901,182	$9,690,858	$17,750,338
Gross Profit	4,520,243	2,776,882	3,800,112	9,277,632
Administration	2,750,499	2,054,741	2,313,609	2,701,099
Operating expenses	5,320,567	3,710,062	3,856,503	7,305,750
Income (loss) from operations	(800,324)	(933,180)	(56,391)	1,971,882
Income (loss) from continuing operations	(781,631)	(912,477)	177,376	1,969,594
Net Income (loss)	($781,631)	($912,477)	$177,376	$1,969,594
Basic EPS				
Income (loss) from continuing operations	($0.07)	($0.08)	$0.02	$0.17
Net Income (loss)	($0.07)	($0.08)	$0.02	$0.17
Diluted EPS				
Income (loss) from continuing operations	($0.07)	($0.08)	$0.01	$0.13
Net Income (loss)	($0.07)	($0.08)	$0.01	$0.13

FOURTH QUARTER SEGMENT DATA (UNAUDITED)

AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005	Cold Remedy	Health and Wellness	Contract Manufacturing	Ethical Pharmaceutical	Corporate & Other	Total
Revenues						
Customers-domestic	$12,144,783	$3,752,464	$694,137	-	-	$16,591,384
Customers-international	-	1,149,236	-	-	-	1,149,236
Inter-segment	-	-	2,623,396	-	($2,623,396)	-
Segment operating profit (loss)	2,480,622	8,074	264,947	($956,382)	323,700	2,120,961
Depreciation	99,142	35,848	225,355	-	-	360,345
Capital expenditures	$139,756	$1,094	$212,525	-	-	$353,375

AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004	Cold Remedy	Health and Wellness	Contract Manufacturing	Ethical Pharmaceutical	Corporate & Other	Total
Revenues						
Customers-domestic	$12,151,638	$4,247,088	$752,355	-	-	$17,151,081
Customers-international	-	599,257	-	-	-	599,257
Inter-segment	-	-	1,975,779	-	($1,975,779)	-
Segment operating profit (loss)	2,491,935	187,979	406,811	($819,241)	(295,602)	1,971,882
Depreciation	90,102	41,157	112,824	-	-	244,083
Capital expenditures	$130,716	$6,403	$4,388,153	-	$202	$4,525,474

NOTE: The stated capital expenditure of $4,388,153 related to the Contract Manufacturing segment for the year of 2004 is inclusive of an amount of $4,360,829 following the acquisition by the Company of certain assets of JoEl, Inc., on October 1, 2004.

AS OF AND FOR THE TWELVE

MONTHS ENDED DECEMBER 31, 2003	Cold Remedy	Health and Wellness	Contract Manufacturing	Ethical Pharmaceutical	Corporate & Other	Total
Revenues						
Customers-domestic	$11,040,653	4,825,566	-	-	-	$15,866,219
Customers-international	-	525,045	-	-	-	525,045
Segment operating profit (loss)	3,239,960	54,325	-	($767,681)	-	2,526,604
Depreciation	83,349	41,504	-	-	-	124,853
Capital expenditures	$98,476	$46,432	-	-	-	$144,908

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of The Quigley Corporation is responsible for the information and representations contained in this report. Management believes that the financial statements have been prepared in conformity with generally accepted accounting principles and that the other information in this annual report is consistent with those statements. In preparing the financial statements, management is required to include amounts based on estimates and judgments, which it believes are reasonable under the circumstances.

In fulfilling its responsibilities for the integrity of the data presented and to safeguard the Company's assets, management employs a system of internal accounting controls designed to provide reasonable assurance, at appropriate cost, that the Company's assets are protected and that transactions are appropriately authorized, recorded, and summarized. This system of control is supported by the selection of qualified personnel, by organizational assignments that provide appropriate delegation of authority and division of responsibilities, and by the dissemination of policies and procedures.

/s/ Guy J. Quigley	February 24, 2006
Guy J. Quigley, Chairman of the Board, (President, Chief Executive Officer)	Date
/s/ George J. Longo	February 24, 2006
George J. Longo, Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	Date

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, 2005 and 2004 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2005 and 2004. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Company as of December 31, 2005 and 2004, and the results of its operations and its cash flows for years ended December 31, 2005 and 2004, in conformity with U.S. generally accepted accounting principles.

