
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended Commission File No.
December 31, 1995 1-8568
----- -----

IGI, Inc.

(Exact name of registrant as specified in its charter)

Delaware 01-0355758
----- -----
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Wheat Road and Lincoln Avenue, Buena, NJ 08310
----- -----
(Address of principal executive offices) (Zip code)

(609) 697-1441

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Common Stock (\$.01 par value)
Registered on the American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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 the past 90 days.

Yes X No
----- -----

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. [X]

33

The aggregate market value of the Registrant's Common Stock, par value \$.01 per share, held by non-affiliates of the Registrant at March 15, 1996, as computed by reference to the closing price of such stock, was approximately \$48,000,000.

The number of shares of the Registrant's Common Stock, par value \$.01 per share, outstanding at March 15, 1996 was 9,269,420 shares.

Documents Incorporated by Reference:

Portions of the Proxy Statement to be sent to stockholders in connection with the annual meeting to be held on May 8, 1996, are incorporated by reference into Items 10, 11, 12, and 13 (Part III) of this Report.

Item 1. Business

IGI, Inc. ("IGI" or the "Company") was incorporated in Delaware in 1977. Its executive offices are at Wheat Road and Lincoln Avenue, Buena, New Jersey. The Company is a diversified company engaged in two business segments:

. Animal Health Products Business - production and marketing of animal health

products such as poultry vaccines, veterinary products, nutritional supplements and grooming aids; and

. Cosmetics and Consumer Products Business - production and marketing of

cosmetic and consumer products such as skin care products and shampoos.

Since 1987, the earnings from the Company's Animal Health Products Business have been used to fund commercial development efforts in the Cosmetics and Consumer Products Business and the Company's former Biotechnology Business which was engaged in the business of development of various applications of the Company's proprietary encapsulation technology (Novasome(R) lipid vesicle and Ultrasponge/TM/ hydrogel technologies and micellar nanoparticles, the "Novavax Technologies") primarily for human medicines and vaccines.

Distribution of Biotechnology Business

On March 17, 1994, the Company's Board of Directors adopted a plan to dispose of the Biotechnology Business by spinning it off through a distribution to the Company's stockholders of all of its common stock of the separate entity which would conduct the Biotechnology Business in the future. Since 1991, the development efforts of the Biotechnology Business were directed primarily towards human pharmaceuticals, including vaccines. These development efforts had reached the level where separate funding sources were required for the Biotechnology Business to continue its development efforts, meet the requirements of the FDA approval process and reach the stage of eventual commercialization.

The Board of Directors determined that the best interests of the Company and its stockholders would be served by dividing the Company into two separate publicly-traded entities. By doing so, the Board of Directors believed that access of both IGI and the Biotechnology Business to the capital markets would significantly improve; IGI would be able to focus on its historically profitable and growing Animal Health Products Business and its growing Cosmetics and Consumer Products Business; and the management of the Biotechnology Business would be able to focus mainly on developing human pharmaceutical applications. The Company believed that the Distribution would also simplify IGI and permit investors to more readily evaluate the earnings and growth potential of the separate companies.

On December 12, 1995 (the "Distribution Date"), IGI distributed to the holders of record of IGI's common stock, at the close of business on the Record Date, November 28, 1995, one share of common stock of Novavax, Inc. ("Novavax") for every one share of IGI common stock outstanding (the "Distribution"). In connection with the Distribution, the Company has paid Novavax \$5,000,000 in return for a fully paid-up, ten-year license entitling it to the exclusive use of Novavax's 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. The Company has the option, exercisable within the last year of the ten-year term, to extend the License Agreement for an additional ten-year period for \$1,000,000. Novavax will retain the right to use its Novavax Technologies for all other applications, including human vaccines and pharmaceuticals. The Company has presented the payment under the License Agreement as a capital contribution in its financial statements to reflect the intercompany nature and substance of the transaction. The form was structured as a prepaid licensing agreement to address various considerations of

the Distribution, including tax and financing considerations. For tax purposes, the transaction will be treated as a prepaid licensing agreement. IGI has no further obligations to fund Novavax. See Note 2 of Notes to IGI Financial Statements.

IGI funded the \$5,000,000 payment to Novavax from borrowings under its bank loan agreement which has been amended to reflect the Distribution. The Amended Loan Agreement with Fleet Bank - NH and Mellon Bank provides for:

- . \$12,000,000 revolving credit facility with interest contingent upon certain financial ratios at the end of each quarter. The interest rate shall not exceed prime plus 1 1/2%. The amount available under the revolving credit facility decreases by \$800,000 on the last day of each quarter from June 30, 1996 through December 31, 1999. At March 22, 1996 the Company had outstanding borrowings of \$12,000,000 under this facility and the interest rate was 10%.
- . \$10,000,000 working capital line of credit renewable annually, with interest on the outstanding borrowings contingent upon certain financial ratios at the end of each quarter. The interest rate shall not exceed prime plus 1%. At March 22, 1996, the Company had \$1,615,000 available under this facility and the interest rate was 9.5%.

The Company was in default of its current ratio covenant as of December 31, 1995. The banks have amended the agreement to remove the default.

Under a transition services agreement, IGI will continue to provide certain administrative services to Novavax, including services relating to human resources, purchasing and accounting, data processing and payroll services for a period not to extend beyond June 30, 1996. Novavax will pay IGI a fee for all services provided by IGI employees, based on IGI's cost. In addition to these services, Edward B. Hager will serve as Chairman of the Board and Chief Executive Officer and John P. Gallo will serve as Chief Operating Officer and Treasurer of Novavax through no later than June 30, 1996 (the "Transition Termination Date"). Prior to the Transition Termination Date, Dr. Hager will continue to devote the majority of his time to IGI and will receive no compensation for his services as an officer of Novavax. Mr. Gallo will devote approximately one half of his business time through the Transition Termination Date to Novavax and its business, and IGI and Novavax will each pay Mr. Gallo one half of his annual compensation. The Company does not believe that its reliance on part-time management by Mr. Gallo will adversely affect IGI's business during the transition period.

As a result of the Distribution, the Consolidated Financial Statements of IGI present its Biotechnology Business as a discontinued operation. Losses incurred by the Biotechnology Business through the date of the Distribution are included in the "Loss from Discontinued Operations" in the financial statements.

Strategy - - - - -

The Company's business strategy for its operations is as follows:

- . Continue growth of the Animal Health Products Business, especially in the international markets, through new product development and intensified product registration (for licenses in foreign countries) and marketing efforts.

2

- . Continue growth of the Cosmetics and Consumer Products Business through expanded efforts to develop and market additional cosmetic and dermatologic products utilizing the Novavax Technologies internally through the Company's Nova Skin Care Division and externally through industry partners and customers.
- . Continue development of the consumer product applications of the Novavax Technologies, including flavors, beverage and food additives, coatings, paints and chemicals.
- . Explore opportunities for strategic acquisitions in its two business segments.

Novavax Technologies - - - - -

Liposome encapsulation is a process designed to entrap and deliver various useful materials. Prior to the development of the Novavax Technologies, the most commonly used technology, phospholipid liposome encapsulation, had a limited capacity to encapsulate anything other than materials that can be dissolved or suspended in water. Phospholipid liposomes are man-made, microscopic spheres that are usually formed through a multi-step process, which generally includes the mixing of water, organic solvents and phospholipids. Most phospholipid-based liposomes are produced from materials that are expensive and may require the use of potentially hazardous organic solvents. The standard, multi-step phospholipid manufacturing process yields small quantities of expensive, less stable vesicles with limited cargo capacity.

Based on the belief that certain forms of liposomes can stimulate the immune system, various institutions and companies have tried to develop liposome-based vaccines with advantageous properties over conventional vaccines. The Company believes that efforts to commercially develop phospholipid-based liposomes have been unsuccessful primarily because phospholipid-based liposomes have:

- . high cost
- . low stability
- . low versatility
- . commercial scale-up difficulties

Novasome Lipid Vesicles

While artificial lipid vesicle encapsulation technology has existed for almost four decades, the Company believes that it was one of the first companies to produce highly stable, versatile artificial lipid vesicles and structures of various types from low-cost, readily available materials in commercial quantities. The major advantages of Novasomes over other liposomes are as follows:

Versatility, Stability and Low Cost

- . Novasomes may be made from a number of inexpensive, readily available chemicals, called amphiphiles, including fatty alcohols and acids, ethoxylated fatty alcohols and acids, glycol esters of fatty acids, glycerol fatty acid mono and diesters, ethoxylated glycerol fatty acid esters, glyceryl ethers, fatty acid diethanolamides and dimethyl amides, fatty acyl sarcosinates, "alkyds" as well as phospholipids.

3

- . Novasomes have a large, stable central core that allows them to entrap and deliver a wide variety of substances that may be too large or disruptive for phospholipid vesicles, including lipids, solvents, particulates and perfluorocarbons as well as aqueous materials.
- . Novasomes can be varied according to the intended cargo and can be engineered to release cargo in response to a variety of factors.
- . Novasomes can be made to provide acceptable stability under a variety of conditions, such as wide variations of alkalinity, acidity, temperature, shear, detergents, solvents, enzymes and others.

Ease of Commercial Scale-up

Novasomes can be made in large quantities in a continuous flow process that does not use organic solvents. The patented Novamix™/ production machinery permits the blending of reagents under controlled conditions, and enables the composition of the Novasomes to be adjusted to customize their structure and release properties. The Novavax Technologies, the Company's ability to use readily available materials and the patented Novamix production machinery allow it to produce Novasomes with stability, versatility, large cargo carrying capacity, high production volumes and low production costs. The Company believes these advantages provide an opportunity to extend the commercial potential of Novasomes from the near-term cosmetic and personal care products produced and marketed by IGI.

Micellar Nanoparticles

Micellar nanoparticles ("MNP") are submicron-sized lipid structures. MNP have different structural characteristics (e.g. do not have lipid bilayers) and are generally smaller than Novasome lipid vesicles. MNP, like Novasomes, are made

from the family of materials derived from amphiphilic surfactants and can be tailored for particular uses. They exhibit encapsulating and many other properties similar to Novasomes, but differ in other properties. MNP are very stable and can be prepared in commercial quantities at a reasonable cost. The Company believes MNP may have commercial application in its Cosmetic and Consumer Products.

Novavax holds 30 U.S. patents and 43 foreign patents covering its Novavax Technologies (including a wide variety of component materials, its continuous flow vesicle production process and its Novamix/TM/ production equipment).

License of Technology from Novavax

On December 12, 1995, IGI, Inc. distributed its majority interest in Novavax to the IGI stockholders. Immediately after the Distribution, IGI, through its wholly-owned subsidiary IGEN, Inc., paid Novavax's wholly-owned subsidiary Micro-Pak, Inc. approximately \$5,000,000 in return for a fully paid-up, exclusive ten-year license entitling it to use the Novavax Technologies in the fields (the "IGI Field") 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;

4

and the processes for making the same (the "IGI License Agreement"). IGI has the option, exercisable within the last year of the ten-year term, to extend the exclusive license for an additional ten-year period for \$1,000,000. Novavax will retain the right to use its Novavax Technologies for all applications outside the IGI Field, including human vaccines and pharmaceuticals.

If at any time during the term of the IGI License Agreement either party shall make or discover any product improvements useful in the IGI Field (such improvements being limited to those improvements that would be dominated by the claims of a licensed patent), it shall communicate all details in respect thereof to the other party. If Novavax makes such improvements, IGI shall be entitled to use the same in the IGI Field during the term of the IGI License Agreement without paying any increased royalty in respect thereof. If IGI makes such improvements, Novavax shall have the right to use them outside the IGI Field during the term of the IGI License Agreement. In the event employees of Novavax and IGI are joint inventors as a result of inventions arising out of the development of licensed products, any patent applications filed thereon shall be owned by Novavax, and IGI shall have an exclusive license in the IGI Field.

Three of the members of the Board of Directors of IGI are also directors of Novavax, and the terms of the IGI License Agreement were unilaterally established by IGI. [It is the view of the Board of Directors and management of Novavax, however, that the terms of the IGI License Agreement were at least as favorable to Novavax as would have been obtained from any unaffiliated third party.] The \$5,000,000 license payment was determined unilaterally by IGI, based on the present value of the estimated aggregate royalties IGI would expect to pay Novavax over a ten-year period if such royalties were paid annually based on IGI's annual revenues from the sale of its products that use or incorporate the Novavax Technologies. The royalty rates used in calculating the license payment were the same as those used by IGI in determining the annual royalties paid by IGI for the Novavax Technologies when the Company was a subsidiary of IGI during the period prior to the Distribution. Prior to the Distribution, IGI paid a royalty rate of 10% on sales of products incorporating the Novavax Technologies. This rate was determined based on a review of similar types of licensing agreements and reflected the lack of any up-front payment by IGI to Novavax. Novavax recognized revenues under its earlier license agreement of \$199,000, \$210,000 and \$268,000 for the years 1993, 1994 and 1995, respectively. The lump sum license payment was determined to be preferable to annual royalty payments, because the license payment would provide Novavax with immediate funds to finance its operations after the Distribution. At the time the terms of the IGI License Agreement were fixed, including the license payment, all of the directors of IGI were also directors of Novavax.

5

Business Segments
 - - - - -

The following table sets forth the revenue and operating profit (in thousands) of each of the Company's two business segments for the periods indicated:

	1995	1994	1993
	-----	-----	-----
Revenue			
- - - - -			
Animal Health Products	\$29,510	\$27,471	\$26,626
Cosmetics and Consumer Products	1,711	1,477	1,378
Operating Profit (Loss) *			
- - - - -			
Animal Health Products	6,459	6,057	6,020
Cosmetics and Consumer Products	(159)	296	367

* Excludes corporate expenses of \$3,056, \$2,845 and \$3,000 for 1995, 1994 and 1993, respectively. (See Note 15 of Notes to Consolidated Financial Statements.)

As a result of the Distribution of the Biotechnology Business, the operating losses of that segment are included as "Loss from Discontinued Operations" in the Company's financial statements. (See Note 2 of Notes to Consolidated Financial Statements.)

Animal Health Products Business
 - - - - -

IGI manufactures and markets a broad range of animal health products used in pet care and poultry production. The Company sells these products in the United States and over 50 other countries principally under two trade names: Vineland Laboratories and EVSCO Pharmaceuticals. The Company also sells veterinary products to the over-the-counter pet products market under the Tomlyn label.

Poultry Vaccines
 - - - - -

The Company produces and markets poultry vaccines manufactured by the chick embryo, tissue culture and bacteriological methods. The Company produces vaccines for the prevention of various chicken and turkey diseases and has 80 vaccine licenses granted by the United States Department of Agriculture ("USDA") (See "Government Regulation"). The Company also produces and sells, under its Vineland Laboratories label, nutritional, anti-infective and sanitation products used primarily by poultry producers.

The Company manufactures poultry vaccines at its USDA approved facility in Vineland, New Jersey and sells them, primarily through its own sales force of 12 persons, directly to large poultry producers and distributors in the United States and, through its export sales staff, to local distributors in other countries. The sales force is supplemented and supported by technical and customer service personnel. The Company's vaccine production in the United States is regulated by the USDA. Sales of poultry vaccines and related products accounted for approximately 60% of the Company's sales in 1995, 59% in 1994 and 58% in 1993.

The Company has two poultry vaccines licensed by the USDA which use the Novavax Technologies and is continuing development efforts on new vaccine applications of this technology.

The Company's principal competitors in the poultry-vaccine market are Intervet America, Inc., Solvay Veterinary, Inc. and Rhone-Merieux Select Laboratories, Inc. The Company believes that it has the largest share of the domestic poultry vaccine market. The Company competes on the basis of product performance, price, customer service and availability.

Veterinary Products

The EVSCO line of veterinary products is used by veterinarians in caring for dogs and cats, and includes antibiotics, anti-inflammatories, cardiac care drugs, nutritional supplements, vitamins, insecticides and diagnostics. Product forms include gels, tablets, creams, liquids, ointments, powders, emulsions and diagnostic kits. EVSCO also produces professional grooming aids for dogs and cats.

EVSCO products are manufactured at the Company's facility in Buena, New Jersey and sold through distributors to veterinarians. The facility operates in accordance with Good Manufacturing Practices ("GMP") of the federal Food and Drug Administration ("FDA") (See "Government Regulation".) Principal competitors of the EVSCO product line include Solvay Veterinary, Inc., Vet-Kem, a division of Sandoz Pharmaceuticals Corp., MSD AGVET (a division of Merck & Co.), Schering Corp., and Pitman-Moore, Inc. The Company competes on the basis of price, marketing, customer service and product qualities.

The Tomlyn product line includes pet grooming, nutritional and therapeutic products, such as shampoos, grooming aids, vitamin and mineral supplements, insecticides and OTC medications. These products are manufactured at the Company's facility in Buena, New Jersey, and sold through distributors to superstores, independent merchandising chains, shops and kennels. Tomlyn's largest selling product line is the Nova Pearl/TM/ line of shampoos which is based upon the Novavax Technologies and provides combined moisturizing, cleaning and conditioning.

Sales of the Company's veterinary products are handled by 24 sales employees. Most of the Company's veterinary products are sold through distributors. Sales of veterinary products accounted for approximately 35% of the Company's sales in 1995, 36% in 1994 and 37% in 1993.

Cosmetics and Consumer Products

IGI's Cosmetics and Consumer Products division is focused on the internal development and marketing of skin care products utilizing the Novavax Technologies through its Nova Skin Care division. IGI is continuing to work with several cosmetics, personal care products, and OTC pharmaceutical companies for various commercial applications of Novavax Technologies. Because of their ability to encapsulate skin protective agents, oils, moisturizers, shampoos, conditioners, skin cleansers and fragrances and to provide both a controlled and a sustained release of the encapsulated materials, Novasome lipid vesicles are well-suited to cosmetics and consumer product applications. For example, Novasomes may be used to deliver moisturizers and other active ingredients to the deeper layers of the skin or hair follicles for a prolonged period; to deliver or preserve ingredients which impart favorable cosmetic characteristics

7

described in the cosmetics industry as "feel," "substantivity," "texture" or "fragrance"; to deliver normally incompatible ingredients in the same preparation, with one ingredient being shielded or protected from the other by encapsulation within the Novasome; and to deliver pharmaceutical agents to and/or through the skin.

The Company is presently producing Novasomes for various skin care products including those marketed by the Prescriptives Division of Estee Lauder under that company's "All You Need" brand name as well as products for Lauder's "Resilience" brand. The first product was introduced in early 1993. The Company also produces and sells Novasomes to Revlon for use in lines of skin moisturizers manufactured and marketed by Revlon as its "Results" product line and by Revlon's Almay Division in its "Time Off" product line.

Sales of the Company's Cosmetics and Consumer Products were principally based on formulations using the Novavax Technologies. Such sales approximated 5% in each of 1995, 1994 and 1993 of the Company's total sales.

Nova Skin Care

In February 1996, under the Nova Skin Care label, IGI launched its own line of Novasome(R) based alpha hydroxy acid skin care products. The first six over-the-counter products were introduced at the annual meeting of the American

Academy of Dermatology in February 1996. The Company is marketing these products directly to dermatologists through a sales force of 16 employees. Additions to this product line are planned for 1996.

On February 6, 1996, Johnson & Johnson and its wholly-owned subsidiary Ortho-McNeil, Inc. (collectively, "J&J") filed a lawsuit against the Company and its subsidiary, Igen, Inc. and its former subsidiary Micro-Pak, Inc. in the United States District Court for the District of New Jersey alleging trademark infringement and trademark dilution. J&J alleges that the Company's use of the names NOVA SKIN, NOVA SKIN CARE, and NOVA-AESTHETICS infringes on rights associated with J&J's trademark RENOVA for a prescription drug. J&J has also moved for a preliminary injunction seeking to preclude the Company's use of the NOVA SKIN, NOVA SKIN CARE, and NOVA-AESTHETICS names on the Company's newly-launched line of skin care products sold through dermatologists. On March 18, 1996, following a period of expedited discovery, the Court held an evidentiary hearing on the motion for preliminary injunction. The Court has not yet issued a ruling.

