MOVADO GROUP INC
Form 10-Q
May 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended April 30, 2016

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-16497

MOVADO GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

New York	13-2595932
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
650 From Road, Ste. 375	
Paramus, New Jersey	07652-3556
(Address of Principal Executive Offices)	(Zip Code)

(201) 267-8000

(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for that past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares outstanding of the registrant’s Common Stock and Class A Common Stock as of May 19, 2016 were 16,365,727 and 6,644,105, respectively.

MOVADO GROUP, INC.

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April 30, 2016

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

MOVADO GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

	April 30, 2016			January 31, 2016	April 30, 2015
ASSETS					
Current assets:					
Cash and cash equivalents	$	203,909		$228,188	$185,828
Trade receivables, net		75,771		71,030	73,472
Inventories		178,388		162,465	183,904
Other current assets		36,472		27,352	37,705
Total current assets		494,540		489,035	480,909
Property, plant and equipment, net		37,247		38,553	44,354
Deferred and non-current income taxes		20,697		20,323	19,791
Other non-current assets		41,578		37,259	39,483
Total assets	$	594,062		$585,170	$584,537
LIABILITIES AND EQUITY					
Current liabilop:0px; background-color:#FFFFFF" valign=top width=72.067>	0.48%				
	Expected dividends		0%		

A summary of option activity under the 1999 Plan, the Director Plan and the 2009 Plan as of March 31, 2012 and changes during the period are presented below:

	Number of Options	**Weighted Average**

		Exercise Price
Outstanding as of January 1, 2012	1,448,016	$1.16
Issued	170,000	$1.11
Exercised	(13,500)	$0.65
Forfeited	-	-
Expired	(15,000)	$0.65
Outstanding as of March 31, 2012	1,589,516	$1.17
Exercisable as of March 31, 2012	1,194,516	$1.20

Based upon application of the Black-Scholes option-pricing formula described above, the weighted-average grant-date fair value of options granted during the three months ended March 31, 2012 was $0.41.

The following table summarizes information regarding options outstanding and exercisable at March 31, 2012:

Outstanding:

Range of Exercise Prices		Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$0.55	$1.00	278,500	$0.71	5.91
$1.01	$1.50	1,079,000	$1.19	6.78
$1.51	$1.74	232,016	$1.64	7.04
Total		1,589,516	$1.17	6.67

Exercisable:

Range of Exercise Prices		Stock Options Exercisable	Weighted Average Exercise Price
$0.55	$1.00	278,500	$0.71
$1.01	$1.50	684,000	$1.25
$1.51	$1.74	232,016	$1.64
Total		1,194,516	$1.20

As of March 31, 2012, the intrinsic value of the options outstanding is $120,220 and the intrinsic value of the options exercisable is $108,970. The total intrinsic value of the options exercised during the three months ended March 31, 2012 was $6,750. As of March 31, 2012, there was approximately $138,000 of total unrecognized compensation cost that will be recognized through March 2015 related to non-vested share-based compensation arrangements granted under the Plans.

Restricted Stock

The Company periodically grants restricted stock awards to certain officers and other employees that typically vest one to three years from their grant date. The Company recognized $56,500 of compensation expense during each of the three months ended March 31, 2012 and 2011 related to restricted stock awards. Stock compensation expense is recognized over the vesting period of the restricted stock. At March 31, 2012, the Company had approximately $201,000 of total unrecognized compensation cost related to non-vested restricted stock, all of which will be recognized from April 2012 through April 2013.

	Number of Restricted Stock	**Weighted Average Exercise Price**
Non-vested balance at January 1, 2012	626,000	$ 0.71
Changes during the period:		
Shares granted	-	-
Shares vested	(126,333)	0.75
Shares forfeited	-	-
Non-vested balance at March 31, 2012	499,667	$ 0.70

6.

