

IGI LABORATORIES, INC  
Form DEF 14A  
April 30, 2012

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

**IGI Laboratories, Inc.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1)

Title of each class of securities to which transaction applies:

2)

Aggregate number of securities to which transaction applies:

3)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4)

Proposed maximum aggregate value of transaction:

5)

Total fee paid:

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Fee paid previously with preliminary materials.

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1)

Amount Previously Paid

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Form, Schedule or Registration Statement No.:

3)

Filing Party:

4)

Date Filed:

**IGI LABORATORIES, INC.**

**105 Lincoln Avenue**

**Buena, New Jersey 08310**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MAY 22, 2012**

To the Stockholders of IGI Laboratories, Inc.

The Annual Meeting of Stockholders of IGI Laboratories, Inc. will be held at Buena Vista Country Club, 301 Country Club Lane, Buena, New Jersey, 08310, on Tuesday, May 22, 2012, at 10:00 a.m. local time. The purposes of the Annual Meeting are as follows:

1.

To elect six directors to serve until the next Annual Meeting of Stockholders and until their respective successors have been elected and qualified;

2.

To ratify the selection of EisnerAmper LLP as our independent registered public accounting firm for 2012; and

3.

To transact such other business as may properly come before the Annual Meeting and any adjournments thereof.

Our Board of Directors has fixed April 25, 2012 as the record date for the Annual Meeting. Owners of shares of our common stock, Series A Convertible Preferred Stock and Series C Convertible Preferred Stock at the close of business on the record date are entitled to notice of, and to vote at, the Annual Meeting and any adjournments thereof.

A copy of our Annual Report on Form 10-K for the year ended December 31, 2011, which contains financial statements and other information of interest to stockholders, accompanies this notice and the enclosed Proxy Statement.

**WE URGE YOU TO VOTE YOUR SHARES PROMPTLY. TO VOTE YOUR SHARES, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ACCOMPANYING PROXY CARD PROMPTLY. PLEASE REFER TO THE ENCLOSED PROXY CARD FOR SPECIFIC VOTING INSTRUCTIONS.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL**

**MEETING OF STOCKHOLDERS TO BE HELD ON MAY 22, 2012: The Notice of Annual Meeting, Proxy Statement, Form of Proxy and our Annual Report on Form 10-K for the Year Ended December 31, 2011**

**are available on our website at:**

**<http://www.igilabs.com/investor-relations/annual-reports>**

Sincerely,

Jennifer Collins, Secretary

Buena, New Jersey

April 30, 2012

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**IGI LABORATORIES, INC.**

**105 Lincoln Avenue**

**Buena, New Jersey 08310**

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**PROXY STATEMENT**

The Board of Directors is furnishing stockholders this Proxy Statement to solicit proxies to be voted at our Annual Meeting of Stockholders, which we refer to in these proxy materials as our Annual Meeting. Our Annual Meeting will be held on Tuesday, May 22, 2012, at 10:00 a.m. local time at Buena Vista Country Club, 301 Country Club Lane, Buena, New Jersey, 08310. This Proxy Statement, including the Notice of Annual Meeting of Stockholders and the accompanying proxy card, together with our Annual Report on Form 10-K for the Year Ended December 31, 2011 were first mailed or given to our stockholders on or about April 30, 2012.

Each proxy received will be voted as you direct it to be voted. If you do not indicate on your proxy how you want your vote counted, your proxy will be voted as follows:

**FOR** electing the nominees named below as directors; and

**FOR** the ratification of EisnerAmper LLP as our independent registered public accounting firm.

**If you are a stockholder of record** (that is, your stock is registered directly in your name on the books of our transfer agent, American Stock Transfer and Trust Company), you can revoke your proxy or change your vote at any time before it is exercised by giving written notice to our Secretary specifying such revocation. **If you hold your shares in street name as a beneficial owner** (that is, your broker, bank or other nominee hold stock in your account and not directly in your name), you can revoke your proxy by contacting your broker, bank or other nominee and submitting a

later dated voting instruction card. Votes are tabulated by American Stock Transfer and Trust Company and the results will be reported at the Annual Meeting.

Holders of our common stock, Series A Convertible Preferred Stock, which we refer to in this Proxy Statement as Series A Preferred Stock and Series C Convertible Preferred Stock, which we refer to in this Proxy Statement as our Series C Preferred Stock, will vote together as a single class and on an as-converted basis to elect six director nominees named later in this Proxy Statement. Holders of our common stock, Series A Preferred Stock and Series C Preferred Stock will vote together as a single class and, in the case of the Series A Preferred Stock and Series C Preferred Stock, on an as-converted basis on Proposal No. 2 to ratify the appointment of our independent public accountant.

If you complete and properly sign the accompanying proxy card and return it to us, your proxy will be voted as you direct. If you are a stockholder of record as of the close of business on April 25, 2012, which we refer to in the proxy materials as the Record Date, and attend the Annual Meeting, you may deliver your completed proxy card in person, vote in person at the Annual Meeting (proxy cards will be available at the Annual Meeting for that purpose), or revoke a previously submitted proxy and complete a new proxy.

However, if you hold your shares in street name as a beneficial owner, your broker may vote your shares on your behalf unless you have previously informed your broker not to do so or if your broker does not have discretionary authority to vote on such matter; otherwise,

a)

you must return your voting instructions to your broker or nominee (that is, the holder of record); or

b)

if you wish to vote in person at the Annual Meeting, you must obtain from the record holder and bring to the Annual Meeting a proxy **signed by the record holder** identifying you as the beneficial owner of the shares and giving you the right to vote the shares at the Annual Meeting. (You may **not** use the voting instruction form provided by your broker or nominee to vote in person at the Annual Meeting).

