

LOF PARTNERS LLC  
 Form 3  
 March 24, 2009

**FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

OMB APPROVAL

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**INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,  
 Section 17(a) of the Public Utility Holding Company Act of 1935 or Section  
 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

|   |         |                                      |  |  |
|---|---------|--------------------------------------|--|--|
| 1. Name and Address of Reporting Person *                     |         | 2. Date of Event Requiring Statement | 3. Issuer Name <b>and</b> Ticker or Trading Symbol   |  |
| Â LIFE SCIENCES<br>OPPORTUNITIES FUND II LP                   |         | (Month/Day/Year)<br>03/13/2009       | IGI INC [IG]   |  |
| (Last)  | (First) | (Middle)                             | 4. Relationship of Reporting Person(s) to Issuer   |  |
| CARNEGIE HALL<br>TOWER, Â 152 WEST 57TH<br>STREET, 19TH FLOOR |         |                                      | 5. If Amendment, Date Original Filed(Month/Day/Year)                                       |  |
| (Street)  |         |                                      | (Check all applicable)   |  |
| NEW YORK, Â NY Â 10019  |         |                                      | <input checked="" type="checkbox"/> Director <input checked="" type="checkbox"/> 10% Owner |  |
| (City)  | (State) | (Zip)                                | <input type="checkbox"/> Officer <input type="checkbox"/> Other                            |  |
|   |         |                                      | (give title below)    (specify below)  |  |
|   |         |                                      | 6. Individual or Joint/Group Filing(Check Applicable Line)                                 |  |
|   |         |                                      | <input type="checkbox"/> Form filed by One Reporting Person                                |  |
|   |         |                                      | <input checked="" type="checkbox"/> Form filed by More than One Reporting Person           |  |

**Table I - Non-Derivative Securities Beneficially Owned**

| 1. Title of Security<br>(Instr. 4) | 2. Amount of Securities Beneficially Owned<br>(Instr. 4) | 3. Ownership Form:<br>Direct (D)<br>or Indirect (I)<br>(Instr. 5) | 4. Nature of Indirect Beneficial Ownership<br>(Instr. 5) |
|------------------------------------|--|---|--|
|------------------------------------|--|---|--|

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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**Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security<br>(Instr. 4) | 2. Date Exercisable and Expiration Date<br>(Month/Day/Year) | 3. Title and Amount of Securities Underlying Derivative Security<br>(Instr. 4) | 4. Conversion or Exercise Price of Derivative | 5. Ownership Form of Derivative Security: | 6. Nature of Indirect Beneficial Ownership<br>(Instr. 5) |
|---|---|--|---|---|--|
|---|---|--|---|---|--|

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|  | Date Exercisable | Expiration Date  | Title                      | Amount or Number of Shares | Security                | Direct (D) or Indirect (I) (Instr. 5) |   |
|--|------------------|------------------|----------------------------|----------------------------|-------------------------|---------------------------------------|---|
| Series B-1 Convertible Preferred Stock <sup>(1)</sup>      | Â <sup>(2)</sup> | Â <sup>(2)</sup> | Common Stock               | 2,518,511                  | \$ <sup>(2)</sup>       | D <sup>(3)</sup>                      | Â |
| Convertible Note <sup>(1)</sup>                            | Â <sup>(4)</sup> | Â <sup>(4)</sup> | Common Stock               | 9,894,047                  | \$ <sup>(4)</sup>       | D <sup>(3)</sup>                      | Â |
| Series B-2 Preferred Stock Purchase Warrant <sup>(1)</sup> | Â <sup>(6)</sup> | Â <sup>(6)</sup> | Series B-2 Preferred Stock | 676                        | \$ 6,000 <sup>(6)</sup> | D <sup>(3)</sup>                      | Â |
| Series B-1 Convertible Preferred Stock <sup>(1)</sup>      | Â <sup>(2)</sup> | Â <sup>(2)</sup> | Common Stock               | 450,727                    | \$ <sup>(2)</sup>       | D <sup>(7)</sup>                      | Â |
| Convertible Note <sup>(1)</sup>                            | Â <sup>(5)</sup> | Â <sup>(5)</sup> | Common Stock               | 1,770,714                  | \$ <sup>(5)</sup>       | D <sup>(7)</sup>                      | Â |
| Series B-2 Preferred Stock Purchase Warrant <sup>(1)</sup> | Â <sup>(6)</sup> | Â <sup>(6)</sup> | Series B-2 Preferred Stock | 121                        | \$ 6,000 <sup>(6)</sup> | D <sup>(7)</sup>                      | Â |

## Reporting Owners

| Reporting Owner Name / Address  | Relationships |           |         |       |
|---|---------------|-----------|---------|-------|
|   | Director      | 10% Owner | Officer | Other |
| LIFE SCIENCES OPPORTUNITIES FUND II LP<br>CARNEGIE HALL TOWER<br>152 WEST 57TH STREET, 19TH FLOOR<br>NEW YORK, NY 10019 | Â X           | Â X       | Â       | Â     |
| LOF PARTNERS LLC<br>CARNEGIE HALL TOWER<br>152 WEST 57TH STREET, 19TH FLOOR<br>NEW YORK, NY 10019                       | Â             | Â X       | Â       | Â     |
| SMH CAPITAL INC.<br>600 TRAVIS, SUITE 5800<br>HOUSTON, TX 77002   | Â             | Â X       | Â       | Â     |
| SANDERS MORRIS HARRIS GROUP INC<br>600 TRAVIS, SUITE 5800<br>HOUSTON, TX 77002  | Â             | Â X       | Â       | Â     |
| GALE JAMES C<br>CARNEGIE HALL TOWER<br>152 WEST 57TH STREET, 19TH FLOOR<br>NEW YORK, NY 10019                           | Â             | Â X       | Â       | Â     |
| Erony Joyce<br>CARNEGIE HALL TOWER<br>152 WEST 57TH STREET, 19TH FLOOR  | Â X           | Â X       | Â       | Â     |