Income Taxes

As a result of the Company s history of continuing tax losses, the Company does not have a current tax provision and has recorded a full valuation allowance against its net deferred tax asset. The Company has not recorded a liability for unrecognized tax benefits at March 31, 2012 and no significant changes are expected in the next twelve months. The tax years 2007-2011 remain open to examination by the major taxing jurisdictions to which the Company is subject.

There was no accrued interest related to unrecognized tax benefits at March 31, 2012.

The Company s ability to use net operating loss carry forwards may be subject to substantial limitation in future periods under certain provisions of Section 382 of the Internal Revenue Code, which limit the utilization of net operating losses upon a more than 50% change in ownership of the Company s stock that is held by 5% or greater stockholders. The Company is currently examining the application of Section 382 with respect to an ownership change that took place during 2009 and 2010, as well as the possibility of such limitation having any material effect on the application of net operating loss carry forwards in the immediate future. The Company believes that it is likely that a change in ownership took place and that the net operating loss carryforwards will be limited.

7.

License Fee

On December 12, 2005, the Company extended its license agreement for an additional ten years with Novavax, Inc. for $1,000,000. This extension entitles the Company to exclusive use of the Novasome® lipid vesicle encapsulation and certain other technologies (each a Microencapsulation Technology , and collectively, the Technologies) in the fields of (i) animal pharmaceuticals, biologicals and other animal health products; (ii) foods, food applications, nutrients and flavorings; (iii) cosmetics, consumer products and dermatological over-the-counter and prescription products (excluding certain topically delivered hormones); (iv) fragrances; and (v) chemicals, including herbicides, insecticides, pesticides, paints and coatings, photographic chemicals and other specialty chemicals, and the processes for making the same (collectively, the IGI Field) through 2015. This payment is being amortized ratably over the ten-year period. The Company recorded amortization expense of $25,000 related to this agreement for each of the three month periods ended March 31, 2012 and 2011.

8.

Note Payable Related Party

On December 21, 2010, the Company entered into a Credit Agreement with Amzak Capital Management, LLC (the *Lender*) pursuant to which the Lender has agreed to extend a $3,000,000 credit facility to the Company (the *Credit Agreement*). The Company drew down $500,000 in principal amount in March 2011.

To secure payment of the amounts financed under the Credit Agreement, the Company has granted to the Lender a security interest in and against, generally, all of its tangible and intangible assets, except intellectual property, pursuant to that certain Pledge and Security Agreement with the Lender dated December 21, 2010. In addition, the Company has pledged to the Lender its equity interests in IGEN, Inc., one of the Company s wholly-owned subsidiaries.

Under the Credit Agreement the Company has agreed to certain covenants customarily found in such agreements including, but not limited to, a covenant prohibiting the Company from entering into a merger or acquisition of the Company without the prior consent of the Lender if any advances remain outstanding and a covenant requiring the Company to maintain a certain loan to collateral ratio. Upon the breach of a covenant, without cure, the Lender will have certain remedies customarily found in such agreements including, but not limited to, the ability to cause all of the loans outstanding to be immediately due and payable and to terminate the Credit Agreement.

Upon funding of each Advance (as defined therein), the Company shall make payments of accrued interest on the unpaid Accreted Principal Amount (as defined therein) of each promissory note. The interest rate applicable to each promissory note shall be 14% per annum and interest payments are due on each March 31, June 30, September 30 and December 31 during the term of the Credit Agreement, commencing March 31, 2011. The Company may prepay any Advance in connection with the consummation of a Liquidity Event (as defined therein) or at any time subsequent to December 21, 2012.

In addition, as consideration for entering into the Credit Agreement, on December 21, 2010, the Company issued to the Lender a ten-year warrant to purchase certain shares of the Company s common stock, at an exercise price of $0.01 per share (the *Warrant*). The Warrant is immediately exercisable for 881,331 shares of Common Stock (the *Initial Warrant Shares*) with the remaining shares of Common Stock representing 1% of the Fully Diluted Shares (as defined therein) as of the Conditional Warrant Exercise Date (as defined therein) (the *Conditional Warrant Shares*) becoming exercisable July 1, 2012 if the Company has achieved certain milestones related to the Company s product development or financial growth. The Warrant is accounted for as an equity instrument. The fair value of the Initial Warrant of $723,541 will be recorded as debt issuance costs and amortized on a straight-line basis over the stated term of the Credit Agreement which is five years. Amortization expense of $40,000 was recognized for each of the three months ended March 31, 2012 and 2011. The Company anticipates amortization expense to be approximately $160,000 for the years 2012 to 2016. On December 21, 2010, the fair value of the Conditional Warrant was not considered to be material. The fair value of the Conditional Warrant will be recognized as additional expense when and if it becomes exercisable.