Since 1988, the Company has used the trademark NOVASOME in connection with the lipid vesicle encapsulation technology it developed, including in connection with skin care products. In addition, numerous other companies use the term NOCVA in a wide variety of product and corporate name formulations. The Company is vigorously defending this lawsuit and believes that the outcome of the proceedings will not have a material adverse effect on the Company's financial position or results of operations.

Other Applications

The versatility of the Novavax Technologies combined with the Company's commercial production capabilities allow the Company to target large, diverse markets. Through product collaborations and license agreements, the Company is seeking to develop additional products for this business segment. For example, in 1992, the Company entered into a joint venture using the Novavax Technologies, ("Flavorsome, Ltd."), to develop encapsulated flavors for foods and beverages. Flavorsome is working with a number of food industry leaders on various food, beverage and confection applications of the Novavax Technologies. During 1995, Flavorsome received its first commercial orders. The Company continues to pursue the development of food, beverage and confection applications of Novavax Technologies. A major goal of Novasome flavor preservation is to double or triple the useful shelf life of various foods, beverages and candies which are dependent on volatile flavors. The Novavax Technologies enables the

8

substitution of encapsulated, water or other calorie neutral material for fat in confections. Other benefits include encapsulation of beverage flavors to give a sequential taste phenomenon, development of higher melting point chocolate and taste masking of nutritional supplements. The Company is evaluating affiliations with potential industry partners. The efforts for the development of additional products require extensive testing, evaluation and trials, and therefore no assurance can be given that commercialization of these products with Novasomes will be successful.

The Company has also developed a Novasome-encapsulated anthralin preparation ("Anthrasome Cream") for the treatment of psoriasis. Anthralin is an effective medication for the treatment of psoriasis. However, it causes skin staining, and because of its customary petrolatum-based formulation and insolubility, has generally been a difficult substance to formulate in a cosmetically acceptable form. The Company believes its Novasome cream formulation is more cosmetically acceptable and reduces skin staining. The Company is seeking to market Anthrasome Cream through an arrangement with a third-party.

The Company has encapsulated retinoids in Novasome vesicles in collaboration with J&J. Retinoids are derivatives of retinoic acid and are effective in the treatment of acne and thought to be effective in the treatment of various age-associated skin disorders. Encapsulation of retinoids in Novasomes is designed to prolong stability and reduce irritation and provide a sustained release of certain active ingredients to treat these disorders. The Company does not expect to derive any significant revenue from this application during 1996.

International Sales and Operations

- - - - -

A staff of 12 persons based in Buena, New Jersey and 4 individuals based overseas handle all sales of Company products outside the United States. The Company's sales personnel and poultry veterinarians travel abroad extensively to develop business through local distributors. Exports consist primarily of poultry vaccines, although the Company also exports some veterinary pharmaceuticals and pet care products. Exports of vaccines require product registration or licensing by foreign authorities. The Company has 519 products registered or licensed in over 50 countries outside the United States and has over 1,328 registrations pending.

Mexico and certain Latin American countries are important markets for the Company's poultry vaccines and other products. These countries have historically experienced varying degrees of political unrest and economic and currency instability. Because of the volume of business transacted by the Company in those countries, continuation or the recurrence of such unrest or instability could adversely affect the businesses of its customers in those countries or the Company's ability to collect its receivables from such customers, which in either case could adversely impact the Company's future operating results.

In 1995, sales to international customers of \$12,234,000 represented 39% of the Company's sales, as compared with 39% in 1994 and 37% in 1993. (See Note 11 of Notes to Consolidated Financial Statements.)

9

Manufacturing -----

The Company's manufacturing operations include production and testing of vaccines, lotions, pills and powders; packaging, bottling and labeling of the finished products; and packing and shipment for distribution. Approximately 78 employees are engaged in manufacturing operations. The raw materials included in these products are available from several suppliers.

The Company produces quantities of Novasomes adequate to meet its current needs for cosmetics and consumer product and animal health product applications. In 1995, the Company completed and began operating a new facility for marketing staff and Novavax Technologies product development. This facility also houses production facilities for cosmetics and consumer products. The Company intends to increase its poultry vaccine production capacity during 1996. (See "Properties".)

Research and Development -----

The Company's poultry vaccine research and development efforts are directed towards developing more efficient single and multiple-component vaccines, developing vaccines to combat new diseases and incorporating the Novavax Technologies into existing vaccines. The Company is concentrating its veterinary pharmaceutical research and development efforts on the use of Novavax Technologies for various veterinary pharmaceutical and OTC pet care products. The Company's cosmetics and consumer products research and development efforts are directed towards liposomal encapsulation to improve performance and efficacy of cosmetics, consumer products, flavors and dermatologic products. Under its license agreement with Novavax, the Company has the right to continue to use the Novavax Technologies to develop new products in those fields covered by the license.

In addition to its internal research and development efforts, which involves 23 employees, the Company encourages the development of products in areas related to its present lines by making specific grants to universities. Research expenses for IGI's continuing operations were \$1,345,000, \$1,212,000 and \$817,000 in 1995, 1994 and 1993, respectively.

Patents and Trademarks -----

All of the names of the Company's major products are registered in the United States and all significant foreign markets in which the Company sells its products. Under the terms of the IGI License Agreement, IGI has an exclusive ten-year license to use the Novavax Technologies in the IGI Field. Novavax holds 30 U.S. patents and 43 foreign patents covering its Novavax Technologies (including a wide variety of component materials, its continuous flow vesicle

production process and its Novamix/TM/ production equipment).

IGI intends to engage in collaborations, sponsored research agreements, and preclinical and/or field testing agreements in connection with its future vaccine and pharmaceutical products as well as clinical testing agreements with academic and research institutions and U.S. government agencies, such as the National Institutes of Health and the Department of Agriculture, to take advantage of their technical expertise and staff and to gain access to clinical evaluation models, patents, and related technology. Consistent with pharmaceutical industry and academic standards, and the rules and regulations under the Federal Technology Transfer Act of 1986, these

10

agreements may provide that developments and results will be freely published, that information or materials supplied by the Company will not be treated as confidential and that the Company may be required to negotiate a license to any such developments and results in order to commercialize products incorporating them. There can be no assurance that the Company will be able successfully to obtain any such license at a reasonable cost or that such developments and results will not be made available to competitors of the Company on an exclusive or nonexclusive basis.

Government Regulation
- - - - -

The production and marketing of the Company's products and its research and development activities are subject to regulation for safety, efficacy and quality by numerous governmental authorities in the United States and other countries. The Company's development, manufacturing and marketing of poultry biologics are subject to regulation in the United States for safety and efficacy by the United States Department of Agriculture ("USDA") in accordance with the Virus Serum Toxin Act of 1914. The development, manufacturing and marketing of pharmaceuticals are subject to regulation in the United States for safety and efficacy by the FDA in accordance with the Food, Drug and Cosmetic Act.

In the United States, pharmaceuticals and vaccines are subject to rigorous Food and Drug Administration ("FDA") regulation including preclinical and clinical testing. The process of completing clinical trials and obtaining FDA approvals for a new drug or new biologic is likely to take a number of years, requires the expenditure of substantial resources and is often subject to unanticipated delays. There can be no assurance that any product will receive such approval on a timely basis, if at all.

In addition to product approval, the Company may be required to obtain a satisfactory inspection by the FDA covering the manufacturing facilities before a product can be marketed in the United States. The FDA will review the manufacturing procedures and inspect the facilities and equipment for compliance with applicable rules and regulations. Any material change by the Company in the manufacturing process, equipment or location would necessitate additional FDA review and approval.

Whether or not FDA approval has been obtained, approval of a pharmaceutical product by comparable governmental regulatory authorities in foreign countries must be obtained prior to the commencement of clinical trials and subsequent marketing of such product in such countries. The approval procedure varies from country to country, and the time required may be longer or shorter than that required for FDA approval. Although there are some procedures for unified filing for certain European countries, in general each country has its own procedures and requirements.

In addition to regulations enforced by the FDA, the Company also is subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other present and potential future federal, state or local regulations. The Company's research and development involves the controlled use of hazardous materials, chemicals, viruses and bacteria. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination

11

or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and any such liability could exceed the resources of the Company.

Employees - -----

The Company currently has 213 full-time employees, of whom 92 are in marketing, sales and customer support, 78 in manufacturing, 23 in research and development, and 20 in executive, finance and administration. Certain services will be provided by IGI to Novavax through no later than June 30, 1996 on a transitional basis while Novavax builds its support staff. The Company has no collective bargaining agreement with its employees, and believes that its employee relations are good.

Item 2. Properties

The Company owns land and buildings housing offices, laboratories and production facilities in four locations in New Jersey. The Company also owns a warehouse and sales office space in Gainesville, Georgia. In addition, the Company leases office space in Virginia and warehouses in New Jersey, California, Mississippi, and Arkansas.

The Company's poultry vaccine production facilities are located in Vineland, New Jersey, where the Company owns several buildings situated on approximately 16 acres of land. These buildings, containing 90,000 square feet of usable floor space, house offices and facilities used for the production of poultry vaccines. They were constructed and expanded from time to time between 1935 and 1992. The Company intends to renovate certain of these facilities in 1996 to expand its vaccine production capacity to meet expected growth in existing poultry vaccines and to provide production of new vaccines.

In Buena, New Jersey, the Company owns a facility used for the production of veterinary pharmaceuticals and cosmetics and consumer products. The facility was built in 1971 and expanded in 1975 and in 1992 its capacity was increased for production of Novasome lipid vesicles. The facility presently contains 41,200 square feet of usable floor space, and is situated on eight acres of land. The Company's executive and administrative offices are also located in Buena, New Jersey in a 10,000 square foot building situated on six acres of land. In 1995, the Company completed and began operating a 25,000 square foot production, product development, marketing, manufacturing and warehousing facility for cosmetic, dermatologic and personal care products on this site.

Each of the properties owned by the Company is subject to a mortgage held by Fleet Bank-NH of Nashua, New Hampshire and Mellon Bank. Except as discussed above, the Company believes that its current production and office facilities are adequate for its present and foreseeable future needs.

12

Item 3. Legal Proceedings

On February 6, 1996, Johnson & Johnson and its wholly-owned subsidiary Ortho-McNeil, Inc. (collectively, "J&J") filed a lawsuit against the Company and its subsidiary, Igen, Inc. and its former subsidiary Micro-Pak, Inc. in the United States District Court for the District of New Jersey alleging trademark infringement and trademark dilution. J&J alleges that the Company's use of the names NOVA SKIN, NOVA SKIN CARE, and NOVA-AESTHETICS infringes on rights associated with J&J's trademark RENOVA for a prescription drug. J&J has also moved for a preliminary injunction seeking to preclude the Company's use of the NOVA SKIN, NOVA SKIN CARE, and NOVA-AESTHETICS names on the Company's newly-launched line of skin care products sold through dermatologists. On March 18, 1996, following a period of expedited discovery, the Court held an evidentiary hearing on the motion for preliminary injunction. The Court has not yet issued a ruling.

Since 1988, the Company has used the trademark NOVASOME in connection with the lipid vesicle encapsulation technology it developed, including in connection with skin care products. In addition, numerous other companies use the term NOVA in a wide variety of product and corporate name formulations. The Company is vigorously defending this lawsuit and believes that the outcome of the proceedings will not have a material adverse effect on the Company's financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

None.

13

Executive Officers of the Registrant

The Company's executive officers hold office until the first meeting of the Board of Directors following the annual meeting of stockholders and until their successors are duly chosen and qualified. For information concerning officers who are also directors of the Company, please refer to Item 10 of this Report. Information concerning other executive officers is as follows:

Name	Age	Officer Since	Principal Occupation and Other Business Experience During Past Five Years
Kevin J. Bratton	47	1983	Vice President and Treasurer of IGI, Inc. since 1983.
Stephen G. Hoch	57	1991	Vice President of IGI, Inc. since 1991.
Surendra Kumar D.V.M., Ph.D.	60	1985	Vice President of IGI, Inc. since 1985.
Donald J. MacPhee	44	1987	Vice President of IGI, Inc. since 1990 and Chief Financial Officer of IGI, Inc. since 1987.
Lawrence N. Zitto	53	1985	Vice President of IGI, Inc. since 1985.

14

Part II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

There were 1,137 stockholders of record as of March 15, 1996. The Company has never paid cash dividends on its Common Stock. The payment of dividends is restricted by the Company's Loan Agreement with Fleet Bank-NH, Nashua, New Hampshire and Mellon to a maximum 25% of earnings in any year and to retained earnings in excess of \$1,000,000.

The principal market for the Company's Common Stock (\$.01 par value) (the "Common Stock") is the American Stock Exchange (symbol: "IG"). The following table shows the range of high and low trading prices on the American Stock Exchange for the periods indicated.

	High	Low
1994		
First quarter	12 3/8	8 3/8
Second quarter	11 1/4	8 1/2
Third quarter	10 5/8	8

Fourth quarter	14 3/8	9 1/2
1995	- ----	
First quarter	17 1/2	11 5/8
Second quarter	16 1/8	13
Third quarter	15 7/8	11 1/2
Fourth quarter	12 3/4	6 3/8*

* On December 12, 1995, the Company distributed to its shareholders all of the Common Stock of Novavax owned by the Company. Each IGI shareholder received one share of Common Stock of Novavax for each share of Common Stock of the Company held on November 28, 1995. The Common Stock of IGI began trading "ex-dividend" on December 13, 1995.

15

Item 6. Selected Financial Data

Five Year Summary of Selected Financial Data

	Year ended December 31,				
	1991	1992	1993	1994	1995
	----	----	----	----	----
Income Statement Data:					

Net sales	\$22,008,644	\$24,434,638	\$28,004,569	\$28,947,911	\$31,220,632
Gross profit	11,418,562	13,143,029	14,839,332	15,012,669	15,789,098
Operating profit	2,054,589	2,491,792	3,386,418	3,508,075	3,244,550
Income from continuing operations	928,636	1,342,009	1,765,251	1,969,151	1,507,744
(Loss) from discontinued operations*	(883,751)	(1,275,977)	(5,942,921)	(1,699,844)	(4,033,768)
Net income (loss)	44,885	66,032	(4,177,670)	269,307	(2,526,024)
Income (loss) per share:					
From continuing operations	.11	.15	.20	.22	.16
From discontinued operations	(.10)	(.14)	(.66)	(.19)	(.42)
Net income (loss)	.01	.01	(.46)	.03	(.26)
Cash dividends on common stock	0	0	0	0	0
Balance Sheet Data:					

Working capital	\$11,332,910	\$11,506,779	\$12,410,545	\$10,670,973	\$ 4,283,420
Total assets	23,136,772	27,500,714	26,005,054	30,501,842	32,331,324
Long-term debt (excluding current maturities)	5,427,593	7,825,586	8,798,475	10,019,138	9,624,303
Stockholders equity	12,803,509	15,266,774	12,320,633	13,711,499	8,547,642
Average number of common and common equivalent shares	8,408,769	8,999,182	9,048,895	9,155,231	9,725,230

* In March 1994, IGI's Board of Directors voted to dispose of its Biotechnology Business segment through the combination of certain majority-owned subsidiaries and the subsequent tax-free Distribution of its ownership of the combined entity to IGI's shareholders. The distribution of this segment occurred on December 12, 1995. The Consolidated Financial Statements of IGI present this segment as a discontinued operation. (See Note 2 of Notes to Consolidated Financial Statements.)

16

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

On December 12, 1995, in order to facilitate obtaining capital for its Biotechnology Business operations and continued expansion of its Animal Health Products and Cosmetics and Consumer Products segments, IGI distributed its

ownership of Novavax, to IGI's shareholders ("Distribution"). Since the operations of Novavax comprise IGI's Biotechnology Business segment, the Consolidated Financial Statements of IGI present this segment as a discontinued operation. (See Note 2 of Notes to Consolidated Financial Statements).

IGI's management believes that IGI's stockholders' interests were best served by dividing IGI into two separate publicly-traded entities through the Distribution; that the Distribution will enable IGI to focus on its historically profitable and growing Animal Health Products business (Vineland Laboratories, EVSCO Pharmaceuticals, and Tomlyn Products) as well as its Cosmetics and Consumer Products which will continue to manufacture and market Novavax technology based products under a license agreement; and that the Distribution will simplify IGI and permit investors to more readily evaluate the earnings and growth potentials of its businesses.

Income from continuing operations decreased by \$461,000 or 23% compared to 1994. Operating profit decreased by \$264,000 or 8% over 1994. The Animal Health Products segment generated operating profits in 1995 of \$6,459,000, an increase of \$403,000, or 7%, over 1994 due to the increased sales volume. The Cosmetic and Consumer Products segment had an operating loss of \$159,000 in 1995, compared to operating profits of \$296,000 and \$367,000 for 1994 and 1993, respectively. The 1995 operating loss reflects the Company's development and marketing of Novavax Technologies products for dermatologic and food applications while continuing to market these technologies to major cosmetic and consumer product companies. The operating loss for this segment in 1995 includes manufacturing variances related to the new production facility which was not operating at full capacity and selling, marketing and development costs for the Company's Nova Skin Care division. The operating profits of these segments do not reflect unallocated corporate expenses of \$3,056,000, \$2,845,000 and \$3,000,000 for the years ended December 31, 1995, 1994, and 1993 respectively, which were charged to the segments in determining the Company's operating profit. (See Note 15 of Notes to Consolidated Financial Statements.)

The loss from discontinued operations in 1995 resulted from increased operating expenses related primarily to research efforts directed toward the development of human vaccines and pharmaceuticals utilizing the Novavax Technologies as well as transaction costs associated with the Distribution. The Company had anticipated the effective date of the Distribution to be June 30, 1995. Due to delays in the final distribution of Novavax, the Company incurred costs in excess of the \$1,000,000 estimated loss on disposal of its biotechnology business segment. These costs related to increased research and development expenses for products in the initial FDA approval process. The Biotechnology Business segment had no revenue from product sales in 1995, 1994 or 1993. (See Note 2 of Notes to Consolidated Financial Statements.)

17

1995 Compared to 1994

Sales increased \$2,273,000 or 8% to \$31,221,000. The growth was principally attributable to increases in poultry vaccine sales, both domestically and internationally. Poultry vaccine sales accounted for \$18,797,000 or 60% of the Company's sales. International and domestic poultry vaccine sales experienced growth rates of 14% and 7% respectively. The domestic increase was attributable to the introduction of a new Rispen poultry vaccine during the second half of 1995. The Company expects the sales of this product to continue to increase during 1996. The international poultry sales increase relates directly to the increased product registration activities, particularly in the Asia/Pacific marketplace which experienced a 24% sales increase. Companion pet product sales increased \$225,000 or 2% to \$10,713,000, although international sales of these products declined particularly in Europe. Tomlyn sales, which are directed to the over-the-counter marketplace, experienced a 28% increase, due principally to the placement of these products in pet superstores. Increased sales to Estee Lauder contributed to a \$234,000 or 16% growth in the Cosmetics division. The Company expects to increase the number of products that it manufactures for Estee Lauder during 1996 as well as complete licensing arrangements with two other cosmetic and consumer product companies. In February 1996, the Company launched a line of Novasome based alpha hydroxy acid ("AHA") products through its Nova Skin Care division. The Company is marketing these products directly to dermatologists through a sales force of 16 employees.

The Company's gross profit increased \$776,000 or 5%, with much of the increase related to sales growth. As a percentage of sales, gross profit dropped from

52% during 1994 to 51% in 1995. Significant factors in the gross profit ratio reduction were increased sales of certain lower-margin poultry vaccines, fixed costs associated with the Company's new manufacturing facility which was operating below full capacity and the discontinuance of certain product lines. As the production requirements for the Cosmetic and Consumer Products segment increases during 1996, the Company expects an improvement in its gross profit percentage.

Selling, general and administrative expenses increased \$1,256,000 or 12% due in part to variable costs associated with the higher sales volume and additional reserves established for international accounts receivables. Selling and marketing costs relating to the Company's new Nova Skin Care division were \$250,000. The Company expects significant increases in selling and marketing expenses in 1996 related to the Nova Skin Care product line. These costs include introductory advertising, sampling and tradeshows as well as sales and marketing management. Research and development expenses increased by \$132,000 or 11% due to stepped up development in the Cosmetic and Consumer Products segment, principally for the Nova Skin Care dermatologic product line. The Company intends to continue to increase its research and development efforts in all of its businesses, with particular emphasis on developing new poultry vaccines and developing additional products for the Nova Skin Care division. During 1995, the Company recognized \$731,000 in research revenues, an increase of \$348,000 or 91% over 1994.