/s/ Amper Politziner & Mattia P.C.
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Edison, New Jersey
February 24, 2006

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of The Quigley Corporation

In our opinion, the accompanying consolidated statement of operations, stockholders' equity, and cash flows present fairly, in all material respects, and the results of operations and cash flows of The Quigley Corporation and its subsidiaries for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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. An audit 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
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Philadelphia, Pennsylvania
March 26, 2004

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company filed a Form 8-K on July 8, 2004, announcing that the Company had dismissed PricewaterhouseCoopers LLP ("PwC") as its independent registered public accounting firm. On the same date, the Company engaged Amper, Politziner & Mattia, P.C. as independent accountants. The dismissal of PwC and engagement of Amper, Politziner & Mattia, P.C. were approved by the Audit Committee of the Company.

The reports of PwC on the Company's financial statements for the fiscal year ended December 31, 2003 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle, except for the 2003 fiscal year opinion, which contained a reference for a restatement of the 2002 consolidated financial statements to revise the accounting for certain warrants. During the fiscal year ended December 31, 2003 and through July 8, 2004, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PwC, would have caused them to make reference to the subject matter of any such disagreement in connection with its reports on the financial statements for such years. During the fiscal year ended December 31, 2003 and through July 8, 2004, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K). The Company has not consulted with Amper, Politziner & Mattia, P.C. during the last fiscal year ended December 31, 2003 or during the subsequent interim periods from January 1, 2004 through and including July 8, 2004 on either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on The Company's consolidated financial statements.

ITEM 9A. CONTROLS AND PROCEDURES

Based on their evaluation, as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934) are effective. There have been no material changes in internal controls or in other factors that could materially affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the Act), beginning with our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, we may be required to furnish a report by our management on our internal control over financial reporting. This report will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weakness in our internal control over financial reporting identified by management. If we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert our internal control over financial reporting is effective. This report will also contain a statement that our independent registered public accountants have issued an attestation report on management's assessment of such internal controls and a conclusion on the operating effectiveness of those controls.

Management acknowledges its responsibility for internal controls over financial reporting and seeks to continually improve those controls. In order to achieve compliance with Section 404 of the Act within the prescribed period, we are currently performing the system and process documentation and evaluation needed to comply with Section 404, which is both costly and challenging. We believe our process, which began in fiscal 2003 and is continuing in fiscal 2006 for documenting, evaluating and monitoring our internal control over financial reporting is consistent with the objectives of Section 404 of the Act.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required under this item is incorporated by reference to the Company's Proxy Statement for the 2006 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this item is incorporated by reference to the Company's Proxy Statement for the 2006 Annual Meeting of Stockholders.

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 Company's Proxy Statement for the 2006 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required under this item is incorporated by reference to the Company's Proxy Statement for the 2006 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required under this item is incorporated by reference to the Company's Proxy Statement for the 2006 Annual Meeting of Stockholders.

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 currently in effect (incorporated by reference to Exhibit 3.2 of Form 10-KSB/A filed on April 4, 1997 and Exhibit 99.3 of the Company's Current Report on Form 8-K filed on September 21, 1998).
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*	Employment Agreement dated June 1, 1995 between the Company and Guy J. Quigley (incorporated by reference to Exhibit 10.3 of Form 10-KSB/A filed on April 4, 1997).
10.4*	Employment Agreement dated June 1, 1995 between the Company

and Charles A. Phillips (incorporated by reference to Exhibit 10.4 of Form 10-KSB/A filed on April 4, 1997).

10.5 United States Exclusive Supply Agreement dated March 17, 1997 (Portions of this exhibit are omitted and were filed separately with the Securities Exchange Commission pursuant to the Company's application requesting confidential treatment in accordance with Rule 406 of Regulation C as promulgated under the Securities Act of 1933, incorporated by reference to Exhibit 10.5 of Form SB-2 dated September 29, 1997). See exhibit 10.14.