Only holders of record of our 39,511,596 outstanding shares of common stock, 50 outstanding shares of Series A Preferred Stock, and 1,550 outstanding shares of Series C Preferred Stock, as of the close of business on the



Record Date, will be entitled to vote at the Annual Meeting. Each holder of shares of our common stock on the Record Date is entitled to one vote for each share of our common stock held by that holder. Each holder of shares of our Series A Preferred Stock on the Record Date is entitled to a number of votes for each share of Series A Preferred Stock held by such holder equal to the number of shares of common stock into which such share of Series A Preferred Stock is then convertible. As of the Record Date, each share of Series A Preferred Stock was convertible into 10,000 shares of our common stock. Each holder of shares of our Series C Preferred Stock on the Record Date is entitled to a number of votes for each share of Series C Preferred Stock held by such holder equal to the number of shares of common stock into which such share of Series C Preferred Stock is then convertible. As of the Record Date, each share of Series C Preferred Stock was convertible into approximately 1,600 shares of our common stock. As of the Record Date, our common stock carried an aggregate of 39,511,596 votes, our Series A Preferred Stock carried an aggregate of 500,000 votes and our Series C Preferred Stock carried an aggregate of 2,479,938 votes.

If you abstain from voting, your shares will be counted as shares present and entitled to vote in determining the presence of a quorum for the Annual Meeting, but your shares will not be voted in determining approval of any matter submitted to stockholders for a vote. Abstentions related to a proposal which requires approval upon the votes cast in favor of the action exceeding the votes cast opposing the action or a majority of votes cast, which does not include the election of directors, will have no effect on the outcome of the vote. Abstentions have no impact on the election of directors because directors are elected by a plurality of votes cast at the Annual Meeting. If you do not provide voting instructions to your broker and your broker indicates on its proxy card that it does not have discretionary authority to vote on a particular proposal, such as the election of directors, your shares will be considered to be broker non-votes with regard to that matter. Broker non-votes will be considered to be represented for purposes of determining a quorum but generally will not be considered to be entitled to vote with respect to that proposal. Thus, a broker non-vote will make a quorum more readily obtainable, but a broker non-vote will not otherwise affect the outcome of the proposals being voted upon at the Annual Meeting. With respect to a proposal that requires a majority of the outstanding shares (of which there are none for this Annual Meeting), a broker non-vote has the same effect as a vote against the proposal.

#### Votes Required

The holders of capital stock representing a majority of the outstanding voting power of all outstanding shares of our common stock, Series A Preferred Stock and Series C Preferred Stock entitled to vote at the Annual Meeting shall constitute a quorum for the transaction of business at the Annual Meeting. Shares of our common stock, Series A Preferred Stock and Series C Preferred Stock present in person or represented by proxy (including shares which abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum exists at the Annual Meeting.

*Proposal No. 1 - Election of Directors.* The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors. A properly executed proxy marked *Withhold Authority* with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although such proxy will be counted for purposes of determining whether there is a quorum.

*Proposal No. 2 - Ratification of Auditor.* The affirmative vote of votes cast favoring the action exceeding the votes cast opposing the action is required to approve the ratification of EisnerAmper LLP as our independent registered public accounting firm.

### PROPOSAL NO. 1 - ELECTION OF DIRECTORS

At the Annual Meeting, holders of our common stock, Series A Preferred Stock and Series C Preferred Stock, voting as a single class and on an as-converted basis, will vote to elect six members to our Board of Directors by plurality of the votes cast. Our Board of Directors has proposed the following nominees: Narendra N. Borkar, Michael Hemric, Charles Moore, Joyce Erony, James Gale and Bhaskar Chaudhuri.

All of the nominees are currently serving as our directors. The Board of Directors is currently composed of seven directors. Following the 2012 Annual Meeting, we will have six directors as one current director; Jane E. Hager has decided not to stand for re-election at the 2012 Annual Meeting in order to devote more time to personal and other professional interests. None of our directors, executive officers or nominees for director is related by family to any other director, executive officer or nominee for director. If any nominee for director is unavailable to serve, we solicit discretionary authority to vote to elect another person unless we reduce the size of the Board of Directors. Each director will serve until the next annual meeting of stockholders, and until his or her successor has been elected and qualified, or until his or her earlier resignation or removal. We have no reason to believe that any nominee will not be available for election as a director for the prescribed term.

The following table sets forth information regarding each of our current directors according to the information furnished to us by each such director:

<u>Name</u>	<u>Age</u>	<u>Positions Currently held with IGI</u>	<u>Committee Membership</u>	<u>Director of IGI Since</u>
Jane E. Hager	66	Director		1982-2003 2007-2012
James C. Gale (1)	62	Director	N	2009 Present
Charles Moore	63	Director, President and Chief Executive Officer		2010 Present
Narendra N. Borkar	71	Director	C	2009 Present
Michael Hemric	59	Director	A, N	2009 - Present
Joyce Erony (2)	52	Director	C	2009 Present

Bhaskar Chaudhuri                      57                      Director                      A                      2010   Present

(1)

Mr. Gale was initially appointed to our Board of Directors on May 15, 2009 as a designee of the holders of Series B-1 Convertible Preferred Stock.

(2)

Ms. Erony was initially appointed to our Board of Directors on March 13, 2009 as a designee of the holders of Series B-1 Convertible Preferred Stock. Ms. Erony served as our interim Chief Financial Officer from January 2011 through July 2011. Ms. Erony serves as the Chairwoman of the Board.