NEW YORK, NY 10019

MORRIS BENJAMIN T  
600 TRAVIS, SUITE 5800  
HOUSTON, TX 77002

Â Â X Â Â

## Signatures

|   |            |
|---|------------|
| Life Sciences Opportunites Fund II, L.P., and Life Sciences Opportunities Fund (Institutional) II, L.P., By: Signet Healthcare Partners, LLC, By: /s/ James C. Gale | 03/24/2009 |
| Signature of Reporting Person   | Date       |
| Signet Healthcare Partners, LLC, By: SMH Capital Inc., By: /s/ Ben T. Morris  | 03/23/2009 |
| Signature of Reporting Person   | Date       |
| SMH Capital Inc., By: /s/ Ben T. Morris   | 03/23/2009 |
| Signature of Reporting Person   | Date       |
| Sanders Morris Harris Group, Inc., By: /s/ Ben T. Morris  | 03/23/2009 |
| Signature of Reporting Person   | Date       |
| /s/ James C. Gale   | 03/23/2009 |
| Signature of Reporting Person   | Date       |
| /s/ Joyce Erony   | 03/23/2009 |
| Signature of Reporting Person   | Date       |
| /s/ Ben T. Morris   | 03/23/2009 |
| Signature of Reporting Person   | Date       |

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).
  - \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) On March 13, 2009, IGI Laboratories completed a private placement of Series B-1 Convertible Preferred Stock (the "Series B-1 Preferred Stock"), secured convertible promissory notes (the "Notes") and warrants to purchase shares of Series B-2 Preferred Stock (the "Warrants") to Life Sciences Opportunities Fund (Institutional) II, L.P. and Life Sciences Opportunities Fund II, L.P., for an aggregate purchase price of \$6,000,000 (the "Offering").
- (2) Each share of Series B-1 Preferred Stock is convertible at any time into 14,634 shares of common stock at the holder's election, and have no expiration date. Notwithstanding the foregoing, pursuant to the terms of the Certificate of Designation, the Series B-1 Preferred Stock will automatically convert into shares of common stock upon the earlier of the date that (i) the Closing Price (as defined in the Certificate of Designation) of the common stock shall have exceeded \$1.20 for a period of twenty-five (25) consecutive trading days immediately preceding such date and (ii) as determined by the affirmative vote or consent of the holders of at least a majority of the shares of the Series B-1 Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting.
- (3) These securities are owned directly by Life Sciences Opportunities Fund (Institutional) II, L.P. and indirectly by Signet Healthcare Partners, LLC ("General Partner"), the general partner of Life Sciences Opportunities Fund (Institutional) II, L.P., James C. Gale, the chief investment officer, a manager and member of the General Partner, SMH Capital Inc. ("SMH Capital"), the controlling member of the General Partner, Sanders Morris Harris Group, Inc. ("SMHG"), the parent company of SMH Capital, Joyce Erony, a director of IGI Laboratories and a managing director of the General Partner, Ben T. Morris, a manager of the General Partner and Chief Executive Officer and a director of SMH Capital and SMHG. The General Partner, Mr. Gale, SMH Capital, SMHG, Ms. Erony and Mr. Morris disclaim beneficial ownership of the reported securities except to the extent of their pecuniary interest therein, if any.
- (4) Upon stockholder approval of the Offering, the Notes convert into 676.1 shares of Series B-1 Preferred Stock (plus an additional number of shares of Series B-1 Preferred Stock equal to any accrued interest on the Notes). The shares of Series B-1 Preferred Stock issuable upon conversion of the Notes pursuant to the preceding sentence will then be immediately convertible into shares of common stock at the option of the holder. If stockholder approval of the Offering is not obtained, the Notes will become due and payable and will accrue simple interest at the rate of five percent (5%) per annum.

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(5) Upon stockholder approval of the Offering, the Notes convert into 121 shares of Series B-1 Preferred Stock (plus an additional number of shares of Series B-1 Preferred Stock equal to any accrued interest on the Notes). The shares of Series B-1 Preferred Stock issuable upon conversion of the Notes pursuant to the preceding sentence will then be immediately convertible into shares of common stock at the option of the holder. If stockholder approval of the Offering is not obtained, the Notes will become due and payable and will accrue simple interest at the rate of five percent (5%) per annum.

(6) If stockholder approval of the Offering is obtained on or before July 31, 2009, then the Warrants will become void. If stockholder approval of the Offering is not obtained on or before July 31, 2009, the Warrants will become exercisable into shares of Series B-2 Preferred Stock for a term of four years commencing on July 31, 2009 at a price of \$6,000 per share. Other than a class vote with respect to certain matters, holders of Series B-2 Preferred Stock have no right to vote with holders of common stock, including with regard to the election of directors.

(7) These securities are owned directly by Life Sciences Opportunities Fund II, L.P. and indirectly by the General Partner, Mr. Gale, SMH Capital, SMHG, Ms. Erony and Mr. Morris. The General Partner, Mr. Gale, SMH Capital, SMHG, Ms. Erony and Mr. Morris disclaim beneficial ownership of the reported securities except to the extent of their pecuniary interest therein, if any.

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### Remarks:

Remarks:Â Â ThisÂ isÂ aÂ jointÂ filingÂ byÂ LifeÂ SciencesÂ OpportunitiesÂ FundÂ (Institutional)Â II,Â L.P.,Â LifeÂ S

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.