Interest expense increased \$233,000 or 23% due to the higher borrowings required to meet the operational demands of the biotechnology business segment. The Company expects interest expense to increase during 1996 related to borrowings that were required in December 1995 to fund the \$5,000,000 license payment to its former subsidiary, Novavax.

18

The provision for income taxes on continuing operations was lower than the statutory rate due principally to utilization of research and development tax credits as well as an adjustment to prior years accruals. (See Notes 1, 2 and 7 of Notes to Consolidated Financial Statements.)

1994 Compared to 1993
- - - - -

Net sales increased by \$943,000 or 3% compared to 1993. International sales of poultry vaccines (Vineland Laboratories) and small animal products (EVSCO and Tomlyn) increased by \$1,077,000 or 11% and accounted for \$11,360,000 or 39% of the Company's sales, up from \$10,282,000 or 37% of the Company's 1993 sales. Domestic sales of EVSCO and Tomlyn products increased by \$97,000 or 1%. Domestic sales by Vineland Laboratories in 1994 were \$330,000 or 4% less than in 1993. This decrease was due to a combination of factors, including poultry vaccine production capacity limitations which resulted in shipping of certain vaccines to overseas rather than domestic markets, and domestic price erosion on several vaccines. Overall, sales of the Company's Animal Health Products segment increased by \$845,000 or 3% and accounted for \$27,471,000 or 95% of the Company's sales, compared to \$26,627,000 or 95% of the Company's 1993 sales. Sales of the Company's Cosmetics and Consumer Products segment were \$1,477,000, an increase of \$98,000 over 1993. These sales were principally of cosmetic products utilizing the Novavax Technologies.

Gross profit increased by \$173,000 or 1% compared to 1993. This increase was attributable principally to the higher sales volume. As a percentage of sales, gross profit was 52%, down from 53% in 1993, due in part to domestic poultry vaccine price concessions as a result of competitive pricing pressures. In the aggregate, gross profit margins from international sales were comparable to those of domestic sales.

Selling, general and administrative expenses increased by \$38,000 due in part to variable expenses associated with the higher sales volume. As a percentage of sales, the expenses decreased to 37% from 38% in 1993. This decrease is attributable to absorption of fixed costs by the higher sales volume.

Gross research and development expenses increased \$396,000 or 48% due principally to additional technology application efforts focused at the Company's core business operations, especially in the areas of flavors, cosmetics and chemicals. These expenditures were offset, in part, by research revenues from industry partners of \$383,000.

Interest expense increased by \$270,000 or 35% due principally to higher bank borrowings at higher interest rates. The additional borrowings were required principally to fund the operations of the Company's discontinued Biotechnology Business segment.

The provision for income taxes on continuing operations was lower than the statutory rate, due principally to a reduction in valuation allowances as well as utilization of research and development tax credits. The loss from discontinued operations reflects an expected tax benefit of \$797,000. The Company has recorded a full valuation allowance of \$2,880,000 against the net deferred tax asset from discontinued operations based on a determination of the ultimate realizability of future deferred tax assets. (See Notes 1, 2 and 7 of Notes to Consolidated Financial Statements.)

19

The loss from discontinued operations in 1994 consisted of \$700,000 in expenses incurred in excess of the \$2,750,000 reserve established at December 31, 1993. The Company's anticipated effective date for the Distribution of September 30, 1994 was delayed principally by the late receipt of a favorable tax-free ruling from the IRS. The Company received the requested ruling from the IRS in March 1995 and had originally intended to complete the Distribution by June 30, 1995. In addition to the aforementioned charges, the Company established a reserve of \$1,000,000 for additional operating and transaction expenses to be incurred prior to the then anticipated effective date of the Distribution. (See Note 2 of Notes to Consolidated Financial Statements.)

Liquidity and Capital Resources

- -----

On March 17, 1994, IGI's Board of Directors voted to dispose of the biotechnology business segment through the combination of its majority-owned subsidiaries Molecular Packaging Systems, Inc. ("MPS") and Novavax, Inc. and the subsequent tax-free Distribution to IGI's shareholders. On March 20, 1995, the Company received a favorable ruling from the IRS that the Distribution would be tax-free to IGI and its shareholders and the Company ultimately disposed of this segment on December 12, 1995. For the year ended December 31, 1995, the Company incurred \$5,034,000 in losses related to its biotechnology business segment of which \$1,000,000 were reserved for at December 31, 1994. Since the operations of Novavax comprised IGI's biotechnology business segment, the Consolidated Financial Statements of IGI for the year ended December 31, 1995 report the results of the biotechnology business segment as discontinued operations. The Company had anticipated the effective date of the Distribution to be June 30, 1995. Due to delays in the final distribution of Novavax, the Company incurred costs in excess of the \$1,000,000 estimated loss on disposal of its biotechnology business segment. These costs related to increased research and development expenses for products in the initial FDA approval process. The Distribution became effective December 12, 1995.

Under the terms of the Distribution, the Company paid Novavax \$5 million for a fully paid-up license to use the Novavax Technologies in its business and converted \$17,024,000 of loans made to this operation in exchange for additional shares of Novavax Stock, which was distributed to IGI shareholders in the Distribution. IGI had loaned \$17,591,000 to Novavax to fund Novavax operations through the Distribution Date. Any advances made by IGI in excess of \$17,024,000 up to \$250,000 have been deducted from the \$5,000,000 payment under the License Agreement.

IGI funded the \$5,000,000 payment to Novavax from borrowings under its bank loan agreement which has been amended to reflect the Distribution. The Amended Loan Agreement with Fleet Bank - New Hampshire and Mellon Bank provides for:

. \$12,000,000 revolving credit facility with interest contingent upon certain financial ratios at the end of each quarter. Effective January 1, 1996, the interest rate shall not exceed prime plus 1 1/2%. The amount available under the revolving credit facility decreases by \$800,000 on the last day of each quarter from June 30, 1996 through December 31, 1999. At December 31, 1995 the Company had outstanding borrowings of \$12,000,000 under this facility and the interest rate was 9%.

20

. \$10,000,000 working capital line of credit renewable annually, with

interest on the outstanding borrowings contingent upon certain financial ratios at the end of each quarter. Effective January 1, 1996, the interest rate shall not exceed prime plus 1%. At December 31, 1995 the Company had \$1,952,000 available under this facility and the interest rate was 9.5%.

The Company was in default of its current ratio covenant as of December 31, 1995. The banks have amended the agreement to remove the default.

The Company used \$2,710,000 for operating activities due principally to increases in inventories, related primarily to new products being introduced during 1995, and accounts receivable related to the increase in international sales. Accounts receivable turnover ratio was 3.89 compared to 4.08 for the year ended December 31, 1994. Accounts receivable balances due from Mexico and Latin America were 13% of the total receivable balance and the Company believes the net amounts are fully collectible. Mexico and certain Latin American countries are important markets for the Company's poultry vaccines and other products. These countries have historically experienced varying degrees of political unrest and economic and currency instability. Because of the volume of business transacted by the Company in those countries, continuation or the recurrence of such unrest or instability could adversely affect the businesses of its customers in those countries or the Company's ability to collect its receivables from such customers, which in either case could adversely impact the Company's future operating results. The growth in inventories relates principally to new animal health products that the Company began selling during the third quarter as well as products for the Nova Skin Care division which were launched in February 1996. The inventory turnover ratio for 1995 was 1.81, compared to 1.66 for the year ended December 31, 1994. The Company believes its reserves for inventory obsolescence and accounts receivable are adequate. The Company used \$2,397,000 in investing activities for capital expenditures to build and equip its new 25,000 square foot research, marketing and production facility in Buena, New Jersey, as well as an additional \$5,360,000 for the payment of the License Agreement, patent costs and capital expenditures (See Note 2 of Notes to Consolidated Financial Statements). Funding for the Company's operating and investing activities were provided by borrowings under the Company's working capital line of credit and the revolving credit facility. The Company has no further obligation or intention to fund Novavax.

At March 22, 1996 the Company had \$1,485,000 of available borrowing capacity under the working capital line of credit and no borrowings available under the revolving line of credit. Funds generated from operations and existing bank credit facilities are expected to be sufficient to meet the Company's short-term cash requirements. The Company has current maturities of long-term debt of \$800,000 per quarter commencing June 30, 1996. The Company believes that cash generated from operating activities as well as available borrowings under its line of credit facility will be sufficient to meet these obligations. However, over the long-term, the Company will require additional funds to expand its business. No assurance can be given that the Company will be successful in obtaining the required funds, and, if not, the Company may be required to cut back on its expansion plans or otherwise appropriately modify its business strategy.

21

Factors That May Affect Future Results

The industry segments in which the Company competes are constantly changing and are subject to significant competitive pressures. The following sets forth some of the risks which the Company faces.

Availability of Capital

The Company has historically applied the operating profits from its animal health business to fund the development of its cosmetics business and its former biotechnology business, Novavax, Inc., which was distributed to the Company's stockholders in December 1995. Therefore, the Company is currently highly leveraged and will need additional capital to finance the expansion of its animal health and cosmetics and consumer products businesses. No assurance can be given that such funds will be obtained when required or, if obtainable, on terms that are favorable to the Company. In addition, the Company expects that its interest expense will increase in 1996 as a result of increased borrowings, which will impact the Company's profitability.

Intense Competition in Cosmetic and Consumer Products Business

The Company's Cosmetics and Consumer Products Division competes with large, well-financed cosmetics and consumer products companies with development and marketing groups that are experienced in the industry and possess far greater resources than those available to the Company. The Company expects to rely principally on increased sales of its cosmetics and consumer products to compete successfully against its competitors or that it can develop and market new products that will be favorably received in the marketplace. In addition, certain of the Company's customers that use the Company's Novasomes in their products may decide to reduce their purchases from the Company or shift their business to other suppliers.

Price Competition in Poultry Vaccine Business

The Company is encountering increasing severe competition from international producers of poultry vaccines, particularly increased price competition coupled with a downward trend in vaccine prices. In addition, the Company's business may be adversely affected by foreign import restrictions and additional regulatory requirements. Also, unstable or adverse economic conditions and fiscal and monetary policies in certain Central and South American countries, and increasingly important market for the Company's animal health products, could adversely affect the Company's future business in these countries.

Rapidly Changing Marketplace for Animal Health Products

The emergence of pet superstores, the consolidation of distribution channels into a smaller number of large, more powerful companies and the diminishing traditional role of veterinarians in the animal health business may adversely affect the Company's ability to expand its animal health business and to operate this business at the gross margin levels historically enjoyed by the Company.

22

Effect of Rapidly Changing Technologies

The Company expects to rely on the features of its Novavax Technologies to market and expand its line of internally-developed dermatologic products. However, if its competitors develop new and improved technologies that are superior to the Company's technologies, the Company's products could be less acceptable in the marketplace and therefore the Company's planned expansion of its line of personal care and dermatologic products could be adversely affected.

Regulatory Considerations

The FDA may determine that the Company's alpha hydroxy acid-based products are "drugs" and therefore should be subject to the expensive and sometimes protracted FDA regulatory approval. Also, certain of the Company's products may not be approved for sales overseas on a timely basis, thereby limiting the Company's ability to expand its foreign sales.

Accounting Standards Changes

- -----

In March 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 121 requires companies to adopt its provisions for fiscal years beginning after December 15, 1995. This standard specifies when assets should be reviewed for impairment, how to determine if an asset is impaired, how to measure an impairment loss, and what disclosures are necessary in the financial statements. Management believes the impact of this pronouncement is not material since the majority of the Company's long-lived assets are property, plant and equipment that are utilized in the manufacturing of the Company's products.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 requires companies to adopt its provisions for fiscal years beginning after December 15, 1995. SFAS No. 123 encourages a fair value based method of accounting for employee stock options or similar equity instruments, but allows continued use of the intrinsic value based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25 "Accounting for Stock Issued to Employees." Companies electing to continue to use APB No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied. The Company is evaluating the provisions of SFAS No. 123, but has not yet determined

whether it will continue to follow the provisions of APB No. 25 or change to the fair value method of SFAS No. 123.

Income Taxes
- -----

The Company has a net deferred tax asset in the amount of \$2.9 million as of December 31, 1995. The largest deferred tax assets relate to the \$5,000,000 license payment which will be deducted over the ten-year period as the related products are sold and the royalties incurred and to net operating loss carryforwards. Management believes that the Company's deferred tax asset will be realized through the reversal of existing temporary differences and the utilization of net operating loss carryforwards and the prepaid license against future taxable income. The minimum level of future taxable income necessary to realize the Company's recorded deferred tax asset at

23

December 31, 1995, is approximately \$ million. The net operating loss carryforwards expire in 2010 and there are no limitations on their use. Management believes that it will be able to utilize these carryforwards. The Company's consolidated federal taxable income (loss) varies from its consolidated financial statement income (loss). In 1993 and 1994, taxable income was higher due to the establishment of reserves for losses on discontinued operations; in 1995, taxable income was lower as the reserves were utilized.

Item 8. Financial Statements and Supplementary Data

The financial statements and notes thereto listed in the accompanying index to financial statements (Item 14) are filed as part of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

24

Part III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is contained in part under the caption "Executive Officers of the Registrant" in PART I hereof, and the remainder is contained in the Company's Proxy Statement for the Company's Annual Meeting of Stockholders to be held on May 8, 1996 (the "1996 Proxy Statement") under the captions "PROPOSAL 1 - ELECTION OF DIRECTORS" and "Beneficial Ownership of Common Stock" and is incorporated herein by this reference. The Company expects to file the 1996 Proxy Statement within 120 days after the close of the fiscal year ended December 31, 1995.

Officers are elected on an annual basis and serve at the discretion of the Board of Directors.

Item 11. Executive Compensation

The information required by this item is contained under the captions "EXECUTIVE COMPENSATION" and "Director Compensation and Stock Options" in the Company's 1996 Proxy Statement and is incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is contained in the Company's 1996 Proxy Statement under the caption "Beneficial Ownership of Common Stock" and is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions

The information required by this item is contained under the caption "Certain Relationships and Related Transactions" appearing in the Company's 1996 Proxy Statement and is incorporated herein by this reference.

25

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) Financial Statements:

Report of Independent Accountants

Consolidated Balance Sheets, December 31, 1995 and 1994

Consolidated Statements of Operations for the years ended December 31, 1995, 1994 and 1993

Consolidated Statements of Cash Flows for the years ended December 31, 1995, 1994 and 1993

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1995, 1994 and 1993

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

Schedule II. Valuation and Qualifying Accounts and Reserves.

Schedules other than those listed above are omitted for the reason that they are either not applicable or not required or because the information required is contained in the financial statements or notes thereto.

Condensed financial information of the Registrant is omitted since there are no substantial amounts of "restricted net assets" applicable to the Company's consolidated subsidiaries.

(3) Exhibits Required to be Filed by Item 601 of Regulation S-K.

Exhibits marked with a single asterisk are filed herewith, and exhibits marked with a double asterisk reference management contract, compensatory plan or arrangement, filed in response to Item 14 (a) (3) of the instructions to Form 10-K. The other exhibits listed have previously been filed with the Commission and are incorporated herein by reference.

(a) Certificate of Incorporation of IGI, Inc., as amended. [Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 33-63700, filed June 2, 1993]

(b) By-laws of IGI, Inc., as amended. [Incorporated by reference to Exhibit 2 (b) to the Company's Registration Statement on Form S-18, File No. 2-72262-B, filed May 12, 1981.]

26

(4) Specimen stock certificate for shares of Common Stock, par value \$.01 per share. [Incorporated by reference to Exhibit (4) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1989, File No. 0-10063, filed April 2, 1990 (the "1989 Form 10-K".)]

** (10) (a) IGI, Inc. 1983 Incentive Stock Option Plan. [Incorporated by reference to Exhibit A to the Company's Proxy Statement for the Meeting of Annual Stockholders held May 11, 1983.]

** (b) IGI, Inc. 1989 Stock Option Plan. [Incorporated by reference to the Company's Proxy Statement for the Annual Meeting of Stockholders held May 11, 1989.]

** (c) Employment Agreement by and between the Company and Edward B. Hager dated as of January 1, 1990. [Incorporated by reference to Exhibit (10) (c) to the 1989 Form 10-K.]

** (d) Extension of Employment Agreement by and between the Company and Edward B. Hager dated as of March 11, 1993. [Incorporated by

reference to Exhibit (10) (d) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, File No. 0-10063, filed March 31, 1993 (the "1992 Form 10-K".)]

- ** (e) Extension of Employment Agreement by and between the Company and Edward B. Hager dated as of March 14, 1995. [Incorporated by reference to Exhibit (10) (e) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, File No. 0-10063, filed March 31, 1995 (the "1994 Form 10-K")]
 - ** (f) Employment Agreement by and between the Company and John P. Gallo dated as of January 1, 1990. [Incorporated by reference to Exhibit (10) (d) to the 1989 Form 10-K.]
 - ** (g) Extension of Employment Agreement by and between the Company and John P. Gallo dated as of March 11, 1993. [Incorporated by reference to Exhibit (10) (g) to the 1992 Form 10-K.]
 - ** (h) Extension of Employment Agreement by and between the Company and John P. Gallo dated as of March 14, 1995. [Incorporated by reference to Exhibit (10) (h) to the 1994 Form 10-K.]
 - ** (i) Employment Agreement by and between Micro Vesicular Systems, Inc. and Donald F.H. Wallach dated as of January 1, 1990. [Incorporated by reference to Exhibit (10) (e) to the 1989 Form 10-K.]
- 27
- (j) Rights Agreement by and between the Company and Fleet National Bank dated as of March 19, 1987. [Incorporated by reference Exhibit (4) to the Company's Current Report on Form 8-K, File No. 0-10063, dated as of March 26, 1987.]
 - (k) Amendment to Rights Agreement by and among the Company, Fleet National Bank and State Street Bank and Trust Company dated as of March 23, 1990. [Incorporated by reference to Exhibit (10) (g) to the 1989 Form 10-K.]
 - (l) Loan Agreement by and between Fleet Bank - NH and IGI, Inc. together with its subsidiaries, dated December 20, 1990. [Incorporated by reference to Exhibit (10) (h) to the 1990 Form 10-K.]
 - (m) Amended and Restated Loan Agreement by and between Fleet Bank-NH and IGI, Inc. together with its subsidiaries, dated May 12, 1992, and modified November 1, 1992, and December 31, 1992. [Incorporated by reference to Exhibit (10) (k) to the 1992 Form 10-K.]
 - (n) Fourth Amendment to Amended and Restated Loan Agreement by and between Fleet Bank-NH and IGI, Inc. together with its subsidiaries, dated December 23, 1993. [Incorporated by reference to Exhibit (10) (l) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, File No. 0-10063, filed March 31, 1994 (the "1993 Form 10-K".)]
 - * (o) Second Amended and Restated Loan Agreement by and between Fleet Bank-NH, Mellon Bank, N.A. and IGI, Inc., together with its subsidiaries, dated December 13, 1995.
 - (p) Promissory note by Donald F.H. Wallach to IGI, Inc. [Incorporated by reference to Exhibit (10) (j) to the 1990 Form 10-K.]
 - ** (q) IGI, Inc. Non-Qualified Stock Option Plan. [Incorporated by reference to Exhibit (3) (k) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, File No. 0-10063, filed March 30, 1992 (the "1991 Form 10-K".)]
 - ** (r) IGI, Inc. 1991 Stock Option Plan. [Incorporated by reference to the Company's Proxy Statement for the Annual Meeting held May 9, 1991.]

** (s) Amendment No. 1 to IGI, Inc. 1991 Stock Option Plan as approved by Board of Directors on March 11, 1993. [Incorporated by reference to Exhibit 10 (p) to the 1992 Form 10-K.]

28

** (t) Amendment No. 2 to IGI, Inc. 1991 Stock Option Plan as approved by Board of Directors on March 22, 1995. [Incorporated by reference to the Company's Proxy Statement for the Annual Meeting of Stockholders held May 9, 1995.]

