

IGI LABORATORIES, INC  
Form DEF 14A  
April 16, 2010

**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 ☒ [X]

Filed by a Party other than the Registrant ☐ [ ]

Check the appropriate box:

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Preliminary Proxy Statement

☐ [ ]

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

☒ [X]

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):

☒ [X]

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)

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4)

Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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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 19, 2010**

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 Wednesday, May 19, 2010, at 10:00 a.m. local time. The purposes of the Annual Meeting are as follows:

1.

To elect four 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 Amper, Politziner & Mattia, LLP as our independent registered public accounting firm for 2010;

3.

Approve the amendment and restatement of our 2009 Equity Incentive Plan to increase the number of shares of common stock, par value \$.01 per share, that may be issued or the subject of awards under the plan by 2,000,000 shares; and

4.

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

Our Board of Directors has fixed April 7, 2010 as the record date for the Annual Meeting. Owners of shares of our common stock, Series A Convertible Preferred Stock, Series B-1 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 to Stockholders for the year ended December 31, 2009, 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 19, 2010: The Notice of Annual Meeting, Proxy Statement and 2009 Annual Report to Stockholders are available on our website at <http://igilabs.com/investors-annual-reports.html>**

By Order of the Board of Directors,

Philip Forte, Secretary

Buena, New Jersey

April 16, 2010





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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 Wednesday, May 19, 2010, 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 to Stockholders for the year ended December 31, 2009 were first mailed or given to our stockholders on or about April 16, 2010.

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

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

**FOR** the ratification of Amper, Politziner & Mattia, LLP as our independent registered public accounting firm; and

**FOR** the approval of the amendment and restatement of our 2009 Equity Incentive Plan to increase the number of shares of common stock, par value \$.01 per share, that may be issued or the subject of awards under the plan by 2,000,000 shares.

**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, Series B-1 Convertible Preferred Stock, which we refer to in this proxy statement as our Series B-1 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 four director nominees named later in this Proxy Statement. Pursuant to the terms of our Certificate of Designation for our Series B-1 Preferred Stock, our Series B-1 Preferred Stock is entitled to elect two directors to serve on our Board of Directors. Joyce Erony and James Gale currently serve on

our Board of Directors as the designees of the holders of Series B-1 Preferred Stock. The holders of Series B-1 Preferred Stock have informed us that they intend to re-elect Ms. Erony and Mr. Gale at the Annual Meeting to serve as its designees. Because Ms. Erony and Mr. Gale will be elected by the holders of our Series B-1 Preferred Stock, their elections will not be voted on by holders of our common stock, Series A Preferred Stock and Series C Preferred Stock. Holders of our common stock, Series A Preferred Stock, Series B-1 Preferred Stock and Series C Preferred Stock will vote together as a single class and, in the case of the Series A Preferred Stock, Series B-1 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 and on Proposal No. 3 to approve the amendment and restatement of our 2009 Equity Incentive Plan.

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 7, 2010, 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, or 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 17,796,247 outstanding shares of common stock, 50 outstanding shares of Series A Preferred Stock, 1,006,879 outstanding shares of Series B-1 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 B-1 Preferred Stock on the Record Date is entitled to a number of votes for each share of Series B-1 Preferred Stock held by such holder equal to the number of shares of common stock into which such share of Series B-1 Preferred Stock is then convertible. As of the Record Date, each share of Series B-1 Preferred Stock was convertible into approximately 15,302.95 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 1,449.871 shares of our common stock. As of the Record Date, our common stock carried an aggregate of 17,796,247 votes, our Series A Preferred Stock carried an aggregate of 500,000 votes, our Series B-1 Preferred Stock carried an aggregate of 15,408,219 votes and our Series C Preferred Stock carried an aggregate of 2,247,300 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, 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, Series B-1 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, Series B-1 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 Amper, Politziner & Mattia, LLP as our independent registered public accounting firm.



*Proposal No. 3 Amendment and Restatement of 2009 Equity Incentive Plan.* The affirmative vote of a majority of votes cast is required to approve the amendment and restatement of our 2009 Equity Incentive Plan.

**PROPOSAL NO. 1 - ELECTION OF DIRECTORS****Directors**

At the Annual Meeting, holders of our common stock, Series A Preferred Stock, Series B-1 Preferred Stock and Series C Preferred Stock, voting as a single class and on an as-converted basis, will vote to elect four members to our Board of Directors by plurality of the votes cast. Our Board of Directors has proposed the following nominees: Jane E. Hager, Narendra N. Borkar, Michael Hemric and Charles Moore.