A   Audit Committee

C   Organization and Compensation Committee

N   Nominating and Corporate Governance Committee

<u>Name</u>	<u>Principal Occupation, Other Business Experience and Other Directorships</u>
Jane E. Hager	<p>President of Prescott Investment Corp., since 1991 and Pinnacle Mountain Partners, LLC since 2002; Managing Member of Gulf Coast Investment Partners, LLC since 2003 and Angelfish Investments, LLC since 2004, all of which are real estate development and/or investment companies. She is a founder and past director of IGI Laboratories, Inc. from 1982 to 2003 and Novavax, Inc. [NASDAQ] from 1995 to 2002. Mrs. Hager is also a founding director and Chair of the Audit Committee of Centrix Bank &amp; Trust, Bedford, NH [OTCBB] since 1999 and a director of ZSGenetics, Stoddard, NH since 2006, a gene expression and sequencing company.</p>
James C. Gale	<p>Founding Partner of Signet Healthcare Partners. Prior to founding Signet, Mr. Gale was head of principal investment activities and investment banking at Gruntal &amp; Co., LLC. Prior to joining Gruntal, Mr. Gale originated and managed private equity investments for Home Insurance Co., Gruntal's parent. Earlier in his career, Mr. Gale was a senior Investment Banker at E.F. Hutton &amp; Co.</p> <p>Mr. Gale is currently the Chairman of the Board of Alpex Pharma S.A. and also serves on the Board of Directors of Anteis SA, Octoplus BV, Pfenex Inc., Spopharm BV and Paladin Laboratories. Mr. Gale holds a Masters of Business Administration from the University of Chicago.</p>
Narendra N. Borkar	<p>Chief Executive Officer of Aurobindo Pharma USA (2004-2006), Chief Executive Officer of Caraco Pharmaceutical Laboratories (1997- 2003), various senior roles for Novartis (formerly Ciba-Geigy) (1981-1997), General Manager of Apte Amalgamation (1979-1981), Works Engineer for Hoffman La Roche (1976-1979), Project Manager for Union Carbide Corp. and Merck &amp; Company, Inc. (1966-1976).</p>
Michael Hemric	<p>Executive with Alcon Laboratories (1980-2008), including Area President/Far East (2007-2008), Vice President/General Manager Pharmaceutical Division (2002- 2006), Vice President/Area Manager for Southeast Asia (1999-2002), Vice President/General Manager - Consumer Products Division (1997- 1999). Earlier in his career, Mr. Hemric was involved in Sales at Alcon Laboratories and other companies, including The Gillette Company.</p>
Charles Moore	<p>Mr. Moore served as our Vice President of Technical Operations from February 2010 until March 2010 and has served as our President and Chief Executive Officer since April 1, 2010. Prior to joining the Company, from March 2008 to February 2010, Mr. Moore was Vice President of Business Development for Infa Inc., where he was responsible for development of the North American business of the Infa Group, an Italian-based Active Pharmaceutical Ingredient (API) manufacturer. From March 2006 to February 2008, Mr. Moore served as Director of Business Development for VinChem Inc., a pharmaceutical outsourcing solutions provider. From 1980 to 2006, Mr. Moore served in various senior management roles for Altana Inc. (now Nycomed) including being the Head of the Product Development Task Force. He was responsible for researching the U.S. dermatology market, selecting the product candidates for in-house development, and overseeing the development</p>

process through ANDA approval and launch. Mr. Moore received his BSBA from Thomas A. Edison College.

Joyce Erony

Managing Director of Signet Healthcare Partners. Prior to joining Signet, Ms. Erony spent 14 years (1991-2004) at Salomon Brothers Inc., Salomon Smith Barney, Inc. and ultimately Citigroup, which acquired the former companies, most recently as Managing Director responsible for Citigroup's activities in Specialty Pharmaceuticals. Prior to joining Citigroup, Ms. Erony worked as an economist (1983-1991), primarily at the World Bank and International Finance Corporation advising various international development agencies and multilateral organizations. From January 2011 through July 2011, Ms. Erony served as our interim Chief Financial Officer while the Company conducted a search for a permanent replacement.

Ms. Erony has served as a director of Dow Pharmaceutical Sciences, Inc., Control Delivery Systems, Inc., Anteis, S.A., ORBIS International and Atlantis Components, Inc. Ms. Erony holds a Diploma in International Law and Economics from the London School of Economics and Political Science (1982) and a BS in Management from Case Western Reserve University (1981).

<b><u>Name</u></b>	<b><u>Principal Occupation, Other Business Experience and Other Directorships</u></b>
Bhaskar Chaudhuri	Mr. Chaudhuri has more than 20 years experience in pharmaceutical management, research and development. Mr. Chaudhuri served as President of Valeant Pharmaceuticals International until September 2010. Prior to joining Valeant, upon Valeant's acquisition of Dow Pharmaceutical Sciences, Inc. in 2008, Mr. Chaudhuri served for seven years as Dow's President and Chief Executive Officer and a member of Dow's Board of Directors from 2003 to 2008. Prior to that, Mr. Chaudhuri served as Executive Vice President of Scientific Affairs at Bertek Pharmaceuticals, a subsidiary of Mylan Laboratories. Prior to his positions at Bertek, Mr. Chaudhuri served as the General Manager of the Dermatology Division of Mylan Laboratories. Mr. Chaudhuri joined Mylan through the acquisition of Penederm, Inc., where he worked from 1992 to 1998 in a number of senior positions before becoming the Vice President of R&D. Mr. Chaudhuri holds a Doctorate in Physical Pharmacy from the University of Louisiana, a Masters of Science in Industrial Pharmacy and a Bachelors of Science in Pharmacy from India.

When considering whether nominees for director have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of our business and structure, the Nominating and Corporate Governance Committee of the Board of Directors and the Board of Directors focused primarily on the information discussed in each of the directors' individual biographies set forth above.

