

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

AMENDMENT NO. 1 ON FORM 10-K/A

Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended June 30, 2011

Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-27545

**QUICK-MED TECHNOLOGIES, INC.**

(Name of issuer in its charter)

|   |   |
|---|---|
| Nevada  | 65-0797243                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |
| 902 NW 4 Street, Gainesville, Florida                             | 32601                                   |
| (Address of principal executive offices)                          | (Zip code)                              |

Registrant's telephone number: (888) 835-2211

Securities registered under Section 12(b) of the Exchange Act:

| Title of each class             | Name of each exchange on which registered |
|---------------------------------|---|
| Common Stock, \$0.001 par value |   |

Securities registered under Section 12(g) of the Exchange Act:

| Title of Class                  |
|---------------------------------|
| Common Stock, \$0.001 par value |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period than the registrant was required to submit and post such files).

Yes  No

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting  
company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the common equity stock held by non-affiliates, computed by reference to the average bid and asked prices of such stock as of September 15, 2011, was approximately \$4,487,813.

The number of shares outstanding of the issuer's common equity as of September 15, 2011 was 37,246,154.

**Documents Incorporated by Reference**

None

**EXPLANATORY NOTE**

This Amendment No. 1 to the Annual Report on Form 10-K/A of Quick-Med Technologies, Inc. for the fiscal year ended June 30, 2011 is being filed in order to correct a typographical error on the exhibit 32.2. The fiscal period of June 30, 2010 referred to in the exhibit 32.2 was incorrect in the original filed report and has been corrected in this amendment to read June 30, 2011. The Amendment does not revise or update or in any way alter any other information or disclosures contained in such Annual Report.

QUICK-MED TECHNOLOGIES, INC.

ANNUAL REPORT  
ON FORM 10-K/A  
For the Year Ended June 30, 2011

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[Signatures](#)

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PART I

ITEM 1. BUSINESS

*This Form 10-K/A contains forward-looking statements based on our current expectations, assumptions and estimates and that involve risks and uncertainties. Any statements contained in this Form 10-K/A (including, without limitation, statements to the effect that we "estimate," "expect," "anticipate," "plan," "believe," "may" or "will" or statements concerning potential or opportunity or variations thereof or comparable terminology or the negative thereof) that are not statements of historical fact should be construed as forward-looking statements. Actual results could differ materially and adversely from those projected or anticipated in the forward-looking statements as a result of a number of risks and uncertainties pertaining to our business, including, without limitation, those risks and uncertainties described in the section entitled "Risk Factors" in this Form 10-K/A. We undertake no obligation to revise or update any such forward-looking statements. Unless specified otherwise, as used in this Form 10-K/A, the terms "we," "us," "our," the "Company" or "Quick-Med" refer to Quick-Med Technologies, Inc.*

**Overview**

Quick-Med Technologies Inc. ("we," "Quick-Med," or the "Company") is a life sciences company focused on developing proprietary, broad-based technologies in medical and consumer healthcare markets. Quick-Med's four core technologies are: (1) Novel Intrinsically Micro-Bonded Utility Substrate (NIMBUS®), a family of advanced polymers bio-engineered to have antimicrobial, hemostatic, and other properties that can be used in a wide range of applications; (2) *Stay Fresh*® is a unique chemical formulation for textiles with a durable antimicrobial agent effective against an array of bacteria even after numerous laundering cycles; (3) *NimbuDerm*® is a novel copolymer for application as a persistent hand sanitizer with long lasting protection against germs; and (4) *MultiStat*, a family of advanced patented methods and compounds shown to be effective in skin therapy applications.

We were incorporated in the State of Nevada on April 21, 1997 with the name "Above Average Investments, Ltd." to engage in any lawful corporate purpose. Other than issuing shares to its stockholders, Above Average Investments, Ltd. never commenced operations. In September 2000, Above Average Investments, Ltd. became a public reporting company 60 days following the voluntary filing of our Form 10-SB Registration Statement with the Securities and Exchange Commission. In March 2001, we acquired all of Quick-Med's issued and outstanding shares of capital stock in exchange for 10,260,000 shares of our common stock. Upon completion of the merger in February 2002, we changed our name to Quick-Med Technologies, Inc.

We have never been the subject of a bankruptcy, receivership or similar proceeding.

Our principal executive offices are located at 902 NW 4<sup>th</sup> Street, Gainesville, Florida 32601. Our telephone number is (888) 835-2211.

**Technologies**

We are a life sciences company that develops proprietary technologies for the medical and consumer healthcare markets. Our four core technologies under development are:

- (1) NIMBUS®
- (2) Stay Fresh
- (3) NimbuDerm
- (4) MultiStat

**NIMBUS®**

NIMBUS is a family of organic molecules or "polymers" that are bio-engineered to have antimicrobial, hemostatic, and other properties that can be used in a wide range of medical device applications. For example, NIMBUS is capable of being used to add a second, slowly releasable ingredient to a substrate to permit more than one mode of action or property (e.g., protease inhibitor or antibiotic).

Initially, we are seeking to use our NIMBUS technology in traditional and advanced wound care products. We believe that the size and growth characteristics of the medical device antimicrobial market represent an attractive opportunity for the NIMBUS technology. Additionally, we believe there are no competing technologies on the market today that offer the unique combination of safety, efficacy and cost-effectiveness offered by NIMBUS.

We have developed "proofs-of-principle" in several applications and are seeking to move these products to the commercialization stage. On September 18, 2006 we received a Phase II SBIR grant for continued work on an advanced wound dressing using the NIMBUS technology and it was completed in June 2010.

In April, 2007, we entered into a license agreement with Derma Sciences Inc. for NIMBUS treatment of select substrates used in traditional wound care. In February, 2009 we received FDA market clearance for the NIMBUS gauze wound dressing licensed to Derma Sciences and in June, 2009 Derma Sciences reported first commercial sale of a product, BIOGUARD®, employing our NIMBUS technology. Derma Sciences is marketing and selling the BIOGUARD product to the home health, nursing homes, and wound care centers. We received approximately \$239,000 royalty fees, before \$75,000 credit previously received under the license agreement, from the sales of BIOGUARD product for the fiscal year 2010 which was launched in late June 2009. The sales of BIOGUARD dressings continued to increase in fiscal year 2011 with approximately \$279,000 in royalty fees.

In July, 2010, we and Viridis BioPharma Pvt. Ltd., an India corporation, ("Viridis") entered into an exclusive Patent and Technology License Agreement as stipulated in the binding term sheet on March 16, 2010. Under the agreement, we grant rights under our proprietary NIMBUS antimicrobial technology to Viridis to make, use, sell and offer for sale certain wound treatment products to the institutional market, pharmaceutical companies, distributors, hospitals, clinics, licensed chemists, pharmacists and medical wings of organizations in the Republic of India and its territories and possessions. Viridis agreed it would only manufacture the products in India, unless otherwise agreed to by us. In September 2010, Viridis obtained India FDA clearance to manufacture and market their product in India. Viridis has obtained all the appropriate production equipment and has produced and packaged NIMBUS treated gauze dressings that satisfy efficacy requirements. Viridis plans to roll out the NIMBUS treated gauze dressings in late fourth calendar quarter 2011 or early first calendar quarter 2012.

In March 2010, we and Johnson & Johnson Consumer and Personal Products Worldwide, a division of Johnson & Johnson Consumer Companies, Inc. ("JJCPC") entered into a License Agreement on an exclusive basis. Under the agreement, we grant certain rights under its proprietary intellectual property related to bactericidal absorbent wound dressings to JJCPC to make, have made, use, sell, offer to sell, import or otherwise dispose of the consumer healthcare products and combination products in the over-the-counter market in the United States and Canada.

In August, 2010, we and Biosara Corporation ("Biosara"), entered into a Development and Option Agreement. This agreement remained in effect until December 31, 2010 or until superseded by the earlier of a license agreement or another product development agreement. The Agreement was extended to June 30, 2011. Under the agreement, we will use commercially reasonable efforts to develop certain wound care products incorporating our proprietary NIMBUS® antimicrobial technology to be manufactured by or for Biosara. We are nearing completion of the development stipulated in the agreement. In addition, we have identified a supplier for Biosara consideration for the production, packaging and sterilization.

In April, 2010, we and KCI USA, Inc. ("Kinetic"), a medical technology company, entered into a Development Agreement effective as of March 18, 2010 (the "Effective Date"). The term of the agreement commenced on the Effective Date and ends at the earlier completion of development services, as defined in the agreement, provided by us or a period of twelve months (the "Term"). Under the agreement, the parties agreed to use commercially reasonable efforts during the Term to develop technology utilizing our proprietary NIMBUS intellectual property in an advanced wound care substrate.

In April, 2009, we entered into a Joint Development and Exclusive Option Agreement with Avery Dennison Corporation to apply NIMBUS technology to adhesives for medical device and industrial applications. Upon the successful completion of this JDA, we entered into a license agreement with Avery Dennison Corporation in April, 2011.

Other important considerations of our flagship NIMBUS technology include:

- The raw material cost of NIMBUS is more economical than many other active ingredients, such as silver or PHMB (polyhexamethylene biguanide), used in healthcare today. Additionally, in wound care materials and other roll goods-based substrates, NIMBUS requires no more than standard textile or paper finishing equipment.
- The most deeply studied potential commercial application of NIMBUS is in medical devices where permanent bonding to various substrates can be performed using broad spectrum microbicides that are highly effective, as verified by independent laboratories. In certain prototype wound dressings, NIMBUS begins to eradicate bacteria immediately and is effective for seven days or more. Tested in a typical potential commercial application, NIMBUS killed 99.9999% of the bacteria or other microbes present in the environment.
- Third party testing and our research show that NIMBUS-treated articles are effective against MRSA (*Methicillin-Resistant Staphylococcus Aureus*) and VRE (*Vancomycin-Resistant Enterococcus*), two antibiotic-resistant organisms responsible for a significant and growing number of hospital and community-related infections. Other high bacterial kill levels have been demonstrated for contact lenses against *Pseudomonas*; in food preservation against bacteria that cause *Listeria monocytogenes* and *Salmonella typhimurium*; and in footwear protection against a wide range of other germs including *Trichophyton mentagrophytes*, a fungus that causes athlete's foot.
- While lethal to most bacteria, studies performed by us and third-party laboratories show that NIMBUS is not harmful to human cells. Independent laboratory tests have shown that NIMBUS is non-toxic, non-sensitizing and non-irritating to humans, using standard ISO or ASTM test methodologies.
- The NIMBUS technology permanently bonds the active agent to the substrate. This attribute is a source of differentiation from many competing technologies and gives NIMBUS potential advantages, including lower cost and the possible use in devices such as contact lenses, wound dressings, incontinence products, or disposable gloves where leaching chemicals into the body may pose unacceptable medical risk.
- A characteristic of NIMBUS medical devices relates to the reduced likelihood of bacteria to develop resistance to the microbicide employed – a growing concern in healthcare facilities. This characteristic results from the combined effect of (a) the mechanism by which bacteria are killed – by cell wall disruption; (b) the bonding of the microbicide to the substrate, which prevents concentrations of the active molecule from falling below minimum inhibitory levels and (c) the large size of the molecule which does not permit its entry into the bacteria cell where resistance can develop. A confirmatory *in-vitro* test of ten consecutive generations of *E. coli*, a particularly difficult to kill microorganism, showed no reduction in efficacy.

**Stay Fresh®**

Stay Fresh is a unique chemical formulation for textiles that provides a durable antimicrobial agent which can be bonded to fibers or fabrics so as to retain the biocidal property through numerous launderings. This chemical treatment for textiles has been shown to kill a particularly difficult array of bacteria even after numerous laundering cycles. The gentle formula brightens the colors and helps to preserve fabric integrity by aiding in the cleaning process.

Stay Fresh is ideally suited to the broad range of potential applications including clothing such as essential apparel, sportswear, active wear, and work wear as well as furnishings such as linens, drapes, and towels. It acts against the bacteria and fungi that are responsible for odor and staining even after numerous hot or cold laundry cycles for the life of the product. It is compatible with colored or white fabrics including cotton, polyesters, rayon, wool, and blends and may be laundered in the presence of softeners, chlorine or color-safe bleaches.

The unique formulation that comprises Stay Fresh is eco-friendly as well as non-irritating and non-sensitizing. It can be bonded to fibers or fabrics using conventional textile finishing equipment at a very low cost with chemicals used in many treating processes.

**NimbuDerm™**

NimbuDerm is a novel copolymer developed by us for application as a persistent hand sanitizer that provides six or more hours of continuous protection and we believe will have significant benefit in the interruption of the transfer of germs by contact. The copolymer is a film former which can be deposited on skin or any hard surface until it is removed by washing with soap and water. For use on skin a foraminous film is deployed that acts as a barrier to microorganisms yet allows breathability and is comfortable and pleasing to the skin. For other applications the copolymer can be deposited as a non-porous film on hard surfaces or mixed with other polymers to form an adhesive or an extrudable or moldable thermoplastic which can be converted to solid medical devices such as catheters, tubing, films and coatings.

**MultiStat®**

MultiStat is a family of patented organic compounds known as matrix metalloproteinase inhibitors ("MMPi") that have been shown to have significant benefit in promoting the maintenance, healing and repair of skin and eyes. Both third party and Quick-Med research show that MultiStat is effective in certain medical (wound care) and consumer (cosmetic) applications.

Matrix Metalloproteinases, or "MMPs", are naturally occurring compounds in skin tissue. External or internal stimuli can trigger an overproduction of certain MMPs, which can produce chemical reactions within skin cells that induce adverse outcomes such as blistering, inflammation or accelerated collagen degradation. External triggers include prolonged sun exposure, as well as chemical burns from warfare agents such as mustard gas. Internal triggers include natural aging in which declining estrogen levels naturally result in the loss of the inhibition of MMPs and lead to accelerated skin wrinkling.

There are natural or synthetic compounds that safely inhibit MMP overproduction in the skin (MMP-inhibitors, or "MMPi"). These MMPi can be topically applied to mitigate the effects of triggering mechanisms. The bioscience of MMPi research includes the identification of safe compounds that individually or in combination yield a specific beneficial outcome. MultiStat represents our portfolio of patented compounds and techniques relating to MMP inhibition. Our MultiStat compounds are approximately 1,000 times more potent than the natural MMPs that are present in human blood and in some plant extracts. Therefore, only small amounts of MultiStat compounds are needed to reduce the elevated levels in MMP activities that cause skin wrinkling or tissue destruction in chronic wounds. MultiStat's array of uses has been documented in a series of clinical findings by our scientists, third-party scientific laboratories, and in works published by other academic researchers.

External and internal stimuli that cause the overproduction of enzymes known as matrix metalloproteinase can adversely affect the skin and eyes. MultiStat works by inhibiting the activity of the matrix metalloproteinase enzymes. Independent laboratories as well as our research show that MultiStat is effective in medical (wound care) and consumer (cosmetic) applications. MultiStat is currently being sold as a performance ingredient to several cosmetics companies via an agreement with BASF, which was renegotiated and effective on March 31, 2011. Under this agreement, we appointed BASF as an exclusive manufacturer and distributor of our MultiStat Compound, Ilomastat, ("QMT Compound") in the over-the-counter retail cosmetic consumer products in the worldwide territory with the exclusive and non-exclusive licenses of certain patent rights.

**Pharmaceutical Applications.** Scientific studies have shown that MMP activity plays a major role in the deterioration of human tissue when exposed to chemical agents such as mustard gas. Ilomastat, a member of the MultiStat family of patented compounds and techniques relating to MMP-inhibition, has been demonstrated to be safe and highly effective in treating mustard gas exposures based on efficacy studies conducted in Israel and the Netherlands by third-party scientific laboratories. We are seeking to develop Ilomastat as a post-injury agent for mustard gas exposure.

In November 2000, we entered into a Cooperative Research and Development Agreement ("CRADA") with the U.S. Army Medical Research Institute for Chemical Defense at Edgewood, Maryland, to develop a post-injury treatment for mustard gas exposures to the eye and skin.

Other potential pharmaceutical applications for Ilomastat include psoriasis, acne and chronic wounds.

**Cosmetics.** Based on clinical studies performed by us and by the Engelhard Corporation (now a unit of BASF), MultiStat has shown success in improving the appearance of fine facial lines and wrinkles associated with skin deterioration resulting from natural aging or sun damage. Additionally, MultiStat has been shown in the same clinical studies to have applications for other conditions, such as skin roughness or redness.

On May 16, 2008, we and BASF Beauty Care Solutions, L.L.C., a member of BASF Group ("BASF"), signed a Manufacturing and Distribution Agreement with an effective date of August 1, 2007. This agreement supersedes The Master Agreement for Product Development, Manufacturing and Distribution and the Product Development and Distribution Agreement for Ilomastat dated August 15, 2002, the Tolling Agreement dated October 20, 2005, as amended, and the Letter of Intent with the effective date of February 1, 2006, as amended. ("Prior Agreements") between us and BASF.

Under this agreement, we appointed BASF as an exclusive manufacturer and distributor of our MultiStat Compound, Ilomastat, ("QMT Compound") in the over-the-counter retail cosmetic consumer products in the worldwide territory with the exclusive and non-exclusive licenses of certain patent rights. In consideration of the rights and appointments, we are entitled to receive distribution fees on a quarterly basis of the contract year minimum sales of products containing QMT Compound in each of the three contract years under the renegotiated terms of the distribution fees as set forth in the agreement. For the period from the effective date of August 1 to December 31, 2007, the terms of the distribution fees under the Prior Agreements remained in effect. The contract year began January 1, 2008, and each consecutive 12-month period thereafter during the term of the Agreement. The term of the Agreement expires on December 31, 2010. We may terminate this Agreement prior to such expiration upon a material breach by BASF, or BASF's failure to meet minimum sales requirements. This agreement was extended through March 31, 2011 and we and Bast entered into a new agreement effective April 1, 2011 through December 31, 2011.

The license under the Agreement may be sublicensed to BASF's affiliates or third parties solely for the right to manufacture and to sell the licensed products for the purpose set forth in the Agreement.

#### **Business Strategy**

Our business strategy is built around the twin pillars to technology development and out-licensing. Our near-term focus is to further develop and execute commercialization strategies for each of our broad technologies. We seek to generate revenue through four sources:

- (1) Licenses of proprietary technology to industry partners;
- (2) Contracts with government agencies;
- (3) Sales of product (compounds); and,
- (4) Research and development support agreements.

We expect that the majority of future revenue from NIMBUS, *Stay Fresh*, NimbuDerm, and MultiStat will be generated via licenses, royalties and profit-sharing agreements. We believe that our intellectual property is the value driver and, as such, manufacturing, sales and distribution are and will be conducted either through client partners or outsourced.

**Competition**

Quick-Med's NIMBUS and *Stay Fresh* antimicrobial technologies compete against the current advanced antimicrobial technologies including several marketers of antimicrobial silver technology (e.g., Milliken, Sciesent, Nano Horizons, and many others). NIMBUS also competes against earlier generation antimicrobial technologies marketed by Microban, Dow Chemical, Arch Chemicals, Thompson Research, and many other companies.

Relative to all of these competitors, we believe that Quick-Med's NIMBUS technology offers medical device companies high efficacy, low cost, and the best safety profile. It provides no danger of bacteria developing resistance to the agent. NIMBUS' extremely low cost will enable bringing antimicrobial protection to many wound care and other situations where cost requirements currently discourage or prohibit such protection.

We believe that Quick-Med's *Stay Fresh* technology offers apparel manufacturers and other textile companies with a new level of highly durable, sustained antimicrobial efficacy over the course of numerous laundering cycles.

When commercialized, our NimbuDerm technology will compete with alcohol-based skin sanitizers (such as Purell® from Johnson & Johnson) that are widely used in both the worldwide institutional and consumer markets. We believe that NimbuDerm has the important advantage that it not only offers the same or better initial activity against bacteria but it also continues to protect the skin surface against bacterial colonization for a period of 8 hours, thus preventing the immediate re-infection that can occur after the active in alcohol-based sanitizers quickly evaporates.

Quick-Med's cosmeceutical formulations compete against alternate protease inhibiting technologies such as isoflavone compositions and other anti-aging products. Competitors include Neutrogena (from Johnson & Johnson), Clinique (Clinique Laboratories LLC) and many others.

Competing antimicrobial technologies include such biocides as silver, PHMB, triclosan and the silane monoquatary known as Microbe Shield and sold by Aegis Environments. These biocides are antimicrobial treatment agents for textiles that are claimed to have protective effects on the fabric such as against mold and mildew, staining and perspiration odor.

Silver is an expensive agent that depends upon a slow release mechanism that gradually metes out the biocide until depleted during repeated launderings. Silver has the potential to discolor skin or the treated textile or other material. Silver can be continuously neutralized by chloride ions contained in body fluids. It is known to be toxic to fish and aquatic organisms. A study conducted in 2008 showed that washing socks containing nano-silver released substantial amounts into the effluent, a potential cause of toxicity in water entering natural waterways. The International Center for Technology Assessment (CTA) has filed a petition with EPA demanding that the agency stop the sale of several consumer products using nano-silver.

PHMB is also expensive and depends upon a slow release over the life of the product during repeated launderings. It is in the family of chemicals known as quaternaries and is quite effective against Gram positive species such as *Staphylococcus aureus*. However, the effective use of PHMB does require about ten to twenty-five times as much compared to the amount used for *Staphylococcus aureus* to kill Gram negative species such as *E. coli* and *Klebsiella pneumoniae* and 100 times as much to kill *Pseudomonas aeruginosa*.

The cost of silver is about one hundred times greater while PHMB is about ten times greater than the costs of either our NIMBUS or *Stay Fresh* technologies.

Exposure to microbical chemicals in concentrations below their minimal inhibitory concentrations (MIC) can lead to the development of bacterial resistance when the depleted chemical agent enters the body through a cut or scrape or orally.

Microban Corporation's triclosan is used broadly in many consumer applications and costs about fifteen times per pound as much as *Stay Fresh* or NIMBUS. Lab in-vitro testing of triclosan in some products especially those in which the chemical is distributed within the bulk, has revealed low effectiveness. It is structurally in the family of chlorophenols, compounds that are suspected carcinogens which are ecologically problematic when entering effluent streams. Triclosan, which forms dioxins in sunlight, can cause skin irritation and is known to increase allergies and asthma. Currently triclosan is included in many voluntary restrictive substances lists. We will seek to overcome the competitive advantages of our competitors by entering into co-development agreements with industry leaders in the potential markets with exclusivity clauses for future license agreements. Excessive use of triclosan and its evidence in the environment and harmful long term endocrine effects are being investigated by the government.

The research and development pertaining to our technologies, which underlie our antimicrobial technologies (NIMBUS, *Stay Fresh* and NimbuDerm), MMP-inhibitors (MultiStat), and potential future products, is extremely competitive and is characterized by rapid technological change. Many of our competitors have substantially greater financial, scientific, and human resources, and greater research and product development capabilities. In addition, many of our competitors have greater experience in marketing such technologies and products and greater potential to develop revenue streams. As a result, our competitors may be able to develop and expand their competing product offerings more rapidly, adapt to new or emerging technologies and changes in customer requirements more quickly, devote greater resources to marketing and sales of their products and adopt more aggressive pricing policies than we can.

**Intellectual Property: Patents, and Exclusive Patent Licenses**

Our strategy is to research and obtain original patents or, to the extent reasonably available, to license exclusive composition and relevant use patents related to our core technology. We believe that a comparatively strong intellectual property position can be a source of differentiation from competing products.

NIMBUS technology is covered by five (5) issued U.S. patents, eight (8) issued foreign patents (Australia, Canada, China, Korea, Mexico, Russia, and South Africa), and five (5) pending U.S. patent applications, as well as fifteen (15) international patent applications filed under the Patent Cooperation Treaty (PCT, a treaty adopted by 142 countries), and a number of foreign patent applications.

NimbuDerm technology is covered by a South African patent, two (2) pending U.S. patent applications, and fourteen (14) pending foreign patent applications.

MultiStat technology is covered by one issued U.S. patents, one issued foreign patents and five pending international patent applications.

StayFresh technology is covered by two (2) pending U.S. patent applications and eight (8) international patent applications. Several disclosures are in preparation for filing.