Joyce Erony and James C. Gale currently serve on our Board of Directors as the designees of the holders of Series B-1 Preferred Stock. The holders of Series B-1 Preferred Stock have informed us that they intend to re-elect Ms. Erony and Mr. Gale at the annual meeting to serve as its designees. Because Ms. Erony and Mr. Gale will be elected by the holders of our Series B-1 Preferred Stock, their election will not be voted on by holders of our common stock, Series A Preferred Stock and Series C Preferred Stock.

All of the nominees are currently serving as our directors. 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:

<b>Name</b>	<b>Age</b>	<b>Positions Currently held with IGI</b>	<b>Committee Membership</b>	<b>Director of IGI Since</b>	
Jane E. Hager	64	Director	A, N	1982 2007	2003 Present
James C. Gale (1)	60	Director	N	2009	Present
Charles Moore (2)	61			2010	Present

Director, President and  
Chief Executive  
Officer

Narendra N. Borkar (3)	69	Director	C	2009	Present
Michael Hemric (4)	57	Director	A	2009 -	Present

<b>Name</b>	<b>Age</b>	<b>Positions Currently held with IGI</b>	<b>Committee Membership</b>	<b>Director of IGI Since</b>
Joyce Erony (5)	50	Director	C, N	2009 Present

(1)

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

(2)

Mr. Moore was appointed to our Board of Directors upon the recommendation of the Nominating and Corporate Governance Committee and named President and Chief Executive Officer on March 19, 2010, effective April 1, 2010.

(3)

Mr. Borkar was appointed to our Board of Directors on September 15, 2009 upon the recommendation of the Nominating and Corporate Governance Committee.

(4)

Mr. Hemric was appointed to our Board of Directors on July 1, 2009 upon the recommendation of the Nominating and Corporate Governance Committee.

(5)

Ms. Erony was appointed to our Board of Directors on March 13, 2009 as a designee of the holders of Series B-1 Preferred Stock.

A Audit Committee

C Organization and Compensation Committee

N Nominating and Corporate Governance Committee

Name	Principal Occupation, Other Business Experience and Other Directorships
Jane E. Hager	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 & Trust, Bedford, NH [OTCBB] since 1999 and a director of ZSGenetics, Stoddard, NH since 2006, a gene expression and sequencing company.
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 Cydex Inc. and also serves on the Board of Directors of Anteis SA, Octoplus BV, Pfenex Inc., Spepharm BV and Paladin Laboratories. Mr. Gale holds a Masters of Business Administration from the University of Chicago.</p>

Name	Principal Occupation, Other Business Experience and Other Directorships
Narendra N. Borkar	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 & Company, Inc. (1966-1976).
Michael Hemric	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
Charles Moore	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 IGI, 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 US dermatology market, selecting the product candidates for in-house development, and overseeing the development 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.
	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.

She currently serves as a director of Peak Surgical and Cedarburg Pharmaceuticals Inc. Ms. Erony holds a Diploma in International Law and Economics from the London School of

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<b>Name</b>	<b>Principal Occupation, Other Business Experience and Other Directorships</b>
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Economics and Political Science (1982) and a BS in Management from Case Western Reserve University (1981).
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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 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 Ms. Hager, the Board considered her investment experience and familiarity with our company. 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 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. 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. 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 pharmaceutical companies.

### **Independence of Directors**

Our Board of Directors has determined that Jane E. Hager, James C. Gale, Narendra N. Borkar, Michael Hemric and Joyce Erony are independent directors pursuant to the independence standards established by the NYSE Amex and U.S. Securities & Exchange Commission (SEC).

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 FOUR NOMINEES, JANE E. HAGER, NARENDRA N. BORKAR, MICHAEL HEMRIC AND CHARLES MOORE.

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## **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 ( 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 2009 our officers, directors and holders of more than 10% of our common stock complied with all Section 16(a) filing requirements. During 2009, Terrence O'Donnell filed one late Form 4 relating to one transaction, Michael Hemric filed one late Form 4 relating to one transaction, Narendra Borkar filed one late Form 4 relating to one transaction, Jane E. Hager filed three late Form 4's relating to three transactions, Steve Morris filed one late Form 4 relating to one transaction, Joyce Erony filed a late Form 3 and two late Form 4's relating to two transactions, James Gale filed a late Form 3 and two late Form 4's relating to two transactions, Life Sciences Opportunities Fund II, L.P. and Life Sciences Opportunities Fund (Institutional) II, L.P. filed a late Form 3.