In particular, with regard to Mr. Borkar, the Board considered his over forty years of experience in the pharmaceutical industry, including having held various senior executive positions within the brand and generic segments of major pharmaceutical companies. With regard to Mr. Chaudhuri, the Board considered his over twenty years of experience in the pharmaceutical industry, including having held senior executive positions with major pharmaceutical companies. With regard to Ms. Erony, the Board considered her investment experience, her role as managing director of Citigroup's activities in specialty pharmaceuticals, as well as her experience as a director with other companies. With regard to Mr. Gale, the Board considered his investment experience, his role as the head of principal investment activities at Gruntal & Co., LLC, as well as his experience as a director with other pharmaceutical companies. With regard to Ms. Hager, the Board considered her investment experience and familiarity with our company. With regard to Mr. Hemric, the Board considered his over twenty-five years experience with Alcon Laboratories. With regard to Mr. Moore, the Board considered his experience as a pharmaceutical executive with a successful track record in bringing over 50 generic topical products from development to approval.

### **Independence of Directors**

Our Board of Directors has determined that Joyce Erony, James C. Gale, Narendra N. Borkar, Michael Hemric and Bhaskar Chaudhuri are independent directors pursuant to the independence standards established by the NYSE Amex

and the SEC. Joyce Erony was not considered independent pursuant to the independence standards established by the NYSE Amex and the SEC during the time she served in her position as our interim Chief Financial Officer.

For information relating to shares of our common stock held by each of the directors, see Security Ownership of Certain Beneficial Owners and Management.

### **Board Recommendation**

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE SIX NOMINEES, NARENDRA N. BORKAR, MICHAEL HEMRIC, CHARLES MOORE, JOYCE ERONY, JAMES GALE AND BHASKAR CHAUDHURI.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than 10% of our common stock, which we refer to as Reporting Persons, to file with the SEC and the NYSE Amex initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. SEC regulations also require such persons to furnish us with copies of all such reports. Based solely on our review of copies of reports filed by Reporting Persons and furnished to us, we believe that, except as set forth below, during 2011 our officers, directors and holders of more than 10% of our common stock complied with all Section 16(a) filing requirements. During 2011, Nadya Lawrence filed one late Form 4 relating to three transactions, Jane E. Hager filed one late Form 4 relating to one transaction, James Gale filed one late Form 4 relating to one transaction, Narendra Borkar filed one late Form 4 relating to one transaction, Michael Hemric filed one late Form 4 relating to one transaction, and Joyce Erony filed one late Form 4 relating to one transaction, Charles Moore filed one late Form 4 relating to one transaction and Jenniffer Collins filed one late Form 4 relating to one transaction.

## **STRUCTURE AND PRACTICES OF THE BOARD OF DIRECTORS**

### **Corporate Governance Principles**

Our Certificate of Incorporation, together with all amendments and Certificate of Designations, our Bylaws, and the charters of the Audit Committee, Nominating and Corporate Governance Committee, and Organization and Compensation Committee, provide the framework for our management and governance.

Our Board of Directors is elected by and responsible to our stockholders. Except with respect to matters reserved to stockholders, the Board of Directors is our ultimate decision making body. In that capacity, the Board of Directors takes an engaged and focused approach to its responsibilities and duties, and sets standards to better ensure that we are committed to business success and enhancement of stockholder value by maintaining the highest standard of responsibility and ethics. The Board of Directors has designed its governance approach to be a working structure for principled actions, effective decision-making and appropriate monitoring of both compliance and performance. Joyce Erony is the current chairwoman of our Board of Directors.

Our employees, managers and officers conduct our business under the direction of senior management and the leadership of our Chief Executive Officer, who are accountable to the Board of Directors and ultimately to the stockholders. Management is responsible for the day-to-day operation of our business, strategic planning, budgeting, financial reporting and risk management.

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

Our Board of Directors has an Audit Committee, a Nominating and Corporate Governance Committee, and an Organization and Compensation Committee. As of April 2012, the compositions of the committees of the Board of Directors are as follows:

<b><u>Audit Committee</u></b>	<b><u>Nominating and Corporate Governance Committee</u></b>	<b><u>Organization and Compensation Committee</u></b>
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Bhaskar Chaudhuri \*

Michael Hemric \*

Narendra Borkar\*

Michael Hemric

James C. Gale

Joyce Erony

\* Denotes Chairman

*Organization and Compensation Committee.* Our Board of Directors has adopted a charter governing the duties and responsibilities of the Organization and Compensation Committee. The full text of the charter of the Organization and Compensation Committee is available on our website at [www.igilabs.com](http://www.igilabs.com). Pursuant to the charter, the purposes of the Committee are to: (i) recommend to the Board of Directors compensation arrangements for the Chief Executive Officer and other executive officers and review their responsibilities and performance and plans for their succession; and (ii) approve compensation arrangements for and changes in other corporate officers. In furtherance of this purpose, the Committee shall have the following goals and responsibilities:

Review with appropriate representatives of our management our organizational structure and, in particular, the responsibilities and performance of executive officers and, from time to time, senior operations executives and the plans for their succession; and to report at least annually thereon to the Board of Directors.

Consider appropriate competitive data and recommend to the Board of Directors compensation and fringe benefits (except pensions generally applicable to salaried employees) for executive officers.

Consider appropriate competitive data, and any recommendation made by the Chief Executive Officer and approve: (i) executive salary structure; and (ii) compensation and fringe benefits (except pensions generally applicable to salaried employees) for other corporate officers.