10.6 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).

10.7* Employment Agreement dated November 5, 1996, as amended, between the Company and George J. Longo (incorporated by reference to Exhibit 10.10 of Form 10-KSB filed on March 30, 1998.

10.8 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).

10.9 Consulting agreement dated March 7, 2002 between the Company and Forrester Financial LLC (incorporated by reference to Exhibit 99.1 of Form 8-K filed on April 11, 2002).

10.10 Warrant agreement dated March 7, 2002 between the Company and Forrester Financial LLC (incorporated by reference to Exhibit 99.2 of Form 8-K filed on April 11, 2002).

10.11 Agreement dated February 2, 2003 between the Company and Forrester Financial LLC (incorporated by reference to Exhibit 99.3 of Form 8-K filed on February 18, 2003).

10.12 Amended and Restated Warrant Agreement dated February 2, 2003 between the Company and Forrester Financial LLC (incorporated by reference to Exhibit 99.4 of Form 8-K filed on February 18, 2003).

10.13 Share agreement effective as of December 31, 2002 between the Company and Suncoast Naturals, Inc. (incorporated by reference to Exhibit 2.1 of Form 8-K filed on February 6, 2003).

10.14 Third Amendment to United States Exclusive Supply Agreement (incorporated by reference to Exhibit 10.18 of Form 10-K filed on April 1, 2004).

10.15 Asset Purchase and Sale Agreement dated August 18, 2004 by and between JoEl, Inc. and the Company (incorporated by reference to Exhibit 10.1 of Form 8-K filed on August 20, 2004).

10.16 Addendum dated October 1, 2004 by and between the Company and JoEl, Inc. to the asset purchase and sale agreement dated August 18, 2004 (incorporated by reference to Exhibit 10.1 of Form 8-K filed on October 7, 2004).

10.17 Term Note dated October 1, 2004 in the amount of $3.0 million executed by the Company in favor of PNC Bank, National Association (incorporated by reference to Exhibit 10.2 of Form 8-K filed on October 7, 2004).

10.18 Open-End Mortgage and Security Agreement dated October 1, 2004 on real property located in Lebanon, Pennsylvania executed by Quigley Manufacturing Inc. in favor of PNC Bank, National Association (incorporated by reference to Exhibit 10.3 of Form 8-K filed on October 7, 2004).

10.19 Open-End Mortgage and Security Agreement dated October 1, 2004 on real property located in Elizabethtown, Pennsylvania executed by Quigley Manufacturing Inc. in favor of PNC Bank, National Association (incorporated by reference to Exhibit 10.4 of Form 8-K filed on October 7, 2004).

10.20 Registration Rights Agreement dated October 1, 2004 by and among the Company and the shareholders signatory thereto (incorporated by reference to Exhibit 10.5 of Form 8-K filed

on October 7, 2004).

10.21* Employment Agreement dated October 1, 2004 between Quigley Manufacturing Inc. and David B. Deck (incorporated by reference to Exhibit 10.6 of Form 8-K filed on October 7, 2004).

10.22* Employment Agreement dated October 1, 2004 between Quigley Manufacturing Inc. and David Hess (incorporated by reference to Exhibit 10.7 of Form 8-K filed on October 7, 2004).

14.1 Code of Ethics (incorporated by reference to Exhibit II of the Proxy Statement on Schedule 14A filed on March 31, 2003).

16.1 PricewaterhouseCoopers LLP letter dated March 30, 2006 (incorporated by reference to Exhibit 16.1 of Form 10-K filed on March 31, 2005).

21.1** Subsidiaries of The Quigley Corporation.

23.1** Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, dated March 13, 2006.

23.2** Consent of Amper, Politziner & Mattia, Independent Registered Public Accounting Firm, dated March 13, 2006.

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.