**Agreements with Employees and Consultants**

With the exception of Drs. Gregory S. Schultz and Christopher Batich discussed below, all of our employees and scientific consultants have signed agreements that assign to us all intellectual property rights to any inventions or other proprietary information in any area in which that person is working with us. These agreements do not provide for the payment of any royalties. Drs. Schultz and Batich, who are on the faculty of University of Florida at Gainesville, are the only consultants who currently have any rights in any intellectual property that may be shared with us. Under the University of Florida policy, any rights obtained by Drs. Schultz and Batich are assigned to the University of Florida Research Foundation (UFRF). Drs. Schultz and Batich may be paid a royalty by the UFRF out of royalties paid by us to UFRF.

Issued and Pending - U.S. & Foreign Patents/Applications

We have filed or own joint rights to patents and applications for:

**NIMBUS® Technology**

| <u>United States Patents</u>  | <u>U.S. Patent No.</u> | <u>Date Granted/<br/>Date Expires</u> |
|---|------------------------|---------------------------------------|
| *Intrinsically Bactericidal Absorbent Dressing and Method of Fabrication                  | 7,045,673              | 16 May 2006/<br>8 December 2019       |
| †Improved Antifungal Gypsum Board   | 7,473,474              | 6 January 2009/<br>25 February 2024   |
| * Materials With Covalently Bonded, Nonleachable Polymeric Antimicrobial Surfaces         | 7,709,694              | 4 May 2010/<br>8 December 2019        |
| * Method Of Attaching An Antimicrobial Cationic Electrolyte To The Surface Of A Substrate | 7,790,217              | 7 September<br>2010/<br>25 April 2028 |
| € Gypsum Board Containing Antimicrobial And Antibacterial Compounds                       | 8,007,921              | 30 August 2011/<br>25 February 2024   |

| <b>Granted Foreign Patents</b>   | <b>Patent No.</b>          | <b>Date Granted</b> |
|--|----------------------------|---------------------|
| *Intrinsically Bactericidal Absorbent Dressing and Method of Fabrication | Australia<br>773,532       | 9 Sept. 2004        |
| *Intrinsically Bactericidal Absorbent Dressing and Method of Fabrication | Canada<br>2,353,436        | 8 January 2008      |
| *Intrinsically Bactericidal Absorbent Dressing and Method of Fabrication | China<br>ZL 99814229.8     | 12 January 2005     |
| *Intrinsically Bactericidal Absorbent Dressing and Method of Fabrication | Korea<br>100689020         | 23 February 2007    |
| *Intrinsically Bactericidal Absorbent Dressing and Method of Fabrication | Mexico<br>248078           | 15 August 2007      |
| *Intrinsically Bactericidal Absorbent Dressing and Method of Fabrication | Russia<br>004160           | 26 February 2004    |
| *Antimicrobial Cationic Electrolyte Coating                              | South Africa<br>2008/01601 | 27 May 2009         |
| * Antimicrobial Cationic Polyelectrolyte Coatings                        | Australia<br>2006283043    | 16 June 2011        |

| <b>Pending United States Patent Applications</b>   | <b>U.S. Application No.</b> | <b>Date Filed</b> |
|--|-----------------------------|-------------------|
| * Absorbent Substrate With A Non-Leaching Antimicrobial Activity And A Controlled-Released Bioactive Agent | 12/036,107                  | 22 August 2006    |
| * Antimicrobial Bandage Material Comprising Superabsorbent and Non-Superabsorbent Layers                   | 12/772,686                  | 3 May 2010        |
| * System and Method for Enhancing the Efficacy of Antimicrobial Contact Lenses and Other Surfaces          | 12/742,923                  | 13 May 2010       |
| * Method Of Attaching An Antimicrobial Cationic Electrolyte To The Surface Of A Substrate                  | 12/875,741                  | 3 September 2010  |
| * Polyelectrolyte Complex for Imparting Antimicrobial Properties to a Substrate                            | 12/830,062                  | 2 July 2010       |

| Pending Foreign   |                                 |                  |
|---|---------------------------------|------------------|
| Patent Applications   | Application No.                 | Date Filed       |
| * Intrinsically Bactericidal Absorbent Dressing and Method of Fabrication                     | Europe<br>99966054.1            | 8 December 1999  |
| * Intrinsically Bactericidal Absorbent Dressing and Method of Fabrication                     | India<br>IN/PCT/2001/000776/MUM | 8 December 1999  |
| * Method Of Attaching An Antimicrobial Cationic Electrolyte To The Surface Of A Substrate     | Brazil<br>PI0617099-4           | 22 August 2006   |
| * Method Of Attaching An Antimicrobial Cationic Electrolyte To The Surface Of A Substrate     | Canada<br>CA 2620203            | 22 August 2006   |
| * Antimicrobial Cationic Polyelectrolyte Coating  | China<br>CN 101291743           | 22 August 2006   |
| * Method Of Attaching An Antimicrobial Cationic Polyelectrolyte To The Surface Of A Substrate | Europe<br>EP 2006802188         | 22 August 2006   |
| * Method Of Attaching An Antimicrobial Compound To The Surface Of A Substrate                 | India<br>1397/CHENP/2008        | 22 August 2006   |
| * Method Of Attaching An Antimicrobial Cationic Polyelectrolyte To The Surface Of A Substrate | Japan<br>2008-528126            | 22 August 2006   |
| * Method Of Attaching An Antimicrobial Cationic Polyelectrolyte To The Surface Of A Substrate | Mexico<br>MX/a/2008/002347      | 22 August 2006   |
| € Polyelectrolyte Complex For Imparting Antimicrobial Properties To A Substrate               | Australia<br>2009270715         | 20 July 2009     |
| € Polyelectrolyte Complex For Imparting Antimicrobial Properties To A Substrate               | Brazil<br>PI0911004-6           | 18 January 2011  |
| € Polyelectrolyte Complex For Imparting Antimicrobial Properties To A Substrate               | Canada<br>2731072               | 18 January 2011  |
| € Polyelectrolyte Complex For Imparting Antimicrobial Properties To A Substrate               | China<br>200980132939.0         | 23 February 2011 |
| € Polyelectrolyte Complex For Imparting Antimicrobial Properties To A Substrate               | Europe<br>EP 20090798855        | 20 July 2009     |
| € Polyelectrolyte Complex For Imparting Antimicrobial Properties To A Substrate               | India<br>709/DELNP/2011         | 31 January 2011  |

NimbuDerm™ Technology

| <b>Granted Foreign Patents</b>                                  | <b>Patent No.</b>          | <b>Date Granted</b> |
|---|----------------------------|---------------------|
| € Disinfectant With Quaternary Ammonium Polymers And Copolymers | South Africa<br>2008/01557 | 24 June 2009        |

  

| <b>Pending United States Patent Applications</b>  | <b>U.S. Application No.</b> | <b>Date Filed</b> |
|---|-----------------------------|-------------------|
| € Disinfectant With Quaternary Ammonium Polymers And Copolymers   | 12/064,487                  | 22 August 2006    |
| € Disinfectant with Durable Activity Based on Alcohol-Soluble Quaternary Ammonium Polymers and Copolymers | 12/350,784                  | 8 January 2009    |

  

| <b>Pending Foreign Patent Applications</b>                    | <b>Application No.</b>     | <b>Date Filed</b> |
|---|----------------------------|-------------------|
| € Disinfectant with Quaternary Ammonium Polymers & Copolymers | Australia<br>2006283042    | 22 August 2006    |
| € Disinfectant with Quaternary Ammonium Polymers & Copolymers | Brazil<br>PI0617092-7      | 22 August 2006    |
| € Disinfectant with Quaternary Ammonium Polymers & Copolymers | Canada<br>2620175          | 22 August 2006    |
| € Disinfectant with Quaternary Ammonium Polymers & Copolymers | China<br>200680039366.3    | 22 August 2006    |
| € Disinfectant with Quaternary Ammonium Polymers & Copolymers | Europe<br>06813679.5       | 22 August 2006    |
| € Disinfectant with Quaternary Ammonium Polymers & Copolymers | India<br>1395/CHENP/2008   | 22 August 2006    |
| € Disinfectant with Quaternary Ammonium Polymers & Copolymers | Japan<br>2008-528125       | 22 August 2006    |
| € Disinfectant with Quaternary Ammonium Polymers & Copolymers | Mexico<br>MX/a/2008/002346 | 22 August 2006    |
| € Disinfectant Alcohol-Soluble Quaternary Ammonium Polymers   | Australia<br>2009204189    | 8 January 2009    |
| € Disinfectant Alcohol-Soluble Quaternary Ammonium Polymers   | Brazil<br>PI0905679-3      | 8 January 2009    |
| € Disinfectant Alcohol-Soluble Quaternary Ammonium Polymers   | China<br>200980107500.2    | 8 January 2009    |
| € Disinfectant Alcohol-Soluble Quaternary Ammonium Polymers   | Europe<br>09701395.7       | 8 January 2009    |
| € Disinfectant Alcohol-Soluble Quaternary Ammonium Polymers   | India<br>710/DELNP/2011    | 31 January 2011   |
| € Disinfectant Alcohol-Soluble Quaternary Ammonium Polymers   | Japan<br>2010-542339       | 8 January 2009    |

## Stay Fresh® Technology

| <b>Pending United States<br/>Patent Applications</b> | <b>U.S. Application<br/>No.</b> | <b>Date Filed</b>   |
|--|---------------------------------|---------------------|
| € Superabsorbent Materials Comprising Peroxide       | 12/796,708                      | 9 June 2010         |
| € Antimicrobial Textiles Comprising Peroxide         | 12/971,659                      | 17 December<br>2010 |

| <b>Pending Foreign<br/>Patent Applications</b> | <b>Application No.</b>   | <b>Date Filed</b> |
|--|--------------------------|-------------------|
| € Superabsorbent Materials Comprising Peroxide | Australia<br>2010215966  | 29 July 2011      |
| € Superabsorbent Materials Comprising Peroxide | Brazil<br>SP018110031848 | 17 August 2011    |
| € Superabsorbent Materials Comprising Peroxide | Canada<br>PCT/US10/24635 | 8 August 2011     |
| € Superabsorbent Materials Comprising Peroxide | China<br>10744319.4      | (18 October 2011) |
| € Superabsorbent Materials Comprising Peroxide | Europe<br>10744319.4     | 9 September 2011  |
| € Superabsorbent Materials Comprising Peroxide | India<br>6115/DELNP/2011 | 11 August 2011    |
| € Superabsorbent Materials Comprising Peroxide | Japan<br>PCT/US10/24635  | 15 August 2011    |
| € Antimicrobial Textiles Comprising Peroxide   | PCT/US10/37850           | 8 June 2010       |

| <u>United States Patent</u>      | <u>U.S. Patent No.</u> | <u>Date Issued</u> |
|----------------------------------|------------------------|--------------------|
| *Cosmetic Composition and Method | 6,713,074              | 30 March 2004      |

| <u>Granted Foreign Patents</u>   | <u>Patent No.</u>       | <u>Date Issued</u> |
|----------------------------------|-------------------------|--------------------|
| *Cosmetic Composition and Method | Australia<br>2001273115 | 30 September 2005  |

| <u>Pending Foreign Patent Applications</u>   | <u>Application No.</u> | <u>Date Filed</u> |
|--|------------------------|-------------------|
| * Cosmetic Composition and Method  | Canada<br>2,414,247    | 29 June 2001      |
| * Cosmetic Composition and Method  | Europe<br>01952355.4   | 29 June 2001      |
| * Cosmetic Composition and Method  | Japan<br>2002-5224467  | 29 June 2001      |
| * Composition and Method for Minimizing or Avoiding the Adverse Effects of Vesicants | Europe<br>02807390.6   | 25 September 2002 |
| * Composition and Method for Minimizing or Avoiding the Adverse Effects of Vesicants | Israel<br>161057       | 25 September 2002 |

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\* Exclusive to QMT, Inc. (joint ownership with the Univ. of Florida Research Foundation, Inc. exclusive license back from Foundation).

♦ QMT also is licensed under patents from the University of Michigan and certain individuals relating to ilomastat and associated MMPiS.

Our business and competitive position are dependent upon our ability to protect our proprietary technologies. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain and use information that we regard as proprietary. We will rely on patent, trade secret and copyright law and nondisclosure and other contractual arrangements to protect such proprietary information. We will file patent applications for our proprietary methods and devices which we believe are patentable.

There can be no assurance that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our proprietary information, that such information will not be disclosed or that we can effectively protect our rights to unpatented trade secrets or other proprietary information.

There can be no assurance that others will not obtain patents or other legal rights that would prevent us from commercializing our technologies in the United States or other jurisdictions.

There can be no assurance that our technologies will not be subject to environmental or other regulation that would impede their adoption and commercialization in the United States or other jurisdictions.

Our strategy is to obtain original patents or, to the extent reasonably available, exclusive composition and use licenses to patents relating to core technologies and their use in targeted applications.

**Patent Related Agreements****University of Florida**

On December 3, 2002, we entered into a licensing agreement with University of Florida that gave us exclusive worldwide rights for the manufacturing, marketing, and distribution of our NIMBUS and topical Ilomastat technologies. The license, which covers both awarded patents and patent applications, builds on intellectual property already owned by us, that includes, non-exclusive rights to these same technologies or other rights obtained through prior agreements. The agreement was amended to extend the date of the commercialization of products to the retail customer for the group of licensed patents to December 31, 2010, unless the delay is caused by governmental regulatory agency, including but not limited to the Food and Drug Administration, in which case we shall be afforded the opportunity to toll the December 31, 2010 date for a period equal to the period during which such regulatory review is diligently prosecuted by us. To date, we have commercialized through our licensee all of the products covered under these license agreements except one.

We have executed a license agreement with University of Florida at Gainesville, DermaCo, Inc., Dr. R. Galardy and Dr. D. Grobely granting us certain rights under patents relating to a family of MMPs. We are using these rights to develop both the cosmetic anti-aging products and vesicant skin treatment products. U.S. and foreign patent rights, including but not limited to Germany, Spain, France, United Kingdom, and Italy have been licensed to us for these applications.

**University of Michigan**

In June 2007, we entered into a patent license agreement with the University of Michigan ("U-M") that significantly expands our MultiStat technology – its patented family of compounds for the cosmetic treatment of skin conditions, including chronological aging and photo-aging. The license grants us the exclusive right to commercialize important U-M patents in the field of cosmetic products.

We own exclusive rights for topical use of the MultiStat compounds for cosmetic and military applications, but previously had non-exclusive patent rights for use of U-M patents in the anti-aging cosmetic arena. The agreement covers the exclusive rights to eight (8) U.S. and numerous foreign patents as well as three (3) US patents and corresponding foreign patents on a non exclusive rights basis in cosmetics applications.

**Exclusive-Licensed U-M Patents/Applications**

| <b>Jurisdiction &amp; Patent/Application Number</b> | <b>Issue Date</b> | <b>Expiry Date</b> | <b>Description</b>   |
|---|-------------------|--------------------|--|
| Australia<br>AU 701132                              | 1/21/1999         | 1/17/2017          | Method of Inhibiting Photoaging of Skin  |
| Canada<br>CA 2241981                                | 3/19/2002         | 1/17/2017          | Method of Inhibiting Photoaging of Skin  |
| Japan<br>JP 3705820                                 | 10/12/2005        | 1/17/2017          | Method of Inhibiting Photoaging of Skin  |
| Mexico<br>MX 208066                                 | 5/31/2002         | 1/17/2017          | Method of Inhibiting Photoaging of Skin  |
| New Zealand<br>NZ 330860                            | 3/27/2000         | 1/17/2017          | Method of Inhibiting Photoaging of Skin  |
| United States<br>US 5,837,224                       | 11/17/1998        | 1/19/2016          | Method of Inhibiting Photoaging of Skin  |
| Australia<br>AU 737376                              | 8/16/2001         | 2/23/2018          | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin |
| Canada<br>CA 2,281,944                              | 5/15/2007         | 2/23/2018          | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin |
| China<br>CN 1251989                                 | 1/9/2008          | 2/23/2018          | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin |

|  |            |            |  |
|--|------------|------------|--|
| Germany<br>DE 69828620                 | 2/17/2005  | 2/23/2018  | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin                 |
| Europe Pat Off.<br>EP 1005333          | 3/14/2005  | 2/23/2018  | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin                 |
| France<br>FR<br>(EP1005333)            | 1/12/2005  | 2/23/2018  | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin                 |
| United Kingdom<br>GB<br>(EP1005333)    | 1/12/2005  | 2/23/2018  | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin                 |
| Israel<br>IL 131543                    | 8/31/2005  | 2/23/2018  | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin                 |
| Japan<br>JP 2002515898<br>(unexamined) |            |            | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin                 |
| Japan<br>JP 2010195817                 | pending    |            | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin                 |
| Mexico<br>MX 245349                    | 4/25/2007  | 8/24/2019  | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin                 |
| United States<br>US 6,630,516          | 10/7/2003  | 2/25/2017  | Methods and Compositions for Preventing and Treating Chronological Aging in Human Skin                 |
| United States<br>US 6,919,072          | 7/19/2005  | 2/25/2017  | Methods and Compositions for Reducing Collagen Loss Due to Chronological Aging in Human Skin           |
| Canada<br>CA 2,326,507                 | pending    | (4/2/2019) | Methods and Compositions for Reducing Collagen Loss Due to Chronological Aging in Human Skin           |
| Japan<br>JP 2002510621                 | pending    |            | Methods and Compositions for Reducing Collagen Loss Due to Chronological Aging in Human Skin           |
| Mexico<br>MX 283269                    | 1/24/2011  | 4/2/2019   | Methods and Compositions for Reducing Collagen Loss Due to Chronological Aging in Human Skin           |
| United States<br>US 6,683,069          | 1/27/2004  | 4/2/2018   | Compositions for Reducing UV-Induced Inhibition of collagen synthesis in Human Skin                    |
| United States<br>US 7,141,238          | 11/28/2006 | 10/17/2018 | Methods and Compositions for Reducing UV-Induced Inhibition of collagen synthesis in Human Skin        |
| United States<br>US 7,268,148          | 9/11/2007  | 5/20/2019  | Compositions and methods for Use Against Acne-Induced Inflammation and Dermal Matrix-Degrading Enzymes |
| Japan<br>JP 2004536781                 | pending    |            | Methods and Compositions for Protecting and Restoring Skin Using Selective MMP Inhibitors              |
| Mexico<br>MX 282908                    | 1/14/2011  | 12/18/2021 | Methods and Compositions for Protecting and Restoring Skin Using Selective MMP Inhibitors              |
| Mexico<br>MX 244071                    | 11/9/2003  | 5/9/2022   | Use of Compositions for Treating Rosacea   |
| United States<br>US 7,078,048          | 7/18/2006  | 10/28/2022 | Method and Compositions for Treating Rosacea   |
| United States<br>US 7,795,302          | 9/14/2010  | 12/22/2024 | Method and Compositions for Treating Rosacea   |
| Canada<br>CA 2,446,356                 | pending    |            | Use of Compositions for Treating Rosacea   |

## Non-Exclusive U-M Patents/Applications

| Jurisdiction & Number         | Issue Date | Expiry Date | Description  |
|-------------------------------|------------|-------------|--|
| Australia<br>AU 2002301116    | 8/31/2006  | 6/3/2018    | Compositions and Methods for Inhibiting Photoaging of Skin                             |
| Canada<br>CA 2,292,600        | 11/27/2007 | 6/3/2018    | Compositions and Methods for Inhibiting Photoaging of Skin                             |
| Canada<br>CA 2,601,462        | 3/15/2011  | 6/3/2018    | Compositions and Methods for Inhibiting Photoaging of Skin                             |
| Israel<br>IL 133194           | 5/4/2009   | 6/3/2018    | Compositions and Methods for Inhibiting Photoaging of Skin                             |
| Japan<br>JP 3554339           | 8/18/2004  | 6/3/2018    | Compositions and Methods for Inhibiting Photoaging of Skin                             |
| New Zealand<br>NZ 501634      | 2/1/2002   | 6/3/2018    | Compositions and Methods for Inhibiting Photoaging of Skin                             |
| New Zealand<br>NZ 513045      | 2/3/2003   | 6/3/2018    | Protection of Vehicle Passengers from UV Radiation                                     |
| Taiwan<br>TW 234467           | 6/21/2005  | 6/4/2017    | Compositions and Methods for Inhibiting Photoaging of Skin                             |
| United States<br>US 6,130,254 | 10/10/2000 | 6/4/2017    | Composition and Method of Inhibiting Photoaging of Skin                                |
| United States<br>US 6,365,630 | 4/2/2002   | 4/2/2019    | Composition and Method of Inhibiting Photoaging of Skin                                |
| United States<br>US 6,942,870 | 9/13/2005  | 6/4/2017    | Compositions and Methods Using Direct MMP inhibitors for Inhibiting Photoaging of Skin |
| South Africa<br>ZA 98/4791    | 6/1/1999   | 6/4/2017    | Compositions and Methods for Inhibiting Photoaging of Skin                             |

**BASF Corporation**

We have an agreement with BASF that grants BASF Corporation, exclusive and non exclusive worldwide right to develop and market certain products relating to skin care that employ our Multistat family of MMPi.

**Johnson & Johnson Consumer and Personal Products Worldwide**

In March 2010, we and Johnson & Johnson Consumer and Personal Products Worldwide, a division of Johnson & Johnson Consumer Companies, Inc. ("JJCPCWW") entered into a License Agreement on an exclusive basis. Under the agreement, we grant certain rights under our proprietary intellectual property related to bactericidal absorbent wound dressings to JJCPCWW to make, have made, use, sell, offer to sell, import or otherwise dispose of the consumer healthcare products and combination products in the over-the-counter market in the United States and Canada.

**Derma Sciences, Inc.**

In April, 2007, we entered into a license agreement with Derma Sciences Inc. for NIMBUS treatment of select substrates used in traditional wound care. In February, 2009 we received FDA market clearance for the NIMBUS gauze wound dressing licensed to Derma Sciences and in June, 2009 Derma Sciences reported first commercial sale of a product, BIOGUARD<sup>®</sup>, employing our NIMBUS technology. Derma Sciences is marketing and selling the BIOGUARD product to the home health, nursing homes, and wound care centers.

**Viridis BioPharma Pvt. Ltd.**

In July, 2010, we and Viridis BioPharma Pvt. Ltd., an India corporation, ("Viridis") entered into an exclusive Patent and Technology License Agreement as stipulated in the binding term sheet on March 16, 2010. Under the agreement, we grant rights under our proprietary NIMBUS antimicrobial technology to Viridis to make, use, sell and offer for sale certain wound treatment products to the institutional market, pharmaceutical companies, distributors, hospitals, clinics, licensed chemists, pharmacists and medical wings of organizations in the Republic of India and its territories and possessions. Viridis agreed it would only manufacture the products in India, unless otherwise agreed to by us. In September 2010, Viridis obtained India FDA clearance to manufacture and market their product in India.

**Avery Dennison Corporation**

In April, 2011, we entered into a license agreement (the "Agreement") with Avery Dennison Corporation ("Avery"). Under the Agreement, we grant Avery a worldwide exclusive right and license to use our proprietary NIMBUS® antimicrobial technology in antimicrobial adhesives for medical devices. In addition, we grant Avery a three-year exclusive single right of first option to negotiate with us for exclusive licenses of a Next Generation Antimicrobial Adhesives Technology and our *Stay Fresh* Technology within the adhesives market both of which are our proprietary technologies. As consideration, Avery will pay us lockout fees over a three to four year period and royalties for products to which our technologies are incorporated. Avery will lose the exclusivity of license unless it pays the lockout fees and minimum royalty at agreed times and makes commercially reasonable efforts to generate sales of its products. The Agreement will remain effective until the expiration of the last to expire of our proprietary intellectual property.

**Government Regulation**

The research and development, manufacture, and marketing of human pharmaceutical and diagnostic products and devices are subject to regulation, in the United States primarily by the Food and Drug Administration, and by comparable authorities in other countries. These national agencies and other federal, state, and local entities regulate, among other matters, research and development and the testing, manufacturing, safety, handling, effectiveness, labeling, storage, record keeping, approval, advertising, and promotion of the products like those we are developing.

Failure to comply with applicable regulatory requirements can result in the refusal by regulatory agencies to approve product licensing or the revocation of approvals previously granted. Non-compliance can also result in fines, criminal prosecution, recall or seizure of products, total or partial suspension of production, or refusal to enter into additional contracts.