(u) Form of Registration Rights Agreement signed by all purchasers of Common Stock in connection with private placement on January 2, 1992. [Incorporated by reference to Exhibit (3) (m) to the 1991 Form 10-K.]

* (v) License Agreement by and between Micro-Pak, Inc. and IGEN, Inc.

(w) Registration Rights Agreement between IGI, Inc. and SmithKline Beecham p.l.c. dated as of August 2, 1993. [Incorporated by reference to Exhibit (10) (s) to the 1993 Form 10-K.]

* (11) Computation of net income per common share.

* (22) List of Subsidiaries.

* (24) Consent of Coopers & Lybrand L.L.P.

(b) Reports on Form 8-K:

On December 27, 1995, the Company filed a report on Form 8-K disclosing that the Company had declared a dividend of one share of Common Stock of Novavax, Inc. for each share of Common Stock of the Company held on November 28, 1995, payable on December 12, 1995.

29

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 27, 1996
By: IGI, Inc.
/s/ Edward B. Hager
Edward B. Hager,
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacity and on the date indicated.

Name	Title	Date
- ---- /s/ Edward B. Hager ----- Edward B. Hager	Chairman of the Board	March 27, 1996
- ---- /s/ John P. Gallo ----- John P. Gallo	President and Director	March 27, 1996
- ---- /s/ Donald J. MacPhee ----- Donald J. MacPhee	Principal Financial and Accounting Officer	March 27, 1996
- ---- /s/ Jane E. Hager ----- Jane E. Hager	Director	March 27, 1996

/s/ Constantine L. Hampers ----- Constantine L. Hampers	Director	March 27, 1996
/s/ John O. Marsh ----- John O. Marsh	Director	March 27, 1996
/s/ Terrence O'Donnell ----- Terrence O'Donnell	Director	March 27, 1996
/s/ David G. Pinosky ----- David G. Pinosky	Director	March 27, 1996

30

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of IGI, Inc.:

We have audited the consolidated financial statements and financial statement schedule of IGI, Inc. and subsidiaries as listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IGI, Inc. and its subsidiaries at December 31, 1995 and 1994 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
March 27, 1996

F-1

IGI, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 1995 and 1994

ASSETS	1995	1994
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 169,489	\$ 953,976
Accounts receivable, less allowance for doubtful accounts of \$306,000 and \$181,000 in 1995 and 1994, respectively	8,455,610	7,276,843
Inventories	9,000,208	8,075,147
Current deferred taxes	55,347	36,641
Prepaid expenses and other current assets	762,145	912,496
	-----	-----
Total current assets	18,442,799	17,255,103
	-----	-----
Notes receivable, less current maturities	285,087	570,589
	-----	-----
Property, plant and equipment - at cost:		
Land	624,723	416,011
Buildings	9,054,499	6,356,842
Machinery and equipment	8,655,831	7,981,998
Construction in progress	--	1,182,821
	-----	-----
	18,335,053	15,937,672
Less accumulated depreciation	(8,224,670)	(7,454,437)
	-----	-----
	10,110,383	8,483,235
	-----	-----
Deferred income taxes	2,790,623	1,370,005
Net assets of biotechnology business segment	--	2,066,303
Other assets	702,432	756,607
	-----	-----
	\$32,331,324	\$30,501,842
	=====	=====

Continued

The accompanying notes are an integral part
of the consolidated financial statements.

F-2

IGI, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS, Continued
December 31, 1995 and 1994

LIABILITIES AND STOCKHOLDERS' EQUITY	1995	1994
	-----	-----
Current liabilities:		
Note payable to bank	\$ 8,048,000	\$ 3,790,000
Current maturities of long-term debt	2,415,101	29,338
Accounts payable	2,446,716	1,580,349
Accrued payroll	460,835	498,880
Other accrued expenses	772,061	660,989
Income taxes payable	16,666	15,184

Deferred income taxes	--	9,390
	-----	-----
Total current liabilities	14,159,379	6,584,130
	-----	-----
Deferred income taxes	--	187,075
	-----	-----
Long-term debt, less current maturities	9,624,303	10,019,138
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.01 par value, 30,000,000 shares authorized; 9,440,681 and 9,018,637 shares issued in 1995 and 1994, respectively	94,407	90,186
Additional paid-in capital	18,130,328	20,390,726
Deficit	(6,878,956)	(4,352,932)
	-----	-----
	11,345,779	16,127,980
Less treasury stock; 176,356 and 156,145 shares, at cost, in 1995 and 1994, respectively	(2,608,937)	(2,253,123)
Stockholders' notes receivable	(189,200)	(163,358)
	-----	-----
Total stockholders' equity	8,547,642	13,711,499
	-----	-----
	\$32,331,324	\$30,501,842
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

F-3

IGI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended December 31, 1995, 1994 and 1993

	1995	1994	1993
	-----	-----	-----
Net sales	\$31,220,632	\$28,947,911	\$28,004,569
Cost of sales	15,431,534	13,935,242	13,165,237
	-----	-----	-----
Gross profit	15,789,098	15,012,669	14,839,332
Selling, general and administrative expenses	11,930,555	10,674,611	10,636,207
Research and development expenses	1,344,743	1,212,483	816,707
Research revenues	(730,750)	(382,500)	--
	-----	-----	-----
Operating profit	3,244,550	3,508,075	3,386,418
Interest expense	(1,268,681)	(1,035,691)	(765,236)
Interest income	145,300	66,561	166,553
Other income (expense), net	7,358	10,206	(94,536)

Income from continuing operations before provision for income taxes	2,128,527	2,549,151	2,693,199
Provision for income taxes	620,783	580,000	927,948
	-----	-----	-----
Income from continuing operations	1,507,744	1,969,151	1,765,251
Loss from discontinued operations - Distribution of biotechnology segment, net of income tax benefits:			
Loss from operations	(4,033,768)	(699,844)	(3,192,921)
Estimated loss on disposal	--	(1,000,000)	(2,750,000)
	-----	-----	-----
Net (loss) income	\$ (2,526,024)	\$ 269,307	\$ (4,177,670)
	=====	=====	=====
(Loss) income per common and common equivalent share:			
From continuing operations	\$.16	\$.22	\$.20
	=====	=====	=====
From discontinued operations	\$ (.42)	\$ (.19)	\$ (.66)
	=====	=====	=====
Net (loss) income	\$ (.26)	\$.03	\$ (.46)
	=====	=====	=====
Average number of common and common equivalent shares	9,725,230	9,155,231	9,048,895
	=====	=====	=====

The accompanying notes are an integral part
of the consolidated financial statements.

F-4

IGI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 1995, 1994 and 1993

	1995	1994	1993
	-----	-----	-----
Cash flows from operating activities:			
Net (loss) income	\$ (2,526,024)	\$ 269,307	\$ (4,177,670)
Reconciliation of net (loss) income to net cash used by operating activities:			
Depreciation and amortization	836,113	842,908	1,043,431
Provision for loss on accounts receivable and inventories	787,737	271,555	352,492
Accrual for estimated loss on disposal	--	1,000,000	2,750,000
Issuance of stock to 401(k) plan	69,149	50,498	44,075
Credit for deferred income taxes	(101,019)	(219,800)	(89,985)
Changes in operating assets and liabilities:			
Accounts receivable	(1,321,040)	(456,795)	(2,007,533)
Inventories	(1,570,525)	437,963	(1,148,984)
Prepaid and other assets	150,351	(303,041)	104,469
Accounts payable and accrued expenses	939,393	448,849	(954,203)
Income taxes payable/refundable	1,482	45,748	258,979
Reimbursement from former subsidiary	250,000	--	--
Net assets of biotechnology segment	(225,765)	(2,501,062)	170,473
	-----	-----	-----
Net cash used by operating activities	(2,710,148)	(113,870)	(3,654,456)
	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures, net	(2,397,381)	(1,833,536)	(536,587)
Decrease(increase) in notes receivable	--	2,500	(27,238)
Decrease(increase) in notes receivable			

Balance, December 31, 1994						269,307		269,307
	9,018,637	\$90,186	\$20,390,726	\$ --	\$ (163,358)	\$ (4,352,932)	\$ (2,253,123)	\$13,711,499
Issuance of common stock for exercise of stock options including a tax benefit of \$279,180	193,815	1,938	1,152,597				(381,250)	773,285
Issuance of common stock to 401(k) plan	1,574	16	43,697				25,436	69,149
Issuance of stock to industry partner, net	226,655	2,267	2,497,733					2,500,000
License payment to former subsidiary, net of a deferred tax benefit of \$1,700,000			(3,300,000)					(3,300,000)
Distribution of biotechnology business segment			(2,654,425)					(2,654,425)
Payment of stockholders' notes receivable					74,548			74,548
Reclass of stockholders' notes receivable					(100,390)			(100,390)
Net loss						(2,526,024)		(2,526,024)
Balance, December 31, 1995	9,440,681	\$94,407	\$18,130,328	\$ --	\$ (189,200)	\$ (6,878,956)	\$ (2,608,937)	\$ 8,547,642

The accompanying notes are an integral part of the consolidated financial statements.

F-6

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of the Business

IGI, Inc. ("IGI or the "Company") is a diversified company engaged in two business segments. The Animal Health Products Business produces and markets animal health products such as poultry vaccines, veterinary products, nutritional supplements and grooming aids. The Cosmetics and Consumer Products Business produces and markets cosmetic and consumer products such as skin care products and shampoos.

Principles of Consolidation

The consolidated financial statements include the accounts of IGI, Inc. and its wholly-owned and majority-owned subsidiaries. The Company's financial statements include 100% of the losses through December 12, 1995 of its formerly majority-owned subsidiaries which include Molecular Packaging Systems, ("MPS") and Novavax, Inc. All intercompany accounts and transactions have been eliminated.

Cash equivalents

Cash equivalents consist of short term investments with initial maturities of 90 days or less.

Inventories

Inventories are stated at the lower of cost (last-in, first-out basis) or market.

Property, Plant and Equipment

Depreciation of property, plant and equipment is provided for under the straight-line method over the estimated useful lives as follows:

	Useful Lives -----
Buildings and improvements	10-30 years
Machinery and equipment	3-10 years

Repair and maintenance costs are charged to operations as incurred while major improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts and any gains or losses are included in operations.

Amortization

Cost in excess of net assets of businesses acquired, which is included in other assets, is amortized on a straight-line basis over 40 years. The Company periodically evaluates the carrying amount of this asset using cash flow projections and net income and if warranted, impairment would be recognized.

F-7

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Company records income taxes under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes". SFAS 109 requires the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded based on a determination of the ultimate realizability of future deferred tax assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances for excess and obsolete inventories, allowances for doubtful accounts and other assets and provisions for income taxes and related valuation allowances. Actual results could differ from those estimates.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, notes receivable and long-term debt. The carrying value of these instruments approximates the fair value.

Accounting Standards Changes

In March 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived

Assets to Be Disposed Of." SFAS No. 121 requires companies to adopt its provisions for fiscal years beginning after December 15, 1995. This standard specifies when assets should be reviewed for impairment, how to determine if an asset is impaired, how to measure an impairment loss, and what disclosures are necessary in the financial statements. Management believes the impact of this pronouncement is not material since the majority of the Company's long-lived assets are property, plant and equipment that are utilized in the manufacturing of the Company's products.

F-8

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies (continued)

Accounting Standards Changes (continued)

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 requires companies to adopt its provisions for fiscal years beginning after December 15, 1995. SFAS No. 123 encourages a fair value based method of accounting for employee stock options or similar equity instruments, but allows continued use of the intrinsic value based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees." Companies electing to continue to use APB No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied. The Company is evaluating the provisions of SFAS No. 123, but has not yet determined whether it will continue to follow the provisions of APB No. 25 or change to the fair value method of SFAS No. 123.

Revenue Recognition

Revenues earned under research contracts are recognized when the related contract provisions are met.

Reclassification

Certain previously reported amounts have been reclassified to conform with the current period presentation.

2. Corporate Activities

Distribution of Biotechnology Segment

On March 17, 1994, IGI's Board of Directors voted to dispose of the biotechnology business segment through the combination of its majority-owned subsidiaries Molecular Packaging Systems, Inc. and Novavax, Inc. and the subsequent tax-free Distribution to IGI's shareholders of its ownership of the combined entity.

On December 12, 1995 (the "Distribution Date"), IGI distributed to the holders of record of IGI's common stock, at the close of business on the Record Date, November 28, 1995, one share of common stock of Novavax, Inc. ("Novavax") for every one share of IGI common stock outstanding (the "Distribution").

F-9

IGI, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Corporate Activities (continued)

Distribution of Biotechnology Segment (continued)

In connection with the Distribution, the Company has paid Novavax \$5,000,000 in return for a fully-paid-up, ten-year license entitling it to the exclusive use of Novavax's 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. The Company has the option, exercisable within the last year of the ten-year term, to extend the License Agreement for an additional ten-year period for \$1,000,000. Novavax will retain the right to use its Novavax Technologies for all other applications, including human vaccines and pharmaceuticals. At the time the terms of the IGI License Agreement were fixed, including the license payment, all of the directors of IGI were also directors of Novavax and these terms were unilaterally established by IGI. As of December 31, 1995, three directors of IGI were also directors of Novavax. The Company has presented the payment under the License Agreement as a capital contribution in its financial statements to reflect the intercompany nature and substance of the transaction. The form was structured as a prepaid license agreement to address various considerations of the Distribution, including tax and financing considerations. For tax purposes, the transaction will be treated as a prepaid license agreement. IGI has no further obligations or intentions to fund Novavax.

Components of the losses from discontinued operations for each of the three years in the period ended December 31, 1995 were:

	1995	1994	1993
	-----	-----	-----
Selling, general and administrative	\$ 2,103,470	\$ 1,762,408	\$ 1,599,305
Research and development expenses, net	3,647,893	2,484,436*	2,613,580*
Credit for income taxes	(717,595)	(797,000)	(1,019,964)
	-----	-----	-----
Operating losses	5,033,768	3,449,844	3,192,921
Accrual for loss on disposal	(1,000,000)	(2,750,000)	2,750,000
Estimated loss on disposal	--	1,000,000	--
	-----	-----	-----
Net loss from discontinued operations	\$ 4,033,768	\$ 1,699,844	\$ 5,942,921
	=====	=====	=====

*Includes \$475,000 and \$380,700 of initial payments in 1994 and 1993, respectively on product development and licensing agreements or detailed agreements in principle which have been reflected as a reduction in research and development expenses.

The Company had anticipated the effective date of the Distribution to be June 30, 1995. Due to delays in the final distribution of Novavax, the Company incurred costs in excess of the \$1,000,000 estimated loss on disposal of its biotechnology business segment. These costs related to increased research and development expenses for products in the initial FDA approval process.

The credit for income taxes does not equal the statutory rate because of valuation allowances related to loss carryforwards.

The components of the net assets of biotechnology segment at December 12, 1995 and December 31, 1994 were:

December 12, 1995

1994

Net current assets (liabilities)	\$ (56,071)	\$ 442,707
Property, plant and equipment, net	1,400,998	1,549,666
Deferred patent costs, net	1,309,498	1,073,930
Accrual for estimated loss on dispos	--	(1,000,000)
	-----	-----
	\$2,654,425	\$ 2,066,303
	=====	=====

The distribution of the net assets of the Company's biotechnology business segment as of the Distribution Date are recorded in the accompanying financial statements as a reduction in additional paid-in capital.

F-10

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Corporate Activities (continued)

Equity and Other Transactions

In August 1993, the Company entered into an agreement with an industry partner for the testing of Novavax's patented Novasome lipid vesicle encapsulation technology as a microcarrier and adjuvant for various human vaccines. The Company received \$1,000,000 in exchange for 99,700 shares of the Company's common stock. In addition, the Company received \$100,000 from this partner to offset research expenses. The \$100,000 is included in the loss from discontinued operations in 1993. In December 1994, the partner exercised its option to enter into an exclusive license agreement by agreeing to pay the Company \$475,000 for the use of the technology in certain applications and additional research funding. This amount is included in the loss from discontinued operations in 1994. Additionally, the partner exercised its option to purchase shares of the Company's common stock. In January 1995, the Company issued 226,655 shares of its common stock for \$2,500,000. This agreement was amended in December 1995 in connection with the Distribution. Under the terms of the amended agreement, the industry partner has the option to purchase up to approximately \$6,800,000 of IGI Common Stock and approximately \$3,700,000 of Novavax Common Stock, concurrently. These amounts were determined, pursuant to the agreement, by calculating the average ratio of closing prices of IGI and Novavax common stock for the first twenty days following the Distribution. The price per share for Novavax's and IGI's common stock is to be determined on the date of exercise and is capped at an aggregate combined price per share of \$13.00. This option will expire in 1996.

3. Supplemental Cash Flow Information

Cash paid for income taxes and interest during the years ended December 31, 1995, 1994, and 1993 was as follows:

	1995	1994	1993
	----	----	----
Income taxes (refunded), net	2,725	\$(42,947)	\$(261,501)
Interest	1,235,616	931,401	767,257

In addition, during the years ended December 31, 1995, 1994, and 1993, the Company had the following non-cash financing and investing activities:

	1995	1994	1993
	-----	-----	-----
Tax benefits of exercise of common stock options	\$ 279,180	\$218,937	\$155,615
Stockholders' notes receivable	--	--	163,358
Distribution of the biotechnology segment	2,904,425	--	--
Treasury stock repurchased, net	355,814	298,770	--

F-11

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

4. Inventories

Inventories as of December 31, 1995 and 1994 consist of:

	1995	1994
	-----	-----
Finished goods	\$3,103,685	\$2,704,408
Work-in-process	2,850,838	2,925,494
Raw materials	3,045,685	2,445,245
	-----	-----
	\$9,000,208	\$8,075,147
	=====	=====

If the first-in, first-out (FIFO) method of accounting for inventories had been used, inventories would have been \$307,774 and \$462,362 lower than reported in 1995 and 1994, respectively.

5. Long-Term Debt

Long-term debt as December 31, 1995 and 1994 consists of:

	1995	1994
	-----	-----
Revolving credit facility	\$12,000,000	\$10,000,000
Other debt due in annual installments through March 1998 with interest at 9%	39,404	48,476
	-----	-----
	12,039,404	10,048,476
Less current maturities	2,415,101	29,338
	-----	-----
	\$ 9,624,303	\$10,019,138
	=====	=====

In December 1995, the Company and its banks reached an agreement to amend the loan agreement. The amended and restated loan agreement provides for:

* \$12,000,000 revolving credit facility with interest contingent upon certain financial ratios at the end of each quarter. The interest rate shall not exceed prime plus 1 1/2% effective January 1, 1996. The amount available under the revolving credit facility decreases by \$800,000 on the last day of each quarter from June 30, 1996 through December 31, 1999. At December 31, 1995, the Company had outstanding borrowings of \$12,000,000 under this facility and the interest rate was 9%.

* \$10,000,000 working capital line of credit, renewable annually, with interest on the outstanding borrowings contingent upon certain financial ratios at the end of each quarter. The interest rate shall not exceed prime plus 1% effective January 1, 1996. Amounts outstanding under the agreement at December 31, 1995 were \$8,048,000. The average amounts outstanding during 1995 and 1994 were \$4,461,077 with a weighted interest rate of 8.7% and \$3,723,077 with a weighted interest rate of 7.8%, respectively. At December 31, 1995, the Company had \$1,952,000 available under this facility and the interest rate was 9.5%.

F-12

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Long-Term Debt (continued)

A commitment fee of 1/2% is payable on the unused portion of the working capital line and 1/4% on the unused revolving credit facility. The agreement requires the Company to maintain certain financial ratios, comply with other covenants and restricts the payment of cash dividends to not more than 25% of the net income in any one year and to retained earnings in excess of \$1,000,000.

The Company was in default of its current ratio covenant as of December 31, 1995. The banks have amended the agreement to remove the default.

Aggregate annual principal payments on long-term debt, for the five years subsequent to December 31, 1995 and thereafter are as follows:

1996	\$ 2,415,101
1997	3,214,847
1998	3,209,456
1999	3,200,000

	\$12,039,404
	=====

All of the Company's assets are pledged as collateral under the terms of the loan agreement. As of December 31, 1995, there were no outstanding equipment leases. At December 31, 1994, equipment under capital leases totaled \$312,442, less accumulated depreciation of \$260,221.