* 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

/s/ Guy J. Quigley — March 23, 2006
Guy J. Quigley, Chairman of the Board, President, Chief Executive Officer and Director — Date

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:

Signature	Title	Date
/s/ Guy J. Quigley Guy J. Quigley	Chairman of the Board, President, Chief Executive Officer and Director	March 23, 2006
/s/ Charles A. Phillips Charles A. Phillips	Executive Vice President, Chief Operating Officer and Director	March 23, 2006
/s/ George J. Longo George J. Longo	Vice President, Chief Financial Officer and Director (Principal Financial and Accounting Officer)	March 23, 2006

/s/ Jacqueline F. Lewis Jacqueline F. Lewis	Director	March 23, 2006
/s/ Rounsevelle W. Schaum Rounsevelle W. Schaum	Director	March 23, 2006
/s/ Stephen W. Wouch, Stephen W. Wouch,	Director	March 23, 2006
/s/ Terrence O. Tormey, Terrence O. Tormey,	Director	March 23, 2006

Exhibit 21.1

SUBSIDIARIES OF THE QUIGLEY CORPORATION

Subsidiaries	State or other Jurisdiction of Incorporation
Darius International Inc.	Delaware
Innerlight Inc.	Delaware
Innerlight Global Pte. LTD	Singapore
Quigley Pharma Inc.	Delaware
Quigley Manufacturing Inc.	Delaware

All of the above subsidiaries are owned 100% by The Quigley Corporation and are included in the consolidated financial statements for the year ended December 31, 2005.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-73456, 333-61313, 333-10059, 333-14687 and 333-26589) and Form S-3 (No. 333-31241, 333-86976, 333-104148 and 333-119748) of The Quigley Corporation and subsidiaries, of our report dated February 24, 2006, relating to the consolidated financial statements for the years ended December 31, 2005 and 2004, which are included in this Form 10-K filing.

/s/ Amper Politziner & Mattia P.C.
- ----------------------------------

Edison, New Jersey
March 23, 2006

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-73456, 333-61313, 333-10059, 333-14687 and 333-26589) and Form S-3 (File No. 333-31241, 333-86976, 333-104148 and 333-119748) of The Quigley Corporation of our report dated March 26, 2004, relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
- ------------------------------

Philadelphia, PA
March 23, 2006

Exhibit 31.1

CERTIFICATIONS

I, Guy J. Quigley, certify that:

1. I have reviewed this annual report on Form 10-K of The Quigley Corporation, a Nevada corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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), for the registrant and we 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 report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this 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

c) 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 23, 2006

By: /s/ Guy J. Quigley

Guy J. Quigley
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, George J. Longo, certify that:

1. I have reviewed this annual report on Form 10-K of The Quigley Corporation, a Nevada corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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), for the registrant and we 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 report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this 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

c) 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 23, 2006

By: /s/ George J. Longo

George J. Longo
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss.1350)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss.1350), the undersigned, Guy J. Quigley, the Chief Executive Officer of The Quigley Corporation, a Nevada corporation (the "Company"), does hereby certify, to his knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2005 of the Company (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Guy J. Quigley

Guy J. Quigley
Chief Executive Officer
March 23, 2006

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss.1350)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss.1350), the undersigned, George J. Longo, the Chief Financial Officer of The Quigley Corporation, a Nevada corporation (the "Company"), does hereby certify, to his knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2005 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George J. Longo

George J. Longo
Chief Financial Officer
March 23, 2006

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE QUIGLEY CORPORATION

- --- ---
Guy J. Quigley, Chairman of the Board, President, Chief Executive Officer and Director Date

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

Signature	Title	Date
/s/ Guy J. Quigley - --- Guy J. Quigley	Chairman of the Board, President, Chief Executive Officer and Director	---
/s/ Charles A. Phillips - --- Charles A. Phillips	Executive Vice President, Chief Operating Officer and Director	---
/s/ George J. Longo - --- George J. Longo	Vice President, Chief Financial Officer and Director (Principal Financial and Accounting Officer)	---
/s/ Jacqueline F. Lewis - --- Jacqueline F. Lewis	Director	---
/s/ Rounsevelle W. Schaum - ---	Director	---

Rounsevelle W. Schaum

/s/ Stephen W. Wouch, Director
- ---------- ----------
Stephen W. Wouch,

/s/ Terrence O. Tormey, Director
- ---------- ----------
Terrence O. Tormey,