The complete statement of the parties rights and obligations under the Credit Agreement, the Pledge and Security Agreement, the Warrant and the Registration Rights Agreements is qualified in its entirety by reference to the terms and conditions of such documents which are filed as exhibits to the Company s Current Report on Form 8-K filed on December 22, 2010.

The Lender is a shareholder of the Company and participated in the private placement previously disclosed in a Current Report on Form 8-K filed with the Securities and Exchange Commission on December 8, 2010.

9.

Stock Warrants

Stock Warrants activity for the quarters ended March 31, 2012 and 2011 consisted of:

	2012		2011	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Beginning balance	1,235,877	$0.35	1,498,377	$0.36
Stock warrants granted	-	-	-	-
Stock warrants expired	-	-	-	-
Stock warrants exercised	-	-	(262,500)	0.41
Ending balance	1,235,877	$0.35	1,235,877	$0.35

In connection with the private placement of the Company s Common Stock as more fully described in Note 11, the Company granted Common Stock Warrants to purchase 338,182 and 16,364, respectively, to each of its two placement agents for $1.21 per share which expire on December 8, 2015.

In connection with the Credit Agreement with the Lender as more fully described in Note 8, the Company issued a ten-year warrant to purchase 881,331 shares of the Company s Common Stock for $.01 per share.

In connection with the private placement offering to certain investment funds affiliated with Signet Healthcare Partners, G.P. (the Offering) on March 13, 2009, the Company granted its placement agent for the Offering a Common Stock Warrant to purchase 350,000 shares of common stock for $0.41 per share, which expires on March 13, 2012. Until stockholder approval of the Offering was obtained, this Common Stock Warrant was exercisable for no more than 88,550 shares. At the Company s 2009 annual meeting of stockholders held on May 15, 2009, the Company s stockholders approved the Offering and accordingly, all shares under the warrant became issuable. The fair value of the Common Stock Warrant of approximately $102,000 was determined using the Black Scholes model. The factors used in the calculation are as follows: expected volatility of 66.8%, expected term of 3 years and risk-free interest rate of 1.36%. Expected volatility and risk-free interest rates are based upon the expected life of the warrant.

The interest rates used are the yield of a 3-year U.S. Treasury Note as of March 13, 2009. Of this amount, $82,000 was deemed to be attributable to the issuance of debt and was capitalized as debt issuance costs. On December 2, 2009, the Common Stock Warrant was amended to include a partial transfer for 87,500 shares of common stock. On December 2, 2009, the warrant to purchase 87,500 was exercised using the Cashless Exercise provision and 51,681 shares of common stock were issued. On February 25, 2011, the warrant to purchase the remaining 262,500 shares of common stock was exercised using the Cashless Exercise provision and 200,646 shares of common stock were issued.

10.