In connection with our annual incentive compensation programs, each year: (i) review and approve the Chief Executive Officer's goals and his/her performance against those goals; (ii) approve annual



incentive compensation targets; (iii) approve an annual incentive compensation award for the Chief Executive Officer, other executive officers and other corporate officers; (iv) review the annual performance objectives of the other executive officers; and (v) review annual incentive compensation awards for senior operations executives.

Review with appropriate officers: (i) changes in corporate officers; (ii) policy on matters pertaining to compensation; (iii) special benefits and perquisites; (iv) each year on a retrospective basis, compensation changes made in the prior year to determine whether policies established by the Committee have been executed as intended and are achieving the intended result; (v) each year on a retrospective basis, corporate results against corporate goals; and (vi) any other matter of concern to the Committee relating to our overall corporate organization or compensation policy.

The current members of the Organization and Compensation Committee are Narendra Borkar (Chair) and Joyce Erony. In 2011, Mr. Chaudhuri replaced Ms. Erony on the Organization and Compensation Committee due to her position as our interim Chief Financial Officer. In April of 2012, Ms. Erony replaced Mr. Chaudhuri on the Organization and Compensation Committee. We believe that the composition and functioning of the Organization and Compensation Committee in 2011 and in 2012, to date, complies with all applicable requirements of the Sarbanes-Oxley Act of 2002, NYSE Amex and SEC rules and regulations, including those regarding the independence of the Organization and Compensation Committee Members. During our 2011 fiscal year, the Organization and Compensation Committee met two times.

*Audit Committee.* The Audit Committee has been established for the purpose of overseeing our accounting and financial reporting processes and the audit of our annual financial statements, as well as our internal controls and audit functions. The Audit Committee operates under a written charter adopted by the Board of Directors. The full text of the charter of the Audit Committee is available on our website at [www.igilabs.com](http://www.igilabs.com).

As described more fully in the Audit Committee Charter, the purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities to stockholders concerning our accounting and reporting practices, and to facilitate open communication between the Audit Committee, the Board of Directors, our outside auditor and management. The Audit Committee is required to discharge its responsibilities, and assess the information provided by our management and the outside auditor, in accordance with its business judgment. In exercising its business judgment, the Audit Committee is required to rely on the information and advice provided by management and/or our outside auditor. Pursuant to its charter, the function of the Audit Committee includes:

to provide the opportunity for direct communication between the Board of Directors and our external auditors;

to monitor the design and maintenance of our system of internal accounting controls;

to select, evaluate and, if necessary, replace the external auditor;

to review the results of internal and external audits as to the reliability and integrity of the financial and operating information systems established to monitor compliance with our policies, plans and procedures and with laws and regulations; and

to review the relationship between us and the external auditors and to ascertain the independence of the external auditors.

The members of the Audit Committee in 2011 were Jane E. Hager (Chair) and Michael Hemric. We believe that the composition and functioning of our audit committee in 2011 complied with all applicable requirements of the Sarbanes-Oxley Act of 2002, NYSE Amex and SEC rules and regulations, including those regarding the independence of the Audit Committee members. The Board of Directors determined that Jane E. Hager was an audit committee financial expert as currently defined under the SEC's rules implementing Section 407 of the Sarbanes-Oxley Act of 2002 during the time she served on the Audit Committee. The Audit Committee met four times during the 2011 fiscal year.

In April of 2012, Bhaskar Chaudhuri replaced Jane E. Hager as member and Chair of the Audit Committee. We believe that the current composition and functioning of our audit committee complies with all applicable



requirements of the Sarbanes-Oxley Act of 2002, NYSE Amex and SEC rules and regulations, including those regarding the independence of the Audit Committee members. The Board of Directors has determined that Bhaskar Chaudhuri is an audit committee financial expert as currently defined under the SEC's rules implementing Section 407 of the Sarbanes-Oxley Act of 2002. The Audit Committee met four times during the 2011 fiscal year. A report of the Audit Committee is set forth herein.

*Nominating and Corporate Governance Committee.* Our Board of Directors has adopted a charter governing the duties and responsibilities of the Nominating and Corporate Governance Committee. The full text of the charter of the Nominating and Corporate Governance Committee is available on our website at [www.igilabs.com](http://www.igilabs.com). Pursuant to the charter, the purpose of the Nominating and Corporate Governance Committee is to identify individuals qualified to become members of our Board of Directors, and to recommend that our Board of Directors select the director nominees for the next annual meeting of stockholders, to develop and recommend to the Board of Directors a set of corporate governance principles applicable to us, and to make recommendations on compensation of the Board of Directors. In furtherance of such purpose, the Nominating and Corporate Governance Committee shall have the following goals and responsibilities:

To identify, review and recommend to the Board of Directors qualified candidates for director nominees to fill any existing or anticipated vacancy on the Board of Directors;

To identify, review and recommend to the Board of Directors, prior to each year's annual meeting of stockholders, successors to the class of directors whose term shall then expire (including any director in such class proposing to stand for election to another term), and additional director nominees, if any, for election to the Board of Directors on whose behalf the Board of Directors will solicit proxies;

To recommend to the Board of Directors the size of the Board of Directors;

To review and make recommendations to the Board of Directors with respect to suggestions for director nominees made by stockholders to the Board of Directors or to management in accordance with our Bylaws;

To review annually the Board of Directors' overall performance and oversee the annual performance evaluation for each of its committees;

To recommend to the Board of Directors whether resignations tendered by members who have had a substantial change in their job responsibilities should be accepted;

To review annually the Board of Directors committee structure, charters and membership and recommend to the Board of Directors changes, if any; and, in consultation with the Chairman of the Board of Directors, recommend to the Board of Directors the assignment of members of the Board of Directors to the various committees and appointment, rotation or removal of committee chairs;

To review and make recommendations to the Board of Directors with respect to changes in directors' compensation and benefits; and

To develop and recommend to the Board of Directors a set of corporate governance guidelines and to review the guidelines at least annually and recommend changes as necessary.