Any regulatory clearances that are received for a product may be subject to limitations on approved uses for the product. After obtaining marketing clearance for any product, the manufacturer and the manufacturing facilities for that product will be subject to continual review and periodic inspections by the Food and Drug Administration and other regulatory authorities. If previously unknown problems with the product or with the manufacturer or facility are discovered, restrictions may be imposed on the product or manufacturer, including an order to withdraw the product from the market. If we, and any contract manufacturers we choose to engage, fail to comply with applicable regulatory requirements, we may be fined, suspended or subject to withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

We work with a law firm specializing in regulatory affairs with respect to the pharmaceutical, cosmetic, and medical device industries. In addition, we utilize the services of FDA and EPA consulting firms with experience in antimicrobial medical device regulatory filings and EPA filings. These firms will be able to assist us with the following regulatory activities when required:

- Regulatory Strategy and Liaison with the Food and Drug Administration;
- Regulatory Strategy and Liaison with the Environmental Protection Agency;
- Non-clinical and clinical program assessment/development;
- Non-clinical and clinical protocol review/monitoring of studies;
- Regulatory affairs management/guidance;
- Product development and launch strategy;
- Validation of methods/processes;
- Product development strategies/assessment;
- Product compliance; and
- Label and labeling compliance.

**Food and Drug Administration**

Many of the end-user applications for our technology are regulated in the U.S. as medical devices by the FDA. The Agency's regulations govern, among other things: pre-clinical testing; product design and development; pre-market clearance or approval; advertising and promotion; labeling; manufacturing; product import/export; storage; record keeping; reporting of adverse events; corrective actions and removals; recalls; and distribution.

Unless an exemption applies, each medical device to be commercially distributed in the United States required either a prior 510(k) clearance or prior pre-market approval ("PMA") from the FDA. The FDA classifies medical devices into one of three classes, depending on the degree of risk associated with the device and the extent of controls that are needed to ensure safety and effectiveness. Devices deemed to pose the least risk are placed in Class I. Intermediate risk devices, or Class II devices, in most instances require the manufacturer to submit to the FDA a pre-market notification, requesting authorization for commercial distribution, known as 510(k) clearance, and may subject the device to special controls, such as performance standards, guidance documents specific to the device, or post-market surveillance. Most Class I and some low-risk Class II devices are exempted from this 510(k) requirement. Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting, or implantable devices, or a device deemed to be not substantially equivalent to a previously cleared 510(k) device, are placed in Class III. In general, a Class III device cannot be marketed in the U.S. unless the FDA approves the device after submission of a PMA. The FDA can also impose restrictions on the sale, distribution, or use of devices at the time of their clearance or approval, or subsequent to marketing.

**510(k) Clearance Pathway**

A 510(k) pre-market notification is submitted to the FDA to demonstrate that the new device is "substantially equivalent" to a previously cleared 510(k) device or a device that was in commercial distribution before May 29, 1976 (or to a pre-1976 Class II device for which the FDA has not yet called for the submission of PMAs). Such devices are deemed to be "predicate devices" for future applications. The FDA attempts to respond to a 510(k) within 90 days of submission, but the response may be a request for additional information or data, sometimes including clinical data. As a practical matter, 510(k) clearance can take significantly longer than 90 days, potentially up to a year or more. If the FDA determines that the device, or its intended use, is not substantially equivalent to a previously cleared device or use, the FDA will place the device, or the particular use of the device, into Class III.

After a device receives 510(k) clearance for a specific intended use, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design, or manufacture, will require a new 510(k) clearance or could require a PMA. The FDA requires each manufacturer to make this determination initially, but the FDA can review any such decision and can disagree with a manufacturer's determination. If the FDA disagrees with a manufacturer's determination that a new clearance or approval is not required for a particular modification, the FDA can insist that the manufacturer cease marketing and/or recall the modified device until 510(k) clearance or pre-market approval is obtained.

**Pre-Market Approval Pathway**

A PMA must be submitted if the device cannot be cleared through the 510(k) process. The PMA process is much more demanding than the 510(k) pre-market notification process. A PMA must be supported by extensive data and information including, but not limited to, technical, pre-clinical, clinical, manufacturing and labeling to establish the safety and effectiveness of the device to the FDA's satisfaction. A PMA usually also requires a substantial application fee, which is over \$100,000 for a small business entity.

After the FDA determines that a PMA is complete, the agency accepts the application and begins an in-depth review of the submitted information. The FDA, by statute and regulation, has 180 days to review an accepted PMA, although the review generally occurs over a significantly longer period of time, and can take up to several years. During this review period, the FDA may request additional information or clarification of information already provided. Also, during the review period, an advisory panel of experts from outside FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. In addition, the FDA will conduct a pre-approval inspection of the manufacturing facility to ensure compliance with the Quality System Regulations. New PMA applications or supplemental PMAs are required for significant modifications to the manufacturing process, labeling, use and design of a device that is approved through the PMA process. PMA supplements often require submission of the same type of information as a PMA, except that the supplement is limited to information needed to support any changes from the device covered by the original PMA and may not require as extensive clinical data or the convening of an advisory panel.

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#### **De Novo: Alternative Pathway to PMA**

If a medical device is found NSE (not substantially equivalent) by the FDA, an alternative pathway to the lengthy and costly PMA is available for low risk devices. The FDA Modernization Act of 1997 amended Section 513 (f) (2) of the Federal Food, Drug and Cosmetic Act (the Act) to provide this mechanism to reclassify statutorily classified class III products. This is considered a fairly unique pathway for clearance and typically is only allowed for new technologies of low risk. The FDA allows unlimited responses when on this pathway, different than the three allowed responses under a normal 510(k). A device placed into class I or II in this written order can then be commercially distributed, subject to other applicable provisions of the Act. A device classified into class I or II under this new provision becomes a predicate device for future premarket notification submissions, which means that a manufacturer may show that a new device is substantially equivalent to this predicate. This route to clearance is referred to as de novo because it establishes a new alternative for a new technology.

On February 26, 2009, we received clearance from the FDA for our De Novo application of our patented NIMBUS barrier gauze wound care dressings. This represents the first FDA clearance for NIMBUS – an innovative technology that was put through FDA's De Novo process, a special clearance program for medical devices that are found to be "not substantially equivalent" to any predicate device.

In October, 2009, the FDA issued a guidance document specific to one of the NIMBUS active agents, pDADMAC. The guidance protects the future applications and submissions for pDADMAC to our patented claims and uses.

#### **Environmental Protection Agency**

The EPA regulates, among other things, antimicrobial products that are intended to destroy, prevent, repel, or mitigate any microorganism declared by EPA to be a "pest" pursuant to its authority under the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"). Microorganisms declared to be pests by EPA are "any fungus, bacterium, virus, or other microorganisms, except for those on or in living man or other living animals and those on or in processed food or processed animal feed, beverages, drugs (as defined in sec. 201(g)(1) of the Federal Food, Drug, and Cosmetic Act ("FFDCA")) and cosmetics (as defined in FFDCA sec. 201(i)), 40 C.F.R. § 152.5(d). The principal EPA requirement is that antimicrobial products subject to EPA's jurisdiction under FIFRA be "registered" for the intended use under Section 3 of FIFRA. States also require registration of such products under state law. EPA registration requires among things the submission of data and information sufficient to allow EPA to make a determination that the product will perform its function without unreasonable adverse effects on health or the environment.

A number of the NIMBUS and *Stay Fresh* applications may require FIFRA registration for the specific end-use application. We successfully registered *Stay Fresh* with EPA as an antimicrobial textile treatment in January 2011 and we are in the process of applying for selected state registrations. *Stay Fresh* is the only antimicrobial technology containing hydrogen peroxide approved by the U.S. Environmental Protection Agency for imparting antimicrobial preservation of textiles. The major component of NIMBUS is currently registered with EPA by a third-party for certain unrelated uses, and Quick-Med intends, in collaboration with strategic corporate partners, to obtain its own EPA and state registrations for NIMBUS for antimicrobial use. After the registrations are secured, articles treated with the NIMBUS or *Stay Fresh* technologies will not be required to be registered separately with EPA or the states, provided the antimicrobial claims made for such articles are limited to the control of odor-causing bacteria or "treated article" claims. The intended use of NIMBUS or *Stay Fresh*-treated articles for the control of pathogenic organisms will require that the article itself be registered with EPA in those cases where the treated article falls under EPA jurisdiction.

#### **Distribution of Technologies /Future Products**

Because we plan for industry partners in the medical and consumer healthcare markets to market and distribute co-developed products or products that incorporate our technologies, we will not directly distribute such products. Instead, we will rely upon our industry partners to utilize their advertising, name recognition, and other marketing techniques to promote such products or products that incorporate our technologies.

#### **Customers**

Our customers are companies interested in licensing our technologies or otherwise partnering with us. Because our technologies are intended to be used in potentially widely used products that are used by the general public, such as cosmetic anti-aging products, wound care products, apparel and personal care, we do not anticipate becoming dependent upon a few customers; however, to the extent that we enter into agreements with industry partners upon which we will become dependent for the marketing and distribution of such products, should any such agreements be terminated for any reason, our potential revenues and operations will be negatively impacted.

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#### **Employees**

We have ten (12) full time employees, ten (10) of whom are full time. Our non full-time employees including several consulting scientists with PhDs in their fields and part time employees to provide the necessary expertise in performing testing and participating in certain of our development projects.

Additionally, we utilize a consulting Chief Financial Officer, who is a certified public accountant.

#### **Cost of Compliance with Environmental Laws**

Because our potential products will be manufactured and sold by third parties, we are not directly subject to environmental laws other than the requirements applicable to the operation of our Research and Development Center.

#### **Research and Development**

During our fiscal year ended June 30, 2010, we spent \$1,223,527 on research and development. During our 2009 fiscal year, we spent \$1,063,450 on research and development. We intend to continue and expect our research and development efforts at similar level during the current 2011 fiscal year.

**ITEM 1A. RISK FACTORS**

An investment in the shares of our common stock involves a substantial risk of loss. You should carefully read this entire report and should give particular attention to the following risk factors. You should recognize that other significant risks may arise in the future, which we cannot foresee at this time. Also, the risks that we now foresee might affect us to a greater or different degree than expected. There are a number of important factors that could cause our actual results to differ materially from those indicated by any forward-looking statements in this document. These factors include, without limitation, the risk factors listed below and other factors presented throughout this document and any other documents filed by us with the Securities and Exchange Commission.

*Our independent registered public accounting firm has issued a going concern opinion on our audited financial statements for the fiscal years ended June 30, 2011 and 2010 because, during those periods, the Company experienced recurring losses and negative cash flows from operations as well as a net capital deficiency at June 30, 2011. These matters raise substantial doubt about our ability to continue as a going concern.*

We have been dependent primarily on private placements of our equity securities and stockholder loans to fund our operations, including research and development and efforts to license our products. Such funding may not be available to us when needed, on commercially reasonable terms, or at all. If we are unable to obtain additional financing if needed, we will likely be required to curtail our operating plans and possibly cease our operations. In addition, any additional equity financing may involve substantial dilution to our then-existing stockholders.

*We have a history of significant losses and we may never achieve or sustain profitability. If we are unable to become profitable, our operations will be adversely effected.*

We have incurred annual operating losses since our inception and our operations have never been profitable. At June 30, 2011, we had an accumulated deficit of \$25,961,968. Our gross revenues for the years ended June 30, 2011 and 2010, were \$1,039,579 and \$993,943, respectively with losses from operations of \$2,051,788 and \$2,084,969, respectively, and net losses of \$2,303,216 and \$3,550,165 respectively. There can be no assurance that we will ever become profitable. If we do not become profitable, we may have difficulty meeting our business goals.

*We have risks associated with our dependence on third party developers to commercialize our technology. If we are unable to attract such developers to exploit our technologies, our business will fail. Alternatively, if such developers fail to commercialize our technology, it would have a material adverse effect on our business, financial condition and results of operations.*

We depend upon third parties to develop products that utilize our technologies. We must attract such third parties to develop and commercialize our technologies into end-user applications. If we are unable to do so our business model will fail.

The inability of a developer to make products in a timely manner, including as a result of local financial market disruption which could impair the ability of such developers to finance their operations, or to meet quality standards, could cause us to miss the delivery date requirements of to their customers for those items, which could result in cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could have a material adverse effect on our financial condition and results of operations.

For instance, BASF Corporation develops and commercializes our MultiStat technology pursuant to a product development and distribution agreement, whereby it formulates our proprietary compound to specifications as ordered by cosmetic companies. BASF makes these formulations ("actives") in kilograms containing our proprietary compound and ships them to cosmetic customers. They, in turn, will mix the actives in their formulations and sell the products to the end users. Any event that materially and adversely affects BASF's ability or willingness to develop such technology will affect our revenues.

*Our intellectual properties may become obsolete if we are unable to stay abreast of technological developments.*

The biomedical industry is characterized by rapid and continuous scientific and technological development. If we are unable to stay abreast of such developments, our technologies may become obsolete. We lack the substantial research and development resources of some of our competitors. This may limit our ability to remain technologically competitive.

Other companies could create a technology that competes effectively with our NIMBUS, *Stay Fresh*, NimbuDerm and MultiStat technologies, and we may be unable to maintain our existing, or capture additional, market share in our markets. Based upon our review of the industry, we are unaware of any company today that markets a technology that is similar to our technologies. Nonetheless, our intended markets generally are dominated by very large corporations (or their subsidiaries), which have greater access to capital, manpower, technical expertise, distribution channels and other elements which would give them a competitive advantage over us were they to begin to compete directly against us. It is possible that these and other competitors may implement new, advanced technologies before we are able to, thus affecting our ability to license our intellectual properties at profitable rates.

We cannot assure investors that we will be able to achieve the technological advances to remain competitive and become profitable, that new intellectual properties will be researched, tested and developed, that anticipated markets will exist or develop for our technologies, or that any product or services incorporating our intellectual properties will not become technologically obsolete.

***We are dependent on our patents and other intellectual property right protections. The failure to obtain patent protection could have a material adverse effect on our business, financial condition and results of operations.***

We have employed proprietary technologies to license our intellectual properties. We seek to protect our intellectual property rights through a combination of patent filings, trademark registrations, confidentiality agreements and inventions agreements. However, no assurance can be given that such measures will be sufficient to protect our intellectual property rights. If we cannot protect our rights, we may lose our competitive advantage. Moreover, if it is determined that our products infringe on the intellectual property rights of third parties, we may be prevented from marketing or licensing our intellectual properties to others.

The failure to protect our patents, trademarks and trade names, may have a material adverse effect on our business, financial condition and operating results. Litigation may be required to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of proprietary rights of others. Any action we take to protect our intellectual property rights could be costly and could absorb significant amounts of our management's time and attention. In addition, as a result of any such litigation, we could lose any proprietary rights we have. If any of the foregoing occurs, we may be unable to execute our business plan and you could lose your investment.

***Government regulation plays a significant role in our ability to market our technologies in the medical and consumer markets.***

Certain applications of our technologies are required to meet the government regulations by the FDA and or EPA. Failure to meet or to obtain the approvals from these government agencies will limit our ability to market our technologies to prospective clients.

***We depend on key personnel in a competitive market for skilled employees, and failure to retain and attract qualified personnel could substantially harm our business.***

We believe that our future success will depend in large part on our ability to attract and retain highly skilled scientific, technical and management personnel. In 2007, we obtained loans from our largest shareholder and a major shareholder to pay for one year salary of our Chief Executive Officer and Director beginning in June 2007. If we are unable to hire the necessary personnel, the development of our business will likely be delayed or prevented. Competition for these highly skilled employees is intense. As a result, we cannot assure you that we will be successful in retaining our key personnel or in attracting and retaining the personnel we require for expansion.

***We may be liable for products liability claims for which we have no insurance.***

Although we do not manufacture products and the partners that we license our technologies to have their own products liability insurance coverage (under which we are covered or indemnified against such liabilities), we may be sued for products liability if products incorporating our patented technologies injure the end user. In the event that we are sued on this basis, liability claims could require us to spend significant time and money in litigation and pay significant damages that are not covered by insurance. As a result, any of these claims, whether or not valid or successfully prosecuted, could have a material adverse effect on our business and financial results.

***Failure to repay our loan obligations may severely impair our business operations, assets and your investment in the Company.***

We have several loans outstanding, including loans from our largest shareholder and a major shareholder. If we are unable to successfully repay or restructure loans from our largest shareholder and a major shareholder, or our other outstanding liabilities as they become due, we may have to liquidate our business and undertake any or all the steps outlined below:

- Significantly reduce, eliminate or curtail our business, operating and research and development activities so as to reduce operating costs;
- Sell, assign or otherwise dispose of our assets, if any, to raise cash or to settle claims by creditors, including our largest shareholder and our other major shareholder;
- Pay our liabilities in order of priority, if we have available cash to pay such liabilities;
- If any cash remains after we satisfy amounts due to our creditors, distribute any remaining cash to our stockholders in an amount equal to the net market value of our net assets;
- File a Certificate of Dissolution with the State of Nevada to dissolve our corporation and close our business;
- Make the appropriate filings with the Securities and Exchange Commission so that we will no longer be required to file periodic and other required reports with the Securities and Exchange Commission, if, in fact, we are a reporting company at that time; and
- Make the appropriate filings with the Financial Industry Regulatory Authority to affect a delisting of our stock.

***We have not paid cash dividends and it is unlikely that we will pay cash dividends in the foreseeable future. Investing in our securities will not provide you with income.***

We plan to use all of our earnings, to the extent we have earnings, to fund our operations. We do not plan to pay any cash dividends in the foreseeable future. We cannot guarantee that we will, at any time, generate sufficient surplus cash that would be available for distribution as a dividend to the holders of our common stock. You should not expect to receive cash dividends on our common stock.

***We have the ability to issue additional shares of our common stock, without asking for stockholder approval, which could cause your investment to be diluted.***

Our Articles of Incorporation currently authorize the Board of Directors to issue up to 100,000,000 shares of common stock. The authority of the Board of Directors to issue shares of common stock, or warrants or options to purchase shares of common stock, is generally not subject to stockholder approval. Accordingly, any additional issuance of our common stock may have the effect of further diluting your investment.

***We may raise additional capital through a securities offering that could dilute your ownership interest.***

We require substantial working capital to fund our business. If we raise additional funds through the issuance of equity, equity-related or convertible debt securities, these securities may have rights, preferences or privileges senior to those of the holders of our common stock. The issuance of additional common stock by our management will also have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock.

***The market for our common stock is volatile. This affects both the ability of our investors to sell their shares, as well as the price at which they are able to sell their shares.***

The market price for our common stock is extremely volatile and is significantly affected by factors such as reports written by third parties, over whom we have no control, about our business and sales of large amounts of our common stock relative to our average volume. Furthermore, in recent years the stock market has experienced extreme price and volume fluctuations that are unrelated to the operating performance of the affected companies. These volatile conditions may make it difficult for you to sell our common stock at a price that is acceptable to you.

***There is a limited public market for our common stock and our stockholders may be unable to liquidate their shares.***

Our common stock is quoted on the Inter-dealer Quotation/Trading Systems of the Over-the-Counter Markets Group for the U.S. reporting company marketplane under the symbol QMDT.QB, and there is a limited volume of sales, thus providing limited liquidity for our shares. As a result, stockholders may be unable to sell their shares in a timely manner.

***Our executive officers and directors control a large percentage of our common stock, which allow them to control matters submitted to stockholders for approval.***

Our executive officers and directors (and their affiliates), in the aggregate, own approximately 35.3% of our outstanding common stock, and a significant portion of our outstanding voting stock. Therefore, our officers and directors and the affiliates have the ability to significantly influence the outcome of matters submitted to our stockholders for approval (including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets) and to control our management and affairs. This concentration of ownership may have the effect of entrenching management and delaying, deferring or preventing a change in control, impede a merger, consolidation, takeover or other business combination or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control, which in turn could have an adverse effect on the market price of our common stock.

**ITEM 2. PROPERTIES**

Our corporate headquarters are located at 902 NW 4 Street, Gainesville, Florida. This 3,200 square foot premises is composed of offices and an equipped laboratory. We pay monthly lease payment of \$2,150 and our lease expires on February 1<sup>st</sup>, 2013.

Our office and laboratory facilities are in good condition and are sufficient to conduct our operations.

We do not own real estate at this time and we have no agreements to acquire any properties.

**ITEM 3. LEGAL PROCEEDINGS**

The Company is not currently involved in any legal proceeding, and we are not aware of any material legal proceedings pending or threatened against us. We are also not aware of any material legal proceedings involving any of our directors, officers, or affiliates or any owner of record or beneficially of more than 5% of any class of our voting securities.

**ITEM 4. RESERVED**

**PART II**

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

**Market Information**

Our common stock is currently trading on the Inter-dealer Quotation/Trading Systems of the OTC Markets Group for the U.S. reporting company marketplace under the symbol QMDT.QB. Our common stock began to be quoted on September 4, 2002 on the OTC Bulletin Board under the symbol QMDT. The following table sets forth the range of high and low closing bid price per share of our common stock for the fiscal quarters indicated. The OTC Market quotations represent quotations between dealers without adjustment for retail mark-up, markdowns or commissions and may not represent actual transactions.

|                | Year Ended June 30, 2011 |        |
|----------------|--------------------------|--------|
|                | High                     | Low    |
| Fourth Quarter | \$0.90                   | \$0.25 |
| Third Quarter  | \$0.75                   | \$0.30 |
| Second Quarter | \$0.75                   | \$0.45 |
| First Quarter  | \$1.18                   | \$0.55 |

|                | Year Ended June 30, 2010 |        |
|----------------|--------------------------|--------|
|                | High                     | Low    |
| Fourth Quarter | \$1.25                   | \$0.80 |
| Third Quarter  | \$1.25                   | \$0.55 |
| Second Quarter | \$0.90                   | \$0.58 |
| First Quarter  | \$1.00                   | \$0.41 |

**Holders**

As of June 30, 2011, there were 89 holders of record of our common stock. We have one class of common stock, \$0.0001 par value, outstanding.

**Dividends**

We have not declared or paid any cash dividends on our common stock since inception. We intend to retain our future earnings, if any, in order to finance the expansion of our business and we do not anticipate that any cash dividends will be paid in the foreseeable future. Our future dividend policy will depend on our earnings, capital requirements, expansion plans, financial condition and other relevant factors.

**Penny Stock Considerations**

Our shares are "penny stocks" which term is generally defined in the Securities Exchange Act of 1934 as equity securities with a price of less than \$5.00. Our shares may be subject to rules that impose sales practice and disclosure requirements on broker-dealers who engage in certain transactions involving a penny stock.

Under the penny stock regulations, a broker-dealer selling a penny stock to anyone other than an established customer or "accredited investor" must make a special suitability determination regarding the purchaser and must receive the purchaser's written consent to the transaction prior to the sale, unless the broker-dealer is otherwise exempt. Generally, an individual with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 individually or \$300,000 together with his or her spouse is considered an accredited investor. In addition, under the penny stock regulations the broker-dealer is required to:

- § Deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt;
- § Disclose commissions payable to the broker-dealer and its registered representatives and current bid and offer quotations for the securities;
- § Send monthly statements disclosing recent price information pertaining to the penny stock held in a customer's account, the account's value, and information regarding the limited market in penny stocks; and
- § Make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction, prior to conducting any penny stock transaction in the customer's account.

Because of these regulations, broker-dealers may encounter difficulties in their attempt to sell shares of our common stock, which may affect the ability of selling stockholders or other holders to sell their shares in the secondary market and have the effect of reducing the level of trading activity in the secondary market. These additional sales practices and disclosure requirements could impede the sale of our securities. In addition, the liquidity for our securities may be adversely affected, with a corresponding decrease in the price of our securities. Our shares are currently subject to such penny stock rules and our stockholders will, in all likelihood, find it difficult to sell their securities.

**Recent Sales of Unregistered Securities**

During the quarter ended June 30, 2011, we sold 2,032,143 shares of common stock to four purchasers for a price of \$0.28 per share or an aggregate of \$569,000 in cash. We paid no cash fees in connection with this offering, however, we issued up to 375,714 shares of restricted common stock to a consultant who provided assistance in connection with this transaction and those similar transactions under the same terms. These issuance of the securities describe above were exempt from the registration requirements of the Securities Act under Rule 4(2) and Regulation D and the rules thereunder, including Rule 506 insofar as: (1) the purchasers were each accredited investors within the meaning of Rule 501(a); (2) the transfer of the securities were restricted by us in accordance with Rule 502(d); (3) there were no other non-accredited investors involved in the transaction within the meaning of Rule 506(b); and (4) the offer and sale of the securities was not effected through any general solicitation or general advertising within the meaning of Rule 502(c). We placed restrictive legends on the certificates representing these securities issued to the purchasers stating that the securities were not registered under the Securities Act and are subject to restrictions on their transferability and resale.