Changes in Management

On January 11, 2011, Philip S. Forte, the Chief Financial Officer of the Company, resigned from employment with the Company. Joyce Erony, the Company s Chairwoman of the Board, acted as Acting Chief Financial Officer and as the Company's principal financial officer while the Company conducted a search for a permanent replacement. On July 15, 2011, the Company announced that it had named Jenniffer Collins as its new Chief Financial Officer, effective July 21, 2011. Joyce Erony continued to serve as the Company s Acting Principal Financial and Accounting Officer until August 15, 2011. In connection with Mr. Forte's departure from the Company, the Company entered into a Separation of Employment Agreement and General Release (the "Separation Agreement") dated January 14, 2011 with Mr. Forte. The Separation Agreement provided that the Company shall pay Mr. Forte $125,000 as a separation payment, with such amount to be paid ratably over a 6 month period on each regular payroll payment date during such period. Such costs were recognized in 2011. Also, in the Separation Agreement, Mr. Forte agreed to provide the Company with a general release, and Mr. Forte agreed to certain restrictive covenants, and reconfirmed his agreement to the confidentiality, non-competition and non-solicitation covenants set forth in his employment agreement with the Company, after the Separation Date. Upon the effective date of his resignation, Mr. Forte retained the 53,328 restricted shares of common stock that were vested and forfeited the 106,672 restricted shares of common stock that were not vested per his Restricted Stock Agreement. Additionally, Mr. Forte had 90 days from January 11, 2011 to exercise his 36,663 vested stock options, and he forfeited 73,337 stock options that were not vested per his Option Agreement. The 36,663 vested stock options were exercised on April 5, 2011. The description of the material terms of the Separation Agreement above is subject to the full terms and conditions of the Separation Agreement, a copy of which is filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on January 18, 2011.

11.

Subsequent Events

On April 2, 2012, the Company granted a total of 283,500 options to purchase common stock to the current employees. These options were issued from the 2009 Equity Incentive Plan (see Note 5 Stock Based Compensation above) and had an exercise price of $1.10, the closing price of the Company s stock on the date of the grant.

On April 25, 2012, Jane E. Hager notified the Company and its Board of Directors of her decision to retire from the Board of Directors and not to stand for re-election at the Company s 2012 annual meeting of stockholders (the Annual Meeting). Ms. Hager will continue to serve as a director until the Annual Meeting to be held on May 22, 2012.

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other sections of this Quarterly Report on Form 10-Q contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, that are based on current expectations, estimates, forecasts and projections about the industry and markets in which the Company operates and on management's beliefs and assumptions. In addition, other written or oral statements, which constitute forward-looking statements, may be made by or on behalf of the Company. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on current expectations of management and are not guarantees of future performance, and involve certain risks, uncertainties and assumptions, which are difficult to predict. These risks and uncertainties include, without limitation, competitive factors, outsourcing trends in the pharmaceutical industry, the general economic conditions in the markets in which the Company operates, levels of industry research and development spending, the Company s ability to continue to attract and retain qualified personnel, the fixed price nature of product development agreements or the loss of customers and other factors described in the Company s filings with the Securities and Exchange Commission, including the Risk Factors section as set forth below in this Quarterly Report on Form 10-Q. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Company Overview

Strategic Overview

IGI is engaged in the formulation, development, manufacture and packaging of topical semi-solid and liquid products for pharmaceutical, cosmeceutical and cosmetic customers. The Company s strategic plan is to build upon this foundation by expanding into the prescription pharmaceutical arena. This strategy will be based upon three initiatives: increasing the current contract manufacturing services business, developing a generic portfolio of formulations in topical dosage forms, and creating unique opportunities around the Company s licensed Novasome® technology and novel dosage forms.

The Company has structured its management team to implement this plan. The team brings a wealth of experience in the generic pharmaceutical industry to IGI. IGI s facilities and manufacturing equipment have been designed to produce topical and liquid products and support the Company s target prescription dosage forms.

Contract manufacturing services will continue to be crucial to IGI s success. The customer base for these services is pharmaceutical companies as well as cosmetic, cosmeceutical, and OTC product marketers who require product development/manufacturing support. This is a highly-competitive market with a number of larger, greater-resourced companies offering similar services. IGI looks to create niche opportunities for itself by providing high quality, customer-oriented service.

IGI plans to build a prescription pharmaceutical portfolio in the specialty areas of topical dosage forms. This will be accomplished through in-house formulation and development, and submission of ANDAs to the FDA. The entire approval process can take 3-5 years before a product is approved, of which the FDA approval portion is approximately 18 - 36 months. The Company s target is to submit 4-6 ANDAs each year. To date, IGI has submitted five ANDAs. We filed one application in September 2010, January 2011 and December 2011, and we filed two applications in November 2011. All of the submissions are for generic topical prescription drugs.