6. Stock Options

Under the 1983 Incentive Stock Option Plan, options have been granted to key employees to purchase a maximum of 500,000 shares of common stock. Options, having a maximum term of 10 years, have been granted at 100% of the fair market value of the Company's stock at the time of grant. Options outstanding under this plan at December 31, 1995 are generally exercisable in cumulative increments over four years commencing one year from the date of grant.

Under the 1989 and 1991 Stock Option Plans, options may be granted to key employees and directors to purchase a maximum of 500,000 and 1,900,000 shares of common stock, respectively. Options, having a maximum term of 10 years, have been granted at 100% of the fair market value of the Company's stock at the time of grant. Both incentive stock options and non-qualified stock options may be granted under the 1989 Plan and the 1991 Plan. Incentive stock options are generally exercisable in cumulative increments over four years commencing one year from the date of grant. Non-qualified options are generally exercisable in full beginning six months after the date of grant.

In 1991, the Company's Board of Directors adopted a Non-Qualified Stock Option Plan. The plan provides that options may be granted to consultants, scientific

advisors and employees to purchase a maximum of 250,000 shares of common stock. Options outstanding under this plan at December 31, 1995 are generally exercisable in cumulative increments over four years commencing one year from the date of grant.

F-13

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

6. Stock Options (continued)

Stock option transactions in each of the past three years under the aforementioned plans in total were:

	Shares	Price
January 1, 1993 shares		
under option		
Granted	1,156,075	\$ 1.30 - \$ 9.88
Exercised	318,000	\$ 5.75 - \$ 7.61
Cancelled	(33,439)	\$ 2.91 - \$ 3.42
Cancelled	(40,858)	\$ 4.78 - \$ 9.48
December 31, 1993 shares		
under option		
Granted	1,399,778	\$ 1.30 - \$ 9.88
Exercised	408,500	\$ 5.59 - \$ 8.91
Cancelled	(6,000)	\$ 4.70 - \$ 5.67
Cancelled	(8,750)	\$ 5.02 - \$ 9.88
December 31, 1994 shares		
under option		
Granted	1,793,528	\$ 1.30 - \$ 9.88
Exercised	326,500	\$ 6.63 - \$ 9.39
Cancelled	(190,763)	\$ 1.30 - \$ 9.88
Cancelled	(9,750)	\$ 6.72 - \$ 9.72
December 31, 1995 shares		
under option	1,919,515	\$ 3.64 - \$ 9.88
	=====	
Shares subject to outstanding options exercisable at December 31,		
1994	1,205,403	
	=====	
1995	1,386,003	
	=====	

Non-qualified stock options have been granted to officers and directors at prices equal to the fair market value of the Company's stock on the date the options were granted. During 1995, 1994, and 1993, 3,052, 87,218, and 60,000, respectively, of such non-qualified options were exercised. At December 31, 1995, 1994, and 1993, 337,500, 340,552, and 427,770 respectively, of such options were outstanding at prices ranging from \$1.38 to \$6.80 in 1995 and 1994, and \$1.22 to \$6.80 in 1993. Exercise of the majority of these options may be made at any time during a ten year period commencing on the date of grant.

The Company makes no charges to operations in connection with its stock option plans.

In connection with the Distribution, holders of options to purchase IGI common stock as of the Distribution Date were granted options to purchase Novavax common stock and substitute options to purchase IGI common stock. Exercise prices of the options were based on the relative market capitalization of IGI and Novavax on the record date and the 20 trading days immediately following the record date to restore holders of each option to the economic position prior to the Distribution Date. The prices related to stock option transactions have been adjusted to reflect the terms of the substitute options.

F-14

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

6. Stock Options (continued)

In connection with the exercise of 25,000 and 67,218 stock options in 1995 and 1994, respectively, the Company received approximately 23,644 and 26,300 shares of its common stock as consideration for the exercise price of the options. The total value of the shares used as consideration for the exercise of stock options was \$381,250 and \$298,770 in 1995 and 1994, respectively, which has been recorded as treasury stock.

7. Income Taxes:

The benefit for income taxes included in the consolidated statements of benefit for the years ending December 31, 1995, 1994, and 1993 is as follows:

	1995	1994	1993
	-----	-----	-----
Continuing operations:			
Current tax expense:			
Federal	\$ 718,302	\$ 797,000	\$1,020,000
State and local	3,500	2,800	3,000
	-----	-----	-----
Total current	721,802	799,800	1,023,000
	-----	-----	-----
Deferred tax (benefit) expense:			
Federal	5,624	(221,696)	(128,327)
State and local	(106,643)	1,896	33,275
	-----	-----	-----
Total deferred	(101,019)	(219,800)	(95,052)
	-----	-----	-----
Total charge for continuing operations	\$ 620,783	\$ 580,000	\$ 927,948
	-----	-----	-----
Discontinued operations:			
Current tax benefit:			
Federal and State	(717,595)	(797,000)	(1,019,964)
	-----	-----	-----
Total benefit for income taxes	\$ (96,812)	\$ (217,000)	\$ (92,016)
	=====	=====	=====

The provision for income taxes differed from the amount of income tax determined by applying the applicable Federal tax rate (34%) to pretax income from continuing operations as a result of the following:

	1995	1994	1993
	-----	-----	-----
Statutory tax provision	\$722,580	\$ 859,511	\$915,687
Non-deductible expenses	65,986	57,163	24,205
State income taxes, net of federal benefit	(46,207)	2,312	23,524
Research and development tax credits	(39,713)	(67,579)	--
Reduction in valuation allowance	(83,358)	(271,407)	(49,977)
Other, net	1,495	--	14,509
	-----	-----	-----

\$620,783	\$ 580,000	\$927,948
=====	=====	=====

F-15

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Income Taxes (continued)

Gross deferred tax assets (liabilities) included in the consolidated balance sheets as of December 31, 1995 and 1994 consist of the following:

	1995	

Property plant and equipment	\$	(968,904)
Prepaid license agreement		1,700,000
Net operating loss carryforwards		1,726,878
Tax credit carryforwards		383,632
Other future deductible temporary differences		148,968
Other future taxable temporary differences		(75,606)

		2,914,968
Less valuation allowance		(68,998)

Deferred taxes, net	\$	2,845,970
		=====
		1994

	Continuing	Discontinued
	-----	-----
Property plant and equipment	\$ (801,614)	\$ (30,163)
Deferred patent costs	--	(373,636)
Net operating loss carryforwards	1,371,378	2,300,930
Tax credit carryforwards	342,873	634,846
Reserve for discontinued operations	--	340,000
Other future deductible temporary differences	304,644	91,095
Other future taxable temporary differences	7,100)	(83,382)
	1,210,181	2,879,690
	-----	-----
Less valuation allowance	--	(2,879,690)
Deferred taxes, net	\$1,210,181	\$ --
	=====	=====

Current and deferred tax benefits resulting from a prepaid license agreement and the exercise of stock options not credited to the consolidated statements of operations for the years ended December 31, 1995 and 1994 include the following amounts:

	1995	1994
	----	----
Additional paid in capital:		
License payment to former subsidiary	\$1,700,000	\$ --
Exercise of stock options	279,180	218,937

Adjustment of valuation allowance	--	660,428
	-----	-----
Total credited to additional paid in capital	\$1,979,180	\$879,365
	=====	=====

In 1994, due to the imminent Distribution, the Company reevaluated the recoverability of its deferred tax assets and as such, adjusted its valuation allowance to reflect its new estimates. Management has determined, based on the Company's history of prior operating earnings and its expectations for the future, that operating income of the Company will more likely than not be sufficient to recognize fully these net deferred tax assets.

Operating loss and tax credit carryforwards available for tax reporting purposes as December 31, 1995 are as follows:

Federal:	
Operating losses (expiring in the year 2010)	\$ 3,993,391
Research tax credits (expiring through the year 2010)	369,954
Alternative minimum tax credits (available without expiration)	13,678

F-16

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

8. Net Income per Share:

Net income per share of Common Stock is computed by dividing net income by the weighted average number of shares of Common Stock and Common Stock Equivalents, if dilutive, outstanding during the year. Common Stock Equivalents include shares issuable upon the exercise of dilutive common stock options. Fully diluted earnings per share approximate primary earnings per share.

9. Commitments and Contingencies:

The Company leases manufacturing and warehousing space, machinery and equipment and automobiles under noncancellable operating lease agreements expiring at various dates through 1997. Rental expense aggregated approximately \$ 281,501 in 1995, \$185,962 in 1994, and \$208,447 in 1993. Future minimum rental commitments under noncancellable operating leases as of December 31, 1995 are as follows:

1996	77,152
1997	61,860
1998	49,043
1999	43,922
2000	38,154

The Company has entered into employment contracts with expiration dates through December 31, 1999 with certain officers which provide that these officers are entitled to continuation of their salaries if they are terminated without cause prior to their contract expiration date. Aggregate compensation through 1999 under these agreements approximates \$3,206,580.

10. Litigation

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Company and its subsidiaries. In the opinion of management, after consultation with legal counsel, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Company if disposed of unfavorably.

On February 6, 1996, Johnson & Johnson and its wholly-owned subsidiary Ortho-McNeil, Inc. (collectively, "J&J") filed a lawsuit against the Company and its subsidiary, Igen, Inc. and its former subsidiary Micro-Pak, Inc. in the United States District Court for the District of New Jersey alleging trademark

infringement and trademark dilution. J&J alleges that the Company's use of the names NOVA SKIN, NOVA SKIN CARE, and NOVA-AESTHETICS infringes on rights associated with J&J's trademark RENOVA for a prescription drug. J&J has also moved for a preliminary injunction seeking to preclude the Company's use of the NOVA SKIN, NOVA SKIN CARE, and NOVA-AESTHETICS names on the Company's newly-launched line of skin care products sold through dermatologists. On March 18, 1996, following a period of expedited discovery, the Court held an evidentiary hearing on the motion for preliminary injunction. The Court has not yet issued a ruling.

Since 1988, the Company has used the trademark NOVASOME in connection with the lipid vesicle encapsulation technology it developed, including in connection with skin care products. In addition, numerous other companies use the term NOCVA in a wide variety of product and corporate name formulations. The Company is vigorously defending this lawsuit and believes that the outcome of the proceedings will not have a material adverse effect on the Company's financial position or results of operations.

F-17

IGI, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

11. Export Sales:

Export revenues by the Company's domestic operations accounted for approximately 39%, 39% and 37% of the Company's total revenues in 1995, 1994, and 1993 respectively. The following table shows the geographical distribution of the export sales:

	Year ended December 31,		
	1995	1994	1993
	----	----	----
Latin America	\$5,064,063	\$ 4,866,826	\$ 4,200,372
Asia/Pacific	4,573,828	3,692,373	3,259,780
Europe	1,307,830	1,817,143	1,021,739
Africa/Middle East	1,288,094	983,542	1,800,426
	-----	-----	-----
	\$12,233,815	\$11,359,884	\$10,282,317
	=====	=====	=====

Related net accounts receivable balances at December 31, 1995, 1994 and 1993 approximated \$4,921,253, \$4,263,579 and \$4,035,969, respectively.

12. Certain Relationships and Related Party Transactions:

In 1990, the Company loaned \$70,000 to its president and in 1993 loaned a total of \$182,400 to four other officers. The remaining balances of notes are included in stockholders' notes receivable in the accompanying Consolidated Balance Sheets. In 1992, the Company loaned a total of \$200,000 to two other officers. The remaining balances of these notes are included in notes receivable, net of current maturities, in the accompanying Consolidated Balance Sheets. All of these loans are evidenced by demand notes bearing interest at prime plus 1/4% and are collateralized by shares of common stock of either IGI or one of its subsidiaries. In 1989, the Company loaned \$200,000 to the president of MPS, which was repaid in 1995 with MPS stock. During 1995, 1994, and 1993, the Company recognized \$38,566, \$34,494 and \$25,081, respectively, in interest income from these notes.

13. Employee Benefits:

The Company has a defined contribution retirement plan (401(k)), pursuant to which employees who have completed one year of employment with the Company or its subsidiaries as of specified dates may elect to contribute to the Plan, in whole percentages, up to 18% of compensation, subject to a minimum contribution by participants of 2% of compensation and a maximum contribution of \$9,240 in 1995 and 1994, and \$8,994 in 1993. The Company matches 25% of the first 5% of compensation contributed by participants and contributes on behalf of each participant \$4 per week of employment during the year. All contributions of the Company are made quarterly in the form of the Company's Common Stock (\$.01 par value) and are immediately vested. The Company has recorded charges to expense related to this plan of approximately \$103,601, \$62,200, and \$76,100 for the years 1995, 1994, and 1993, respectively.

F-18

IGI, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

14. Concentration of Credit Risk:

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents. The company places its cash and cash equivalents with two high credit quality financial institutions. Export receivables include customers in several key geographic areas; of these, Mexico and other Latin American countries are important markets for the Company's poultry vaccines and other products. These countries have historically experienced varying degrees of political unrest and economic and currency instability. Because of the volume of business transacted by the Company in those countries, continuation or recurrence of such unrest or instability could adversely affect the businesses of its customers in those countries or the Company's ability to collect its receivables from such customers, which in either case could adversely impact the Company's future operating results.

15. Business Segments:

Summary data related to continuing operations for the three years ended December 31, 1995 appears below:

	Animal Health Products -----	Cosmetics and Consumer Products -----	Corporate -----	Consolidated -----
1995 ----				
Net sales	\$29,509,868	\$1,710,764	\$ -	\$31,220,632
Operating profit (loss)	6,459,486	(158,644)	(3,056,292)	3,244,550
Depreciation and amortization	819,867	16,246	-	836,113
Identifiable assets	29,379,943	2,951,381	-	32,331,324
Capital expenditures	745,692	1,651,689	-	2,397,381
1994 ----				
Net sales	\$27,470,989	\$1,476,922	\$ --	\$28,947,911
Operating profit (loss)	6,056,835	296,143	(2,844,903)	3,508,075
Depreciation and amortization	837,084	5,824	--	842,908
Identifiable assets	25,941,706	2,493,833	--	*28,435,539
Capital expenditures	569,548	1,275,998	--	1,845,546
1993 ----				
Net sales	\$26,626,127	\$1,378,442	\$ --	\$28,004,569
Operating profit (loss)	6,019,658	366,541	(2,999,781)	3,386,418
Depreciation and amortization	1,043,431	--	--	1,043,431
Identifiable assets	25,142,335	846,544	--	*25,988,879

* Net of net assets of biotechnology segment of \$2,066,303, and \$16,175 for 1994 and 1993, respectively.

F-19

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

COL. A ----- Description -----	COL. B ----- Balance at beginning of period -----	COL. C ----- Additions -----		COL. D ----- Deductions -----	COL. E ----- Balance at end of period -----
		(1) Charged to costs and expenses -----	(2) Charged to other accounts describe -----		
Year ended December 31, 1993: -----					
Allowance for doubtful accounts	\$ 73,000	\$ 101,419	--	\$ 33,919 (A)	\$ 140,500
Inventory valuation allowance	481,873	251,073	--	235,965 (B)	496,981
Other asset valuation allowance	192,119	--	--	6,000	186,119
Amortization of goodwill	59,506	8,416	--	--	67,922
Amortization of other intangibles	256,836	130,983	--	--	387,819
Valuation allowance on net deferred tax assets	1,241,780	1,968,108	--	49,977 (C)	3,159,911
Year ended December 31, 1994: -----					
Allowance for doubtful accounts	\$ 140,500	\$ 107,713	--	\$ 67,213 (A)	\$ 181,000
Inventory valuation allowance	496,981	163,842	--	153,684 (B)	507,139
Other asset valuation allowance	186,119	--	--	--	186,119
Amortization of goodwill	67,922	8,416	--	--	76,338
Amortization of other intangibles	387,819	76,466	--	--	464,285
Valuation allowance on net deferred tax assets	3,159,911	651,614	--	931,835 (D)	2,879,690
Year ended December 31, 1995: -----					
Allowance for doubtful accounts	\$ 181,000	\$ 142,273	--	\$ 17,273 (A)	\$ 306,000
Inventory valuation allowance	507,139	645,464	--	458,888 (B)	693,715
Other asset valuation allowance	186,119	--	--	--	186,119
Amortization of goodwill	76,338	8,416	--	--	84,754
Amortization of other intangibles	464,285	57,464	--	--	521,749
Valuation allowance on net deferred tax assets	2,879,690	68,998	--	2,879,690 (E)	68,998

- (A) Relates to write-off of uncollectible accounts.
- (B) Dispositions of obsolete inventories.
- (C) Represents reversal of valuation allowance for a change in estimated realizability of assets, credited to costs and expenses.
- (D) Incorporates \$660,428 reversal of valuation allowance relating to the exercise of stock options, included in additional paid in capital and \$271,407, reversal of valuation allowance relating to research and development tax credits, credited to costs and expenses.
- (E) Related to spin off of certain discontinued operations during 1995.

Exhibit - - - - -	Page -----
3 (a)	*
3 (b)	*
4	*
10 (a)	*
10 (b)	*
10 (c)	*
10 (d)	*
10 (e)	*
10 (f)	*
10 (g)	*
10 (h)	*
10 (i)	*
10 (j)	*
10 (k)	*
10 (l)	*
10 (m)	*
10 (n)	*
10 (o)	*
10 (p)	*
10 (q)	*
10 (r)	*
10 (s)	*
10 (t)	*
10 (u)	*
11	
22	
24	

* These exhibits are incorporated by reference.

SECOND

AMENDED AND RESTATED

LOAN AGREEMENT

SECOND AMENDED AND RESTATED LOAN AGREEMENT (this "Agreement"), is made and entered into as of the 13th day of December, 1995, by and among FLEET BANK-NH, a trust company organized under the laws of New Hampshire ("Fleet"); MELLON BANK, N.A., a national banking association ("Mellon"); and IGI, INC., a Delaware corporation ("IGI"), IGEN, INC., a Delaware corporation ("IGEN"), IMMUNOGENETICS, INC., a Delaware corporation ("ImmunoGen"), and BLOOD CELLS, INC., a Delaware corporation ("BCI"). Fleet and Mellon are hereinafter sometimes individually referred to as a "Lender" and collectively referred to as the "Lenders", and IGI, IGEN, ImmunoGen and BCI are hereinafter sometimes individually referred to as a "Borrower" and collectively referred to as the "Borrowers".

W I T N E S S E T H :
- - - - -

WHEREAS, the Borrowers are engaged in the business of (a) developing, manufacturing and marketing poultry vaccines and veterinary pharmaceuticals, including vaccines and related products for poultry disease prevention, antibiotics and other ethical pharmaceuticals utilized by veterinarians, and over-the-counter pet grooming, nutritional, therapeutic and medicinal products, (b) developing, manufacturing and marketing various components of cosmetic products for human use, and (c) conducting research and development activities directed toward the development of additional products and product applications which are both related and unrelated to the products currently manufactured, distributed and sold by the Borrowers (collectively, the "Business Operations"); and

WHEREAS, pursuant to that certain Amended and Restated Loan Agreement dated May 12, 1992 by and among Fleet, the Borrowers, and certain other persons named as "Borrowers" therein (the "Amended and Restated Loan Agreement") (such Amended and Restated Loan Agreement amending and restating the Original Agreement referred to therein), Fleet has heretofore provided to the Borrowers and such other persons a revolving credit facility of up to \$12,000,000 and a line of credit facility of up to \$6,000,000; and

WHEREAS, simultaneous herewith, Fleet has assigned to Mellon a 40% interest in the Revolving Credit Commitment, the Revolving Credit Note, the Line of Credit Commitment and the Line of Credit Note (as such terms are respectively defined in the Amended and Restated Loan Agreement), and in the Amended and Restated Loan Agreement and the Security Documents thereunder; and

-1-

WHEREAS, in order to enable the Borrowers to effect the Spin-Off (as such term is hereinafter defined), and to facilitate the Business Operations, the Borrowers have requested certain amendments and increases to the revolving credit facility and the line of credit facility, and certain other modifications to the terms and conditions of the Original Agreement and the Amended and Restated Loan Agreement; and

WHEREAS, the Lenders are willing to effect such modifications and extensions, but only upon the terms and conditions contained herein, including, without limitation, the modification, execution, delivery, and, where appropriate, the filing and/or recording of certain collateral security instruments;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereby agree as follows:

I. DEFINITIONS

Section 1.01. Defined Terms. In addition to the other terms defined

elsewhere in this Agreement, as used herein, the following terms shall have the following meanings:

"Adjusted Interest Coverage Ratio" shall mean, as to the Borrowers on a consolidated basis for any given fiscal period, the ratio of (a) the sum of (i) consolidated Operating Income of the Borrowers earned in such fiscal period, plus (ii) Net R & D Expense incurred in such fiscal period, to (b) Interest

Expense incurred in such fiscal period.