**Securities Authorized for Issuance Under Equity Incentive Plans**

The following table sets forth information regarding awards made through compensation plans or arrangements through June 30, 2011, our most recently completed fiscal year.

|  | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding outstanding securities shown herein) |
|--|---|---|--|
| Equity compensation plans approved by security holders     | 4,794,270   | \$0.57  | 666,318  |
| Equity compensation plans not approved by security holders | 974,920   | \$0.47  | N/A  |
| <b>Total</b>   | <b>5,769,190</b>  | <b>\$0.55</b>   | <b>666,318</b>   |

Our 2001 Equity Incentive Plan (the "2001 Plan") authorizes the issuance of options, right to purchase Common Stock and stock bonuses to officers, employees, directors and consultants. The 2001 Plan was amended and restated to increase the total number of shares available to 6,000,000 shares. We reserved 6,000,000 shares of our common stock for awards to be made under the 2001 Plan. The 2001 Plan is administered by a committee comprised of two or more members of the Board of Directors or, if no committee is appointed, then by the Board of Directors. The 2001 Plan allows for the issuance of incentive stock options (which can only be granted to employees), non-qualified stock options, stock awards, or stock bonuses. The committee, or the Board of Directors if there is no committee, determines the type of award granted, the exercise price, the option term, which may be no more than ten years, terms and conditions of 2001 and methods of exercise. Options must vest within ten years. The Board of Directors also authorizes the issuance of warrants, right to purchase Common Stock, to award or pay for services provided by consultants or non-employees. These warrants have the same terms as those of the stock options in all material respects. The Plan description and its activities up to the fiscal year ended are disclosed in our financial statements for the fiscal year ended contained herein. The number of options under the 2001 Plan available for grant at June 30, 2011 was 666,318.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with our audited financial statements and related notes included therein. The terms "the Company," "we," "our" or "us" refer to Quick-Med Technologies, Inc. This discussion contains forward-looking statements based on our current expectations, assumptions, and estimates. The words or phrases "believe," "expect," "may," "anticipates," or similar expressions are intended to identify "forward-looking statements." Actual results could differ materially from those projected in the forward-looking statements as a result of a number of risks and uncertainties pertaining to our business, including: (a) because we have a limited operating history and our technologies are still evolving, we may not be able to successfully manage our business or achieve profitability; (b) our technology and product development processes, which include substantial regulatory approvals, are lengthy and expensive and there is no assurance that we will have sufficient resources to complete development related to these processes; (c) our history of losses make it difficult for you to evaluate our current and future business and prospects and future financial results; (d) we have negative cash flow from operations and an accumulated deficit that raises substantial doubt about our ability to continue as a going concern; (e) our future business is dependent upon third parties to market, manufacture, and distribute our technologies and/or products or jointly developed products; (f) there is no assurance that our technologies or products that employ our technologies will be accepted in the marketplace; (g) we do not currently carry product liability insurance and should we be subject to product liability claims, our financial condition may be adversely affected; (h) our operations are currently funded by the revenues and our debt and equity financings, however, there are no assurances that such financings will be sufficient to ensure our future financial performance and viability; (i) we have substantial debt obligations due to largest shareholder and a major shareholder, who have funded our operations, debt obligations that are secured by our assets and revenues and are senior obligations; and (j) there is no assurance that we will be able to attract and retain highly skilled scientific, technical and management personnel, who are critical to our success. Statements made herein are as of the date of the filing of this Form 10K with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

**Overview**

Quick-Med is a life sciences company focused on developing proprietary, broad-based technologies in the consumer and healthcare markets. Our four core technologies are: (1) Novel Intrinsicly Micro-Bonded Utility Substrate (NIMBUS®), a family of advanced polymers bio-engineered to have antimicrobial, hemostatic, and other properties that can be used in a wide range of applications; (2) *Stay Fresh* is a unique chemical formulation for textiles with a durable antimicrobial agent effective against an array of bacteria even after numerous laundering cycles; (3) NimbuDerm is a novel copolymer for application as a persistent hand sanitizer with long lasting protection against germs. Other applications include medical devices such as catheters, tubing, films and coatings; and (4) MultiStat®, a family of advanced patented methods and compounds shown to be effective in skin therapy applications. Currently, NIMBUS technology has been commercialized in an advanced wound care product by our licensee in the institutional market in late June 2009. The Company targets NIMBUS technology for additional advanced wound care products, catheters, incontinence products, and other medical devices. MultiStat has been developed in a cosmetic product line with the anti-aging products. *Stay Fresh* is currently under development with a broad range of potential applications including consumer textile market. NimbuDerm is also a technology currently being developed.

Our strategy is to further develop our core technologies as well as develop future technologies. We will attempt to commercialize these technologies through strategic licensing partnership agreements, joint ventures, or co-development agreements. We do not intend to manufacture or distribute final products; instead, we will seek partnership arrangements and/or license agreements with third parties to develop products that use our technologies and who will perform the manufacturing, marketing, and distribution functions associated with our technologies.

Our business model has been to attempt to develop the following revenue segments:

- Royalty and license fees;
- Profit sharing revenues;
- Research and development fees paid to us in connection with joint development agreements; and
- Government research and development grants.

Our potential revenues will be derived from government agencies and the following types of companies in connection with our NIMBUS®, *Stay Fresh*, NimbuDerm and MultiStat technologies:

- Healthcare and medical;
- Apparel and textile; and
- Personal care companies.

Uncertainties and Trends

Our revenues are dependent now and in the future upon the following factors:

- Acceptance of our technologies or future technologies in the marketplace;
- Our partners' ability to develop, market and distribute our technologies under a strategic partnership agreement;
- Demand for products or future products that utilize our technologies;
- Our ability to secure license or profit sharing related agreements and secure government research and development grants;
- Our ability to market our technologies to health care, apparel, cosmetic, and personal care companies;
- Our ability to successfully conduct laboratory and clinical testing of our potential products; and
- Our ability to obtain regulatory approval of our future products.

Uncertainties or trends that may affect our business also include the possibility (i) that known or unknown competitors may develop products with similar applications to our proposed products, which may prove to be superior in performance and/or price to our products and (ii) that proposed applications involving our products have collateral effects which render the application undesirable or unmarketable.

Recent Developments

In August 2011, the United States Patent and Trademark Office granted the U.S. Patent No. 8,007,921 entitled "Gypsum Board Containing Antimicrobial and Antibacterial Compounds." This is the fifth patent on our NIMBUS technology. This key patent not only addresses a process for rendering gypsum wall board antimicrobial but also covers the non-leachable bonding of an antimicrobial from the NIMBUS family of polycations which performs two functions. First, it acts as an antimicrobial agent. Second, it serves as a stabilizer for a non-polymeric second antibacterial in the form of an ionic compound that is slowly released in the presence of moisture. The combination represents a most effective treatment that acts to prevent growth of a broad spectrum of bacteria and fungi. The value of this combination is in its ability to prevent the proliferation of order and stain causing microorganisms.

**Capital Expenditures and Requirements**

From 2000 to June 2011, we have spent approximately \$920,000 on the acquisition of patents and exclusive license agreements. We owe an additional \$160,000 to Dr. Richard Galarly which is due when certain milestones are met in connection with a September 2000 license agreement we have with Dr. Galarly and Dr. Damian Grobeny. This license agreement provides that we compensate Dr. Galarly and Dr. Grobeny with our common stock and cash for the exclusive license of the Ilomastat technology invented by them.

We do not expect any significant additions to property, plant and equipment.

**Critical Accounting Policies and Estimates**

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Financial Statements, which we have prepared in accordance with U.S. generally accepted accounting principles. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts. The estimates and assumptions are evaluated on an on-going basis and are based on historical experience and on various other factors that are believed to be reasonable. Estimates and assumptions include, but are not limited to economic useful lives of fixed and intangible assets, income taxes, valuation of options and warrants granted and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. We believe that the estimates, assumptions and judgments involved in revenue recognition, receivables and allowances for doubtful accounts, accruals including stock-based compensation, deferred costs, research and development, and impairment of intangible assets have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies.

**Results of Operations****Comparison of Years Ended June 30, 2011 and 2010**

**Revenues.** During the year ended June 30, 2011 we had \$1,039,578 of revenues, compared to \$993,943 of revenues for the year ended June 30, 2010, representing a slight increase of 5% in our revenues. Our revenues during the year ended June 30, 2011 consisted of: (a) \$492,572, which represented our royalties in the form of revenue share from the MultiStat product sales by BASF Corporation ("BASF"), in connection with a manufacturing and distribution agreement we have with BASF for product development, manufacturing and distribution (the "BASF Agreement"); (b) \$303,256 in royalty and license fees consisting of \$279,264 in royalty fees from the sales of BIOGUARD<sup>®</sup> advanced wound care product by Derma Sciences, Inc., our licensee, and \$23,992 in license fees representing the earned portion of the license fees from our licensees; and (c) \$243,750, which represented the revenue earned from the small business innovation research program and the revenue earned from the joint development projects. While we noted that the MultiStat product sales by BASF has been steady from year to year, however, given the current state of the economy, in particular in the retail cosmetic industry, we cannot anticipate the MultiStat product sales by BASF for the subsequent quarters given market uncertainties.

Our revenues during the year ended June 30, 2010 consisted of: (a) \$517,027, which represented our royalties from the product sales by BASF; (b) \$174,416 in royalty and license fees consisting of \$164,121 in royalty fees from the sales of BIOGUARD<sup>®</sup> advanced wound care product by Derma Sciences, Inc., our licensee, and (c) \$10,295 in license fees representing the earned portion of the license fees from our licensees. This BIOGUARD<sup>®</sup> product was launched in late June 2009 and the royalty fees related to the sales of this product were \$239,121 from June 2009 to the year ended June 30, 2010; and (c) \$302,500, which represented the revenue earned from the small business innovation research program and the revenue earned from the joint development projects.

We grant BASF the exclusive and non-exclusive licenses to develop and market our Ilomastat product for the field of over-the-counter anti-aging (chronological aging or photoaging) cosmetics. Under the terms of this agreement, we and BASF share the net revenues in each contract calendar year beginning January 1, 2008 until December 31, 2010 in accordance with certain sharing percentages as defined in the agreement. Both parties extended the BASF agreement until December 31, 2014.

**Operating Loss.** Operating loss for the year ended June 30, 2011 was \$2,051,789 as compared to \$2,084,969 in operating loss for the year ended June 30, 2010, representing a slight decrease of 2% or \$33,180 in operating loss. The decrease in operating loss was primarily attributable to a slight increase in revenues of \$45,635 coupled with a small increase in expenses of \$12,455 for the fiscal year ended June 30, 2011. The slight increase in expenses was primarily due to the following: (a) a decrease in research and development expenses of \$200,459 or 16%; (b) an increase of \$152,704 or 10% in general and administrative expenses; (c) an increase of \$61,904 or 24% in licensing and patent expenses; and (d) a slight increase of \$562 or 2% in cost of revenues, as described in more detail below.

**Research and Development Expense.** Research and development expense decreased by \$200,459 or 16% to \$1,023,068 for the year ended June 30, 2011, from \$1,223,527 for the year ended June 30, 2010. The decrease in research and development expense is primarily attributable to a reduction in the remaining subcontractor expenses related to the SBIR phase II program, and lower stock-based compensation expenses than in prior year comparable period.

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**General and Administrative Expense.** General and administrative expense increased by \$152,704 or 10% to \$1,652,570 for the year ended June 30, 2011, from \$1,499,866 for the year ended June 30, 2010. This increase in our general and administrative expenses is mainly due to the implementation of our investor relations programs, financing expenses and larger royalty fees incurred by us offset by lower stock-based compensation expenses than in prior year.

**Licensing and Patent Expense.** Licensing and patent expense increased by \$61,904 or 24% to \$323,440 for the year ended June 30, 2011 from \$261,536 for the year ended June 30, 2010. This increase was primarily due to higher consulting patent legal fees, annual annuity fees for our patents and patent applications and more annuity fees for more patent applications, inclusive of those in foreign jurisdictions, than those of prior comparable period.

**Other Income.** In October 2010, we were awarded a grant of approximately \$244,000 before the direct expenses related to the grant application, by the U.S. government under the Qualifying Therapeutic Discovery Project ("QTDP") program to advance the development of the NIMBUS technology for wound dressings and wound drains. There was no similar income received in the prior period.

**Interest Expense.** Interest expense on notes payable for the year ended June 30, 2011 increased \$84,796 or 23% to \$449,141 compared to \$364,345 the year ended June 30, 2010. The increase was due to approximately \$1,100,000 or 23% increase in the outstanding loan balance due to our largest shareholder, a major shareholder, and third parties to approximately \$5,800,000, compared to approximately \$4,700,000 outstanding balance for the comparable 2010 period.

In the year ended June 30, 2010, we had an approximately \$1,100,000 non-cash charge to interest expense as a result of a beneficial conversion feature of long-term convertible note payables with a related party, our largest shareholder, and third parties. There was no non-cash charge to interest for the comparable period in 2011.

**Net Loss.** Net loss for the year ended June 30, 2011 was \$2,303,217 or \$0.07 per share compared to \$3,550,165 or \$0.11 per share for the year ended June 30, 2010. This decrease is primarily attributable to the absence of approximately \$1,100,000 non-cash charge to interest expense from a beneficial conversion feature of long-term convertible note payables in 2011 and increases in revenue, other income, a reduction in research and development expenses, offset by an increase in general and administrative expenses, licensing and patent expenses, cost of sales, and in interest expense.

**Liquidity and Capital Resources**

Our auditors have issued a going concern opinion on our audited financial statements for the fiscal years ended June 30, 2011 and 2010 as we have experienced recurring losses and negative cash flows from operations in these periods. In addition, we have a net capital deficiency. These matters raise substantial doubt about our ability to continue as a going concern.

Total cash on hand at June 30, 2011 was \$949,367 as compared with \$628,026 at June 30, 2010. Subsequent to the year ended June 30, 2011, we have collected as of September 14, 2011 approximately \$305,000 of the outstanding receivable balance.

In August 2010, we entered into a Development and Option Agreement (the "Agreement") with Biosara. The Agreement remains in effect until December 31, 2010 or until superseded by the earlier of a license agreement or another product development agreement. The parties agree to perform in accordance with the terms as set forth in the statement of work including the initial and subsequent monthly development fees paid or to be paid to the Company. We anticipate that the development fees are adequate to cover our expenses. We received the payments for the entire contract amount in August 2011. The parties are in the process of negotiating a license agreement pursuant to certain agreed licensing terms stipulated as outlined in an exhibit of the Agreement.

In June 2009, our licensee, Derma Sciences, Inc. launched the commercial sale of BIOGUARD® an advance wound care product employing our NIMBUS technology. From the launch date to June 30, 2011, our royalty fees related to this product were approximately \$443,000, net of \$75,000 of advance royalty fees. In accordance with the terms of the license agreement, the first \$75,000 royalty fees from Derma Sciences were offset against the advance payments we received in 2007, the subsequent royalty fees will be at 20% of the net sales, as defined in the license agreement. During the year 2011, our licensee began selling BIOGUARD wound dressings to the acute care segment of the health care market through an exclusive distribution agreement with Medline Industries, the largest privately-held distributor of health care products. In addition, we granted temporarily our licensee a small reduction in the royalty rates on certain cotton-based BIOGUARD products for a six month period beginning from January 1 to June 30, 2011. We are unable to determine how much, if any, of the royalty fee we will receive in the future at this time. We expect minimal direct expenses in relation to this license agreement.

In May 2010, we entered into a service agreement with a division of a major consumer products company for a certain fee over a four months period or when the milestones are completed. We anticipated the direct expenses related to this project of approximately \$10,000 that would be covered by the fee arrangement. We have invoiced and collected payments for the first two milestones under the project to date. We have invoiced the final invoice and received payment as the project was completed.

In April 2010, we and KCI USA, Inc. ("KCI") entered into a Development Agreement (the "Agreement") for a certain fee over seven months period. We anticipated the direct expenses related to this project of approximately \$15,000 that would be covered by the fee arrangement. We have collected all payments under the project.

In September 2006, we received the SBIR Phase II grant, which included the option of SBIR Phase I, totaling approximately \$840,000 over the next two years and we expect the cash outflows related to this grant of approximately \$390,000 to subcontractors and other direct expenses. To date, we received approximately \$840,000 and incurred approximately \$282,000 in expenses to subcontractors and other direct expenses.

#### Equity Financing and our Cash Requirements

Effective December 30, 2010, we signed a placement agent agreement with an investment banker on a non exclusive basis to raise up to \$1,500,000 in order to meet our current operating cash needs and to execute our business plan. We cannot assure you that we will raise a sufficient amount of capital, if any, through this investment banker or through any other means.

During the six months ended June 30, 2011, we raised approximately \$1.5 million by ourselves through the issuance of approximately 5,400,000 shares of restricted common shares or \$0.28 per share.

Based on our cash position at June 30, 2011, we cannot continue to satisfy our current cash requirements for a period of twelve (12) months through our existing capital. We anticipate total estimated, operating and research and development expenditures, and patent related legal fees of approximately \$192,500 per month or an aggregate of approximately \$2,310,000 over the next twelve (12) months, in the following areas:

- Research and development expenditures of approximately \$83,000 per month or an aggregate \$996,000 over the next twelve (12) months, which will consist of the following estimated monthly expenditures: (a) \$61,000 in payroll for scientists; (b) \$5,000 for outside research and development expenditures; and (c) \$17,000 for chemical supplies and laboratory operating expenses, including rent expense;
- Patent related legal fees of approximately \$23,334 per month or an aggregate \$280,000 annually; and
- Operating expenses of approximately \$86,167 per month or an aggregate \$1,034,000 over the next twelve (12) months, including business developments, regulatory fees, personnel costs, director and officer insurance, general liability insurance, investors relations, rent, consulting fees, utilities, legal and accounting fees, and travel.

Our current cash balance of \$949,367 as of June 30, 2011, coupled with accounts receivable of \$305,320, of which approximately \$305,000 have been subsequently collected after June 30, 2010, will satisfy our cash requirements for approximately more than six (6) months assuming no further receipt of revenues from our licensees and additional debt or equity financing. If we are unable to satisfy the remainder of our obligations by equity and/or debt financings, we will be unable to satisfy our cash requirements beyond approximately more than six (6) months assuming no further receipts of revenues and additional debt or equity financing.

We are attempting to raise additional cash by means of equity and or debt financing. Additionally, we are implementing a cash conservation strategy by extinguishing obligations through share-based payments and reducing our use of consulting services. However, our ability to raise cash through equity or debt financing with third parties will be difficult in the current credit environment. There are no assurances that any planned equity offering and/or debt financing will be successful or sufficient to meet our cash requirements or that our cash conservation strategy will be successful. Even if we were able to obtain debt or equity financing, the terms of such financing may be very unfavorable to us. Further, any sale of newly issued debt or equity securities could result in additional dilution to our current stockholders.

As of June 30, 2011, we have ten senior convertible notes payable outstanding to our largest shareholder totaling approximately \$5,300,000 including accrued interest with interest rates ranging from 6% to 8% per annum and maturity dates of December 2013. These notes are convertible at conversion prices ranging from \$0.18 to \$0.74 per share and are secured by our revenues and assets. We also have a note payable with our largest shareholder of \$238,817 including accrued interest with a maturity date of July 1, 2011 and an annual interest rate of 8% and we are currently in discussion with our largest shareholder regarding the extension of the maturity date. We also have a senior convertible note payable to a major stockholder with a balance \$1,158,373 including accrued interest. The senior convertible note has an 8% interest rate per annum with a conversion price of \$0.60 per share, a maturity date of December 31, 2013, and is secured by our revenues and assets. Further, we have two senior convertible notes totaling \$250,000 with third parties. These notes have an 8% interest rate per annum with a conversion prices ranging from \$0.50 to \$1.00 per share, a maturity date of June 30, 2014. In addition, we have a promissory note payable with an officer totaling \$107,155 including accrued interest with an interest rate of 8% per annum and a maturity date in December 2013.

If we are unable to successfully repay our debt and or meet our current operating expenses, we may have to liquidate our business and undertake any or all the steps outlined below.

- Significantly reduce, eliminate or curtail our business, operating and research and development activities so as to reduce operating costs;
- Sell, assign or otherwise dispose of our assets, if any, to raise cash or to settle claims by creditors, including our largest shareholder;
- Pay our liabilities in order of priority, if we have available cash to pay such liabilities;
- If any cash remains after we satisfy amounts due to our creditors, distribute any remaining cash to our shareholders in an amount equal to the net market value of our net assets;
- File a Certificate of Dissolution with the State of Nevada to dissolve our corporation and close our business;
- Make the appropriate filings with the Securities and Exchange Commission so that we will no longer be required to file periodic and other required reports with the Securities and Exchange Commission, if, in fact, we are a reporting company at that time; and
- Make the appropriate filings with the FINRA to affect a delisting of our stock.

Based upon our cash requirements for our Plan of Operations and our current dividend policy of investing any available cash to our operations, however, we do not plan to distribute any cash to our stockholders.

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At June 30, 2011, we had a net positive working capital of \$166,941 that primarily consists of: (a) cash of \$949,367; (b) accounts receivable of \$305,320; (c) accounts payable of \$615,392; (d) accrued expenses of \$90,897; (e) unearned revenue of \$124,640; (d) note payable with a related party of \$238,817 including accrued interest; and (e) current portion of note payable to an officer of \$18,000. At June 30, 2011, we had a stockholders' deficit of \$6,452,072, a portion of which is due to non-cash share based compensation expense and non-cash charge to interest expense from the beneficial conversion feature of the convertible notes.

Cash used in operating activities was \$1,145,601 for the year ended June 30, 2011. Net cash used in investing activities was \$72,894. Net cash provided by financing activities was \$1,539,835, of which \$1,522,680 was from the sale of approximately 5,400,000 shares of our restricted common, the proceeds of \$10,000 in cash from the exercise of stock options, the \$13,155 from a note payable to an officer, and the principal payment of \$6,000 to a note payable of an officer.

During the year ended June 30, 2010, we received (a) \$1,015,000 from the senior convertible notes with our largest shareholder, (b) \$678,000 was from a senior convertible note with a major shareholder, (c) \$250,000 was from senior convertible notes with third parties, and (d) \$42,450 from the exercise of stock options.

**Contractual Obligations**

The following table summarizes our long-term contractual obligations as of June 30, 2011:

|                                 | Total       | Less than 1<br>Year | 1-3 Years    | 3-5 Years | More than<br>5 Years |
|---------------------------------|-------------|---------------------|--------------|-----------|----------------------|
| Long-term debt obligations (a)  | \$6,844,865 | \$ -                | \$ 6,844,865 | \$ -      | \$ -                 |
| Operating lease obligations (b) | \$40,850    | \$25,800            | \$ 15,050    | \$ -      | \$ -                 |

(a) The principal and accrued interest on the notes payable owed to the largest shareholder's Senior Convertible Notes, to third parties' convertible note payable, and to a major shareholder's senior note payable as fully discussed in note 4 of the accompanying condensed footnotes to the financial statements.

(b) We have an operating lease for our laboratory in Gainesville, Florida with an expiration date in 2013.

**Off-balance Sheet Arrangements**

We do not have any off-balance sheet arrangement that have, or are reasonably likely to have, a current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

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**Report of Independent Registered Public Accounting Firm**

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To the Board of Directors and Stockholders Quick-Med Technologies, Inc.