IGI has exclusive rights for the use of Novasome® technology in topical formulations and intends to pursue collaboration opportunities with established pharmaceutical companies seeking to develop topical products with unique properties. In addition, the Company will explore line extension opportunities through innovative packaging or alternate dosage forms of existing pharmaceutical molecules.

Recent Events

During the first quarter of 2012, the Company entered into supply agreements with two new customers. Both agreements call for the Company to manufacture and package topical pharmaceutical products.

The first agreement was with a brand pharmaceutical company and provides for the site transfer of a well-recognized branded topical drug product to the Company s facility in Buena, NJ. The Company will be the sole manufacturing and packaging site for the product.

Under the second agreement, the Company will develop generic versions of two topical drug products on behalf of the customer. Upon FDA approval, the Company will manufacture and package the products in the customer s label.

In February 2012, we successfully completed our first pre-approval inspection with the FDA.

Results of Operations

Three months ended March 31, 2012 compared to March 31, 2011

The Company had a net loss of $735,000, or $0.02 per share, for the three months ended March 31, 2012, compared to $1,034,000, or $0.03 per share, in the comparable period for 2011, which resulted from the following:

Revenues (in thousands):

Components of Revenue:	**2012**	**2011**	**$ Change**	**% Change**
Product sales	$1,510	$1,361	$149	11 %
Research and development income	308	151	157	104 %
Licensing, royalty and other revenue	14	62	(48)	(77)%
Total Revenues	$1,832	$1,574	$258	16 %

The increase in product sales for the three months ended March 31, 2012 as compared to the same period in 2011 was primarily due to increased annual product sales to the Company s major customers. The increase in research and development income during the three months ended March 31, 2012 as compared to the same period in 2011 is attributable to new customer relationships and their desire to have the Company develop, manufacture and package their new products or line extensions and the continued strong relationships with our current customer base. Licensing and royalty income decreased due to the decrease in sales of Novasome based products marketed by our licensees. The Company believes the loss of certain royalties is related to the normal life cycle of the products and that certain royalties of the Company may continue to decline.

Costs and expenses (in thousands):

	2012	2011	$ Change	% Change
Cost of sales	$1,366	$1,241	$ 125	10 %
Selling, general and administrative	659	933	(274)	(29)%
Product development and research	471	379	92	24 %
Totals costs and expenditures	$2,496	$2,553	$ (57)	(2)%

Cost of sales increased for the three months ended March 31, 2012 as a result of the increase in product sales. Cost of sales as a percent of product sales can vary depending on product mix. Cost of sales as a percentage of product sales was 90% for the three month period ended March 31, 2012 as compared to 91% for the comparable period in 2011. The slight decrease in the cost of sales percentage was primarily due to the increased product sales for the three months ended March 31, 2012, which allowed the Company to absorb more of its overhead costs.

Selling, general and administrative expenses for the three month period ended March 31, 2012 decreased as compared to the same period in 2011 due to a decrease of $128,000 in salaries and related costs mainly as a result of the severance arrangement for our former Chief Financial Officer as per his separation agreement in 2011, a decrease of $128,500 in professional fees, a decrease of $32,000 in the re-allocation of overhead costs due to the changes in headcount in the departments, a decrease of $25,500 in employees compensation payable in stock, a decrease of $8,500 in consulting fees and a decrease of $5,000 in travel related expenses, offset by an increase of $62,000 in recruiting fees.

As the Company continued to create its pharmaceutical foundation, transitioning from a contract manufacturer to a generic topical pharmaceutical company, product development and research expenses for the three months ended March 31, 2012 increased as compared to the same period for 2011 as follows. Salaries and related costs increased $10,500, temporary help increased by $5,700, supplies and outside testing increased by $40,000 due in part to the timing of manufacturing exhibit batches for development projects, consulting fees increased by $20,000, and maintenance expense increased by $6,000.