The Nominating and Corporate Governance Committee shall have sole authority to retain and terminate any consulting firm to assist it in carrying out its duties and responsibilities, as the committee may deem appropriate in its sole discretion. The Nominating and Corporate Governance Committee shall have sole authority to approve related fees and other retention terms.

The Nominating and Corporate Governance Committee's process for recruiting and selecting nominees is for Committee members to attempt to identify individuals who are thought to have certain minimum qualifications,

including appropriate business background and experience, industry specific knowledge and general reputation and expertise that would allow them to contribute as effective directors to our governance, and who are willing to serve as directors of a public company. The Nominating and Corporate Governance Committee also considers such other factors

as it deems appropriate, including the current composition of the Board. The Committee and Board believe that Board membership should reflect diversity in its broadest sense, including persons diverse in skills, background, gender and ethnicity. The Committee has not adopted a formal policy for the consideration of diversity in identifying candidates for the Board.

To date, we have not engaged any third party to assist in identifying or evaluating potential nominees. After a possible candidate is identified, the individual meets with various members of the Committee to ascertain his or her interest and willingness to serve, and Committee members discuss among themselves the individual's potential to be an effective member of the Board of Directors. If the discussions and evaluation are positive, the individual is recommended by the Nominating and Corporate Governance Committee to the entire Board of Directors.

The entire Board of Directors, including the Nominating and Corporate Governance Committee, approved the nomination of the candidates reflected in Proposal No. 1. The Nominating and Corporate Governance Committee will consider stockholder recommendations for candidates to serve on the Board of Directors. The name of any recommended candidate for director, together with pertinent biographical information, a document indicating the candidate's willingness to serve if elected, and evidence of the nominating stockholder's ownership of our common stock should be sent to the Nominating and Corporate Governance Committee c/o IGI Laboratories, Inc., Corporate Secretary, 105 Lincoln Avenue, Buena, New Jersey 08310. To date, the Nominating and Corporate Governance Committee has not adopted a specific formal policy with respect to the consideration of director candidates recommended by stockholders and to date no director candidates have been recommended by stockholders. If a director candidate were to be recommended by a stockholder, the Nominating and Corporate Governance Committee expects to evaluate such candidate in the same manner it evaluates director candidates it identifies.

The members of the Nominating and Corporate Governance Committee in 2011 were James C. Gale (Chair) and Jane E. Hager. In April 2012, Jane E. Hager resigned from her position on the Nominating and Corporate Governance Committee due to her decision not to run for election in 2012. Michael Hemric placed Ms. Hager on the Nominating and Corporate Governance Committee, and accepted the position as Chair of the Nominating and Corporate Governance Committee. We believe that the composition of the Nominating and Corporate Governance Committee in 2011 and the current composition complies with all applicable requirements of the Sarbanes-Oxley Act of 2002, NYSE Amex and SEC rules and regulations, including those regarding the independence of the Nominating and Corporate Governance Committee members. The Nominating and Corporate Governance Committee met one time during the 2011 fiscal year. Since the Nominating and Corporate Governance Committee is composed solely of non-management directors, all nominees for director at the Annual Meeting were nominated by non-management directors.

## **Board Meeting and Attendance**

During our 2011 fiscal year, our Board of Directors met ten times. Each incumbent director attended at least 75% of the total number of meetings of the Board of Directors and each committee of the board on which such director served.

As required, independent members of the board meet in executive sessions outside the presence of management.

### **Stockholder Communications with Directors and Director Attendance at Annual Meetings**

Stockholders who wish to send communications to our Board of Directors may do so by sending them c/o IGI Laboratories, Inc., Corporate Secretary, 105 Lincoln Avenue, Buena, New Jersey 08310. Such communications may be addressed either to specified individual directors or the entire Board of Directors. The Secretary will have the discretion to screen and not forward to directors communications that the Secretary determines are communications unrelated to our business or governance, commercial solicitations, offensive, obscene, or otherwise inappropriate. The Secretary will, however, compile all stockholder communications that are not forwarded and such communications will be available to any director.

It is the policy of our Board of Directors that directors are strongly encouraged to attend all annual stockholder meetings. Each of our directors serving at the time attended the 2011 annual meeting of stockholders.

## **Board Leadership Structure**

The Chairman of the Board presides at all meetings of the Board. The Chairman is appointed on an annual basis by a majority vote of the directors. Currently, the offices of Chairman of the Board and Chief Executive Officer are separated. We have no fixed policy with respect to the separation of the offices of the Chairman of the Board and Chief Executive Officer. The Board believes that the separation of the offices of the Chairman of the Board and Chief Executive Officer is part of the succession planning process and that it is in the best interests of the company to make this determination from time to time.

## **Oversight of Risk Management**

We are exposed to a number of risks and we regularly identify and evaluate these risks and develop plans to manage them effectively. Our Chief Executive Officer and Chief Financial Officer are directly responsible for our risk management function and report to our Board and Audit Committee in this regard. In fulfilling their risk management responsibilities, our Chief Executive Officer and Chief Financial Officer work closely with members of senior management, including our accounting staff.

On behalf of the Board of Directors, the Audit Committee plays a key role in the oversight of our risk management policy. In that regard, the Chief Financial Officer meets with the Audit Committee at least four times a year to discuss the risks facing us, highlighting any new risks that may have arisen since they last met. The Audit Committee reports to the Board of Directors on a regular basis to apprise them of their discussions with the Chief Financial Officer. Finally, the Chief Financial Officer and Chief Executive Officer report directly to the Board of Directors on at least an annual basis to apprise them directly of our risk management efforts.