We have audited the accompanying balance sheets of Quick-Med Technologies, Inc. (the "Company") as of June 30, 2011 and 2010, and the related statements of operations, changes in stockholders' deficit, and cash flows for the years then ended. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quick-Med Technologies, Inc., as of June 30, 2011 and 2010, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has experienced recurring losses and negative cash flows from operations for the years ended June 30, 2011 and 2010, and has a net capital deficiency. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those matters are described in the footnotes accompanying the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Daszkal Bolton LLP  
Boca Raton, Florida  
September 28, 2011

QUICK-MED TECHNOLOGIES, INC.  
BALANCE SHEETS  
AS OF JUNE 30, 2011 AND 2010

| <u>ASSETS</u>  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| <b>Current assets:</b>   |                     |                     |
| Cash and cash equivalents  | \$ 949,367          | \$ 628,026          |
| Accounts receivable  | 305,320             | 336,077             |
| Total current assets   | <u>1,254,687</u>    | <u>964,103</u>      |
| Property and equipment, net  | 1,077               | 7,004               |
| <b>Other assets:</b>   |                     |                     |
| Prepaid expenses   | 8,030               | 9,657               |
| Intangible asset, net  | 376,746             | 366,282             |
| Total other assets   | <u>384,776</u>      | <u>375,939</u>      |
| Total assets   | <u>\$ 1,640,540</u> | <u>\$ 1,347,046</u> |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |                     |                     |
| <b>Current liabilities:</b>  |                     |                     |
| Accounts payable   | \$ 615,393          | \$ 611,018          |
| Unearned revenue   | 124,640             | 117,383             |
| Accrued expenses   | 90,897              | 73,191              |
| Note payable - related party   | 238,817             | 221,617             |
| Convertible note payable - officer   | -                   | 109,474             |
| Current maturity of note payable - officer   | 18,000              | -                   |
| Total current liabilities  | <u>1,087,747</u>    | <u>1,132,683</u>    |
| License payable  | 160,000             | 160,000             |
| Long-term liability - note payable - officer   | 93,941              | -                   |
| Long-term liability - convertible note payable   | 254,986             | 255,041             |
| Long-term liability - convertible note payable - related party   | 1,158,373           | 1,074,133           |
| Long-term liability - convertible note payable - related party   | 5,337,565           | 5,018,331           |
| Total liabilities  | <u>8,092,612</u>    | <u>7,640,188</u>    |
| Commitments and contingencies  |                     |                     |
| <b>Stockholders' deficit:</b>  |                     |                     |
| Common stock, \$0.0001 par value; 100,000,000 authorized shares; 37,246,154 and 31,357,297 shares issued and outstanding at June 30, 2011 and 2010 | 3,725               | 3,136               |
| Additional paid-in capital   | 15,420,363          | 13,576,122          |
| Outstanding stock options  | 4,085,808           | 3,786,351           |
| Accumulated deficit  | (25,961,968)        | (23,658,751)        |
| Total stockholders' deficit  | <u>(6,452,072)</u>  | <u>(6,293,142)</u>  |
| Total liabilities and stockholders' deficit  | <u>\$ 1,640,540</u> | <u>\$ 1,347,046</u> |

See accompanying notes to financial statements.

QUICK-MED TECHNOLOGIES, INC.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

|   | 2011                  | 2010                  |
|---|-----------------------|-----------------------|
| <b>Revenues</b>   |                       |                       |
| Product sales   | \$ 492,572            | \$ 517,027            |
| Royalty and license fees  | 303,256               | 174,416               |
| Research and development service                                      | 243,750               | 302,500               |
|   | <u>1,039,578</u>      | <u>993,943</u>        |
| <b>Expenses:</b>  |                       |                       |
| Cost of sales   | 23,932                | 23,370                |
| Research and development  | 1,023,068             | 1,223,527             |
| General and administrative expenses                                   | 1,652,570             | 1,499,866             |
| Licensing and patent expenses   | 323,440               | 261,536               |
| Depreciation and amortization   | 68,357                | 70,613                |
| Total operating expenses  | <u>3,091,367</u>      | <u>3,078,912</u>      |
| Operating loss  | <u>(2,051,789)</u>    | <u>(2,084,969)</u>    |
| <b>Other income (expense):</b>  |                       |                       |
| Other income, net   | 195,583               | -                     |
| Interest income   | 2,130                 | 2,016                 |
| Interest expense:   |                       |                       |
| Note payable  | (449,141)             | (364,345)             |
| Convertible debt beneficial conversion feature                        | -                     | (1,102,867)           |
| Total other expense   | <u>(251,428)</u>      | <u>(1,465,196)</u>    |
| Loss before provision (benefit) for income taxes                      | <u>(2,303,217)</u>    | <u>(3,550,165)</u>    |
| Provision (benefit) for income taxes                                  | -                     | -                     |
| Net loss  | <u>\$ (2,303,217)</u> | <u>\$ (3,550,165)</u> |
| Net loss per share - basic and diluted                                | <u>\$ (0.07)</u>      | <u>\$ (0.11)</u>      |
| <b>Weighted average common shares outstanding - basic and diluted</b> |                       |                       |
|   | <u>32,951,263</u>     | <u>31,260,738</u>     |

See accompanying notes to financial statements.

**QUICK-MED TECHNOLOGIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

|   | Common Stock |          | Additional      | Accumulated     | Outstanding  | Total          |
|---|--------------|----------|-----------------|-----------------|--------------|----------------|
|   | Shares       | Amount   | Paid-In Capital |                 |              |                |
| Balance, June 30, 2009                            | 31,039,707   | \$ 3,104 | \$11,927,286    | \$ (20,108,586) | \$ 3,213,987 | \$ (4,964,209) |
| Stock-based compensation                          | -            | -        | -               | -               | 608,914      | 608,914        |
| Stock issuance for services                       | 107,590      | 11       | 74,989          | -               | -            | 75,000         |
| Exercise of stock options                         | 210,000      | 21       | 78,979          | -               | (36,550)     | 42,450         |
| Debt forgiveness by shareholders                  | -            | -        | 392,001         | -               | -            | 392,001        |
| Convertible debt beneficial conversion feature    | -            | -        | 1,102,867       | -               | -            | 1,102,867      |
| Net loss, July 1, 2009 to June 30, 2010           | -            | -        | -               | (3,550,165)     | -            | (3,550,165)    |
| Balance, June 30, 2010                            | 31,357,297   | \$ 3,136 | \$13,576,122    | \$ (23,658,751) | \$ 3,786,351 | \$ (6,293,142) |
| Stock issuance for cash                           | 5,438,143    | 543      | 1,522,137       | -               | -            | 1,522,680      |
| Stock-based compensation                          | -            | -        | -               | -               | 308,957      | 308,957        |
| Stock issuance for services                       | 400,714      | 41       | 123,909         | -               | -            | 123,950        |
| Exercise of stock options                         | 50,000       | 5        | 19,495          | -               | (9,500)      | 10,000         |
| Debt forgiveness by shareholders                  | -            | -        | 50,000          | -               | -            | 50,000         |
| Reduction of conversion price on convertible debt | -            | -        | 128,700         | -               | -            | 128,700        |
| Net loss, July 1, 2010 to June 30, 2011           | -            | -        | -               | (2,303,217)     | -            | (2,303,217)    |
| Balance, June 30, 2011                            | 37,246,154   | \$ 3,725 | \$15,420,363    | \$ (25,961,968) | \$ 4,085,808 | \$ (6,452,072) |

See accompanying notes to financial statements.

**QUICK-MED TECHNOLOGIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

|   | 2011               | 2010               |
|---|--------------------|--------------------|
| <b>Cash flows from operating activities:</b>                                |                    |                    |
| Net loss  | \$ (2,303,217)     | \$ (3,550,165)     |
| Adjustments to reconcile net loss to net cash used in operating activities: |                    |                    |
| Depreciation and amortization   | 68,357             | 70,613             |
| Stock granted for services  | 123,950            | 75,000             |
| Stock-based compensation  | 308,957            | 608,914            |
| Interest expense on convertible debt beneficial conversion                  | -                  | 1,102,867          |
| Issuance of indebtedness for services                                       | -                  | 272,362            |
| Reduction in conversion price on convertible debt                           | 128,700            | -                  |
| Contribution of services  | 50,000             | -                  |
| (Increase) decrease in:   |                    |                    |
| Accounts receivable   | 30,757             | (317,515)          |
| Prepaid expenses  | 1,627              | 50                 |
| Increase in:  |                    |                    |
| Accounts payable  | 4,374              | 48,407             |
| Accrued interest  | 415,931            | 286,509            |
| Other current liabilities   | 24,963             | 25,155             |
| Net cash used in operating activities                                       | <u>(1,145,601)</u> | <u>(1,377,803)</u> |
| <b>Cash flows from investing activities:</b>                                |                    |                    |
| Property and equipment  | (540)              | (758)              |
| Intangible assets   | (72,354)           | (20,079)           |
| Net cash used in investing activities                                       | <u>(72,894)</u>    | <u>(20,837)</u>    |
| <b>Cash flows from financing activities:</b>                                |                    |                    |
| Proceeds from stock issuance  | 1,522,680          | -                  |
| Proceeds from exercise of stock options                                     | 10,000             | 42,450             |
| Increase in notes payable   | -                  | 250,000            |
| Increase in notes payable - related party                                   | -                  | 678,000            |
| Increase in notes payable - officer   | 13,155             | -                  |
| Decrease in notes payable - officer   | (6,000)            | -                  |
| Increase in notes payable - director  | -                  | 1,015,000          |
| Net cash provided by financing activities                                   | <u>1,539,835</u>   | <u>1,985,450</u>   |
| Net increase in cash and cash equivalents                                   | 321,340            | 586,810            |
| Cash and cash equivalents at beginning of period                            | 628,026            | 41,216             |
| Cash and cash equivalents at end of period                                  | <u>\$ 949,366</u>  | <u>\$ 628,026</u>  |
| <b>Supplementary Information:</b>   |                    |                    |
| <b>Cash paid for:</b>   |                    |                    |
| Interest  | \$ 20,054          | \$ -               |
| Income taxes  | \$ -               | \$ -               |
| <b>Non-cash disclosures of investing and financing activities:</b>          |                    |                    |
| Debt forgiveness by shareholders  | \$ 50,000          | \$ 392,001         |
| Stock-based compensation  | \$ 432,907         | \$ 683,914         |
| Interest expense on beneficial conversion                                   | \$ -               | \$ 1,102,867       |

See accompanying notes to financial statements.

**QUICK-MED TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF BUSINESS**

Founded in April 1997, Quick-Med Technologies Inc. (the "Company") is a life sciences company focused on developing proprietary, broad-based technologies in medical and consumer healthcare markets. The Company's four core technologies are: (1) Novel Intrinsically Micro-Bonded Utility Substrate (NIMBUS®), a family of advanced polymers bio-engineered to have antimicrobial, hemostatic, and other properties that can be used in a wide range of applications; (2) *Stay Fresh*® is a unique chemical formulation for textiles with a durable antimicrobial agent effective against an array of bacteria even after numerous laundering cycles; (3) NimbuDerm® is a novel copolymer for application as a persistent hand sanitizer with long lasting protection against germs; and (4) MultiStat, a family of advanced patented methods and compounds shown to be effective in skin therapy applications. Currently, NIMBUS technology has been commercialized in an advanced wound care product by our licensee in the institutional market in June 2009. The Company targets NIMBUS technology for additional advanced wound care products, catheters, incontinence products, and other medical devices. MultiStat has been developed in a cosmetic product line with the anti-aging products. *Stay Fresh* is currently under development with a broad range of potential applications including consumer textile market. NimbuDerm is also a technology currently being developed. In each instance, the Company intends to form joint ventures or joint development partnerships with leading firms in the respective industry to co-develop and commercialize its products.

The Company specializes in the research and development of biomedical products and devices for antibacterial applications. The Company conducts research efforts or collaborates with third parties as necessary to develop products and administer the patent process. The Company does not expect to produce nor directly market its products. Instead, the Company intends to partner with clients for those activities

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has continuing losses from operations, negative working capital and an accumulated deficit that raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

All highly liquid investments purchased with maturity of three months or less from the time of purchase are considered to be cash equivalents.

**Use of Estimates**

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Intangible Assets**

The costs of obtaining license agreements along with the costs to defend the patents underlying the license agreements are capitalized and amortized using the straight-line method over the estimated useful lives of the underlying license agreements. The costs of obtaining and maintaining new patents are capitalized and amortized using the straight-line method over the estimated useful lives of the patents. The cost of patents in process is not amortized until the patent is issued.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation on property and equipment is computed using the straight-line method over the expected useful lives of the assets.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable as of June 30, 2011 represents amounts due from its customers and is reported on the balance sheet reduced by an allowance for doubtful accounts for estimated losses resulting from receivables not considered to be collectible.

**Research and Development Costs**

Research and development costs are expensed as incurred.

**Earnings Per Share**

Basic net loss per common share is computed by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options and warrants. For the periods ended June 30, 2011 and 2010, 15,346,539 and 15,576,743 diluted common stock equivalents, respectively, have been excluded from the calculation of diluted earnings per share, as their inclusion would have been anti-dilutive.

**Fair Value Measurements**

The Company adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. This new accounting standard does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in various other accounting pronouncements.

This accounting standard establishes a hierarchy for information and valuations used in measuring fair value, which is broken down into three levels. Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities. Level 2 valuations are based on inputs, other than quoted prices included within Level 1, that are observable, either directly or indirectly. Level 3 valuations are based on information that is unobservable and significant to the overall fair value measurement.

The Company also adopted FASB ASC 825, *Financial Instruments*, which allows companies to choose to measure eligible financial instruments and certain other items at fair value that are not required to be measured at fair value. The Company has not elected the fair value option for any eligible financial instruments.

**Revenue Recognition**

The Company's revenues consist of the following sources: product sales, royalty and license fees, and research and development service.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Under the agreement for product development, manufacturing and distribution (the "Agreement") with BASF, the Company shares proportionately on the net sales and related expenses in accordance with the terms of the Agreement. The Company recognizes revenue of its royalties from the sale of products by BASF when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable.

The Company recognizes royalty fee income based on the net sales of Bioguard® product by our licensee, Derma Sciences Inc. in accordance with the specified terms of the license agreement.

The Company recognizes revenue of its research and development service including the small business innovation research program and the US Army medical research program based on the research work performed in accordance with the program requirements or statements of work for the joint development agreements.

The Company also recognizes revenue from the non-refundable exclusivity license fee derived from its licensees on a pro rata basis over the term of the related exclusive license agreements. Further, the Company recognizes the exclusive option fee as revenue on a pro rata basis over the term of the related exclusive option agreement.

**Unearned Revenue**

The amount of unearned revenue represents the exclusive option fee, the license fee, and advance royalty fee yet to be earned on a pro rata basis over the exclusive option period of the related option and license agreements.

**Other Income**

The Company recognizes its Qualifying Therapeutic Discovery Project (QTDP) grant from the U.S. government in connection with the advancement of the development of the NIMBUS technology for wound dressings and wound drains net of the expenses associated with the grant application in other income.

**Stock Compensation**

The Company records share-based payment awards at fair value on the grant date of the awards, based on the estimated number of awards that are expected to vest. The fair value of stock options was determined using the Black-Scholes option-pricing model. The fair value of the restricted stock awards was based on the closing price of the Company's common stock on the date of grant.

**Concentration of credit risk of financial instruments**

Financial instruments that potentially subject the Company to credit risk consist of cash equivalents and accounts receivable. As of June 30, 2011 and 2010, the Company's cash levels did not exceed the federally insured limit by approximately \$674,000 and \$417,000, respectively. Beginning December 31, 2010 through December 31, 2012, the Company's bank accounts are fully insured, regardless of the balance of the account at the FDIC-insured institutions as the noninterest-bearing transaction accounts as provided by the section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Company's accounts receivable balances as of June 30, 2011 were subsequently collected.

The credit risk of the accounts receivable is considered limited given the customers' credit rating. There were no write-offs of uncollectible receivables during the year ended June 30, 2011.

**Income Taxes**

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

Recently Issued Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-29, "Business Combinations (Topic 805), Disclosure of Supplementary Pro Forma Information for Business Combinations". The objective of this ASU is to address diversity in practice about the presentation of pro forma revenue and earnings disclosure requirements for business combinations, and specifies that a public entity that presents comparative financial statements should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This ASU is effective prospectively for business combinations on or after January 1, 2011. As this ASU is limited to supplemental disclosures, its adoption will not have an impact on the Company's financial condition or results of operations.

In December, 2010, the FASB issued ASU 2010-28, "Intangibles—Goodwill and Other (Topic 350) When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts". The objective of this ASU is to address diversity in practice in the application of goodwill impairment testing by entities with reporting units with zero or negative carrying amounts, eliminating an entity's ability to assert that a reporting unit is not required to perform Step 2 because the carrying amount of the reporting unit is zero or negative despite the existence of qualitative factors that indicate the goodwill is more likely than not impaired. This ASU is effective for interim periods after January 1, 2010. The adoption of this ASU may require the Company to report goodwill impairment charges sooner than under current practice.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2011 and 2010:

|                                | <u>2011</u>     | <u>2010</u>     |
|--------------------------------|-----------------|-----------------|
| Computer equipment             | \$ 26,675       | \$ 26,675       |
| Equipment                      | 32,942          | 32,403          |
| Less: accumulated depreciation | (58,540)        | (52,074)        |
| Net property and equipment     | <u>\$ 1,077</u> | <u>\$ 7,004</u> |

Depreciation expense for the years ended June 30, 2011 and 2010 was \$6,466 and \$8,723, respectively.

NOTE 4 – INTANGIBLE ASSETSLicense Agreement

The Company has a license agreement with two inventors ("Licensors") for the worldwide rights to the MMP inhibitors and uses thereof. The license agreement transfers to the Company the technology that is the subject of issued patents as well as pending patent applications, which were filed by the original inventors. The licenses are amortized on a straight-line basis over the estimated useful lives of the underlying patents or the license agreement. The U.S. patents expire beginning November 2007 through December 2019 and the international patents expire beginning on November 21, 2011 through December 8, 2019. Accumulated amortization for the years ended June 30, 2011 and 2010 was \$542,921 and \$481,029, respectively.

The Company assesses whether its intangible assets are impaired as required by FASB ASC 360 Property, Plant and Equipment based on an evaluation of undiscounted projected cash flows through the remaining useful lives. If impairment exists, the amount of such impairment is calculated as the estimated fair value of the assets.

Under the terms of the license agreement, the Company paid \$200,000 and granted 160,000 shares of common stock valued at \$0.05 per share and granted 160,000 stock options. The stock options are valued at the estimated minimum value in accordance with FASB ASC 718, *Compensation - Stock Compensation* of \$8,000. In order to maintain the Company's exclusive rights to the licenses, the agreements require total payments of \$260,000 if certain milestones regarding the proof-of-concept and development of a prototype are reached.

If a milestone on the "Civilian Chemical Burn" and "Other topical Medical Uses" categories is not met by the third anniversary of the agreement, the licenses granted within these categories become nonexclusive. The Company elected not to pay each inventor \$25,000 per year until all such milestones are met. At June 30, 2011 and 2010, the balance due under the license agreement is \$160,000.

As additional compensation to the Licensors, the Company will pay a royalty based on the Company's net sales of licensed products. The royalty rate is 2% on the first \$1,500,000 of applicable quarterly revenue and 1.5% of sales above \$1,500,000 on applications of products other than applications for military and cosmetic products. For each sublicense granted by the Company, the Licensors will be paid 3% of the up-front licensing fee, limited to \$100,000.

**NOTE 4 – INTANGIBLE ASSETS, continued**

In November 2002, the Company and the University of Florida Research Foundation (the "University") entered into an agreement whereby the University gave the Company exclusive sub-license rights to the use of its patents and patent applications from the effective date of the agreement until the earlier of the date that no licensed patents remain enforceable patents or the payment of earned royalties ceases more than three calendar quarters. The royalty rate is 3% of the first \$10 million of cumulative realized revenues and 1.8% of all subsequent realized revenues.

In June 2007, the Company and the Regents of the University of Michigan ("Michigan") entered into an agreement whereby Michigan gave the Company worldwide exclusive rights including sub-license rights to the use of its patents and patent applications of the uses of MMP inhibitors from the effective date of the agreement until the earlier of the date that no licensed patents remain enforceable patents or the default event. In addition to the initial license fee of \$80,000, the Company will pay a 4% royalty rate of the net sales, 20% of the sublicense income, the annual fee of \$50,000 for 2008 and 2009, \$75,000 for 2010 and \$100,000 in 2011 and in each year thereafter during the term of the agreement.

During the fiscal year 2006, the Company was issued both US and international patents for its NIMBUS technology on "Intrinsically Bactericidal Absorbent Dressing And Method Of Fabrication". These patents expire on December 8, 2019. The total capitalized costs for this issued patent were \$35,470 and are being amortized over the life of the patents.

During the fiscal years 2011 and 2010, the Company filed a number of US and international patent applications for its NIMBUS, *Stay Fresh*, and NimbuDerm technologies and applied for certain trademarks. As of June 30, 2011 and 2010, the total capitalized costs for the patent applications and trademarks were \$271,544 and \$199,188, respectively.

|                                    | June 30, 2011 |                          | June 30, 2010 |                          |
|------------------------------------|---------------|--------------------------|---------------|--------------------------|
|                                    | Gross Amount  | Accumulated Amortization | Gross Amount  | Accumulated Amortization |
| <b>Amortized Intangible Assets</b> |               |                          |               |                          |
| License agreement                  | \$ 648,123    | \$ (542,921)             | \$ 648,123    | \$ (481,029)             |
| Patents in process                 | 271,544       | -                        | 199,188       | -                        |
| Total                              | \$ 919,667    | \$ (542,921)             | \$ 847,311    | \$ (481,029)             |

Amortization of patents in process commences when the patents are issued.

|                                       | June 30, 2011 |                          | June 30, 2010 |                          |
|---------------------------------------|---------------|--------------------------|---------------|--------------------------|
|                                       | Gross Amount  | Accumulated Amortization | Gross Amount  | Accumulated Amortization |
| <b>Aggregate Amortization Expense</b> |               |                          |               |                          |
| For the years ended                   | \$ 61,890     | \$ 542,921               | \$ 61,890     | \$ 481,029               |
| <b>Estimated Amortization Expense</b> | Amount        |                          |               |                          |
| For the year ended June 30, 2012      | \$ 61,890     |                          |               |                          |
| For the year ended June 30, 2013      | \$ 43,314     |                          |               |                          |
| For the year ended June 30, 2014      | \$ -          |                          |               |                          |
| For the year ended June 30, 2015      | \$ -          |                          |               |                          |
| For the year ended June 30, 2016      | \$ -          |                          |               |                          |

**NOTE 5 – STOCKHOLDERS' EQUITY (DEFICIT)**

**Fiscal 2011**

In December 2010, the Company issued 25,000 shares of restricted common stock for payment of consulting services. The amount charged to operations was \$18,750, the value of the shares on the date issued.

In December 2010, the Company issued 50,000 shares of common stock for an aggregate exercise price of \$10,000 or \$0.20 per share resulting from the exercise of stock options.

During the period from January to June 2011, the Company issued 5,438,143 shares of restricted common stock for an aggregate price of approximately \$1,522,000 or \$0.28 per share.

In June 2011, the Company issued 375,714 shares of restricted common stock for payment of consulting services of approximately \$105,000, which was charged to operations.

**Fiscal 2010**

In July 2009, the Company issued 145,000 shares of common stock for an aggregate exercise price of \$24,650 or \$0.17 per share resulting from the exercise of stock options.

During the period from July to November 2009, the Company issued a total of 7,590 shares of restricted common stock for payment of consulting services. The amount charged to operations was \$5,000, the value of the shares on the dates issued.

In December 2009, the Company issued 50,000 shares of common stock for an aggregate exercise price of \$10,000 or \$0.20 per share resulting from the exercise of stock options.

In January 2010, the Company issued 5,000 shares of common stock for an aggregate exercise price of \$1,000 or \$0.20 per share resulting from the exercise of stock options.

In February 2010, the Company issued 100,000 shares of restricted common stock for payment of services. The amount charged to operations was \$75,000, the value of the shares on the date issued.

In February 2010, the Company issued 10,000 shares of common stock for an aggregate exercise price of \$6,800 or \$0.68 per share resulting from the exercise of stock options.

**NOTE 6 - COMMITMENTS**

The Company leases a laboratory facility in Gainesville, Florida. The lease expires in February 1, 2013. Rent expense for the years ended June 30, 2011 and 2010 was approximately \$26,367 and \$25,680, respectively.

The following is a schedule of minimum future payments on the operating lease as of June 30, 2011:

| <b>For The Years Ending June 30,</b> |                  |
|--------------------------------------|------------------|
| 2012                                 | 25,800           |
| 2013                                 | 15,050           |
| Thereafter                           | -                |
| Total                                | <u>\$ 40,850</u> |

**NOTE 7 – STOCK OPTIONS AND WARRANTS**

The Company adopted a qualified equity incentive plan (the "Plan") on March 4, 2001. Under the Plan the Company is authorized to grant up to 3,000,000 shares of common stock. On December 13, 2004, the shareholders approved the Plan and ratified the amendment to increase the total number of shares to be granted under the Plan from 3,000,000 to 4,000,000 effective November 1, 2004. On November 13, 2007 the shareholders ratified the amendment to increase the total number of shares to be granted under the Plan from 4,000,000 to 6,000,000.