Interest (Expense) Income (in thousands):

	2012	2011	$ Change	% Change
Interest Income	$ -	$ (6)	$ (6)	(100)%
Interest Expense	$71	$61	$10	16 %

Interest expense increased for the three months ended March 31, 2012 as compared to the same period in 2011 due to the fact that $500,000 of the Notes Payable Related Party (See Note 8) was drawn down in March 2011.

Net loss (in thousands, except per share numbers):

	2012	2011	$ Change	% Change
Net loss	$ (735)	$(1,034)	$ (299)	(29)%
Net loss per share	(0.02)	(0.03)	(0.01)	(33)%

The decrease in net loss for the three months ended March 31, 2012 as compared to the same period in 2011 is due to the increase in revenues and the decrease in costs and expenses noted above, offset by the decrease in interest income and the increase in interest expense also noted above.

Liquidity and Capital Resources

The Company's operating activities used $472,000 of cash during the three months ended March 31, 2012 compared to $933,000 used in the comparable period of 2011. The use of cash for both the three months ended March 31, 2012 and 2011 was substantially a result of the net loss for each period adjusted for non-cash items.

The Company s investing activities used $254,000 of cash in the three months ended March 31, 2012 compared to $49,000 of cash used in investing activities in the first three months of 2011. The funds used for the period ended March 31, 2012 were for additional equipment and improvements in the compounding area and the funds used March 31, 2011 were for additional equipment and improvements for the packaging and filling lines and additional equipment and related services for the analytical area.

The Company's financing activities provided $0 of cash in the three months ended March 31, 2012 compared to $506,000 provided in the three months ended March 31, 2011. The cash provided for the three month period ended March 31, 2011 was mainly the proceeds of $500,000 from the draw down of the Note Payable Related Party as more fully described in Note 8 to the Company s Consolidated Financial Statements.

The Company s principal sources of liquidity are cash and cash equivalents of approximately $2,188,000 at March 31, 2012, the $2,500,000 available on the $3,000,000 credit facility detailed in Note 8 and future cash from operations. The Company had working capital of $3,597,000 at March 31, 2012.

The Company may require additional funding and this funding will depend, in part, on the timing and structure of potential business arrangements. If necessary, the Company may continue to seek to raise additional capital through the sale of its equity or through a strategic alliance with a third party. There may also be additional acquisition and growth opportunities that may require external financing. There can be no assurance that such financing will be available on terms acceptable to the Company, or at all. We believe that our existing capital resources will be sufficient to support our current business plan beyond May 2013.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements as of the date of this report.

Critical Accounting Policies and Estimates

IGI s condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, which require management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates.

Please refer to the Company s Form 10-K for the year ended December 31, 2011 for a complete list of all Critical Accounting Policies and Estimates. See also Note 3 to the Company s Consolidated Financial Statements.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Principal Financial and Accounting Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2012. Based on that evaluation, our Chief Executive Officer and Principal Financial and Accounting Officer concluded that, as of March 31, 2012, the Company s disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during our first quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. Legal Proceedings

We are involved from time to time in claims which arise in the ordinary course of business. In the opinion of management, we have made adequate provision for potential liabilities, if any, arising from any such matters. However, litigation is inherently unpredictable, and the costs and other effects of pending or future litigation, governmental investigations, legal and administrative cases and proceedings (whether civil or criminal), settlements, judgments and investigations, claims and changes in any such matters, and developments or assertions by or against us relating to intellectual property rights and intellectual property licenses, could have a material adverse effect on our business, financial condition and operating results.

ITEM 1A. Risk Factors

Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2011 includes a detailed discussion of risks and uncertainties which could adversely affect our future results. Except as set forth below, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2011 have not materially changed.

Risks Related to Our Business

We rely on a limited number of customers for a large portion of our revenues.