## **Standards of Business Conduct**

The Company has adopted written standards of business conduct that applies to all directors, officers and employees of the Company and its subsidiaries. The Company's standards of business conduct is available at its website at [www.igilabs.com](http://www.igilabs.com). Any amendments to the standards of business conduct or waivers from the provisions of the standards of business conduct for the Company's principal executive officer and principal financial and accounting officer will be disclosed on the Company's Internet website within four business days following the date of such amendment or waiver.

## Director Compensation

*Director Options.* In September 1999, our Board of Directors adopted the 1999 Director Stock Option Plan, which we refer to as the 1999 Plan. Under the 1999 Plan, on January 2 of each year, (i) each non-employee director is granted a stock option to purchase 15,000 shares of our common stock; and (ii) each of the Chairmen of the Audit Committee and the Organization and Compensation Committee is granted additional stock options to purchase 15,000 and 10,000 shares of our common stock, respectively. Additionally, under the 1999 Plan, each newly elected director will receive a stock option grant to purchase 15,000 shares of our common stock at the time of his or her election. All of such options will be granted at an exercise price equal to the closing price of our common stock on the NYSE Amex on the date of grant. All options granted under the 1999 Plan become 100% vested 12 months after the date of grant.

*Director Fees.* During 2009, the directors unanimously adopted a non-employee director compensation program which provides for equity grants to our non-employee directors under, pursuant to and in the amounts that were provided for in the original 1999 Plan as set forth above. The Board of Directors also approved the payment of an annual cash retainer of \$25,000, payable quarterly, to each non-employee director and a one-time grant of an option to purchase an additional 15,000 shares of our common stock to a non-employee director when he or she joins the Board of Directors (in addition to the similar 15,000 share grant pursuant to the 1999 Plan) pursuant to such program. This one-time award is granted to non-employee directors who join the Board of Directors after April 7, 2010. Ms. Erony, Ms. Hager and Mr. Gale have indicated that they will voluntarily defer any cash compensation otherwise due to them on account of director fees unless, until and only in the event that we return to profitability. In 2010, the Board of Directors reduced the annual grant to the Chairman of the Audit Committee from an option to purchase 15,000 shares of common stock to an option to purchase 10,000 shares of common stock. In 2012, the Board of Directors increased the annual grant to the Chairman of the Audit Committee from an option to purchase 10,000 shares of common stock to an option to purchase 20,000 shares of common stock and increased the annual grant to the Chairman of the Organization and Compensation Committee from an

option to purchase 10,000 shares of common stock to an option to purchase 15,000 shares of common stock. In addition, the Chairperson of the Board will receive an annual grant of an option to purchase 20,000 shares of common stock.

### 2011 Director Compensation

<u>Name of Director</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$ (1) (2)</u>	<u>Option Awards (\$ (1) (3) (4)</u>	<u>Total (\$)</u>
Jane E. Hager	25,000 (5)		18,218	43,218 (5)
James C. Gale	25,000 (5)		18,218	43,218 (5)
Narendra N. Borkar	25,000		18,218	43,218
Michael Hemric	25,000		10,931	35,931
Joyce Erony	25,000 (5)		10,931	35,931 (5)
Bhaskar Chaudhuri	25,000		10,931	35,931

(1)

The amounts reflected in this column represent the fair value of the awards on the date of grant, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation ( FASB ASC Topic 718 ).

(2)

The dollar amount reflected in this column equals (i) the number of restricted shares granted to the director during 2011 multiplied by (ii) the closing price of our common stock on the effective date of the grant.

(3)

As of December 31, 2011, the aggregate amount of shares of common stock that can be acquired by each director pursuant to outstanding option awards are as follows: Jane E. Hager, 175,000 shares; James C. Gale, 65,000 shares; Narendra N. Borkar, 80,000 shares; Michael Hemric, 60,000 shares; Joyce Erony, 45,000 shares and Bhaskar Chaudhuri 45,000 shares.

(4)

We issued the options in this column at a strike price equal to the fair market value of the closing price of our common stock on the date of the grant. We valued these options using a Black-Scholes model. In the model, we used an expected life of 3.2 years to value the ten (10) year options that we issued. We used an interest rate equal to the yield on treasury bonds that have approximately 3.2 years remaining until maturity and uses the volatility of our stock price over a period that is approximately 3.2 years prior to the grant date.

(5)

Ms. Erony, Ms. Hager and Mr. Gale voluntarily deferred the cash compensation otherwise due to them on account of director fees unless, until and only in the event that the Company returns to profitability

## EXECUTIVE COMPENSATION

In addition to Charles Moore whose biography is set forth above in Proposal No. 1 Election of Directors the following people served as our executive officers in 2011:

<u>Name</u>	<u>Title</u>
Nadya Lawrence	Executive Vice President of Sales and Marketing
Jennifer Collins	Chief Financial Officer

Nadya Lawrence (43) has served as our Executive Vice President of Sales and Marketing since April 2010. From 2006 to April 2010, Ms. Lawrence served as our Executive Vice President of Operations and from 2001 to 2006 she served as our Vice President of Operations. Previously, Ms. Lawrence served as our R&D Technical Director and R&D Manager from 1995 to 2001.