On November 17, 2009, the Board of Directors (the "Board") granted 681,785 stock options to the board members, employees, consultants as payments for their services and in recognition of individual performance for the year ended June 30, 2009. In addition, the Board granted 248,564 warrants payments to consultants for payments of their services and incentive performance awards. Of 681,785 stock options grant, approximately 115,428 were awarded to the board members for their services and were vested on the date of grant. Of 248,564 warrants issued, 99,977 warrants were vested immediately on the grant date. The remainder 566,357 stock options and 148,587 warrants were vested one-third immediately, one-third were vested on November 17, 2010 and the remaining one-third will be vested on November 17, 2011, assuming the person receiving the equity awards is employed or being utilized by the Company at the time of vesting. The exercise price of those stock options and warrants is \$0.77 per share. The weighted average grant date fair value of options and warrants was \$0.48 per share based on the Black-Scholes option-pricing model. The options and warrants expire five years from the date of grant. During the year ended June 30, 2010, 23,631 options were forfeited.

On October 27, 2008, the Board of Directors (the "Board") granted 1,335,102 stock options to the board members, employees, consultants as payments for their services and in recognition of individual performance for the year ended June 30, 2008. In addition, the Board granted 705,302 warrants payments to consultants for payments of their services and incentive performance awards. Further, 60,000 shares of restricted common stock were issued to a consultant as payment for services. Of 1,335,102 stock options grant, approximately 464,102 were awarded to the board members for their services and were vested on the date of grant. Of 705,302 warrants issued, 240,302 warrants were vested immediately on the grant date. The remainder 871,000 stock options and 465,000 warrants were vested one-third immediately, one-third were vested on October 27, 2009 and the remaining one-third were vested on October 27, 2010, assuming the person receiving the equity awards is employed or being utilized by the Company at the time of vesting. The exercise price of those stock options and warrants is \$0.20 per share, which was the closing price of the common stock on the date of grant. The weighted average grant date fair value of options and warrants was \$0.19 per share based on the Black-Scholes option-pricing model. The options and warrants expire five years from the date of grant.

On April 18, 2008, the Board of Directors (the "Board") granted 148,571 shares of restricted common stock as payment for the services rendered by the board members for the year ended June 30, 2007 for those elected to receive common stocks and all shares were immediately vested. In addition, the Board granted 1,074,666 stock options to the board members, employees, consultants as payments for their services and in recognition of individual performance for the year ended June 30, 2007. The stock options were vested one-third immediately, one-third was vested on April 17, 2009 and the remaining one-third was vested on April 17, 2010, assuming the person receiving the equity awards is employed by the Company at the time of vesting. The exercise price of those stock options is \$0.42 per share, which was the closing price of the common stock on the date of grant. The weighted average grant date fair value of options was \$0.32 per share based on the Black-Scholes option-pricing model. The options and warrants expire five years from the date of grant.

On August 6, 2007, the Board of Directors (the "Board") granted 484,056 non-qualified stock options to the Chief Executive Officer ("CEO") at an exercise price of \$0.75 per share. These options were fully vested and immediately exercisable at the date of grant. In addition, the Board granted 1,452,167 non-qualified stock options at an exercise price of \$0.74 per share on September 25, 2007, as part of the CEO's employment agreement. The second stock options are vested and become exercisable 1/16<sup>th</sup> of the total 1,452,167 options on each three-month anniversary beginning on June 11, 2007. The average grant date fair value of the options was \$0.46 per share based on the Black-Scholes option-pricing model. These options expire five years from the date of grant.

On December 20, 2006, the Company issued 790,770 stock options to board members, management, employees, and consultants for their services. These options have an exercise price of \$1.05 per share. The stock options were vested one-third immediately, one-third were vested on December 20, 2007 and the remaining one-third were vested on December 20, 2008, assuming the person receiving the equity awards is employed by the Company at the time of vesting. The weighted average grant date fair value of options was \$0.69 per share based on the Black-Scholes option-pricing model. The options expire five years from the date of grant. During the year ended June 30, 2010, 15,000 options were forfeited.

On September 9, 2005, the Board granted 130,000 shares of restricted common stock as payment for the services rendered by the board members for the year ended June 30, 2005, and all shares were immediately vested. In addition, the Board granted 710,000 stock options and 175,000 warrants to the employees and directors and consultants, respectively, in recognition of individual performance for the year ended June 30, 2005. The stock options and warrants were vested one-third immediately, one-third was vested on July 1, 2006 and the remaining one-third was vested on July 1, 2007. The exercise price of those stock options and warrants is \$0.80 per share, which was the closing price of the common stock on the date of grant. The weighted average grant date fair value of options was \$0.72 per share based on the Black-Scholes option-pricing model. The options and warrants expire five years from the date of grant. During the year ended June 30, 2011, 545,000 stock options were expired.

During the year ended June 30, 2011, 50,000 stock options were exercised for the aggregate price of approximately \$10,000 or \$0.20 per share under the October 27, 2008 stock options agreement.

**NOTE 7 – STOCK OPTIONS AND WARRANTS, continued**

During the year ended June 30, 2010, 145,000 options were exercised at \$0.17 per share or an aggregate price of approximately \$24,650 under the July 2004 stock options agreement. In addition, 55,000 options were exercised at \$0.20 per share or an aggregate price of approximately \$11,000 under the October 27, 2008 stock options agreement, and 10,000 options were exercised at \$0.68 per share or an aggregate price of \$6,800.

The weighted average grant date fair value of options and warrants granted during the fiscal year ended June 30, 2010 were estimated on the date of grant using the Black-Scholes option-pricing model with the assumptions used: risk-free interest rate of 3%; dividend yield of 0%; expected volatility of 91%; and estimated life of 5 years. Expected volatility is based on historical volatility of common stock. The expected term of the options and warrants represents the period of time that options and warrants granted are expected to be outstanding and is derived from historical terms.

A summary of options for the years ended June 30, 2011 and 2010 is shown below:

|   | June 30, 2011    |                                 | June 30, 2010    |                                 |
|---|------------------|---------------------------------|------------------|---------------------------------|
|   | Number of Shares | Weighted-Average Exercise Price | Number of Shares | Weighted-Average Exercise Price |
| Outstanding at beginning of period      | 5,389,270        | \$ 0.55                         | 4,966,116        | \$ 0.53                         |
| Granted                                 | -                | -                               | 681,785          | 0.77                            |
| Exercised                               | (50,000)         | 0.20                            | (210,000)        | 0.20                            |
| Forfeited                               | -                | -                               | (38,631)         | 0.88                            |
| Expired                                 | (545,000)        | 0.80                            | (10,000)         | 0.17                            |
| Outstanding at end of period            | 4,794,270        | \$ 0.57                         | 5,389,270        | \$ 0.55                         |
| Exercisable at end of period            | 4,723,475        |                                 | 4,429,337        |                                 |
| Available for issuance at end of period | 666,318          |                                 | 121,318          |                                 |

The following is a summary of warrants granted, exercised, canceled and outstanding involving the grants in the years ended June 30, 2011 and 2010:

|                                    | June 30, 2011    |                                 | June 30, 2010    |                                 |
|------------------------------------|------------------|---------------------------------|------------------|---------------------------------|
|                                    | Number of Shares | Weighted-Average Exercise Price | Number of Shares | Weighted-Average Exercise Price |
| Outstanding at beginning of period | 1,228,803        | \$ 0.40                         | 980,239          | \$ 0.31                         |
| Granted                            | -                | -                               | 248,564          | 0.77                            |
| Exercised                          | -                | -                               | -                | -                               |
| Expired                            | (253,883)        | 0.83                            | -                | -                               |
| Outstanding at end of period       | 974,920          | \$ 0.47                         | 1,228,803        | \$ 0.40                         |
| Exercisable at end of period       | 956,347          |                                 | 1,109,034        |                                 |

**NOTE 8 - INCOME TAXES**

For federal income tax purposes, the Company elected to capitalize start-up costs incurred during 1999 and 2000 totaling \$357,989. The start-up costs are being amortized over sixty (60) months beginning in 2001. An analysis of the components of the (loss) before income taxes and the related income tax (benefit) is presented in the following tables. The tax amounts have been calculated using the 34% federal and 5.5% state income tax rates.

The Company adopted the provisions of ASC 740: Income Taxes. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. As of June 30, 2011 and 2010, the Company has no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. In general, the Company is no longer subject to examinations by taxing authorities for tax years prior to 2007.

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

|          | 2011        | 2010        |
|----------|-------------|-------------|
| Current  | \$ -        | \$ -        |
| Deferred | -           | -           |
|          | <u>\$ -</u> | <u>\$ -</u> |

Deferred tax assets for June 30, 2011 and 2010 consist of the following:

|                                  | 2011        | 2010        |
|----------------------------------|-------------|-------------|
| Deferred tax asset:              |             |             |
| Depreciation and amortization    | \$ 955      | \$ 7,986    |
| Stock based compensation         | 3,129,731   | 3,115,411   |
| Net operating loss carry forward | 5,288,882   | 4,866,996   |
| Interest accrual                 | 180,056     | 11,044      |
| Research tax credit              | 7,203       | 7,203       |
| Less: valuation allowance        | (8,606,827) | (8,008,640) |
| Deferred tax asset               | <u>\$ -</u> | <u>\$ -</u> |

A reconciliation of income tax at the statutory rate to the Company's effective tax rates for the periods ended June 30, 2011 and 2010 is as follows:

|   | 2011         | 2010         |
|---|--------------|--------------|
| Federal income tax at statutory rate of 34% | \$ (630,135) | \$ (698,690) |
| State tax, net of federal benefit           | (67,276)     | (74,596)     |
| Other                                       | 99,224       | -            |
| Valuation allowance                         | 598,187      | 773,286      |
|   | <u>\$ -</u>  | <u>\$ -</u>  |

As of June 30, 2011, the Company had a net operating loss carry forward of approximately \$14,055,000 which will begin to expire in 2017.

**NOTE 9 – NOTES PAYABLE****Short-Term Note**

| Related Party    | Maturity | Interest |       | Conversion        |                   |
|------------------|----------|----------|-------|-------------------|-------------------|
|                  |          | Rate     | Price | June 30, 2011     | June 30, 2010     |
| Note Payable     | 2011     | 8%       | N/A   | \$ 215,000        | 215,000           |
| Accrued interest |          |          |       | 23,817            | 6,617             |
| <b>Total</b>     |          |          |       | <b>\$ 238,817</b> | <b>\$ 221,617</b> |

**Long-Term Note**

| Related Party           | Maturity | Interest |         | Conversion          |                     |
|-------------------------|----------|----------|---------|---------------------|---------------------|
|                         |          | Rate     | Price   | June 30, 2011       | June 30, 2010       |
| Senior Convertible Note | 2013     | 8%       | \$ 0.60 | \$ 1,053,000        | \$ 1,053,000        |
| Accrued interest        |          |          |         | 105,373             | 21,133              |
| <b>Total</b>            |          |          |         | <b>\$ 1,158,373</b> | <b>\$ 1,074,133</b> |
| <b>Others</b>           |          |          |         |                     |                     |
| Senior Convertible Note | 2014     | 8%       | \$ 0.50 | 150,000             | 150,000             |
| Senior Convertible Note | 2014     | 8%       | \$ 0.50 | 56,000              | 56,000              |
| Senior Convertible Note | 2014     | 8%       | \$ 1.00 | 44,000              | 44,000              |
| Accrued interest        |          |          |         | 4,986               | 5,041               |
| <b>Total</b>            |          |          |         | <b>\$ 254,986</b>   | <b>\$ 255,041</b>   |
| <b>Officer</b>          |          |          |         |                     |                     |
| Note Payable            | 2013     | 8%       | N/A     | \$ 107,156          | \$ 100,000          |
| Accrued interest        |          |          |         | 4,785               | 9,474               |
| <b>Total</b>            |          |          |         | <b>111,941</b>      | <b>109,474</b>      |
| Less current portion    |          |          |         | 18,000              | -                   |
| <b>Total</b>            |          |          |         | <b>\$ 93,941</b>    | <b>\$ 109,474</b>   |

On March 31, 2010, the Company issued a senior convertible promissory note to a major shareholder for the principal amount of \$1,053,000, which consisted of \$600,164 in cash, \$375,000 principal balance of a prior senior convertible note together with unpaid accrued interest thereon of \$77,836. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2009 Note 3 to the largest shareholder ("Shareholder") and the senior convertible notes totaling \$250,000 as described below. This note has an annual interest rate of 8%, a maturity date of December 31, 2013. This note has the conversion price of \$0.60 per share of common stock. The Company has recorded approximately \$859,950 as an interest expense as a result of the beneficial conversion feature.

On March 31, 2010, the Company issued two senior convertible promissory notes totaling \$250,000 to third parties. These senior convertible notes are secured by the Company's revenues and assets with the same priority as the 2009 Note 3 to the Shareholder and the senior convertible note to a major shareholder. These notes have an annual interest rate of 8% with a maturity date of June 30, 2014. These notes have the convertible price of \$1.00 per share of common stock. The Company has recorded approximately \$22,500 as an interest expense as a result of the beneficial conversion feature. During the year ended June 30, 2011, the conversion price of the \$150,000 senior convertible promissory note was reduced to \$0.50 per share of common stock as part of the arrangement of the additional investment in the Company's restricted common stock by the note holder. In addition, the conversion price on a \$56,000 portion of the \$100,000 senior convertible promissory note was also reduced to \$0.50 per share of common stock as a result of the additional investment in the Company's restricted common stock.

On December 16, 2010, the Company issued a promissory note to an officer for the principal amount of \$113,155, which consisted of a total 100,000 principal balance of four prior convertible notes together with unpaid accrued interest thereon of \$13,155. This note has an annual interest rate of 8%, a maturity date of December 31, 2013. The outstanding principal amount will be paid at a rate of \$1,000, \$2,000 and \$3,000 each month for the first 12 months, the second 12 months and the third 12 months, respectively. As of June 30, 2011, the Company paid an aggregate principal amount of \$6,000 to the officer. The remaining outstanding principal balance and accrued interest will be paid on the maturity date.

|                                | Maturity | Interest |         | Conversion |                     | June 30,<br>2011 | June 30,<br>2010   |
|--------------------------------|----------|----------|---------|------------|---------------------|------------------|--------------------|
|                                |          | Rate     | Price   |            |                     |                  |                    |
| <b>Related Party</b>           |          |          |         |            |                     |                  |                    |
| 2003 Senior Convertible Note   | 2013     | 6%       | \$ 0.38 | \$         | 1,268,625           | \$               | 1,268,625          |
| Senior Convertible Note        | 2013     | 8%       | \$ 0.74 |            | 208,955             |                  | 208,955            |
| 2007 Senior Convertible Note   | 2013     | 8%       | \$ 0.74 |            | 375,000             |                  | 375,000            |
| 2007 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.55 |            | 50,000              |                  | 50,000             |
| 2007 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.51 |            | 50,000              |                  | 50,000             |
| 2007 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.40 |            | 50,000              |                  | 50,000             |
| 2007 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.40 |            | 50,000              |                  | 50,000             |
| 2007 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.34 |            | 50,000              |                  | 50,000             |
| 2007 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.32 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.32 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.45 |            | 70,000              |                  | 70,000             |
| 2008 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.40 |            | 75,000              |                  | 75,000             |
| 2008 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.33 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.42 |            | 75,000              |                  | 75,000             |
| 2008 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.40 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.29 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.20 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.38 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.35 |            | 135,000             |                  | 135,000            |
| 2008 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.25 |            | 100,000             |                  | 100,000            |
| 2008 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.35 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.25 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 3 | 2013     | 8%       | \$ 0.36 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 3 | 2013     | 8%       | \$ 0.19 |            | 50,000              |                  | 50,000             |
| 2008 Senior Convertible Note 3 | 2013     | 8%       | \$ 0.31 |            | 50,000              |                  | 50,000             |
| 2009 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.18 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.37 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.43 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.43 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 1 | 2013     | 8%       | \$ 0.45 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.48 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.47 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.42 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.53 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.58 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.52 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.46 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.55 |            | 35,000              |                  | 35,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.63 |            | 50,000              |                  | 50,000             |
| 2009 Senior Convertible Note 2 | 2013     | 8%       | \$ 0.60 |            | 45,000              |                  | 45,000             |
| 2009 Senior Convertible Note 3 | 2013     | 8%       | \$ 0.50 |            | 135,000             |                  | 135,000            |
| 2009 Senior Convertible Note 3 | 2013     | 8%       | \$ 0.60 |            | 465,000             |                  | 465,000            |
| Accrued interest               |          |          |         |            | 1,029,985           |                  | 710,751            |
| Total                          |          |          |         |            | <u>\$ 5,337,565</u> |                  | <u>\$5,018,331</u> |
| Total long term note payable   |          |          |         |            | <u>\$ 6,844,865</u> |                  | <u>\$6,456,979</u> |
| Total debt                     |          |          |         |            | <u>\$ 7,101,682</u> |                  | <u>\$6,678,596</u> |

**NOTE 9 – NOTES PAYABLE, continued**

Effective March 15, 2010, the Company issued a \$215,000 promissory note payable to the largest shareholder. The Company received the borrowings (the "Advances") in a series of \$50,000 on January 29, February 12 and March 15, 2010, \$34,000 on January 13, 2010, \$11,000 on January 14, 2010, and \$20,000 on February 26, 2010 totaling \$215,000. This note is secured by the Company's revenues and assets. In addition, the note has a 8% interest rate per annum and has a maturity date of March 12, 2011, which was extended to October 31, 2011.

In November 2009, the Company finalized and issued a \$600,000 2009 senior convertible note payable ("2009 Note 3") to the Shareholder. The Company received the borrowings (the "Advances") in a series of \$45,000 on September 8, 2009, \$25,000 on September 11, 2009, \$125,000 on September 23, 2009, \$100,000 on October 14, 2009, \$50,000 on October 28, 2009, \$175,000 on November 12, 2009, \$50,000 on December 14, 2009, and \$30,000 on February 26, 2010 totaling \$600,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2009 and 2008 senior convertible notes described below with a 8% annual interest rate and has a maturity date of December 31, 2013. This note has the conversion price of \$0.60 per share of common stock. The Company has recorded approximately \$215,500 as an interest expense to date for the Advances received as a result of the beneficial conversion feature. As part of the terms of this note, the maturity dates of all other outstanding senior convertible notes owed to the Shareholder are extended to December 31, 2013. During the year ended June 30, 2011, the conversion price on a \$135,000 portion of the 2009 Note 3 was also reduced to \$0.50 per share of common stock as a result of the additional investment in the Company's restricted common stock.

Effective May 12, 2009, the Company issued a 2009 senior convertible note payable ("2009 Note 2") to the Shareholder to combine the borrowings (the "Advances") in a series of \$35,000 each from May 12, 2009 through August 12, 2009, \$50,000 and \$45,000 on August 14 and 27, 2009, respectively totaling \$375,000. As of June 30, 2009, the Company received \$175,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2009 and 2008 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective February 26, 2009, the Company issued a 2009 senior convertible note payable ("2009 Note 1") to the Shareholder to combine the borrowings (the "Advances") in a series of \$35,000 each from February 26, 2009 through April 30, 2009 totaling \$175,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2008 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective September 15, 2008, the Company issued a 2008 senior convertible note payable ("Note 3") to the Shareholder to combine the borrowings (the "Advances") in a series of \$50,000 each from September 15, 2008 through October 15, 2008 totaling \$150,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective May 17, 2008, the Company issued a 2008 senior convertible note payable ("Note 2") to the Shareholder to combine the borrowings (the "Advances") ranging from \$50,000 to \$135,000 each from May 17, 2008 through August 28, 2008 totaling \$485,000. This Note 2 is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This Note 2 has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective February 11, 2008, the Company issued a 2008 senior convertible note payable ("Note 1") to the Shareholder to combine the borrowings (the "Advances") ranging from \$50,000 to \$75,000 each from February 11, 2008 through April 29, 2008 totaling \$370,000. This Note 1 is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This Note 1 has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective October 30, 2007, the Company issued another 2007 senior convertible note payable to the Shareholder to combine the borrowings (the "Advances") in a series of \$50,000 each from October 30, 2007 through January 30, 2008 totaling \$300,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

In June 2007, the Company issued two other 2007 senior convertible note payables to the Shareholder and a major stockholder for \$375,000 each. These two senior convertible note payables are secured by the Company's revenues and assets. The Company may prepay the principal and interest upon meeting certain cash flow requirements and the approval of the board. As described above, on March 31, 2010, the \$375,000 senior convertible note to a major shareholder together with the unpaid accrued interest thereon was combined as part of the new senior convertible note of \$1,053,000 principal balance and new terms including a new maturity date of December 31, 2013.

In addition, the Company combined its other outstanding note payables to the Shareholder totaling \$208,955 into a single note with the same annual interest rate and extended the maturity date to 2010. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes. Further, the 2003 senior convertible note maturity date was extended until July 13, 2010. The maturity date is further extended to December 31, 2013.

In September 2003, the Company negotiated a successor agreement with the Shareholder regarding the line of credit, which became a single convertible note for up to \$1,500,000 excluding accrued interest, at an interest rate of 6% and due July 1, 2004. The convertible note is secured by the assets and revenues of the Company, which has the same priority as other senior convertible note payables. The note plus accrued interest will be convertible at a conversion rate of \$0.38 per share. The conversion rate was determined as 15% above the average share price over the prior 20 trading days (\$0.33 per share). The note has an anti-dilution provision in the event that the Company sells stock to other investors at less than \$0.20 per share. During the year ended June 30, 2006, the maturity date of the note was extended until October 1, 2007. In January 2007, the Shareholder agreed to extend the maturity date of the note until April 1, 2008. In June 2007, the maturity date of this note was extended to July 2010. The maturity date is further extended to December 31, 2013.

At June 30, 2011, the Company accrued interests of \$1,029,985 and \$23,817, \$105,373, \$4,986, and \$4,785 on the convertible notes and the note payable with the largest shareholder, the convertible note with a related party, the convertible notes with third parties, and the note payable to the officer, respectively.

**NOTE 10 – FAIR VALUE MEASUREMENTS**

The Company adopted ASC 820, *Fair Value Measurements and Disclosures*, for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. FASB ASC 820 establishes and prioritizes three levels of inputs that may be used to measure fair value:

*Level 1* - Quoted prices in active markets for identical assets or liabilities.

*Level 2* - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2011

|                               | Carrying Value | Level 1    | Level 2 | Level 3      |
|-------------------------------|----------------|------------|---------|--------------|
| <b>Financial Assets</b>       |                |            |         |              |
| Cash equivalents (1)          | \$ 925,017     | \$ 925,017 | -       | -            |
| Total financial assets        | \$ 925,017     | \$ 925,017 | -       | -            |
| <b>Financial Liabilities</b>  |                |            |         |              |
| Convertible notes payable (2) | \$ 6,750,924   | -          | -       | \$ 6,394,677 |
| Total financial liabilities   | \$ 6,750,924   | -          | -       | \$ 6,394,677 |

**(1) Cash Equivalents**

The Company's cash equivalents include short-term investments, which are money market funds. Since these are short-term highly liquid investments with original maturities of three months or less at the date of purchase, they present negligible risk of changes in value due to changes in interest rates. These short-term investments are recorded at fair value on the Company's balance sheet based on quoted market prices and observable market inputs.

**(2) Convertible Notes Payable**

As fully described in Note 9, the Company's convertible notes payable are long-term debts with fixed interest rates and the conversion rates at market at the time the funds were received. In addition, most of these notes are collateralized by the Company's assets and revenues. Further, the debt holders are major shareholders and an officer. The Company is in a start up phase. The Company estimates the fair value of the convertible notes for disclosure purposes by discounting the future cash flows using rates of debts that management believes are similar in terms and maturity. The Company's short-term convertible note payable is approximate market value.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

As fully described in Note 9, the Company has several senior convertible note payables with the largest shareholder, a major stockholder, third parties and a promissory note with an officer during the periods ended June 30, 2011 and 2010.

In addition, the Company has a consulting agreement with a director to provide services on scientific matters at a monthly fee of \$2,500. At June 30, 2011, the Company has an outstanding balance of \$30,000 owed to a director and it is included in accounts payable. As in the past, the Company plans to pay the outstanding balance with an equity arrangement.

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

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Regulations under the Exchange Act, require public companies to maintain "disclosure controls and procedures," which are defined to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on those evaluations, as of June 30, 2011, our CEO and CFO believe that:

- (i) our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure; and
- (ii) our disclosure controls and procedures are effective.