We depend on a limited number of customers for a large portion of our revenue. Four of our customers accounted for 90% of our revenue for the three months ended March 31, 2012 and two of our customers accounted for 56% of our revenue for the three months ended March 31, 2011. The loss of one or more of these customers could have a significant impact on our revenues and harm our business and results of operations.

We have a history of losses and cannot assure you that we will become profitable, and as a result, we may have to cease operations and liquidate our business.

Our expenses have exceeded our revenue in each of the last nine years, and no net income has been available to common stockholders during each of these years. As of March 31, 2012, our stockholders equity was $7.1 million and we had an accumulated deficit of $40 million. Our future profitability depends on revenue exceeding expenses, but we cannot assure you that this will occur. If we do not become profitable or continue to raise external financing, we could be forced to curtail operations and sell or liquidate our business, and you could lose some or all of your investment.

Risks Related to Our Securities

Shares of our common stock are relatively illiquid which may affect the trading price of our common stock.

For the three months ended March 31, 2012, the average daily trading volume of our Common Stock on the NYSE Amex was approximately 7,600 shares. As a result of our relatively small public float, our Common Stock may be less liquid than the stock of companies with broader public ownership. Among other things, trading of a relatively small volume of our Common Stock may have a greater impact on the trading price for our shares than would be the case if our public float were larger.

If we fail to meet the continued listing standards of the NYSE Amex our common stock could be delisted and our stock price could suffer.

On May 6, 2008, we were notified by NYSE Amex that we were below certain of the NYSE Amex continued listing standards. Specifically, we are required to reflect income from continuing operations and/or net income in one of our five most recent fiscal years and a minimum of $6 million in stockholders equity to remain listed on the exchange. We had net income from continuing operations in our 2002 fiscal year, but had net losses and losses from continuing operations in each of our 2003 through 2011 fiscal years. Our stockholders equity at March 31, 2012 was $7.1 million.

On June 8, 2008, we submitted a plan to NYSE Amex for compliance with the continued listing standards. On July 15, 2008, NYSE Amex notified us of its acceptance and granted us an extension until May 6, 2009 to regain compliance subject to periodic review by NYSE Amex during the extension period.

On March 13, 2009, we completed a $6,000,000 private placement offering with certain investment funds affiliated with Signet Healthcare Partners, G.P. In recognition of our efforts in connection with the offering, NYSE Amex granted us an extension from May 6, 2009 until May 31, 2009 to regain compliance with these continued listing standards.

On June 19, 2009, we were notified by NYSE Amex that we had resolved its continued listing deficiencies and would retain our status as a listed issuer on NYSE Amex. However, as of March 31, 2010 and December 31, 2009, our stockholders equity had again fallen below the $6 million threshold.

On May 25, 2010, we were notified by NYSE Amex that we were below certain of the NYSE Amex continued listing standards. Specifically, we are required to reflect a minimum of $6 million in stockholders equity to remain listed on the exchange. On June 24, 2010, we submitted a plan to NYSE Amex for compliance with the continued listing standards, which included our plan to increase out stockholders equity through additional offerings.

On August 6, 2010, NYSE Amex notified us that it accepted our plan of compliance and granted us an extension until February 25, 2011 to regain compliance with the continued listing standards. We were subject to periodic review by NYSE Amex Staff during the extension period. On December 10, 2010, NYSE Amex notified us that we had resolved our continued listing deficiencies referenced in its May 2010 letter, and that we were in compliance with the NYSE Amex alternative listing standards, which require at least a $50 million market capitalization.

If we fail to meet the continued listing standards, our common stock could be delisted and our stock price could suffer. A delisting of our common stock could negatively impact us by further reducing the liquidity and market price of our common stock and the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

N/A

ITEM 5. Other Information

None

ITEM 6. Exhibits

Exhibit Number	Description
31.1*	Certification of the President and Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*

Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IGI Laboratories, Inc.

Date: May 15, 2012	By:	/s/ Charles E. Moore Charles E. Moore President and Chief Executive Officer
Date: May 15, 2012	By:	/s/ Jenniffer Collins Jenniffer Collins Chief Financial Officer

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