"Advances" shall mean the collective reference to: (a) the Revolving Credit Advances extended to the Borrowers from time to time pursuant to Section 2.01 of this Agreement, and (b) the Line of Credit Advances extended to the Borrowers from time to time pursuant to Section 2.02 of this Agreement.

"Affiliate" shall mean, with respect to any Person, any other Person in control of, controlled by, or under common control with the first Person, and any other Person who has a substantial interest, direct or indirect, in the first Person or any of its Affiliates, including, without limitation, any officer or director of the first Person or any of its Affiliates; for the purpose of this definition, a "substantial interest" shall mean the direct or indirect legal or beneficial ownership of more than five (5%) percent of any class of stock or similar interest.

"Agent" shall mean Fleet, in its capacity as administrator of the Loans and as holder of the Liens and security interests securing the Obligations, all for the benefit of the Lenders.

-2-

"Agreement" shall mean this Second Amended and Restated Loan Agreement as it may from time to time be amended and/or supplemented.

"Agreement Date" shall mean the date this Agreement is executed by the Lenders, being the date set forth opposite the signatures of the Lenders on the signature page hereof.

"Applicable Law" shall mean all applicable provisions of all (a) constitutions, statutes, ordinances, rules, regulations and orders of all governmental and/or quasi-governmental bodies, (b) Government Approvals, and (c) order, judgments and decrees of all courts and arbitrators.

"Bank's Office" shall mean the office of Fleet located at One Indian Head Plaza, Nashua, New Hampshire 03060-3468, or such office of Fleet as it shall from time to time designate in writing to the Borrowers.

"Base Rate" shall mean the rate of interest publicly announced from time to time by Fleet as its "base rate" of interest, regardless of whether such rate is the best rate offered or extended by Fleet.

"BCI Group" shall mean the individual or collective reference to BCI and/or any direct or indirect Subsidiary of BCI created or acquired from and after the Agreement Date.

"Borrower" or "Borrowers" shall mean and include IGI, IGEN, ImmunoGen and BCI, and each existing or hereafter created direct or indirect Subsidiary of IGI, IGEN, ImmunoGen or BCI, taken singly, collectively or in any combination, but excluding any and all Immaterial Subsidiaries.

"Business Day" shall mean a day other than (a) a Saturday, (b) a Sunday, or (c) in the case of a day on which any payment hereunder is to be made in the State of New Hampshire, a day on which commercial banks in the State of New Hampshire are authorized or required by law to close.

"Capital Base", at a particular date, shall mean the sum of: (a) all amounts which would, in conformity with GAAP, be included under stockholders' equity on the consolidated balance sheet of IGI and its Subsidiaries as at such date, including all paid-in capital and all accumulated Retained Earnings; and (b) all Subordinated Debt; provided, however, that for purposes of calculating

Capital Base, except as otherwise specifically reflected on the Pro Forma Balance Sheet (as hereinafter defined) accepted by the Lenders or as may be subsequently approved in writing by the Requisite Lenders, there shall not be

included as an asset, solely for the purpose of calculating Capital Base, any amounts attributable to: (i) the revaluation or writing up of any

-3-

asset, including leasehold interests, (ii) treasury stock, or (iii) the value of any asset in excess of its purchase price in an arm's length transaction.

"Capital Expenditures" shall mean with respect to any Person, all expenditures of such Person for tangible assets which are capitalized, and the fair value of any tangible assets leased by such Person under any lease which would be a Capitalized Lease, determined in accordance with GAAP, including all amounts paid or accrued by such Person in connection with the purchase (whether on a cash or deferred payment basis) or lease (including Capitalized Lease Obligations) of any machinery, equipment, tooling, real property, improvements to real property (including leasehold improvements), or any other tangible asset of any of the Borrowers which is required, in accordance with GAAP, to be treated as a fixed asset on the consolidated balance sheet of such Person.

"Capitalized Lease" shall mean any lease which is or should be capitalized on the balance sheet of the lessee thereunder in accordance with GAAP.

"Capitalized Lease Obligation" shall mean with respect to any Person, the amount of the liability which reflects the amount of future payments under all Capitalized Leases of such Person as at any date, determined in accordance with GAAP.

"Code" shall mean the Internal Revenue Code of 1986, and the rules and regulations promulgated thereunder, as in effect from time to time.

"Contract" shall mean any indenture, agreement (other than this Agreement), other contractual restriction, lease in which any of the Borrowers is a lessor or lessee (other than the Real Property Leases), license, instrument, or certificates of incorporation of the Borrowers.

"Contract Assignment" shall mean the collateral assignment by each of the Borrowers to the Agent of such Borrower's rights in its Contracts (other than Excluded Contracts), pursuant to a Conditional Assignment of Contracts dated December 20, 1990 by and between the Original Borrowers and Fleet, as amended and supplemented by the Modification Agreement and the Second Modification Agreement, and as may be further amended and/or supplemented from time to time in accordance therewith.

"Current Assets" shall mean, at a particular date, all assets which would, in conformity with GAAP, be properly classified as current assets on the consolidated balance sheet of IGI and its Subsidiaries as at such date.

"Current Liabilities" shall mean, at a particular date, all liabilities which would, in conformity with GAAP, be properly

-4-

classified as current liabilities on the consolidated balance sheet of IGI and its Subsidiaries as at such date, including all Line of Credit Advances then outstanding under the Line of Credit Note.

"Current Ratio" shall mean, on any given date, the ratio of Current Assets to Current Liabilities.

"Default" shall mean any of the events specified in Article VII hereof, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as in effect from time to time.

"ERISA Affiliate" shall mean, with respect to any Person, any other Person which is under common control with the first Person within the meaning of

Section 414(b) or 414(c) of the Code.

"Event of Default" shall mean any of the events specified in Article VII hereof, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Excluded Contracts" shall mean those specific contracts and agreements or types of contracts and agreements to which any or all of the Borrowers are a party which are listed on Schedule "12" annexed hereto.

"Existing Capitalized Leases" shall mean the Capitalized Leases set forth on Schedule "3" annexed hereto.

"Existing Indebtedness" shall mean the Indebtedness set forth on Schedule "1" annexed hereto and any renewals, extensions or refundings thereof, but not, with respect to any such Indebtedness for Money Borrowed, any increases in principal amounts thereof or interest rates thereon.

"Existing Liens" shall mean the Liens set forth on Schedule "2" annexed hereto, but only, in the case of each such Lien, to the extent that it secures Existing Indebtedness.

"Existing Operating Leases" shall mean the Operating Leases set forth on Schedule "3" annexed hereto.

"Existing Real Properties" shall mean the specific real properties owned or leased by any of Borrowers, all of which are listed on Schedule "3" annexed hereto, and all buildings, improvements and fixtures thereon and thereto; provided, that such Schedule "3" and the definition of Existing Real

Properties shall exclude Immaterial Real Properties listed on Schedule "13" annexed hereto.

-5-

"Fiscal Year" shall mean the fiscal year of the Borrowers which ends on December 31 of each year. In the event that such Fiscal Year is so changed from December 31 to another date with the consent of the Requisite Lenders, then the monthly periods, quarterly periods and annual periods referred to in Article V hereof shall also be amended to coincide with such Fiscal Year, as so changed.

"Flavorsome" shall mean Flavorsome, Ltd., a Delaware corporation, of which one-half of the issued and outstanding capital stock is currently owned by IGEN.

"Fleet Line of Credit Note" shall mean the promissory note of the Borrowers issued to Fleet as described in Section 2.02(f) of this Agreement.

"Fleet Revolving Credit Note" shall mean the promissory note of the Borrowers issued to Fleet as described in Section 2.01(g) of this Agreement.

"GAAP" shall mean generally accepted accounting principles in the United States of America, consistently applied, unless the context otherwise requires, with respect to any financial terms, ratios or covenants contained herein, as then in effect with respect to the preparation of financial statements; provided, however, that if any change in GAAP enacted subsequent to

the Agreement Date shall affect the financial covenants referred to herein, the parties shall, in good faith, appropriately amend such covenants to reflect such changes in GAAP.

"Government Approval" shall mean an authorization, consent, non-action, approval, license or exemption of, registration or filing with, or report to, any governmental or quasi-governmental department, agency, body or other unit.

"Group" or "Groups" shall mean the single and collective reference to the ImmunoGen Group and the BCI Group.

"Guaranty, "Guaranteed" or to "Guarantee", as applied to any Indebtedness or Liability, shall mean and include: (a) a guaranty, directly or indirectly, in any manner, including by way of endorsement (other than endorsements of negotiable instruments for collection in the ordinary course of business), of any part or all of such obligation, and (b) an agreement,

contingent or otherwise, and whether or not constituting a guaranty, assuring, or intended or the practical effect of which is to assure, the payment or performance (or payment of damages in the event of non-performance) of any part or all of such obligation whether by (i) the purchase of securities or obligations, (ii) the purchase, sale or lease (as lessee or lessor) of property, or the purchase or sale of services, primarily for the purpose of enabling the obligor with respect to such obligation to make any payment or performance (or

-6-

payment of damages in the event of non-performance) of or on account of any part or all of such obligation, or to assure the owner of such obligation against loss, (iii) the supplying of funds to or in any other manner investing in the obligor with respect to such obligation, (iv) the repayment of amounts drawn down by beneficiaries of letters of credit not arising out of the import of goods, (v) the supplying of funds to or investing in a Person on account of all or any part of such Person's obligation under a Guaranty of any such obligation or indemnifying or holding harmless, in any way, such Person against any part or all of such obligation, or (vi) otherwise.

"Immaterial Leases" shall mean the collective reference to: (a) those specific Existing Operating Leases and Existing Capitalized Leases which are listed on Schedule "13" annexed hereto; and (b) additional Operating Leases and/or Capitalized Leases (excluding those listed on Schedule "13" hereto)

which, subject to the conditions and limitations set forth in this Agreement, may have been or may be entered into by any of the Borrowers following the Original Agreement Date; provided, that: (i) the annual rentals payable by the

applicable Borrower or Borrowers under any one of such additional Operating Leases or Capitalized Leases shall not exceed \$50,000, and (ii) the annual rentals payable by all Borrowers under all such additional Operating Leases or Capitalized Leases shall not exceed \$250,000 in the aggregate at any time.

"Immaterial Real Properties" shall mean the collective reference to: (a) those specific Real Properties currently owned by any of the Borrowers which were purchased for total consideration of less than \$100,000 and which are listed on Schedule "13" annexed hereto; and (b) Real Properties which, subject to the conditions and limitations set forth in this Agreement, may have been or may be purchased by any of the Borrowers following the Original Agreement Date for total consideration (inclusive of Indebtedness assumed or incurred) of not more than \$100,000 in respect of any one such Real Properties.

"Immaterial Subsidiaries" shall mean those Subsidiaries of the Borrowers designated as "Immaterial Subsidiaries" on Schedule "10" annexed hereto, each of which has no material assets, material liabilities or material revenues.

"ImmunoGen Group" shall mean the individual or collective reference to ImmunoGen, IGI, IGEN, and/or any other direct or indirect Subsidiary of any of such Borrowers (other than any members of the BCI Group) created or acquired from and after the Original Agreement Date.

"Indebtedness", as applied to any or all of the Borrowers, shall mean, without duplication: (a) all items (including Capitalized Lease Obligations, but excluding items of

-7-

capital stock or of surplus) which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of the balance sheet of such Person as at the date as of which Indebtedness is to be determined, (b) all obligations and Indebtedness for Money Borrowed, (c) all purchase and lease obligations (including, during the non-cancelable term of any Capitalized Lease, all future payment obligations under such lease discounted to their present value in accordance with GAAP) secured by any Lien to which any property or asset owned or held by such Person is subject, whether or not the obligation secured thereby shall have been assumed, and (d) all Indebtedness or Liabilities of other Persons which any of the Borrowers have assumed or Guaranteed, including but not limited to all obligations of such Person consisting of recourse liability with respect to accounts receivable sold or otherwise disposed of by any of the Borrowers.

"Indebtedness to Capital Base Ratio" shall mean, on any given date, the ratio of Indebtedness (exclusive of Subordinated Debt) of all Borrowers to Capital Base.

"Intangible Property Security Agreements" shall mean the Security Agreement - Intellectual Property dated December 20, 1990 by and among the Original Borrowers and Fleet, as amended and supplemented by the Modification Agreement and the Second Modification Agreement, and as may be further amended and/or supplemented from time to time in accordance therewith, pursuant to which the Borrowers have created in favor of the Agent a first priority lien and security interest in the Borrowers' letters patent, patent applications, trademarks, copyrights and tradenames now owned or hereafter acquired by each of them.

"Intercompany Investments" shall have the meaning ascribed to such term in Section 5.04(a) of this Agreement.

"Interest Coverage Ratio" shall mean, as to the Borrowers on a consolidated basis for any given fiscal period, the ratio of Operating Income earned in such fiscal period to the total amount of Interest Expense incurred in such fiscal period.

"Interest Expense" shall mean, with respect to any Person for any fiscal period, all interest on, or the interest component of, all Indebtedness for Money Borrowed of such Person, whether accrued or paid, and all other interest expense charged against income of such Person in accordance with GAAP for such fiscal period.

"Investment", as applied to any of the Borrowers, shall mean: (a) any shares of capital stock, assets, evidence of Indebtedness or other security issued by any other Person to any of the Borrowers or any Subsidiary, (b) any loan, advance or extension of credit to, or contribution to the capital of, any other Person, other than credit terms extended to customers in the ordinary

-8-

course of business, (c) any Guaranty of the Indebtedness or Liability of any other Person, (d) any obligation owed to the Borrowers secured by a Lien on, or payable out of the proceeds of production from, any property of any other Person, whether or not such obligation shall have been assumed by such Person, (e) any other investment by any of the Borrowers or any Subsidiary thereof in any assets or securities of any other Person, and (f) any commitment to make any Investment.

"Lease Assignment" or "Lease Assignments" shall mean the individual or collective reference to the collateral assignment by the Borrowers to the Agent of all of the Borrowers' rights, as lessee or sublessee, in and to all of the Real Property Leases (other than Immaterial Leases), each such assignment in substantially the form of Exhibit "E" to the Original Agreement, and the related waivers and agreements of the lessors and landlords in respect of such Real Property Leases, each such waiver and agreement in substantially the form included in Exhibit "E" to the Original Agreement, all as may be amended and/or supplemented from time to time in accordance therewith.

"Liability" or "Liabilities", as applied to any of the Borrowers, shall mean any obligation or liability, whether arising under Contract, Applicable Law or otherwise, in each case to the extent that such obligation or Liability does not otherwise constitute Indebtedness of such Borrowers.

"Lien", as applied to the property or assets (or the income or profits therefrom) of any or all of the Borrowers, shall mean (in each case, whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise): (a) any mortgage, lien, pledge, attachment, assignment, deposit arrangement, encumbrance, charge, lease constituting a Capitalized Lease Obligation, conditional sale or other title retention agreement, or other security interest or encumbrance of any kind in respect of any property (including, without limitation, stock of any Subsidiary) of any of the Borrowers, or upon the income or profits therefrom, (b) any arrangement, express or implied, under which any property of any of the Borrowers is transferred, sequestered or otherwise identified for the purpose of subjecting or making available the same for the payment of Indebtedness or the performance of any other Liability in priority to the payment of the general, unsecured creditors of any of the Borrowers, (c) any Indebtedness which remains unpaid more than five (5) calendar days after the same shall have become due and

payable and which, if unpaid, might by law (including but not limited to bankruptcy or insolvency laws) or otherwise be given any priority whatsoever over the general, unsecured creditors of any of the Borrowers, (d) any agreement (other than this Agreement) or other arrangement, express or implied, which, directly or indirectly, prohibits any of the Borrowers from creating or incurring any Lien on any of its properties or assets or which conditions the ability

-9-

to do so on the security, on a pro rata or other basis, of Indebtedness other
--- ----
than Indebtedness outstanding under this Agreement, and (e) any arrangement, express or implied, under which any right or claim of any of the Borrowers is subject or subordinated in any way to any right or claim of any other Person.

"Line of Credit Commitment" shall mean the Lenders' several obligations to extend Line of Credit Advances to the Borrowers pursuant to Section 2.02 of this Agreement.

"Line of Credit Notes" shall mean collective reference to the Fleet Line of Credit Note and the Mellon Line of Credit Note.

"Loan" or "Loans" shall mean the collective reference to: (a) the loans and Revolving Credit Advances made from time to time to the Borrowers pursuant to the Revolving Credit Commitment, and (b) the loans and Line of Credit Advances made from time to time to the Borrowers pursuant to the Line of Credit Commitment.

"MAI" shall mean Marketing Aspects, Inc., a Delaware corporation, which is currently a wholly-owned Subsidiary of IGEN.

"Management Group" shall mean, collectively, Edward Hager, as Chairman and Chief Executive Officer of IGI, and John P. Gallo, as President and Chief Operating Officer of IGI; provided, however, that such individuals may at any

time and from time to time have such other and/or additional titles as may be directed by the Board of Directors of IGI.

"Mellon Line of Credit Note" shall mean the promissory note of the Borrowers issued to Mellon as described in Section 2.02(f) of this Agreement.

"Mellon Revolving Credit Note" shall mean the promissory note of the Borrowers issued to Mellon as described in Section 2.01(g) of this Agreement.

"Modification Agreement" shall mean the Joinder, Assumption and Security Documents Modification Agreement, dated May 12, 1992, by and among Fleet, the Borrowers, and the members of the MPS Group.

"Money Borrowed", as applied to Indebtedness, shall mean: (a) money borrowed, and (b) without duplication, (i) Indebtedness represented by notes payable and drafts accepted representing extensions of credit, (ii) all Indebtedness evidenced by bonds, debentures, notes or other similar instruments, and (iii) all Indebtedness upon which interest charges are customarily paid.

"Mortgages" shall mean the mortgage(s), indenture(s) and/or deed(s) of trust issued by the Borrowers, as mortgagor, in favor of the Agent, as mortgagee, and granting to the Agent a first

-10-

priority mortgage, lien and security interest in and to all of the Existing Real Properties owned by any of the Borrowers and all other Real Properties now or hereafter owned by any of the Borrowers (other than Immaterial Real Properties), all containing substantive provisions substantially in accordance with the form of Exhibit "D" to the Original Agreement, all as may be amended and supplemented from time to time in accordance therewith.

"MPS Group" shall mean the collective reference to Novavax, Inc., a Delaware corporation formerly known as Molecular Packaging Systems, Inc. ("MPS"), Micro Vesicular Systems, Inc., a Delaware corporation ("MVS"), Micro-Pak, Inc., a Delaware corporation ("Micro-Pak"), and Lipovax, Inc., a Delaware corporation formerly known as Novavax, Inc. ("Lipovax").

"Net Income", as applied to the Borrowers, shall mean the consolidated net income (or loss) of IGI and its consolidated Subsidiaries for the period in question, after giving effect to deduction of or provision for all operating expenses, all taxes and reserves (including reserves for deferred taxes) and all other proper deductions, all determined in accordance with GAAP; provided that, for purposes of calculating Net Income, there shall be excluded and no effect shall be given to:

(a) any restoration of any contingency reserve, except to the extent that provision for such reserve was made out of income for the subject period;

(b) any net gains or losses on the sale or other disposition, not in the ordinary course of business, of Investments and/or other capital assets, provided that there shall also be excluded any related charges for taxes thereon; and

(c) any net gain arising from the collection of the proceeds of any insurance policy or policies.