Jennifer Collins (43) has served as our Chief Financial Officer from July 2011 to present. Ms. Collins has twenty years of experience in accounting and finance. Prior to joining IGI, she most recently served from October 2006 to July 2011 as Vice President-Treasurer and previously the Corporate Controller at the Lightstone Group, a privately held real estate firm. From January 2004 through October 2006, Ms. Collins also served as Corporate Controller for Orchid Cellmark, Inc., a biotechnology company, and from July 2001 through January 2004 Ms. Collins served as Director of Finance and Investor Relations for Tellium, Inc. an optical switching company, which was purchased by Zhone Technologies, Inc in November 2003. Her background also includes seven years of public accounting experience, including a position with Pricewaterhouse Coopers. Jennifer earned her CPA in New Jersey in 1993 and graduated with a B.S. in accounting from Lehigh University.

None of our directors or executive officers is related by family to any other director or executive officer.

**2011 Summary Compensation Table**

The following table sets forth the cash and non-cash compensation for the previous two fiscal years, which was earned by each of our former Chief Financial Officer who served during 2010, our current President and Chief Executive Officer, who served during 2011 and 2010, our current Chief Financial Officer who served during 2011, and our other most highly compensated executive officer who received compensation in excess of \$100,000 during 2011. We refer to these people in this Proxy Statement as our Named Executive Officers.

<b>Name and Principal Position (1)</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)(2)</b>	<b>Option Awards (\$)(3)</b>	<b>All Other Compensation (\$)(4)</b>	<b>Total (\$)</b>
Philip Forte Former Chief Financial Officer	2011	140,654				2,812	143,466
	2010	185,000		60,000 (6)		28,538	273,538
Charles Moore President and Chief Executive Officer (5)	2011	269,281	14,191		18,871	17,921	320,264
	2010	222,326	48,000	665,050		12,706	948,082
Nadya Lawrence Executive Vice of Sales and Marketing	2011	146,529	12,090			28,013	186,632
	2010	144,200				27,177	171,377
Jenniffer Collins Chief Financial Officer	2011	86,423	12,206		90,014	9,522	198,165
	2010						

(1)

Lists the principal positions held as of December 31, 2011. On May 29, 2009, Philip Forte assumed the position of our Controller and was later promoted to serve as our Chief Financial Officer. Mr. Forte resigned as our Chief Financial Officer, effective January 11, 2011. On February 12, 2010, Charles Moore assumed the position of our Executive Vice President Technical Operations and was later promoted to serve as our President and Chief Executive Officer. On July 21, 2011, Jenniffer Collins assumed the position of our Chief Financial Officer.

(2)

The amounts shown in this column represent the fair value of the awards on the date of grant, as computed in accordance with FASB ASC Topic 718. Mr. Moore received a grant of 379,000 shares of restricted common stock on February 12, 2010, one-third of which vested on January 4, 2011, one-third of which vested on

January 4, 2012 and one-third of which will vest on January 4, 2013. Mr. Moore received an additional grant of 560,000 shares of restricted common stock on April 1, 2010, one-third of which vested on April 1, 2011, one-third of which vested on April 1, 2012 and one-third of which will vest on April 1, 2013.

(3)

The amounts reflected in this column represent the fair value of the awards on the date of grant, as computed in accordance with FASB ASC Topic 718. We valued these options using a Black-Scholes option pricing model. In the model, we used an expected life of 3.2 years to value the ten year options that we issued. We used an interest rate equal to the yield on the treasury bonds that have approximately 3.2 years remaining until maturity and used the volatility of our stock price over a period that is approximately five and one-half years prior to the grant date.

(4)

The amounts shown in this column represent premiums for group life insurance, medical, and dental insurance paid by us, and contributions made by us to the executive's account under our 401(k) Plan. The amounts shown include \$9,022 in automobile reimbursements made to Ms. Lawrence in 2011. In 2011, we paid \$7,536, \$9,522, \$13,405, \$1,677 for medical, dental and group life insurance for Mr. Moore, Ms. Collins, Ms. Lawrence and Mr. Forte, respectively. We also made contributions to the 401(k) Plan accounts of \$10,384, \$5,586 and \$285 for Mr. Moore, Ms. Lawrence and Mr. Forte, respectively. The amounts shown include \$12,847 in automobile reimbursements made to Mr. Forte in 2010 and \$9,022 in automobile reimbursements made to Ms. Lawrence in 2010. In 2010, we paid \$4,245, \$15,214 and \$12,569 for medical, dental, vision and group life insurance for Mr. Moore, Mr. Forte and Ms. Lawrence, respectively. We also made contributions to the 401(k) Plan accounts of Mr. Forte, Ms. Lawrence and Mr. Moore in the amounts of \$477, \$5,586 and \$8,461, respectively.

(5)

Mr. Moore is also a member of our Board and he did not receive any compensation as a director in 2011 or 2010.

(6)

Mr. Forte resigned as of January 11, 2011, and at this time, 53,328 shares of these stock awards vested and the unvested portion of 106,672 stock awards was forfeited.

**Outstanding Equity Awards at 2011 Fiscal Year-End**

The following table sets forth certain information concerning outstanding equity awards as of December 31, 2011.

<u>Name</u>	<b>Option Awards</b>				<b>Stock Awards</b>	
	<b>Number of Securities Underlying Unexercised Options (#) <u>Exercisable</u></b>	<b>Number of Securities Underlying Unexercised Options (#) <u>Unexercisable</u></b>	<b>Option Exercise Price (\$)</b>	<b>Option Expiration Date</b>	<b>Number of Shares or Units of Stock That Have Not Vested (#)</b>	<b>Market Value of Shares or Units of Stock That Have Not Vested(1)(\$)</b>
Jennifer Collins		225,000	\$1.04	12/22/21		
Charles Moore	25,000		\$1.74	2/7/21	626,000	\$719,900
Nadya Lawrence	40,000					
	100,000					
	30,000					
	40,000					