## 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. The present compositions of the committees of the Board of Directors are as follows:

Audit Committee	Nominating and Corporate Governance Committee	Organization and Compensation Committee
Jane E. Hager*	James C. Gale*	Narendra Borkar*

Michael Hemric

Jane E. Hager

Joyce Erony

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 members of the Organization and Compensation Committee are Narendra Borkar (Chair) and Joyce Erony. We believe that the composition and functioning of the Organization and Compensation 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 Organization and Compensation Committee Members. During our 2009 fiscal year, the Organization and Compensation Committee met 2 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 are Jane E. Hager (Chair) and Michael Hemric. We believe that the 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 Jane E. Hager 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 10 times during the 2009 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, in consultation with the Chairman of the Board of Directors, recommend to the Board of Directors changes, if any; and to 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 are James C. Gale (Chair), Jane E. Hager and Joyce Erony. We believe that the composition of the Nominating and Corporate Governance 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 Nominating and Corporate Governance Committee members. The Nominating and Corporate Governance Committee met 3 times during the 2009 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 2009 fiscal year, our Board of Directors met 13 times. Each 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.

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### **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 2009 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 CEO and CFO 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 CFO 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 CFO. Finally, the CFO and CEO report

directly to the Board of Directors on at least an annual basis to apprise them directly of our risk management efforts.

## **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.* Our Board of Directors adopted the 1998 Directors Stock Plan in October 1998 to provide each outside director with the right to receive shares of our common stock as director compensation in lieu of cash payments of director fees, thereby encouraging ownership in our securities by the directors. During 2009, we terminated the 1998 Directors Stock Plan. Prior to its termination, each non-employee director received \$2,000 in value of shares of our common stock for each meeting of the Board of Directors he or she attended in person, \$1,000 in value of shares of our common stock for each telephonic meeting of the Board of Directors attended, \$500 in value of shares of our common stock for each committee meeting attended which is held on the same day as a meeting of the Board of Directors, \$1,000 in value of shares of our common stock for each committee meeting attended which is not held on the same day as a meeting of the Board of Directors, and up to \$5,000 in value of shares of our common stock annually for the Chairmen of certain committees of the Board of Directors as determined at the discretion of our Board of Directors. The fees were payable quarterly and the number of shares of common stock issued to each director was determined by dividing the fees payable for the quarter by the closing price of our common stock on the last business day of the applicable quarter.

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 and eliminated director fees payable under the 1998 Plan. 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 will be 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.

**2009 DIRECTOR COMPENSATION**

<b>Name of Director</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (\$ (1) (2))</b>	<b>Option Awards (\$ (1) (3) (4))</b>	<b>Total (\$)</b>
Jane E. Hager	750	11,750	9,427	21,927
James C. Gale	7,500	5,000	9,321	21,821
Narendra N. Borkar	7,397		17,145	24,542
Michael Hemric	12,500	3,000	17,450	32,950
Hemanshu Pandya (5)				
Joyce Erony	7,000	5,500	6,435	18,935
Stephen Morris (6)		6,250	7,844	14,094
Terrence O Donnell (7)		9,250	4,702	13,952

(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 2009 multiplied by (ii) the closing price of our common stock on the effective date of the grant.

(3)



As of December 31, 2009, 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, 140,000 shares; James C. Gale, 15,000 shares; Narendra N. Borkar, 30,000 shares; Michael Hemric, 30,000 shares; Joyce Erony, 15,000 shares; Stephen Morris, 157,016 shares and Terrence O Donnell, 175,000 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 to 5.5 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 to 5.5 years remaining until maturity and uses the volatility of our stock price over a period that is approximately 3.2 to 5.5 years prior to the grant date.

(5)

Mr. Pandya resigned from our Board of Directors and as our President and Chief Executive Officer on March 19, 2010, effective April 1, 2010.

(6)

Mr. Morris resigned from our board of directors on July 1, 2009.

(7)

Mr. O Donnell resigned from our board of directors on September 15, 2009.

## EXECUTIVE COMPENSATION

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

**Name**

**Title**

Nadya Lawrence

Executive Vice President of  
Operations

Philip Forte

Chief Financial Officer

Nadya Lawrence (41) has served as our Executive Vice President of Operations since 2006 and Vice President of Operations from 2001 to 2006. Previously, Ms. Lawrence served as our R&D Technical Director and R&D Manager from 1995 to 2001.