"Net R & D Expense" shall mean, as to the Borrowers on a consolidated basis for any given fiscal period, the amount, if any, by which: (a) the aggregate expenditures made and/or incurred by the Borrowers in such fiscal period in respect of their research and development activities, shall exceed (b)

the aggregate income (excluding royalty income derived under licenses of any of

the Borrower's patents or technology unrelated to the performance of ongoing services) derived by the Borrowers in such fiscal period from third Persons in respect of services performed relating to research and development activities.

"Note" or "Notes" shall mean the individual or collective reference to the Revolving Credit Notes, the Line of Credit Notes, and any amendments, modifications or extensions thereto specifically approved in writing by the subject Lender.

-11-

"Obligations" shall mean the collective reference to all Indebtedness and other liabilities and obligations of every kind and description owed by any or all of the Borrowers to either or both of the Lenders from time to time, however evidenced, created or incurred, whether direct or indirect, primary or secondary, fixed or contingent, now or hereafter existing, due or to become due, including but not limited to obligations represented by or arising under this Agreement, the Notes and/or the Security Documents.

"Operating Income" shall mean as to the Borrowers on a consolidated basis for any given fiscal period, an amount equal to the sum of: (a) Net Income for such fiscal period, (b) all federal and state income taxes paid or accrued in respect of the Pre-Tax Income of the Borrowers for such fiscal period, (c) all Interest Expense paid or accrued in such fiscal period, (d) other expense (less other income) as set forth on Borrowers financial statements, (e) all amounts deducted in such fiscal period for depreciation of tangible assets, and (f) all amounts deducted in such fiscal period in respect of amortization of good will and/or other intangible assets.

"Operating Leases" shall mean, collectively, all leases or similar agreements of any kind (whether relating to real property, personal property or otherwise) pursuant to which any of the Borrowers are at any time a lessee or otherwise required to make payments in connection with the use or enjoyment of any property of any kind in the Business Operations, all as determined in accordance with GAAP.

"Original Agreement" shall mean the Loan Agreement dated December 20, 1990 (and as thereafter amended and supplemented) among Fleet, the Borrowers, and the members of the MPS Group.

"Original Agreement Date" shall mean December 20, 1990, being the "Agreement Date" under and for purposes of the Original Agreement.

"Original Borrowers" shall mean IGI, IGEN, ImmunoGen, MPS, Micro-Pak and MVS.

"Person" shall mean any individual, partnership, corporation, banking association, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

"Pre-Tax Income", as applied to the Borrowers, shall mean the sum of (a) the Net Income of the Borrowers for the period in question, plus (b) all federal and state income taxes paid or accrued with respect to such period as reflected on the consolidated statement of income of the Borrowers.

-12-

"Pro Forma Balance Sheet" shall mean the unaudited consolidated pro forma balance sheet of the Borrowers described in Section 3.01(c) of this Agreement.

"Real Properties" shall mean all of the real property now or hereafter owned or leased by any of the Borrowers, together with all buildings, improvements and fixtures thereon and thereto; including, without limitation, all Existing Real Properties.

"Real Property Leases" shall mean all leases and other agreements and instruments in respect of the rental of real property, buildings, improvements and/or fixtures pursuant to which any of the Borrowers is or may hereafter be the lessee, sublessee, lessor or sublessor (as the case may be), including, without limitation, all Existing Operating Leases and Existing Capitalized Leases listed on Schedule "3" hereto constituting Real Property Leases.

"Requisite Lenders" shall mean, at any time, Lenders holding, in the aggregate, more than two-thirds of the combined Revolving Credit Commitment and Line of Credit Commitment.

"Retained Earnings" shall mean, as at any date or for any period in question, the accumulated consolidated Net Income of the Borrowers, less any and all dividends or distributions on such accumulated Net Income.

"Revolving Credit Commitment" shall mean the Lenders' several obligations to extend Revolving Credit Advances to the Borrowers pursuant to Section 2.01 of this Agreement.

"Revolving Credit Notes" shall mean the collective reference to the Fleet Revolving Credit Note and the Mellon Revolving Credit Note.

"SEC" shall mean the Securities and Exchange Commission, or any successor to the functions of such agency.

"Second Modification Agreement" shall mean the Security Documents Modification Agreement, dated the Agreement Date, substantially in the form of Exhibit "C" annexed hereto.

"Security Agreement" shall mean the Security Agreement dated December 20, 1990 by and between Fleet and the Original Borrowers, as amended and supplemented by the Modification Agreement and the Second Modification Agreement, and as may be further amended and/or supplemented from time to time in accordance therewith, pursuant to which the Agent has received a continuing first priority lien and security interest in and to all now-owned and hereafter-acquired (excluding, however, Immaterial Real Properties, Excluded Contracts and

Immaterial Leases) tangible and intangible personal property of all of the Borrowers, including,

-13-

without limitation, all cash, marketable securities, inventories, accounts receivable, general intangibles, machinery and equipment, tooling, licenses, Capitalized Leases, Operating Leases, intangible properties and contract rights of all of the Borrowers.

"Security Documents" shall mean the collective reference to: (a) the Security Agreement, (b) the Mortgages, (c) the Lease Assignments, (d) the Contract Assignment, (e) the Intangible Property Security Agreements, (f) the Subsidiary Pledge Agreement, and (g) all UCC Financing Statements and other documents filed or recorded to evidence and/or perfect the foregoing, or to

further or collaterally secure same, all as may be amended or supplemented from time to time in accordance therewith.

"Senior Debt" shall mean, at a particular date, the aggregate outstanding amount of all Indebtedness of the Borrowers for Money Borrowed (including Indebtedness to the Lenders), less the aggregate outstanding amount

of all Subordinated Debt.

"Spin-Off" shall mean the collective reference to the series of related transactions whereby (a) MVS is transferring its stock interest in Flavorsome to IGEN, for consideration consisting of a \$150,000 reduction of outstanding intercompany debt, (b) a newly formed, wholly-owned subsidiary of MPS is being merged with and into Lipovax (with Lipovax as the surviving corporation of such merger) with the stockholders of Lipovax receiving stock of MPS in consideration of and in exchange for their capital stock of Lipovax, (c) ImmunoGen is distributing to IGEN the right to receive payment from MVS and Lipovax of the aggregate sum of approximately \$17,000,000 (representing funds previously advanced by ImmunoGen to MVS and Lipovax), which IGEN is simultaneously contributing and transferring to MPS as consideration for the issuance to IGEN of additional capital stock of MPS, (d) ImmunoGen is borrowing \$5,000,000 of Line of Credit Advances and is utilizing the entire such \$5,000,000 to prepay certain royalties under a technology licensing agreement between IGEN and Micro-Pak, (e) IGEN is distributing and transferring all of the capital stock of MPS held by IGEN to IGI, and (f) IGI is distributing all of the capital stock of MPS received by IGI from IGEN to the stockholders of IGI in a tax-free spin-off. As a result of the Spin-Off, and pursuant to the Second Modification Agreement, the MPS Group will cease to be borrowers or otherwise have the benefit of any further Loans, and all Liens heretofore held by Fleet in respect of assets of the members of the MPS Group, and in respect of any capital stock of any members of the MPS Group, shall be terminated and released.

"Subordinated Debt" shall mean all Indebtedness for Money Borrowed and other Liabilities of any of the Borrowers, whether or not evidenced by promissory notes, which is subordinated in right of payment, in a manner satisfactory to the Lenders (as evidenced by their prior written approval thereof), to all other Obligations of the Borrowers to the Lenders.

-14-

"Subsidiary" or "Subsidiaries" shall mean the individual or collective reference to any corporation of which 50% or more of the outstanding shares of stock of each class having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) is at the time owned by the Borrowers, directly or indirectly through one or more Subsidiaries of any of the Borrowers. After giving effect to the Spin-Off, IGEN is a Subsidiary of IGI; and ImmunoGen, BCI, Flavorsome, MAI and Vista are Subsidiaries of IGEN.

"Subsidiary Pledge Agreement" shall mean the Stock Pledge Agreement dated December 20, 1990 by and between Fleet and IGI, IGEN and MPS, as amended and supplemented by the Modification Agreement and the Second Modification Agreement, and as may be further amended and/or supplemented from time to time in accordance therewith, pursuant to which, as collateral security for the Obligations: (a) IGI has pledged to the Agent all of the issued and outstanding shares of capital stock of IGEN; (b) IGEN has pledged to the Agent (i) all of the issued and outstanding shares of capital stock of ImmunoGen, MAI and Vista, and (ii) all shares of capital stock of BCI and Flavorsome owned of record by IGEN (collectively, the "Pledged Stock").

"UCC Financing Statements" shall mean the Uniform Commercial Code financing statements on Form UCC-1 (or other applicable form) executed by the Borrowers, in form for filing and recording in the appropriate state and county jurisdictions in which any of the Borrowers maintains any assets or conducts any business.

"Vista" shall mean Vista International Sales Corp., a Delaware corporation, which is currently a wholly-owned Subsidiary of IGEN.

"Working Capital" shall mean, on any given date, the amount by which the Borrowers' consolidated Current Assets shall exceed their consolidated Current Liabilities, as determined in accordance with GAAP.

Section 1.02. Use of Defined Terms. All terms defined in this Agreement

shall have their defined meanings when used in the Notes, the Security Documents, and all certificates, reports or other documents made or delivered pursuant to his Agreement, unless otherwise defined therein or unless the specific context shall otherwise require.

Section 1.03. Accounting Terms. All accounting terms not specifically

defined herein shall be construed in accordance with GAAP.

-15-

II. GENERAL TERMS

Section 2.01. Revolving Credit Loans.

(a) Subject at all times to all of the terms and conditions of this Agreement, the Lenders hereby severally (and not jointly and severally) agree to extend to the Borrowers (jointly and severally) a secured revolving credit facility, to December 31, 1999 (the "Revolving Credit Termination Date"), in an aggregate principal amount not to exceed, at any time outstanding, the maximum amount available at such time as set forth below (the "Revolving Credit Commitment"):

Time Period -----	Maximum Amount -----
12/13/95 - 6/29/96	\$12,000,000
6/30/96 - 9/29/96	\$11,200,000
9/30/96 - 12/30/96	\$10,400,000
12/31/96 - 3/30/97	\$ 9,600,000
3/31/97 - 6/29/97	\$ 8,800,000
6/30/97 - 9/29/97	\$ 8,000,000
9/30/97 - 12/30/97	\$ 7,200,000
12/31/97 - 3/30/98	\$ 6,400,000
3/31/98 - 6/29/98	\$ 5,600,000
6/30/98 - 9/29/98	\$ 4,800,000
9/30/98 - 12/30/98	\$ 4,000,000
12/31/98 - 3/30/99	\$ 3,200,000
3/31/99 - 6/29/99	\$ 2,400,000
6/30/99 - 9/29/99	\$ 1,600,000
9/30/99 - 12/30/99	\$ 800,000
12/31/99 and thereafter	- 0 -

(b) Such revolving credit loans are herein sometimes referred to individually as a "Revolving Credit Advance" and collectively as the "Revolving Credit Advances". Subject at all times to all of the terms and conditions of this Agreement, from the date hereof to the Revolving Credit Termination Date and within the limits of the Revolving Credit Commitment as in effect from time to time, Fleet shall lend sixty (60%) percent and Mellon shall lend forty (40%) percent of the aggregate amount of each Revolving Credit Advance and of all Revolving Credit Advances, and the Borrowers (including, without limitation, any one or more of the now-existing Subsidiaries directly) shall jointly and severally, as to all Borrowers, borrow, prepay (without penalty, except as otherwise provided in the Revolving Credit Notes) and reborrow in minimum increments of Twenty-Five Thousand (\$25,000) Dollars under this Section 2.01. Each request for a Revolving Credit Advance by the Lenders shall be made in writing by the Chairman, the President or the Chief Financial Officer of IGI or other authorized Person designated by IGI in writing, or by telephonic communication by

-16-

such officer of IGI or other designated Person to the Lenders, which shall be confirmed by written notice to the Lenders to be delivered to the Lenders by the

third Business Day next following the subject request, which notice shall be in substantially the form of the Borrowing Request Certificate annexed as Exhibit "J" to the Original Agreement.

(c) The Borrowers shall jointly and severally pay the Lenders interest on all Revolving Credit Advances at the rate(s) per annum as in effect from time to time in accordance with the Revolving Credit Notes. Such interest shall be payable monthly in arrears, and shall be computed on the daily unpaid balance of all Revolving Credit Advances made under the Borrowers' revolving credit loan accounts with the Lenders, based on a three hundred sixty (360) day year, counting the actual number of days elapsed. In addition, the Borrowers shall jointly and severally pay to the Lenders, quarterly through the Revolving Credit Termination Date, in arrears, a fee on the unused portion of the Revolving Credit Commitment (the "Revolving Credit Commitment Fee") computed by multiplying: (i) one-quarter of one (1/4%) percent, times (ii) the actual number of days in the subject quarterly period, times (iii) the difference of (x) the amount of the Revolving Credit Commitment in effect during the majority of the subject quarterly period minus (y) the average daily principal amount of all

outstanding Revolving Credit Advances to the Borrowers during such quarterly period, and then dividing such product by three hundred sixty (360). The Borrowers jointly and severally hereby authorize the Lenders to charge the Borrowers' revolving credit loan accounts for all such interest and Revolving Credit Commitment Fees. The Agent will report to IGI monthly as to the status of such revolving credit loan accounts, and each such report shall be fully binding on all Borrowers, except to the extent that IGI gives the Lenders written notice of exceptions within thirty (30) days after its receipt of such report.

(d) In accordance with provisions set forth in the Security Agreement, the Agent may, upon the occurrence and during the continuation of any Event of Default: (i) notify the Borrowers' account debtors that all accounts and receivables of the Borrowers have been assigned to the Agent, (ii) collect said accounts and receivables directly, and (iii) charge all collection costs and expenses directly to the Borrowers' revolving credit loan accounts.

(e) Unless an Event of Default hereunder shall have occurred and shall be continuing, or as otherwise provided in the Revolving Credit Notes, or as otherwise required from time to time in order to reduce the outstanding principal amount of Revolving Credit Advances to an amount not in excess of the Revolving Credit Commitment then in effect, the Lenders shall not, prior to the Revolving Credit Termination Date, terminate this revolving credit facility or demand repayment of the principal of the Revolving Credit Notes.

-17-

(f) Unless an Event of Default hereunder shall have occurred and be continuing, or as otherwise provided in the Revolving Credit Notes, the Borrowers shall pay in full all of their Obligations to the Lenders in respect of all Revolving Credit Advances on or prior to the Revolving Credit Termination Date.

(g) All Revolving Credit Advances heretofore and hereafter made by the Lenders pursuant to this Section 2.01 shall be evidenced by a secured Second Amended and Restated Revolving Credit Note of the Borrowers payable to the order of Fleet in substantially the form annexed hereto as Exhibit "A-1", and a secured Second Amended and Restated Revolving Credit Note of the Borrowers payable to the order of Mellon in substantially the form annexed hereto as Exhibit "A-2", which Revolving Credit Notes are hereby incorporated herein by reference and made a part hereof.

Section 2.02. Line of Credit Loans.

(a) Subject at all times to all of the terms and conditions of this Agreement, the Lenders hereby severally (and not jointly and severally) agree to extend to the Borrowers (jointly and severally) a secured line of credit loan facility, to June 30, 1996 (the "Line of Credit Termination Date"), in an aggregate principal amount not to exceed, at any time outstanding, Ten Million (\$10,000,000) Dollars (the "Line of Credit Commitment"). Such line of credit loans are herein sometimes referred to individually as a "Line of Credit Advance" and collectively as the "Line of Credit Advances". Subject at all times to all of the terms and conditions of this Agreement, to the Line of Credit Termination Date and within the limits of the Line of Credit Commitment,

Fleet shall lend sixty (60%) percent and Mellon shall lend forty (40%) percent of the aggregate amount of each Line of Credit Advance and of all Line of Credit Advances, and the Borrowers (including, without limitation, any one or more of the now-existing Subsidiaries directly) shall jointly and severally, as to all Borrowers, borrow, prepay (without penalty, except as otherwise provided in the Line of Credit Notes) and reborrow under this Section 2.02. Each request for a Line of Credit Advance by the Lenders shall be made in writing by the Chairman, the President or the Chief Financial Officer of IGI or other authorized Person designated by IGI in writing, or by telephonic communication by such officer of IGI or other designated Person to the Lenders, which shall be confirmed by written notice to the Lenders to be delivered to the Lenders by the third Business Day next following the subject request, which notice shall be in substantially the form of the Borrowing Request Certificate annexed as Exhibit "J" to the Original Agreement.

(b) The Borrowers shall jointly and severally pay the Lenders interest on all Line of Credit Advances at the rate(s) per annum as in effect from time to time in accordance with the Line of Credit Notes. Such interest shall be payable monthly in arrears,

-18-

and shall be computed on the daily unpaid balance of all Line of Credit Advances made under the Borrowers' revolving credit loan accounts with the Lenders, based on a three hundred sixty (360) day year, counting the actual number of days elapsed. In addition, the Borrowers shall jointly and severally pay to the Lenders, quarterly through the Line of Credit Termination Date, in arrears, a fee (the "Line of Credit Commitment Fee") computed by multiplying (i) one-half of one (1/2%) percent, times (ii) the actual number of days in the subject quarterly period, times (iii) the difference of (x) \$10,000,000 minus (y) the

average daily principal amount of all outstanding Line of Credit Advances to the Borrowers during such quarterly period, and then dividing such product by three hundred sixty (360). The Borrowers jointly and severally hereby authorize the Lenders to charge the Borrowers' line of credit loan accounts for all such interest and Line of Credit Commitment Fees. The Agent will report to IGI monthly as to the status of such line of credit loan accounts, and each such report shall be fully binding on all Borrowers, except to the extent that IGI gives the Lenders written notice of exceptions within thirty (30) days after its receipt of such report.

(c) In accordance with provisions set forth in the Security Agreement, the Agent may, upon the occurrence and during the continuation of any Event of Default: (i) notify the Borrowers' account debtors that all accounts and receivables of the Borrowers have been assigned to the Agent, (ii) collect said accounts and receivables directly, and (iii) charge all collection costs and expenses directly to the Borrowers' line of credit loan accounts.

(d) All Line of Credit Advances shall be repayable to the Lender ON DEMAND; provided, that the Lenders shall not, prior to the Line of Credit Termination Date, terminate this line of credit facility or demand repayment of the Line of Credit Notes, except upon the occurrence of an Event of Default (as hereinafter defined) or as otherwise provided in this Agreement or in any of the Notes.

(e) The availability of the line of credit facility may be extended on the same terms and conditions on an annual basis beyond the Line of Credit Termination Date in the sole discretion of the Lenders (by unanimous affirmative agreement thereof) by written notice from the Lenders to the Borrowers. Extensions on other than an annual basis shall be upon such terms and conditions as the Lenders (by unanimous affirmative agreement thereof) and the Borrowers shall mutually agree upon in writing. For purposes of this Agreement, the term "Line of Credit Termination Date" shall also mean and include any date or dates to which the Line of Credit Commitment is so extended.

(f) All Line of Credit Advances heretofore and hereafter made by the Lenders pursuant to this Section 2.02 shall be evidenced by a secured Second Amended and Restated Line of Credit

-19-

Note of the Borrowers payable to the order of Fleet in substantially the form annexed hereto as Exhibit "B-1", and a secured Second Amended and Restated Line

of Credit Note of the Borrowers payable to the order of Mellon in substantially the form annexed hereto as Exhibit "B-2", which Line of Credit Notes are hereby incorporated herein by this reference and made a part hereof.

Section 2.02A. Calculation of Certain Fees. Anything contained in

Sections 2.01 and 2.02 above to the contrary notwithstanding, the Revolving Credit Commitment Fee and the Line of Credit Commitment Fee for the quarter ending December 31, 1995 shall be calculated (a) for that portion of the calendar quarter to the date hereof, based on the provisions of the Amended and Restated Loan Agreement, and (b) for that portion of the calendar quarter from and after the date hereof, based on the provisions of this Agreement.