**Internal Control over Financial Reporting**

***Management's annual report on internal control over financial reporting.***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive officer and principal financial officer and effected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

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

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. Based on our assessment, management concluded that, as of June 30, 2011, the Company's internal controls over financial reporting were effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Internal control over financial reporting was not subject to attestation by the Company's independent registered public accounting firm in accordance with recent amendments to Section 404 of the Sarbanes-Oxley Act of 2002 pursuant to Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act that permit the Company to provide only management's report in this Annual Report.

***Changes in internal control over financial reporting***

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) or Rule 15d-15(d) promulgated under the Exchange Act that occurred during our last fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The following table sets forth the names, ages and positions held for our directors, executive officers and significant employees.

| Name               | Age | Position   |
|--------------------|-----|--|
| J Ladd Greeno      | 62  | Chairman of the Board and Chief Executive Officer                          |
| George E. Friel    | 69  | Director   |
| Gerald M. Olderman | 78  | Vice President, Research & Development and Commercialization, and Director |
| Gregory S. Schultz | 61  | Director   |
| Nam H. Nguyen      | 54  | Chief Financial Officer  |

**Mr. Greeno** has served as Chairman of the Board since August 2011, as our Chief Executive Officer since August 2007, and as our Director since September 2007. From 2003 to 2006, Mr. Greeno was President and Chief Executive Officer of Agion Technologies, a leading provider of ionic silver antimicrobials. Before joining Agion, Mr. Greeno held a number of senior management positions at the global management and technology consulting firm, Arthur D. Little, Inc., (ADL) including Chief Operating Officer and senior vice president in charge of the firm's North American Management Consulting business. Mr. Greeno began his consulting career in ADL's Strategy & Organization practice and then moved into leadership roles successfully building ADL's worldwide Environmental, Health, and Safety Consulting business. Mr. Greeno received an M.B.A. from Harvard Business School and a B.B.A from the University of Oklahoma.

**Major General Friel (Ret.)** has served as our director from July 2000. MG. Friel has been self-employed as a consultant to various organizations in the defense industry since September 1998. MG. Friel served in the U.S. Army from 1960 to 1998. He was the commanding general of the U.S. Army Chemical and Biological Defense Command, at the Aberdeen Proving Ground in Maryland from August 1992 to August 1998 and deputy chief of staff for Chemical and Biological Matters of the Army Material Command in Virginia, during the same time. MG. Friel was also responsible for a \$600 million annual budget for the Nuclear, Biological, and Chemical Defense Command for six years and directed over 1,100 scientists and engineers. MG. Friel has also served as chairman of the boards of the Nuclear, Biological, and Chemical Defense Enterprise at the Edgewood Arsenal in Maryland and the U.S. Army Material Command, Acquisition and Procurement Enterprise. MG. Friel earned an M.B.A. from Northwest Missouri State University and a B.S. from the University of Nebraska. He is a graduate from the U.S. Army Chemical School, The Army Command and General Staff College and The Industrial College of the Armed Forces. He was a director for Engineer Support Systems, Inc from September 1998 until January 2006.

**Mr. Olderman** has served as our Vice President, Research & Development and Commercialization since July 1997, and as our Director since July 2000. Mr. Olderman brings 35 years of healthcare experience, 31 years of technical management experience, and 25 years serving as the head of research and development activities for fortune 500 companies. Since November 1996, Mr. Olderman was Vice President and Associate of R.F. Caffrey & Associates Inc., a management consultant to medical device companies and suppliers. Prior to joining R.F. Caffrey & Associates, Mr. Olderman served as Director and head of research and development for C.R. Bard, Inc.'s Cardiopulmonary Division, where he organized a new product development process in which 19 new medical devices were developed. Mr. Olderman also served as Vice President for domestic and international research and development for the Pharmaceutical Division of Baxter Healthcare Corp. and Vice President for research and development for the Converters, a division of American Hospital Supply Corporation prior to its acquisition by Baxter Healthcare Corporation, where he led product development and made material changes that helped increase market share from 30% to 45% within a \$750 million market. Mr. Olderman has also served as Vice President for research and development and as a director for Surgikos, Inc. a subsidiary of Johnson & Johnson. Mr. Olderman received a B.S. in Chemistry from Rensselaer Polytechnic Institute in New York. He also holds an M.S. in Physical Chemistry and a Ph.D. in Physical Chemistry from Seton Hall University in New Jersey.

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**Mr. Schultz** has served as our Director since July 2000. From 1999 through 2001, Mr. Schultz served as the President of the Wound Healing Society, and has worked as a consultant for 12 major biotechnology companies. In 1989, he was appointed Professor of Obstetrics/Gynecology and Director of the Institute for Wound Research in the College of Medicine at the University of Florida at Gainesville, Florida. He has published over 250 research articles and book chapters that have been cited over 6,500 times. He has been continuously funded by major grants from the National Institutes of Health and supported by grants from the U.S. Army grant on treatment of burns with growth factors. Mr. Schultz earned a doctorate in biochemistry from Oklahoma State University and postdoctoral fellowship in cell biology at Yale University in Connecticut.

**Mr. Nguyen** has been our Chief Financial Officer since August 2004. Since January 2003, he has provided accounting services through his professional firm. From November 2003 until July 2004, Mr. Nguyen served as acting Secretary. Mr. Nguyen is currently president of his accounting firm, Nam H. Nguyen, CPA, P.A. In August 2010, Mr. Nguyen was appointed as an advisory member of Palm Beach County Internal Audit Committee. Mr. Nguyen was a Manager of Financial Controls of W. R. Grace & Co., responsible for its risk-based global audit plan for its worldwide operations. He was Vice President of Financial Reporting of John Alden Financial Corporation with responsibilities for the SEC filings and state insurance filings in the United States. A certified public accountant, who has worked for PriceWaterhouse, as a senior manager, Mr. Nguyen specialized in the insurance and health care business in both the United States and Europe. Mr. Nguyen is also a Certified Internal Auditor.

The above listed officers and directors will serve until the next annual meeting of the stockholders or until their death, resignation, retirement, removal, or disqualification, or until their successors have been duly elected and qualified. Vacancies in the existing board are filled by majority vote of the remaining directors. Our officers serve at the will of the board.

**Family Relationships**

There are no family relationships between any of the executive officers and directors. No officer, director, or persons nominated for such positions, promoter or significant employee has been involved in legal proceedings that would be material to an evaluation of our management.

**Involvement in Certain Legal Proceedings**

None of our directors or executive officers has, during the past ten years:

- Had any petition under the federal bankruptcy laws or any state insolvency law filed by or against, or had a receiver, fiscal agent, or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
- Been convicted in a criminal proceeding or a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
- Been the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
  - (i) Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
  - (ii) Engaging in any type of business practice; or
  - (iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;
- Been the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any federal or state authority barring, suspending, or otherwise limiting for more than 60 days the right of such person to engage in any activity described in (i) above, or to be associated with persons engaged in any such activity;
- Been found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law, where the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated; or
- Been found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, where the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended, or vacated.
- Been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
  - (i) Any federal or state securities or commodities law or regulation; or
  - (ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
  - (iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- Been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

#### **Committees of the Board of Directors**

*Executive Committee.* Our Executive Committee is composed of J. Ladd Greeno, our Chairman of the Board, Director George E. Friel. This committee's chairman is J. Ladd Greeno. This committee acts for our Board of Directors when a meeting of the full board is not practical.

*Compensation Committee.* The Compensation Committee is composed of George E. Friel and Gerald M. Olderman, and is chaired by George E. Friel. This committee approves, administers and interprets our compensation and health benefits, including our executive incentive programs. Additionally, this committee reviews and makes recommendations to our Board of Directors to ensure that our compensation and benefit policies are consistent with our compensation philosophy and corporate governance principles. This committee is also responsible for establishing our Chief Executive Officer and senior executive officers' compensation.

*Audit Committee.* The Audit Committee is composed of George E. Friel and Gregory S. Schultz, is chaired by George E. Friel. This committee has general responsibility for the oversight and surveillance of our accounting, reporting and financial control practices. Among other functions, the committee retains our independent registered public accountants.

*Licensing Committee.* The Licensing Committee is composed of J. Ladd Greeno and Gregory S. Schultz, and is chaired by J. Ladd Greeno. This committee has general responsibility for the review of the licensing terms and agreements with our business partners and to recommend them to the Board of Directors for approval as appropriate.

#### **Audit Committee Financial Expert**

Currently, we do not have an Audit Committee "financial expert". No individual on our Board of Directors possesses all of the attributes of an audit committee financial expert and no one on our Board of Directors is deemed to be an audit committee financial expert. In forming our Board of Directors, we sought out individuals who would be able to guide our operations based on their business experience, both past and present, or their education. Our business model is not complex and our accounting issues are straightforward. Responsibility for our operations is centralized within management, which is comprised of four people. We rely on the assistance of others, such as our chief financial officer, who is a certified public accountant, to help us with the preparation of our financial information. We recognize that having a person who possesses all of the attributes of an audit committee financial expert would be a valuable addition to our Board of Directors, however, we are not, at this time, able to compensate such a person therefore, we may find it difficult to attract such a candidate.

#### **Code of Ethics**

We have adopted a Code of Ethics for our board members, our principal executive and senior financial officers, our other officers and our employees. A copy of this Code of Ethics is located on our website at [www.quickmedtech.com](http://www.quickmedtech.com). We intend to post any waivers or amendments to our Code of Ethics on our website.

#### **Compliance with Section 16(a) of the Securities Exchange Act of 1934**

Under United States securities laws, our directors, executive officers and any persons holding more than 10% of our issued and outstanding common stock are required to report their ownership of common stock (or securities convertible into common stock) to the Securities and Exchange Commission. Due dates for these reports have been set by the Commission and we are required to report any failure to file by those deadlines. To our knowledge, based solely on a review of the copies of such reports furnished to us by those persons and on representations from those persons that no other reports were required, all reports were timely filed as required under Section 16(a) of the Securities Exchange Act of 1934 by all such persons during the fiscal year ended June 30, 2011.

#### **Diversity**

While the Company does not have a policy regarding diversity of its board members, diversity is one of a number of factors that is typically taken into account in identifying board nominees. We believe that we have a very diverse board of directors in terms of previous business experience and educational and personal background of the members of our board.

## ITEM 11. EXECUTIVE COMPENSATION

The following summary compensation table indicates the cash and non-cash compensation earned during our last two fiscal years by (i) our Chief Executive Officer (principal executive officer), (ii) our Chief Financial Officer, (iii) the three most highly compensated executive officers other than our CEO and CFO who were serving as executive officers at the end of our last completed fiscal year, whose total compensation exceeded \$100,000 during such fiscal year ends, and (iv) up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer at the end of our last completed fiscal year, whose total compensation exceeded \$100,000 during such fiscal year ends.

Summary Compensation Table

| Name and principal position                                       | Year | Salary (\$)(2) | Stock Bonus Awards |         | Option Awards(\$)(1) | Non-Equity Incentive Plan |                                      | All Other Compensation (\$) | Total (\$) |
|---|------|----------------|--------------------|---------|----------------------|---------------------------|--------------------------------------|-----------------------------|------------|
|   |      |                | (\$)               | (\$)(1) |                      | Compen- sation (\$)       | Defered Compen- sation Earnings (\$) |                             |            |
| J. Ladd Greeno, Chief Executive Officer                           | 2011 | \$ 218,750     | —                  | —       | \$203,751            | —                         | —                                    | \$422,501                   |            |
|   | 2010 | \$ 125,000     | —                  | —       | \$233,252            | —                         | —                                    | \$358,252                   |            |
| Gerard M. Olderman, Vice President of R & D and Commercialization | 2011 | \$ 131,250     | —                  | —       | \$17,462             | —                         | —                                    | \$148,712                   |            |
|   | 2010 | \$ 75,000      | —                  | —       | \$41,917             | —                         | —                                    | \$116,917                   |            |
| Nam H. Nguyen, Chief Financial Officer                            | 2011 | \$ 140,625     | —                  | —       | \$19,120             | —                         | —                                    | \$159,745                   |            |
|   | 2010 | \$ 79,063      | —                  | \$5,000 | \$48,016             | —                         | —                                    | \$132,079                   |            |

(1) Reflects dollar amount expensed by us during applicable fiscal years for financial statement reporting purposes pursuant to FAS 123R. FAS 123R requires us to determine the overall value of the options as of the date of grant based upon the Black-Scholes method of valuation, and to then expense that value over the service period over which the options become exercisable (vest). As a general rule, for time in service based options, we will immediately expense any option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the option. See the assumptions made in the valuation of the stock options in the footnotes of our financial statements included herein and incorporated by reference. During the year ended June 30, 2011, we recognized \$203,751 in share-based compensation for the stock options vested during the fiscal year 2011. During the year ended June 30, 2010, Mr. Greeno was granted 200,000 stock options, which were vested one-third at the grant date and one-third to be vested at every twelve months thereafter. We recognized \$233,252 in share-based compensation expense for the fiscal year ended June 30, 2010. During the year ended June 30, 2011, we recognized \$17,462 in share-based compensation for the stock options vested during the fiscal year 2011. During the year ended June 30, 2010, Mr. Olderman was granted 90,000 stock options, which were vested one-third at the grant date and one-third to be vested at every twelve months thereafter. We recognized \$41,917 in share-based compensation expense for the fiscal year ended June 30, 2010. During the year ended June 30, 2011, we recognized \$19,120 in share-based compensation for the stock options vested during the fiscal year 2011. During the year ended June 30, 2010, Mr. Nguyen was granted 121,765 warrants, of which 18,178 warrants were vested immediately, and the remainder 103,587, one-third was vested at the grant date and one-third to be vested at every twelve months thereafter. We recognized \$48,016 in share-based compensation expense for the fiscal year ended June 30, 2010. During the fiscal year ended June 30, 2010, Mr. Nguyen received \$5,000 in restricted stock as part of the payment for the services rendered.

(2) The officers waived their unpaid salaries and fee for the fiscal year ended June 30, 2010 and 2009. As described further below, Mr. Nguyen has a consulting agreement with us since August 2004, as Chief Financial Officer. He also serves as the acting Secretary since February 2008.

Grants of Plan-Based Awards

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the amount of our executive officers' equity-based compensation outstanding at the fiscal year ended June 30, 2011:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

| Name  | OPTION AWARDS   |   |   |                            |                        | STOCK AWARDS  |  |  |  |   |
|---|---|---|---|----------------------------|------------------------|---|--|--|--|---|
|   | Number of securities underlying unexercised options (#) | Number of securities underlying unexercised options (#) | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date | Number of shares or units of stock that have vested (#) | Market value of shares or units of stock that have vested (\$) | Equity incentive awards: plan or other rights that have vested (#) | Equity incentive awards: market or other rights that have vested (#) | Equity incentive awards: unearned value of shares or units of stock that have vested (\$) |
| <b>J. Ladd Greeno</b>                         |   |   |   |                            |                        |   |  |  |  |   |
| Chief Executive Officer                       | 484,056(1)  | 0   | 0   | 0.75                       | 08/06/2013             | 0   | 0  | 0  | 0  | 0   |
|   | 1,452,167(2)  | 0   | 0   | 0.74                       | 09/25/2013             |   |  |  |  |   |
|   | 125,000(3)  | 0   | 0   | 0.20                       | 10/27/2013             |   |  |  |  |   |
|   | 175,002(7)  | 24,998  | 24,998  | 0.77                       | 11/17/2014             |   |  |  |  |   |
| <b>Gerard M. Olderman</b>                     |   |   |   |                            |                        |   |  |  |  |   |
| Olderman                                      | 145,000(3)  | 0   | 0   | 0.20                       | 10/27/2013             | 0   | 0  | 0  | 0  | 0   |
| Vice President                                | 105,000(4)  | 0   | 0   | 0.42                       | 04/18/2013             |   |  |  |  |   |
| <b>R&amp;D and Commercialization</b>          |   |   |   |                            |                        |   |  |  |  |   |
|   | 75,385(5)   | 0   | 0   | 1.05                       | 12/19/2011             |   |  |  |  |   |
|   | 78,750(7)   | 11,250  | 11,250  | 0.77                       | 11/17/2014             |   |  |  |  |   |
| <b>Nam H. Nguyen, Chief Financial Officer</b> |   |   |   |                            |                        |   |  |  |  |   |
| Officer                                       | 125,000(6)  | 0   | 0   | 0.20                       | 10/27/2013             | 0   | 0  | 0  | 0  | 0   |
|   | 50,000(4)   | 0   | 0   | 0.42                       | 04/18/2013             |   |  |  |  |   |
|   | 20,000(5)   | 0   | 0   | 1.05                       | 12/19/2011             |   |  |  |  |   |
|   | 108,815(8)  | 12,950  | 12,950  | 0.77                       | 11/17/2014             |   |  |  |  |   |

- (1) These stock options were granted under our amended and restated 2001 Equity Incentive Plan and were vested on the date of grant.
- (2) These stock options were granted under our amended and restated 2001 Equity Incentive Plan and are vested as follows one-sixteenth (1/16) every three month beginning on June 17, 2007.
- (3) These stock options were granted under our amended and restated 2001 Equity Incentive Plan with the vested dates as follows: One-third vested at the grant date of October 27, 2008; one-third vested at October 27, 2009; and the remaining vested at October 27, 2010.
- (4) These stock options were granted under our amended and restated 2001 Equity Incentive Plan with the vested dates as follows: One-third vested at the grant date of April 18, 2008; one-third vested at April 18, 2009; and the remaining vested at April 18, 2010.
- (5) These stock options were granted under our amended and restated 2001 Equity Incentive Plan with the vested dates as follows: One-third vested at the grant date of December 20, 2006; one-third vested at December 20, 2007; and the remaining vested at December 20, 2008.
- (6) These stock warrants were granted with the vested dates as follows: One-third vested at the grant date of October 27, 2008; one-third vested at October 27, 2009; and the remaining vested at October 27, 2010.
- (7) These stock options were granted under our amended and restated 2001 Equity Incentive Plan with the vested dates as follows: One-third vested at the grant date of November 17, 2009; one-third vested at November 17, 2010; and the remaining vested at November 17, 2011.
- (8) These stock warrants were granted with 18,178 warrants vested at the grant date of November 17, 2009, and the remainder 103,587, one-third was vested at the grant date; one-third vested at November 17, 2010; and the remaining vested at November 17, 2011.

**Compensation of Directors**

The following director compensation disclosure reflects all compensation awarded to, earned by or paid to the directors below for the fiscal year ended June 30, 2011.

**DIRECTOR COMPENSATION**

| Name            | Fees Earned or Paid in |              | Option Awards | Non-Equity Incentive Plan Compensation | Nonqualified Deferred Compensation Earnings | All Other Compensation | Total  |
|-----------------|------------------------|--------------|---------------|--|---|------------------------|--------|
|                 | Cash                   | Stock Awards |               |  |   |                        |        |
|                 | (\$)                   | (\$)(1)      | (\$)(1)       | (\$)                                   | (\$)  | (\$)(4)                | (\$)   |
| George Friel    | 0                      | 0            | 2,022(2)      | 0                                      | 0   | 0                      | 2,022  |
| Gregory Schultz | 0                      | 0            | 7,078(3)      | 0                                      | 0   | 30,000                 | 37,078 |

(1) Reflects dollar amount expensed by the company during applicable fiscal year for financial statement reporting purposes pursuant to FAS 123R. FAS 123R requires the company to determine the overall value of the options as of the date of grant based upon the Black-Scholes method of valuation, and to then expense that value over the service period over which the options become exercisable (vest). As a general rule, for time in service based options, the company will immediately expense any option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the option.

(2) At fiscal year ended June 30, 2011, Mr. Friel had a total of 293,131 stock options outstanding.

(3) At fiscal year ended June 30, 2011, Mr. Schultz had a total of 748,237 stock options and warrants outstanding.

(4) Effective January 2007, we have a consulting agreement with Mr. Schultz for his scientific advisory services with a monthly fee of \$2,500. For the fiscal year ended June 30, 2011, we owe Mr. Schultz \$30,000 in consulting fees.

## Employment Contracts and Termination of Employment and Change in Control Arrangements

### J. Ladd Greeno

On August 6, 2007 (the "Effective Date"), we entered into an employment agreement with J. Ladd Greeno to serve as our Chief Executive Officer (the "Agreement"). Mr. Greeno began employment with us on June 11, 2007 (the "Start Date"). Mr. Greeno will report to our Board of Directors (the "Board") and will render such business and professional services in the performance of his duties, consistent with his position as our Chief Executive Officer, as will reasonably be assigned to him by the Board.

We pay Mr. Greeno a base salary of \$250,000 per year (the "Base Salary"), subject to review by the Board on an annual basis and subject to increase in the Registrant's discretion. Mr. Greeno was eligible to receive an annual bonus (the "Annual Bonus") of up to fifty percent (50%) of the Base Salary upon the achievement of performance objectives that were reasonably determined by the Board or the Board's Compensation Committee in consultation with Mr. Greeno within forty-five (45) days after the Effective Date, and is eligible for an Annual Bonus annually thereafter. Mr. Greeno is also eligible to receive awards of stock options, restricted stock or other equity awards pursuant to any plans or arrangements we may have in effect from time to time.

In the event Mr. Greeno's employment with us terminates for any reason, Mr. Greeno is entitled to any (a) unpaid Base Salary accrued up to the effective date of the termination, (b) unpaid, but earned and accrued Annual Bonus for any completed fiscal year as of his termination of employment, provided Mr. Greeno was not terminated for "cause" (as defined in the Agreement) that was attributable to conduct during the performance period, (c) pay for accrued but unused vacation, (d) benefits or compensation as provided under the terms of any employee benefit and compensation agreements or plans applicable to Mr. Greeno, (e) unreimbursed expenses required to be reimbursed to Mr. Greeno, and (f) rights to indemnification Mr. Greeno may have under our Articles of Incorporation, Bylaws, the Agreement, or separate indemnification agreement, as applicable.

If (i) we terminate Mr. Greeno's employment without "cause" (as defined in the Agreement), (ii) Mr. Greeno resigns from his employment with us for "good reason" (as defined in the Agreement), or (iii) Mr. Greeno resigns from his employment with us for any or no reason within one hundred eighty (180) days following a "change of control" (as defined in the Agreement), then subject to other provisions in the Agreement, Mr. Greeno will receive: (i) continuing payments of severance pay at a rate equal to his Base Salary as then in effect for twelve (12) months from the date of such termination, (ii) the Annual Bonus for the fiscal year in which Mr. Greeno's employment under the Agreement terminated, which shall be prorated to reflect the number of days of the fiscal year during which Mr. Greeno was employed by us, and (iii) the same level of health (i.e. medical, vision and dental) coverage and other benefits as in effect for Mr. Greeno, and, if applicable, Mr. Greeno's dependents, on the day immediately preceding Mr. Greeno's termination at the same costs to him as was in effect on the day prior to his separation from service; provided, however, that (1) Mr. Greeno constitutes a qualified beneficiary, as defined in Section 4980B(g)(1) of the Code, and (2) Mr. Greeno elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA. We will reimburse Mr. Greeno's COBRA premiums until the earlier of (A) twelve (12) months from Mr. Greeno's termination, or (B) until Mr. Greeno obtains substantially similar coverage under another employer's group insurance plan.

If (i) we terminate Mr. Greeno's employment for "cause", (ii) Mr. Greeno's employment terminates due to death or "disability" (as defined in the Agreement), or (iii) Mr. Greeno resigns his employment with us without "good reason" (other than a resignation that is within one hundred eighty (180) days following a "change of control"), then (1) all vesting will terminate immediately with respect to Mr. Greeno's outstanding equity awards, (2) all payments of compensation by us to Mr. Greeno hereunder will terminate immediately (except as to amounts already earned, including unused and accrued vacation), and (3) Mr. Greeno will not be eligible for severance or other benefits, except in accordance with any generally applicable Registrant plans or policies as are then in effect.

If we undergo a "change of control" before the one (1) year anniversary of the Start Date, fifty percent (50%) of the unvested shares subject to Mr. Greeno's outstanding equity awards are immediately vested and become exercisable or released from our repurchase or reacquisition right. If we undergo a "change of control" on or after the one (1) year anniversary of the Start Date, one hundred percent (100%) of the unvested shares subject to Mr. Greeno's outstanding equity awards are immediately vested and become exercisable or released from our repurchase or reacquisition right.