Philip Forte (57) has served as our Chief Financial Officer since February 2010 and served as our Controller from May 2009 until February 2010. Previously, Mr. Forte served as the Senior Director of Finance at Teva Specialty Pharmaceuticals Industries, Ltd., a generic pharmaceutical company. Prior to Teva Specialty Pharmaceuticals, Mr. Forte held various financial roles in corporate and public accounting including Bristol Myers Squibb and Aventis. Mr. Forte received his BBA in Accounting from Bernard M Baruch and his MBA in accounting and finance from Fairleigh Dickinson University.

### 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 President and Chief Executive Officer that served during 2009 and our other two most highly compensated executive officers who received compensation in excess of \$100,000 during 2009. 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>
Hemanshu Pandya	2009	125,000	15,000	1,043,250 (6)	347,750	3,518	1,534,518
Former President and Chief Executive Officer					(7)		
Philip Forte	2009	88,827	19,000	75,200	68,124	11,632	262,783
Chief Financial Officer							
Nadya Lawrence	2009	140,000				25,947	165,947
Executive Vice President of Operations	2008	140,000				25,967	165,967
Rajiv Mathur	2009	326,909				26,605	
Former President and Chief Executive Officer (5)	2008	302,564			534,500 (8)	37,118	353,514

(1)

Lists the principal positions held as of December 31, 2009. On June 29, 2009, Hemanshu Pandya assumed the position as our President and Chief Executive Officer. Mr. Pandya resigned from our Board of Directors and as our President and Chief Executive Officer on March 19, 2010, effective April 1, 2010. On May 18, 2009, Philip Forte assumed the position of our Controller and was later promoted to serve as 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.

(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 model. In the model, we used an expected life of five and one-half (5.5) 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 five and one-half 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 \$2,905 in automobile reimbursements made to Philip Forte in 2009, \$9,022 in automobile reimbursements made to Nadya Lawrence and \$5,261 in automobile reimbursements made to Rajiv Mathur in 2009. In 2009, we paid \$318, \$6,818, \$11,339 and \$15,671 for medical, dental and group life insurance for Hemanshu Pandya, Philip Forte, Nadya Lawrence and Rajiv Mathur, respectively. We also made contributions to the 401(k) Plan accounts of Hemanshu Pandya, Philip Forte, Nadya Lawrence and Rajiv Mathur in the amounts of \$3,200, \$1,908, \$5,586 and \$5,673, respectively. The amounts shown also include \$9,022 in automobile reimbursements made to Nadya Lawrence in 2008 and \$11,656 to Rajiv Mathur in 2008. In 2008, we paid \$14,630 and \$9,932 for medical, dental and group life insurance for Rajiv Mathur and Nadya Lawrence, respectively. We also made contributions to the 401(k) Plan accounts of Rajiv Mathur and Nadya Lawrence in the amounts of \$8,848 and \$5,620, respectively.

(5)

Mr. Mathur ceased serving as our President and Chief Executive Officer on May 28, 2009.

(6)

The unvested portion of \$695,535 of this stock award was forfeited on April 1, 2010 upon the resignation of Mr. Pandya.

(7)

This award was for options to purchase 530,145 shares, of which 176,718 options were vested on April 1, 2010 (date of Mr. Pandya's resignation) and 353,427 were unvested and forfeited.

(8)

This award was for options to purchase 500,000 shares and was forfeited on August 26, 2009 (90 days after Mr. Mathur's resignation on May 28, 2009).

### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning outstanding option awards as of December 31, 2009.

<u>Name</u>	<u>Number of Securities Underlying Unexercised Options (#) Exercisable</u>	<u>Number of Securities Underlying Unexercised Options (#) Unexercisable</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date</u>	<u>Number of Shares or Units of Stock That Have Not Vested</u>	<u>Market Value of Shares or Units of Stock That Have Not Vested(1)(\$)</u>
Hemanshu Pandya	132,541(2)	397,604 (2)	\$1.07	06/29/19	731,250 (3)	570,375
Philip Forte	27,489 (4)	82,511 (4)	\$1.01	05/29/19	60,000 (5)	46,800
Nadya Lawrence	5,000		\$ .50	12/06/10		
	5,000		\$2.75	03/20/10		
	5,000		\$ .52	12/27/11		

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	30,000	\$ .80	05/16/11
	40,000	\$ .65	05/23/12
	100,000	\$1.07	05/20/13
	30,000	\$1.27	12/20/14
	40,000	\$ .76	12/09/15
Rajiv Mathur	15,000	\$1.06	05/28/12
	15,000	\$1.30	05/28/12

(1)

The market value is based upon the closing price of our common stock on December 31, 2009 (\$0.78).

