

LOF PARTNERS LLC
 Form 4
 May 19, 2009

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN 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 *
LIFE SCIENCES OPPORTUNITIES FUND II LP

2. Issuer Name and Ticker or Trading Symbol
IGI INC [IG]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
CARNEGIE HALL TOWER, 152 WEST 57TH STREET, 19TH FLOOR

3. Date of Earliest Transaction (Month/Day/Year)
05/15/2009

Director 10% Owner
 Officer (give title below) Other (specify below)

(Street)
NEW YORK, NY 10019

4. If Amendment, Date Original Filed (Month/Day/Year)

6. Individual or Joint/Group Filing (Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)		
				(A) or (D)	Code	V	Amount	(D)	Price

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

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative Securities Acquired (A) or	6. Date Exercisable and Expiration Date	7. Titl Under
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Security (Instr. 3)	or Exercise Price of Derivative Security	any (Month/Day/Year)	Code (Instr. 8)	Disposed of (D)		(Month/Day/Year)		(Instr.)	
				Code V	(A)	(D)	Date Exercisable		Expiration Date
Series B-1 Convertible Preferred Stock	<u>(1)</u> <u>(2)</u>	05/15/2009	C		681.935		<u>(1)</u> <u>(2)</u>	<u>(1)</u> <u>(2)</u>	Cor S
Secured Convertible Promissory Note	\$ 6,000	05/15/2009	C		4,091,610.35 <u>(4)</u>		<u>(5)</u>	<u>(5)</u>	Seri Conv Pre S
Series B-1 Convertible Preferred Stock	<u>(1)</u> <u>(2)</u>	05/15/2009	C		122.044		<u>(1)</u> <u>(2)</u>	<u>(1)</u> <u>(2)</u>	Cor S
Secured Convertible Promissory Note	\$ 6,000	05/15/2009	C		732,264.15 <u>(6)</u>		<u>(7)</u>	<u>(7)</u>	Seri Conv Pre S
Stock Option (Right to Buy)	\$ 1.02	05/15/2009	A		15,000		05/15/2010	05/15/2019	Cor S

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LIFE SCIENCES OPPORTUNITIES FUND II LP CARNEGIE HALL TOWER 152 WEST 57TH STREET, 19TH FLOOR NEW YORK, NY 10019	X	X		
LIFE SCIENCES OPPORTUNITIES FUND INSTITTUTIONAL II LP CARNEGIE HALL TOWER 152 WEST 57TH STREET, 19TH FLOOR NEW YORK, NY 10019	X	X		
LOF PARTNERS LLC 600 TRAVIS, SUITE 5800 HOUSTON, TX 77002		X		
SMH CAPITAL INC. 600 TRAVIS, SUITE 5800 HOUSTON, TX 77002		X		

SANDERS MORRIS HARRIS GROUP INC 600 TRAVIS, SUITE 5800 HOUSTON, TX 77002		X
GALE JAMES C CARNEGIE HALL TOWER 152 WEST 57TH STREET, 19TH FLOOR NEW YORK, NY 10019	X	X
Erony Joyce CARNEGIE HALL TOWER 152 WEST 57TH STREET, 19TH FLOOR NEW YORK, NY 10019	X	X
MORRIS BENJAMIN T 600 TRAVIS, SUITE 5800 HOUSTON, TX 77002		X

Signatures

Life Sciences Opportunities Fund II, L.P., By: Signet Healthcare Partners, LLC, By: /s/ James C. Gale, Manager		05/19/2009
__Signature of Reporting Person		Date
Life Sciences Opportunities Fund (Institutional) II, L.P., By: Signet Healthcare Partners, LLC, By: /s/ James C. Gale, Manager		05/19/2009
__Signature of Reporting Person		Date
Signet Healthcare Partners, LLC, By: SMH Capital Inc., By: /s/ Ben T. Morris, Chief Executive Officer		05/19/2009
__Signature of Reporting Person		Date
SMH Capital Inc., By: /s/ Ben T. Morris, Chief Executive Officer		05/19/2009
__Signature of Reporting Person		Date
Sanders Morris Harris Group, Inc., By: /s/ Ben T. Morris, Chief Executive Officer		05/19/2009
__Signature of Reporting Person		Date
/s/ James C. Gale		05/19/2009
__Signature of Reporting Person		Date
/s/ Joyce Erony		05/19/2009
__Signature of Reporting Person		Date
/s/ Ben T. Morris		05/19/2009
__Signature of Reporting Person		Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(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) Each share of Series B-1 Convertible Preferred Stock (the "Series B-1 Preferred Stock") is convertible at any time into 14,634 shares of common stock at the holder's election, plus such number of shares of common stock as shall equal (x) the accrued and unpaid dividends on the Series B-1 Preferred Stock as of the date of conversion divided by (y) \$0.41, and has 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

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preceding such date and (ii) (continued in Footnote 2)

- (2) 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. Quarterly dividends at the annual rate of 5% of the Original Issue Price, or \$6,000 per share, on each outstanding share of Series B Preferred Stock shall accrue from day to day, whether or not earned or declared, commencing on the last day of the calendar quarter in which they would otherwise be declared.

- (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 and 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) The number of securities disposed of represents the face value of the Note on May 15, 2009, including the principal amount of \$4,056,601.32, plus \$35,009.03 in accrued interest.

- (5) On March 13, 2009, IGI Laboratories completed a private placement of 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"). On May 15, 2009, IGI Laboratories held its 2009 Annual Meeting of Stockholders during which the stockholders of IGI Laboratories entitled to vote thereat approved the Offering (the "Stockholder Approval"). Effective immediately upon Stockholder Approval of the Offering, the Note converted into a total of 681.935 shares of Series B-1 Preferred Stock (676.1 shares in respect of the principal amount of Note plus 5.835 shares in respect of accrued interest thereon).

- (6) The number of securities disposed of represents the face value of the Note on May 15, 2009, including the principal amount of \$725,998.68, plus \$6,265.47 in accrued interest.

- (7) As mentioned above, on March 13, 2009, IGI Laboratories completed a private placement of Series B-1 Preferred Stock, Notes and 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. Effective immediately upon Stockholder Approval of the Offering on May 15, 2009, the Note converted into a total of 122.044 shares of Series B-1 Preferred Stock (121 shares in respect of the principal amount of Note plus 1.044 shares in respect of accrued interest thereon).

- (8) 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.

- (9) Stock options to purchase shares of common stock granted to James C. Gale, individually.

Remarks:

This is a joint filing by Life Sciences Opportunities Fund (Institutional) II, L.P., Life Sciences Opportunities Fund II, L.P., the

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

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