If in the course of Mr. Greeno's employment with us, he incorporates into any invention, improvement, development, product, copyrightable material or trade secret any invention, improvement, development, concept, discovery or other proprietary information owned by him or in which he has an interest, we are granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such item as part of in connection with such product, process or machine. Mr. Greeno agrees that he will promptly make full written disclosure to us, will hold in trust for our sole right and benefit, and assign to us, or its designee, all his right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements or trade secrets, whether or not patentable or registrable under copyright or similar laws, which Mr. Greeno may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time Mr. Greeno is in our employ.

Mr. Greeno agreed to the confidentiality, non-competition and non-solicitation provisions of the Agreement.

### Gerald M. Olderman

On January 1, 2011, we renewed an employment agreement with Gerald Olderman, Vice President of R & D and Commercialization. Mr. Olderman has an annual salary of \$150,000 per year, subject to adjustment by the Compensation Committee of the Board of Directors ("Board") based on new revenue streams and increases in our shareholder value. Mr. Olderman is entitled to 4 weeks of paid vacation. The Board of Directors may not approve any change of control unless the acquiring corporation assumes responsibility for this Agreement and all payments due hereunder. In addition, all options, warrants and common stock under this Agreement shall become immediately vested upon such change of control. The agreement has a term of one year and shall automatically renew unless the Board of Directors acts to terminate the Agreement. Mr. Olderman may terminate this agreement by giving us one month's notice. We may terminate the Agreement without just cause provided that it pays Mr. Olderman a settlement payment of three (3) months of monthly compensation plus immediate vesting of all stock options previously granted. Mr. Olderman will be deemed to be terminated without just cause if we unilaterally change his level of responsibility and compensation or if we appoint any individual other than Mr. Olderman to the position of Vice President of R & D and Commercialization. Mr. Olderman agrees to make reasonable efforts to assist us during a mutually agreed transition period up to six (6) months in transferring his responsibilities to a replacement hired by the company and that he will devote proper time and attention to the transition. Mr. Olderman agrees to tender his resignation and release us from all obligations to pay any further amounts in consideration of the settlement payment. We are entitled to terminate the agreement and Mr. Olderman's employment for just cause without any notice.

### Nam H. Nguyen

In January 2004, we entered into a formal consulting agreement with Nam H. Nguyen to serve as a consulting accounting advisor. In August 2004, Mr. Nguyen was appointed as our Chief Financial Officer under the same agreement. Mr. Nguyen also currently serves as an acting Corporate Secretary. Mr. Nguyen's monthly consulting fee is \$12,500 as approved by the Board of Directors. The Compensation Committee may recommend share-based award at its own discretion to the Board of Directors.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS**

The following table sets forth, as of June 30, 2011, certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our current directors and executive officers. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Information relating to beneficial ownership of common stock by our principal stockholders and management is based upon information furnished by each person using "beneficial ownership" concepts under the rules of the Securities and Exchange Commission. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to vote or direct the voting of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Under the Securities and Exchange Commission rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary beneficial interest. We are unaware of any contract or arrangement, which could result in a change in our control.

The following table assumes, based on our stock records, that there are 37,246,154 shares issued and outstanding as of June 30, 2011.

The following table sets forth the ownership of our common stock by:

- § Each stockholder known by us to own beneficially more than 5% of our common stock;
- § Each executive officer;
- § Each director or nominee to become a director; and
- § All directors and executive officers as a group.

| Name and Address of Beneficial Owner <sup>(A)</sup>         | Shares Beneficially Owned |         |
|---|---------------------------|---------|
|   | Number                    | Percent |
| Michael R. Granito  | 23,022,968 <sup>(1)</sup> | 39.7%   |
| Phronesis Partners, L.P.                                    | 8,596,415 <sup>(2)</sup>  | 14.8%   |
| David S. Lerner, Founder                                    | 3,607,695 <sup>(3)</sup>  | 6.2%    |
| J. Ladd Greeno, Chairman and Chief Executive Officer        | 2,280,668 <sup>(4)</sup>  | 3.9%    |
| George E. Friel, Director                                   | 831,375 <sup>(5)</sup>    | 1.4%    |
| Gerald M. Olderman, Director and Vice President             | 968,849 <sup>(6)</sup>    | 1.7%    |
| Gregory S. Schultz, Director                                | 1,640,346 <sup>(7)</sup>  | 2.8%    |
| Nam H. Nguyen, Chief Financial Officer                      | 1,127,063 <sup>(8)</sup>  | 2.1%    |
| All Quick-Med Directors and Officers as a Group (5 persons) | 6,848,301                 | 11.8%   |

NOTES: (A) The address for each of the above unless otherwise indicated is c/o Quick-Med Technologies, Inc., 902 NW 4 Street, Gainesville, Florida 32601.

- (1) Includes 161,260 shares issuable upon the exercise of options exercisable and 12,598,513 shares issuable upon conversion of the convertible debts within 60 days. Mr. Granito's address is 1001 Shady Avenue, Pittsburgh, PA 15232.
- (2) Includes 1,930,622 shares issuable upon conversion of a convertible debt within 60 days. Phronesis Partners, L.P., Delaware Limited Partnership, is a hedge fund and has sole voting and sole dispositive power over 6,665,793 shares. Mr. James Wiggins is the natural person with sole voting and dispositive power with respect to the shares. The address for Phronesis Partners, L.P. is 130 East Chestnut Street, Suite 403, Columbus, OH 43215.
- (3) Includes 0 shares issuable upon the exercise of options exercisable within 60 days. Mr. Lerner's address is 79 Via Ponciana Lane, Boca Raton, FL 33487.
- (4) Includes 2,180,668 shares issuable upon the exercise of options exercisable within 60 days.
- (5) Includes 297,018 shares issuable upon the exercise of options exercisable within 60 days.
- (6) Includes 404,135 shares issuable upon the exercise of options exercisable within 60 days.
- (7) Includes 761,846 shares issuable upon the exercise of options and warrants exercisable within 60 days.
- (8) Includes 303,817 shares issuable upon the exercise of options and warrants exercisable within 60 days.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

On March 31, 2010, the Company issued a senior convertible promissory note to a major shareholder for the principal amount of \$1,053,000, which consisted of \$600,164 in cash, \$375,000 principal balance of a prior senior convertible note together with unpaid accrued interest thereon of \$77,836. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2009 Note 3 (as defined below) issued to Michael R. Granito, our former Chairman and the current largest shareholder ("Shareholder") and the senior convertible notes totaling \$250,000 as described below. This note has an annual interest rate of 8%, a maturity date of December 31, 2013. This note has the conversion price of \$0.60 per share of common stock. The Company has recorded approximately \$859,950 as an interest expense as a result of the beneficial conversion feature.

On March 31, 2010, the Company issued two senior convertible promissory notes totaling \$250,000 to third parties. These senior convertible notes are secured by the Company's revenues and assets with the same priority as the 2009 Note 3 to the Shareholder and the senior convertible note to a major shareholder. These notes have an annual interest rate of 8% with a maturity date of June 30, 2014. These notes have the convertible price of \$1.00 per share of common stock. The Company has recorded approximately \$22,500 as an interest expense as a result of the beneficial conversion feature. During the year ended June 30, 2011, the conversion price of the \$150,000 senior convertible promissory note was reduced to \$0.50 per share of common stock as part of the arrangement of the additional investment in the Company's restricted common stock by the note holder. In addition, the conversion price on a \$56,000 portion of the \$100,000 senior convertible promissory note was also reduced to \$0.50 per share of common stock as a result of the additional investment in the Company's restricted common stock.

On December 16, 2010, the Company issued a promissory note to Mr. Gerald Olderman, an officer of the Company, for the principal amount of \$113,155, which consisted of a total 100,000 principal balance of four prior convertible notes together with unpaid accrued interest thereon of \$13,155. This note has an annual interest rate of 8%, a maturity date of December 31, 2013. The outstanding principal amount will be paid at a rate of \$1,000, \$2,000 and \$3,000 each month for the first 12 months, the second 12 months and the third 12 months, respectively. As of June 30, 2011, the Company paid an aggregate principal amount of \$6,000 to the officer. The remaining outstanding principal balance and accrued interest will be paid on the maturity date.

Effective March 15, 2010, the Company issued a \$215,000 promissory note payable to the Shareholder. The Company received the borrowings in a series of \$50,000 on January 29, February 12 and March 15, 2010, \$34,000 on January 13, 2010, \$11,000 on January 14, 2010, and \$20,000 on February 26, 2010 totaling \$215,000. This note is secured by the Company's revenues and assets. In addition, the note has a 8% interest rate per annum and has a maturity date of March 12, 2011, which was extended to October 31, 2011.

In November 2009, the Company finalized and issued a \$600,000 2009 senior convertible note payable ("2009 Note 3") to the Shareholder. The Company received the borrowings in a series of \$45,000 on September 8, 2009, \$25,000 on September 11, 2009, \$125,000 on September 23, 2009, \$100,000 on October 14, 2009, \$50,000 on October 28, 2009, \$175,000 on November 12, 2009, \$50,000 on December 14, 2009, and \$30,000 on February 26, 2010 totaling \$600,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2009 and 2008 senior convertible notes described below with a 8% annual interest rate and has a maturity date of December 31, 2013. This note has the conversion price of \$0.60 per share of common stock. The Company has recorded approximately \$215,500 as an interest expense to date for the Advances received as a result of the beneficial conversion feature. As part of the terms of this note, the maturity dates of all other outstanding senior convertible notes owed to the Shareholder are extended to December 31, 2013. During the year ended June 30, 2011, the conversion price on a \$135,000 portion of the 2009 Note 3 was also reduced to \$0.50 per share of common stock as a result of the additional investment in the Company's restricted common stock.

Effective May 12, 2009, the Company issued a 2009 senior convertible note payable ("2009 Note 2") to the Shareholder to combine the borrowings (the "Advances") in a series of \$35,000 each from May 12, 2009 through August 12, 2009, \$50,000 and \$45,000 on August 14 and 27, 2009, respectively totaling \$375,000. As of June 30, 2009, the Company received \$175,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2009 and 2008 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective February 26, 2009, the Company issued a 2009 senior convertible note payable ("2009 Note 1") to the Shareholder to combine the borrowings (the "Advances") in a series of \$35,000 each from February 26, 2009 through April 30, 2009 totaling \$175,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2008 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective September 15, 2008, the Company issued a 2008 senior convertible note payable ("Note 3") to the Shareholder to combine the borrowings (the "Advances") in a series of \$50,000 each from September 15, 2008 through October 15, 2008 totaling \$150,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective May 17, 2008, the Company issued a 2008 senior convertible note payable ("Note 2") to the Shareholder to combine the borrowings (the "Advances") ranging from \$50,000 to \$135,000 each from May 17, 2008 through August 28, 2008 totaling \$485,000. This Note 2 is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This Note 2 has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective February 11, 2008, the Company issued a 2008 senior convertible note payable ("Note 1") to the Shareholder to combine the borrowings (the "Advances") ranging from \$50,000 to \$75,000 each from February 11, 2008 through April 29, 2008 totaling \$370,000. This Note 1 is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This Note 1 has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective October 30, 2007, the Company issued another 2007 senior convertible note payable to the Shareholder to combine the borrowings (the "Advances") in a series of \$50,000 each from October 30, 2007 through January 30, 2008 totaling \$300,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

In June 2007, the Company issued two other 2007 senior convertible note payables to the Shareholder and a major stockholder for \$375,000 each. These two senior convertible note payables are secured by the Company's revenues and assets. The Company may prepay the principal and interest upon meeting certain cash flow requirements and the approval of the board. As described above, on March 31, 2010, the \$375,000 senior convertible note to a major shareholder together with the unpaid accrued interest thereon was combined as part of the new senior convertible note of \$1,053,000 principal balance and new terms including a new maturity date of December 31, 2013.

In addition, the Company combined its other outstanding note payables to the Shareholder totaling \$208,955 into a single note with the same annual interest rate and extended the maturity date to 2010. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes. Further, the 2003 senior convertible note maturity date was extended until July 13, 2010. The maturity date is further extended to December 31, 2013.

In September 2003, the Company negotiated a successor agreement with the Shareholder regarding the line of credit, which became a single convertible note for up to \$1,500,000 excluding accrued interest, at an interest rate of 6% and due July 1, 2004. The convertible note is secured by the assets and revenues of the Company, which has the same priority as other senior convertible note payables. The note plus accrued interest will be convertible at a conversion rate of \$0.38 per share. The conversion rate was determined as 15% above the average share price over the prior 20 trading days (\$0.33 per share). The note has an anti-dilution provision in the event that the Company sells stock to other investors at less than \$0.20 per share. During the year ended June 30, 2006, the maturity date of the note was extended until October 1, 2007. In January 2007, the Shareholder agreed to extend the maturity date of the note until April 1, 2008. In June 2007, the maturity date of this note was extended to July 2010. The maturity date is further extended to December 31, 2013.

In addition, the Company has a consulting agreement with a director to provide services on scientific matters at a monthly fee of \$2,500. At June 30, 2011, the Company has an outstanding balance of \$30,000 owed to a director and it is included in accounts payable. As in the past, the Company plans to pay the outstanding balance with an equity arrangement.

At June 30, 2011, the Company accrued interests of \$1,029,985 and \$23,817, \$105,373, \$4,986, and \$4,785 on the convertible notes and the note payable with the Shareholder, the convertible note with a related party, the convertible notes with third parties, and the note payable to the officer, respectively.

In September 2011, the Company recorded approximately \$50,000 in additional paid-in capital reflecting waivers by the Company's officers of their unpaid salaries and fee during the period from July 1, 2011 through September 30, 2011. In June 2010, the Company recorded approximately \$392,001 in additional paid-in capital reflecting waivers by the officers of their unpaid salaries and fee during the period from January 1, 2009 through June 30, 2010.

At June 30, 2010, the Company accrued interests of \$710,751 and \$6,617, \$21,133, \$9,474, \$,041 and \$6,869 on the convertible notes and the note payable with the Shareholder, the convertible note with a related party, the convertible note to Mr. Oldeman, an officer, the convertible notes with third parties, respectively.

**Director Independence**

Our board of directors has determined that it currently has one member who qualify as "independent" as the term is used in Item 407 of Regulation S-K as promulgated by the SEC and in the listing standards of The NASDAQ Stock Market, Inc. - Marketplace Rule 4200. The independent director is Mr. George E. Friel.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following table sets forth fees billed to us by our auditors during the fiscal years ended June 30, 2011 and June 30, 2010 for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements, (ii) services by our auditor that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as Audit Fees, (iii) services rendered in connection with tax compliance, tax advice and tax planning, and (iv) all other fees for services rendered including a review of SEC registration statement filing. "Audit Related Fees" consisted of general assistance on SEC matters.

|                         | June 30, 2011 | June 30, 2010 |
|-------------------------|---------------|---------------|
| (i) Audit Fees          | \$ 42,250     | \$ 50,500     |
| (ii) Audit Related Fees | \$ 0          | \$ 3,275      |
| (iii) Tax Fees          | \$ 8,200      | \$ 5,000      |
| (iv) All Other Fees     | \$ 0          | \$ 0          |

While we have established an audit committee of the Board of Directors, we have not established a pre-approval policy. All services provided by the auditors for fiscal year 2011 were accepted by the audit committee and approved by the full Board of Directors.

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

## Financial Statement Schedules

Our financial statements for the fiscal years ended June 30, 2011 and 2010 are included herein (Item 8) of this annual report. We are not required to file any financial statement schedules.

## Exhibit Table

| Exhibit Number | Description   |
|----------------|---|
| 3.1            | Articles of Incorporation, as currently in effect (5)   |
| 3.2            | Bylaws, as currently in effect (1)  |
| 10.1           | Quick-Med Technologies MMP License Agreement (2)  |
| 10.2           | Quick-Med Technologies Stock Option Plan (2)  |
| 10.3           | Cooperative Research and Development Agreement with the U.S. Army Medical Research Institute of Chemical Defense (3)  |
| 10.4           | Financing Agreement with Euro Atlantic Capital Corporation (3)  |
| 10.5           | Consulting Agreement - Gregory Schultz (3)  |
| 10.5.1         | Consulting Agreement - Christopher Batich (3)   |
| 10.5.2         | Consulting Agreement - Bruce Mast (3)   |
| 10.5.3         | Consulting Agreement - William Toreki (3)   |
| 10.6           | Note issued to Michael Granito by Quick-Med Technologies (4)  |
| 10.6.1         | Senior Convertible Note issued to Michael Granito (10)  |
| 10.6.2         | 2007 Senior Convertible Note issued to Michael Granito (10)   |
| 10.6.3         | 2007 Senior Convertible Note 2 issued to Michael Granito (11)   |
| 10.6.4         | 2008 Senior Convertible Note 1 issued to Michael Granito (15)   |
| 10.6.5         | 2008 Senior Convertible Note 2 issued to Michael Granito (13)   |
| 10.6.6         | 2008 Senior Convertible Note 3 issued to Michael Granito (16)   |
| 10.6.7         | 2009 Senior Convertible Note 1 issued to Michael Granito (18)   |
| 10.6.8         | 2009 Senior Convertible Note 2 issued to Michael Granito (19)   |
| 10.7           | 2007 Senior Convertible Note issued to Phronesis Partners, L.P. (10)  |
| 10.8           | License Agreement with University of Michigan (10)  |
| 10.9           | Employment Agreement with Gerard Bencen (___)   |
| 10.10          | Research and Development Agreement with The Collaborative Group, Ltd. (6)   |
| 10.11          | Agreement Between Noville and Quick-Med Technologies, Inc. (7)  |
| 10.12          | Joint Development Agreement by and between Quick Med Technologies, Inc. and Mölnlycke Health Care AB dated April 4, 2008. (12)  |
| 10.13          | Manufacturing and Distribution Agreement by and between Quick-Med and BASF (14)   |
| 10.14          | Joint Development and Exclusive Option Agreement by and between Avery Dennison and the Registrant dated as of April 17, 2009 (17)   |
| 10.15          | 2009 Senior Convertible Note 3 issued to Michael Granito (20)   |
| 10.16          | Amendment No. 2 to Patent and Technology License Agreement by and between Quick Med Technologies, Inc. and Derma Sciences, Inc. dated March 23, 2007. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.) (21)   |
| 10.17          | License Agreement by and between Quick Med Technologies, Inc. and Johnson & Johnson Consumer and Personal Products Worldwide, a division of Johnson & Johnson Consumer Companies, Inc. effective as of March 5, 2010. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.) (22) |
| 10.18          | Senior Convertible Promissory Note by and between Quick-Med Technologies, Inc. and Phronesis Partners, L.P. dated March 31, 2010 (23)   |
| 10.19          | Senior Convertible Promissory Note by and between Quick-Med Technologies, Inc. and 2849232 CANADA INC dated March 31, 2010 (23)   |
| 10.20          | Senior Convertible Promissory Note by and between Quick-Med Technologies, Inc. and Peter L. Berry Holdings, Inc. dated March 31, 2010 (23)  |
| 10.21          | Development Agreement by and between Quick Med Technologies, Inc. and KCI USA, Inc. dated April 2, 2010. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.) (24)  |
| 10.22          | Patent and Technology License Agreement by and between Quick Med Technologies, Inc. and Viridix Bio-Pharma Pvt. Ltd., an India corporation, effective as of July 26, 2010. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.) (25)  |
| 10.23          | Development and Option Agreement by and between Quick-Med Technologies, Inc. and Biosara Corporation, effective as of August 6, 2010. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.) (26)   |
| 10.24          | Employment Agreement with Gerald M. Olderman (8)  |
| 10.25          | Employment Agreement with J. Ladd Greeno (9)  |
| 10.26          | License Agreement by and between Quick-Med Technologies, Inc. and Avery Dennison, acting through its Medical Solutions Division dated April 1, 2011. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.) (27)  |
| 31.1           | Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) *   |
| 31.2           | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) *   |
| 32.1           | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *   |
| 32.2           | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *   |
| 99.1           | Assignment of Patent for Wound Care (8)   |
| 99.2           | Assignment of Patent for Mustard Gas (8)  |
| 99.3           | Assignment of Patent for Anti-wrinkle cream (8)   |

\* Filed herewith.

- (1) Incorporated by reference to the Company's Registration Statement on Form 10 filed on October 4, 1999.
- (2) Incorporated by reference to the Company's Post Effective Amendment #2 to Registration Statement on Form SB-2 filed on July 13, 2001.
- (3) Incorporated by reference to the Company's Post Effective Amendment #3 to Registration Statement on Form SB-2 filed on January 8, 2002.
- (4) Incorporated by reference to the Company's Post Effective Amendment #5 to Registration Statement on Form SB-2 filed on February 13, 2002.
- (5) Incorporated by reference to the Company's Current Report on Form 8-K filed on February 26, 2002.
- (6) Incorporated by reference to the Company's Quarterly Report on Form 10-QSB filed on October 15, 2002.
- (7) Incorporated by reference to the Company's Quarterly Report on Form 10-QSB filed on November 19, 2003.
- (8) Incorporated by reference to the Company's Quarterly Report on Form 10-QSB filed on November 14, 2006.
- (9) Incorporated by reference to the Company's Current Report on Form 8-K filed on August 10, 2007.
- (10) Incorporated by reference to the Company's Annual Report on Form 10-KSB filed on September 28, 2007.
- (11) Incorporated by reference to the Company's Quarterly Report on Form 10-QSB filed on February 14, 2008.
- (12) Incorporated by reference to the Company's Current Report on Form 8-K filed on April 9, 2008.
- (13) Incorporated by reference to the Company's Quarterly Report on Form 10-QSB filed on May 15, 2008.
- (14) Incorporated by reference to the Company's Current Report on Form 8-K filed on May 21, 2008.
- (15) Incorporated by reference to the Company's Annual Report on Form 10-KSB filed on September 29, 2008.
- (16) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2008.
- (17) Incorporated by reference to the Company's Current Report on Form 8-K filed on April 23, 2009.
- (18) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 15, 2009.
- (19) Incorporated by reference to the Company's Annual Report on Form 10-K filed on September 28, 2009.
- (20) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 16, 2009.
- (21) Incorporated by reference to the Company's Quarterly Report on Form 8-K filed on February 19, 2010.
- (22) Incorporated by reference to the Company's Quarterly Report on Form 8-K filed on March 11, 2010.
- (23) Incorporated by reference to the Company's Quarterly Report on Form 8-K filed on April 6, 2010.
- (24) Incorporated by reference to the Company's Quarterly Report on Form 8-K filed on April 8, 2010.
- (25) Incorporated by reference to the Company's Current Report on Form 8-K filed on July 30, 2010.

**SIGNATURES**

In accordance with 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.

**QUICK-MED TECHNOLOGIES, INC.**

Date: January 6, 2012

By: /s/ J Ladd Greeno  
J Ladd Greeno  
Chief Executive Officer and Principal Executive Officer



CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
THE SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a) AS  
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. Ladd Greeno, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K/A of Quick-Med Technologies, Inc.;
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 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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 fulfilling 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.

Dated: January 6, 2012

/s/ J Ladd Greeno  
J. Ladd Greeno



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT  
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is not to be deemed filed pursuant to the Securities Exchange Act of 1934, as amended, and does not constitute a part of this Amendment No. 1 to the Annual Report of Quick-Med Technologies, Inc. (the "Company") on Form 10-K/A for the fiscal year ended June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report").

In connection with the Report, I, J. Ladd Greeno, Chief Executive Officer and principal executive officer of the Company, hereby certify, pursuant Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the date and for the periods indicated.

Dated: January 6, 2012

/s/ J Ladd Greeno  
J. Ladd Greeno  
Chief Executive Officer (Principal Executive Officer)



EXHIBIT 32.1

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
THE SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a) AS  
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nam H. Nguyen, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K/A of Quick Med Technologies, Inc.;
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 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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 fulfilling 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.

Dated: January 6, 2012

/s/ Nam H. Nguyen  
Nam H. Nguyen  
Chief Financial Officer



**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT  
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is not to be deemed filed pursuant to the Securities Exchange Act of 1934, as amended, and does not constitute a part of this Amendment No. 1 to the Annual Report of Quick-Med Technologies, Inc. (the "Company") on Form 10-K/A for the fiscal year ended June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report").

In connection with the Report, I, Nam H. Nguyen, Chief Financial Officer of the Company, hereby certify, pursuant Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the date and for the periods indicated.

Dated: January 6, 2012

/s/ Nam H. Nguyen  
Nam H. Nguyen