(2)

These shares vest as follows: one-twelfth vested on June 29, 2009; one-twelfth vested on September 30, 2009; one-twelfth vested on December 31, 2009; one-twelfth vested on March 31, 2010; one-third will vest on June 29, 2011; and one-third will vest on June 29, 2012.

(3)

These shares vest as follows: 81,250 shares vested on March 31, 2010; 325,000 shares will vest on June 29, 2011; and 325,000 shares will vest on June 29, 2012.

(4)

These shares vest as follows: one-twelfth vested on June 1, 2009; one-twelfth vested on September 30, 2009; one-twelfth vested on December 31, 2009; one-twelfth vested on March 31, 2010; one-third will vest on June 1, 2011; and one-third will vest on June 1, 2012.

(5)

These shares vest as follows: 6,667 shares vested on March 31, 2010; 26,667 shares will vest on June 1, 2011; and 26,666 shares will vest on June 1, 2012.

## Employment Agreements

*Charles E. Moore.* Charles Moore commenced services as our Executive Vice President of Technical Operations effective February 12, 2010. Mr. Moore was promoted to serve as our President and Chief Executive Officer on March 19, 2010, effective April 1, 2010. Mr. Moore will receive an annual salary of \$265,000. Pursuant to the terms of his employment agreement, Mr. Moore also received a grant of 379,000 shares of restricted stock, one-third of which will vest on January 4, 2011, one-third of which will vest on January 4, 2012 and one-third of which will vest on January 4, 2013. In connection with his promotion to serve as our President and Chief Executive Officer, Mr. Moore also received an additional grant of 560,000 restricted shares of common stock. These shares had a grant date of April 1, 2010 and will vest over three years, in one-third increments beginning after Mr. Moore's first year of service as our President and Chief Executive Officer.

In addition, Mr. Moore will be entitled to participate in certain of our benefit programs on the same terms and conditions generally provided by us to our executive employees. Mr. Moore will also be eligible to receive an annual performance bonus for each calendar year during the term of his employment, which may be payable in either cash, stock options and/or restricted stock. Mr. Moore's target bonus will be equal to 40% of his base salary for the applicable fiscal year. All performance targets pursuant to such plan shall be determined by our Compensation Committee.

Mr. Moore is also subject to certain restrictive covenants as set forth in his employment agreement, including confidentiality, non-solicitation and non-competition. Further, Mr. Moore is entitled to payment of six months of severance plus a pro-rata portion of his bonus, if he is terminated without cause following the first anniversary of his employment start date. If terminated within the first year, he will not be entitled to a severance payment. Mr. Moore's employment agreement further provides for payments upon certain other types of employment termination events as further set forth in his employment agreement.

*Philip Forte.* Philip Forte commenced service as our controller effective May 26, 2009. Mr. Forte was promoted to serve as our Chief Financial Officer in 2010. Under the terms of his employment agreement, Mr. Forte will receive an annual salary of \$185,000. Mr. Forte also received a grant of (i) 80,000 shares of restricted stock and (ii) an option to purchase 110,000 shares of our common stock. The foregoing equity grants will become fully vested over a period of three years as follows: (i) one-twelfth of the shares subject to the equity grants vested on June 1, 2009; (ii) one-twelfth of the shares subject to the equity grants vested on each of the following dates: (A) September 30, 2009, (B) December 31, 2009 and (C) March 31, 2010; (iii) one-third of the shares subject to the equity grants will vest on June 1, 2011; and (iv) one-third of the shares subject to the equity grants will vest on June 1, 2012. In connection with his promotion to our Chief Financial Officer, on February 18, 2010, the Board further granted Mr. Forte 80,000 shares of restricted stock which vest as follows: (A) one-twelfth of the shares vested as of February 12, 2010; (B) one-twelfth of the shares shall vest on each of the following dates: (x) June 30, 2010, (y) September 30, 2010 and (z) December 31, 2010; (C) one-third of the shares shall vest on February 12, 2011 and (D) one-third of the shares shall vest on February 12, 2012. In addition, any shares that remain unvested immediately prior to a change in control will become

vested, provided that the executive remains in continuous service with us through

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the consummation of the change in control. In addition, Mr. Forte will be entitled to participate in certain of our benefit programs on the same terms and conditions generally provided by us to our executive employees.

Mr.