Section 2.03 Letters of Credit; Banker's Acceptances.

(a) Subject at all times to all of the terms and conditions of this Agreement, Fleet may, in its sole discretion, from time to time from the Agreement Date to the Line of Credit Termination Date, for the account of any of the Borrowers, on terms and conditions satisfactory to Fleet, at the request of any of the Borrowers, provide one or more of the following financial accommodations to such Borrower: (i) issue or cause to be issued one or more standby letters of credit or other such instruments in support of the performance by such Borrower of its written obligations to the beneficiaries of such standby letters of credit or other instruments; (ii) issue or cause to be issued one or more letters of credit or other such instruments respecting the purchase of inventory in the normal course of the Business Operations, for the benefit or account of such Borrower, and all having an expiration date at least twenty (20) Business Days prior to the Line of Credit Termination Date, and/or (iii) issue or cause to be issued banker's acceptances or other such instruments indemnifying the issuer of, or guarantying performance by the subject Borrower in connection with, letters of credit issued for the benefit or account of such Borrower for the purchase of inventory in the normal course of the Business Operations (individually and collectively, the "L/C Accommodations"), all on such terms and in such form as Fleet may elect or determine.

(b) Without limiting Fleet's continuing discretion as aforesaid, the extension of such L/C Accommodations by Fleet shall in each instance and at all times be subject to the satisfaction of each of the following additional conditions precedent: (i) the Borrowers shall have additional unused borrowing capacity, within the Line of Credit Commitment, equal to or in excess of the face amount of each requested L/C Accommodation at the time of the request therefor; (ii) except in the case of standby letters of

-20-

credit, the Agent shall have a valid and perfected first lien and security interest in all form of interest of the Borrower in the inventory to be acquired under such L/C Accommodation; (iii) the form and content of all such L/C Accommodations and related documents shall be satisfactory to Fleet, and all documents, instruments, notices and statements relating thereto (including, without limitation, any assignments of underlying purchase orders, shipping documents and/or letters of credit), if any, which Fleet may deem necessary to give effect to and protect the Agent's liens and security interests (to the extent applicable) and other rights, shall be promptly delivered to the Agent; and (iv) the Borrowers shall have fully complied with all terms and provisions hereof relative to the L/C Accommodations, including the payment of all fees and charges set forth herein.

(c) The full face amount of all outstanding L/C Accommodations shall be applied against the Line of Credit Commitment, shall (for purposes of computing borrowing capacity within the Line of Credit Commitment) be deemed to constitute outstanding Line of Credit Advances, and shall otherwise be subject to the terms and conditions of this Agreement (including, without limitation, the imposition of interest charges on any amounts actually paid by Fleet under any L/C Accommodations); and any amounts actually paid by Fleet under any L/C Accommodations shall be deemed Advances represented by the Line of Credit Note.

(d) The Borrowers jointly and severally hereby agree to pay to Fleet and/or any bank or issuer in connection with the L/C Accommodations the standard fees and charges charged by Fleet or such bank or issuer in such amounts and at such intervals as may be required by Fleet or such bank or issuer. Any amounts not paid to Fleet when due in respect of any L/C Accommodations may, at the discretion of such Lender, be added to the Line of Credit Advances.

(e) Anything elsewhere contained in this Agreement to the contrary notwithstanding, the aggregate outstanding face amount of all L/C Accommodations made or incurred by Fleet for the account or benefit of the Borrowers shall not at any one time exceed \$100,000.

(f) All responsibility for all transactions underlying or related to any L/C Accommodations (other than complying with and honoring Fleet's obligations thereunder in accordance with the terms thereof) shall remain with the Borrowers. The Borrowers shall jointly and severally indemnify and hold harmless Fleet with respect to any cost, claim, damage, loss, liability or expense which Fleet may in any way suffer or incur in connection with or by reason of any transaction underlying or relating to any L/C Accommodations.

(g) In the event that and at such time as the Line of Credit Advances shall at any time become immediately due and

-21-

payable by reason of the occurrence of the Line of Credit Termination Date, or by reason of any Borrower's having entered into any revolving credit arrangements (or other comparable arrangements) other than pursuant to or as permitted by this Agreement, or by reason of an Event of Default, then the Borrowers shall, simultaneously therewith, either (i) make arrangements satisfactory to Fleet for the return and cancellation of any and all then-outstanding L/C Accommodations by the beneficiary or beneficiaries thereof, or (ii) deposit with Fleet, on terms and conditions satisfactory to Fleet, cash collateral in an amount equal to the aggregate face amount of all remaining then-outstanding L/C Accommodations.

Section 2.04. Use of Proceeds. The Borrowers shall utilize (a) the Line

of Credit Advances for general working capital and other corporate purposes, and may utilize up to \$5,000,000 of Line of Credit Advances to prepay royalties to MPS in the Spin-Off, and (b) the Revolving Credit Advances for capital expenditures (subject to the provisions of Section 6.09 hereof) and acquisitions, to the extent permitted by this Agreement.

Section 2.05. Security for the Obligations. The Revolving Credit Notes,

the Line of Credit Notes and all other Obligations shall at all times be secured by:

(a) except only with respect to: (i) those Existing Liens reflected on Schedule "2" annexed hereto which the Lenders shall expressly permit to remain in effect as at the Agreement Date; (ii) Liens on hereafter-acquired Immaterial Real Properties incurred or assumed by any of the Borrowers; and/or (iii) subject at all times to the limitations set forth in Section 6.02 and Section 6.06 below, Liens on other assets or properties hereafter acquired by any of the Borrowers (as to which assets secured by such Existing Liens and other permitted Liens, the Agent shall have a junior security interest), a first priority security interest in all of the assets of each of the Borrowers, whether now owned or hereafter acquired, or now existing or hereafter arising, including all tangible and intangible personal property and fixtures, all cash, marketable securities, general intangibles, accounts, inventory, machinery and equipment, tooling, intellectual property rights, Contracts (other than Excluded Contracts) and products and proceeds thereof, all pursuant to the terms of the Security Agreement;

(b) first priority mortgages, indentures and/or deeds of trust (in form and substance as shall be required in each relevant jurisdiction) on: (i) all Existing Real Properties owned by any of the Borrowers; and (ii) all Real Properties and related improvements thereon which may hereafter be owned, constructed or acquired by any of the Borrowers (other than Immaterial Real Properties and subject to the limitations of Section 6.02 and Section 6.06 and, subject at all times to the limitations set forth

-22-

in this Agreement, additional Real Properties hereafter acquired by any of the Borrowers as to which the Lender shall have a junior mortgage), all pursuant to instruments containing substantive provisions substantially in accordance with the form of Mortgage annexed as Exhibit "D" to the Original Agreement;

(c) the collateral assignment of all Real Property Leases (including Existing Real Property Leases, but excluding Immaterial Leases), all pursuant to the Lease Assignments;

(d) the collateral assignment of all Contracts (other than Excluded Contracts), pursuant to the Contract Assignment;

(e) a first priority lien and security interest in and to all letters patent, patent applications, trademarks, copyrights and other intangibles, and applications therefor, now owned or hereafter filed, prosecuted and acquired by any of the Borrowers, all pursuant to the Intangible Property Security Agreements;

(f) as additional collateral security for the Loans, a pledge by the respective pledgors under the Subsidiary Pledge Agreement of all shares of the Pledged Stock thereunder; and

(g) all UCC Financing Statements which the Agent, the Lenders and their counsel may require to be executed and filed.

Section 2.06. Further Obligations. With respect to all Obligations for

which the interest rate is not otherwise specified herein (whether such Obligations arise hereunder, pursuant to the Notes or any of the Security Documents, or otherwise), such Obligations shall be deemed Advances subject to the Revolving Credit Commitment, and shall bear interest at the floating rate per annum applicable to Revolving Credit Advances.

Section 2.07. Prepayment of Notes.

(a) The Borrowers shall provide the Lenders with not less than five (5) Business Days' prior written notice of the Borrowers' intention to prepay any of the Revolving Credit Advances, which notice shall indicate the aggregate principal amount (which shall be \$50,000 or a whole multiple thereof) so to be prepaid. The Borrowers shall, concurrently with each such prepayment of principal, pay the full amount of all accrued interest on the principal sum so prepaid, together with any prepayment premium thereon in accordance with the Revolving Credit Notes. Notwithstanding the foregoing, without the prior written consent of the Lenders, the Borrowers shall not effect partial prepayments of the Revolving Credit Notes on more than one occasion in any fiscal quarter.

(b) If and so long as no Event of Default has occurred and is continuing, the Borrowers shall have the right, by written

-23-

notice to the Lenders, to designate whether any prepayment of any of the Obligations (excluding, however, a required reduction in the amount of outstanding Revolving Credit Advances in accordance with Section 2.01(a) hereof) shall be applied against the Revolving Credit Notes or the Line of Credit Notes. Any one or more prepayments of the Notes may be made without penalty or premium, except as otherwise provided in the Notes.

Section 2.08. Set-Off of Bank Accounts. In addition to the security and

collateral set forth in or referred to in this Agreement, each of the Borrowers, as further security for the Obligations, hereby jointly and severally pledges and grants to the Lenders a Lien and security interest, in an aggregate amount equal to all of the Obligations from time to time owed to the Lenders, in and to the balances of any deposit accounts now or at any time hereafter maintained by such Borrower with the Lenders. If any Event of Default hereunder shall occur, the Lenders may apply any such deposit balances to the payment of the principal of and accrued interest on any of the Notes and other Obligations in such order or priority as the Lenders, in their discretion, may determine, subject to the provisions of Section 9.10 hereof. The Borrowers hereby jointly and severally covenant and agree to execute and to cause all other depositories to execute any documents, as the Lenders may deem necessary, for the granting and perfection of Lenders' security interests in such depository accounts.

Section 2.09. Obligations Unconditional. The payment and performance of

all Obligations shall constitute the absolute and unconditional obligations of the Borrowers, and shall be independent of any defense or rights of set-off, recoupment or counterclaim which any Borrower might otherwise have against either of the Lenders. All payments required by this Agreement and/or the Notes or Security Documents shall be paid free of any deductions and without abatement, diminution or set-off.

Section 2.10. Reversal of Payments. To the extent that any payment or

payments made to or received by the Lenders or the Agent pursuant to this Agreement, any of the Notes or any of the Security Documents are subsequently invalidated, declared to be fraudulent or preferential, set aside, or required to be repaid to any trustee, receiver or other person under any state or federal bankruptcy or other such law, then, to the extent thereof, such amounts shall be revived as Obligations and continue in full force and effect hereunder, as if such payment or payments had not been received by the subject Lender or the Agent.

III. REPRESENTATIONS AND WARRANTIES

The Borrowers hereby jointly and severally make the following representations and warranties to the Lenders, all of which

-24-

representations and warranties shall survive the Agreement Date, the delivery of the Notes and the making of the Loans, and are as follows:

Section 3.01. Financial Matters.

(a) The Borrowers have heretofore furnished to the Lenders audited consolidated financial statements (including consolidated balance sheets, consolidated statements of income and consolidated statements of cash flows) of IGI and its consolidated Subsidiaries as at December 31, 1994, 1993, 1992, 1991 and 1990 and for each of the five (5) consecutive Fiscal Years ended on such dates (the "Financial Statements").

(b) The Financial Statements have been prepared in accordance with GAAP on a consistent basis for all periods, are complete and correct in all material respects, and fairly present the consolidated financial condition of IGI and its consolidated Subsidiaries as at said dates, and the results of operations for the periods stated. The books of account and other financial records of IGI and each of the Subsidiaries have been maintained in accordance with GAAP, consistently applied.

(c) The Borrowers have heretofore furnished to the Lenders the pro forma consolidated balance sheet of the Borrowers as of September 30, 1995, but giving pro forma effect to the Spin-Off and all required borrowings hereunder in connection with the Spin-Off (the "Pro Forma Balance Sheet"). The Pro Forma Balance Sheet fairly reflects the consolidated financial condition of IGI and its consolidated Subsidiaries as of the date thereof and after giving pro forma effect to the Spin-Off and all borrowings required in connection with the Spin-Off, subject only to normal audit and year-end adjustments which are not and will not be material.

(d) Neither IGI nor any of the Subsidiaries has any Liabilities, obligations or commitments of any kind or nature whatsoever, whether absolute, accrued, contingent or otherwise (collectively "Liabilities and Contingencies"), including, without limitation, Liabilities and Contingencies under employment agreements and with respect to any "earn-outs", stock appreciation rights, or related compensation obligations, except: (i) Liabilities and Contingencies disclosed in the Financial Statements or footnotes thereto, or in the Pro Forma Balance Sheet, (ii) Liabilities and Contingencies not incurred in the ordinary course of the Business Operations, all of which (and the amounts thereof, to the extent determinable) are disclosed on Schedules to this Agreement (to the extent required to be so disclosed hereunder) or in public filings made with the SEC under the Securities Exchange Act of 1934, as amended (true and complete copies of which filings have been furnished to the Lenders), (iii) Liabilities and Contingencies incurred in the ordinary course of business and consistent with past practice since the date of the most recent

Financial Statements, which are not required to be disclosed on Schedules to this Agreement, or (iv) those Liabilities which are not required to be disclosed under GAAP. The reserves, if any, reflected on the consolidated balance sheet of IGI and the Subsidiaries included in the most recent Financial Statements are appropriate and reasonable. The Borrowers have not had and do not presently have any contingent obligations, liabilities for taxes or unusual forward or long-term commitments except as specifically set forth in the Financial Statements or in Schedule "1" annexed hereto.

(e) Except as otherwise reflected in the Pro Forma Balance Sheet or on Schedule "6" or Schedule "8" to this Agreement, since the date of the most recent Financial Statements, there has been no material adverse change in the Working Capital, condition (financial or otherwise), assets, liabilities, reserves, business, prospects, management or Business Operations of the Borrowers, when taken individually or as a consolidated whole, including, without limitation, the following:

(i) there has been no change in any assumptions underlying, or in any methods of calculating, any bad debt, contingency or other reserve relating to IGI or any of the Subsidiaries;

(ii) there have been no write-downs in the value of any inventory of, and there have been no write-offs as uncollectible of any notes, accounts receivable or other receivables of, IGI and the Subsidiaries, except for write-downs and write-offs in the ordinary course of business and consistent with past practice, none of which shall be material (and all of which are described in the Schedules to this Agreement or in the Financial Statements);

(iii) no debts have been cancelled, no claims or rights of substantial value have been waived and no properties or assets (real, personal or mixed, tangible or intangible) have been sold, transferred, or otherwise disposed of by IGI or any Subsidiary, except in the ordinary course of business and consistent with past practice;

(iv) there has been no change in any method of accounting or accounting practice utilized by IGI or any of the Subsidiaries;

(v) no material casualty, loss or damage has been suffered by IGI or any of the Subsidiaries, regardless of whether such casualty, loss or damage is or was covered by insurance; and

(vi) no action described in this Section 3.01(e) has been agreed to be taken by IGI or any of the Subsidiaries.

(f) The Borrowers have heretofore furnished to the Lenders the pro forma consolidated balance sheet of the MPS Group as of September 30, 1995, but giving pro forma effect to the Spin-Off and all capital contributions to the MPS Group in connection therewith. Such pro forma balance sheet fairly reflects the consolidated financial condition of the MPS Group as of the date thereof on a pro forma basis as aforesaid. After giving effect to the Spin-Off, except as set forth on Schedule "14" to this Agreement, (i) none of the Borrowers has any ongoing liability or obligation (fixed or contingent) in respect of any members of the MPS Group or any debts, liabilities or obligations of any member of the MPS Group, and (ii) none of the Borrowers has any ongoing obligations to any member of the MPS Group or is owed any debt or obligation by any member of the MPS Group.

Section 3.02. Organization; Corporate Existence. Each of the Borrowers:

(a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has all requisite corporate power and authority to own its properties and to carry on its businesses as now conducted and as proposed hereafter to be conducted, (c) is duly qualified to do business as a foreign corporation in each and every jurisdiction where such qualification is necessary and where the failure to so qualify would have a material adverse effect on its financial condition, business, operations, assets or properties, and (d) has all requisite corporate power and authority to execute and deliver, and perform all of its obligations under, this Agreement, the Notes and each of the Security Documents, including the Mortgages. True and complete copies of

the: (i) Certificates of Incorporation of all Borrowers, as amended and restated to date, and (ii) By-Laws of each of the Borrowers, together with all amendments thereto, have been furnished to the Lenders.

Section 3.03. Authorization. The execution, delivery and performance by

the Borrowers of their respective obligations under this Agreement, the Notes and the Security Documents (including the Mortgages) have been duly authorized by all requisite corporate action and will not, either prior to or as a result of the consummation of the Loans contemplated by this Agreement: (a) violate any provision of Applicable Law, any order of any court or other agency of government, any provision of the Certificates of Incorporation or By-Laws of the Borrowers, or any Contract, indenture, agreement or other instrument to which any of the Borrowers is a party, or by which any of the Borrowers or any of its assets or properties are bound, or (b) be in conflict with, result in a breach of, or constitute (after the giving of notice of lapse of time or both) a default under, or, except as may be provided in this Agreement, result in the creation or imposition of any Lien of any nature whatsoever upon any of the property or assets of any of the Borrowers pursuant to, any such Contract, indenture, agreement or other instrument. Except in respect of the filing of a Form 10 (including amendments thereto) and/or a Form 8-

-27-

K or Form 10-Q under the Securities Exchange Act of 1934, as amended, the Borrowers are not required to obtain any Government Approval, consent or authorization from, or to file any declaration or statement with, any governmental instrumentality or agency in connection with or as a condition to the execution, delivery or performance of any of this Agreement, the Notes or the Security Documents, or in connection with or as a condition to the implementation and/or consummation of the Spin-Off.

Section 3.04. Litigation. Except as disclosed on Schedule "6" annexed

hereto, there is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending or, to the knowledge of the Borrowers, threatened against or affecting the Borrowers or any of their respective assets, which, if adversely determined, would have a material adverse effect on any of such assets or on the business, operations, properties, assets or condition, financial or otherwise, of the Borrowers.

Section 3.05. Material Contracts. Except as disclosed on Schedule "5"

annexed hereto, none of the Borrowers is a party to any Contract, agreement or instrument or subject to any charter or other corporate restriction materially adversely affecting its business, properties, assets, operations or condition, financial or otherwise, or is subject to any liability or obligation under or relating to any collective bargaining agreement, or in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contract, agreement or instrument to which it is a party or by which any of its assets or properties is bound, which default, individually or in the aggregate, would materially adversely affect the assets or properties of such Borrower.

Section 3.06. Title to Properties. The Borrowers have good and marketable

title to all of their respective properties and assets, free and clear of all mortgages, security interests, restrictions, encumbrances or other Liens of any kind, except for restrictions on the nature of use thereof imposed by Applicable Law, and except for Existing Liens, none of which materially interfere with the use and enjoyment of such properties and assets in the normal course of the Business Operations as presently conducted, or materially impair the value of such properties and assets for the purpose of such business.

Section 3.07. Real Properties. Each of the Borrowers is and shall remain

the record fee owner or lessee of all of the Real Properties owned or leased by such Borrower, and:

(a) All of the owned and leased Real Properties (other than Real Properties under Immaterial Leases) will be owned or leased free and clear of any and all mortgages, liens, charges, easements and encumbrances binding upon any of the Borrowers,

except for the Mortgages and the Lease Assignments, and except for encumbrances or imperfections of title listed in Schedule "3" annexed hereto or other related immaterial zoning, easements or other restrictions of record, none of which shall: (i) be material in amount; (ii) materially detract from the value of any of the Real Properties; (iii) materially impair the use of any of the Real Properties in connection with the Business Operations; or (iv) render title to any of the Real Properties unmarketable or infeasible;

(b) Except as set forth in Schedule "3" annexed hereto or in respect of Immaterial Leases or Immaterial Real Properties listed on Schedule "13" annexed hereto, the Real Properties and all buildings and improvements located thereon have been constructed to have access, ingress, egress, water supply, storm and sanitary sewage facilities, telephone, gas, electricity, fire protection, and, without limitation, other required public utilities, which are adequate for the uses thereof in the Borrowers' business; and all access, ingress and egress to and from the Real Properties, and all utility connections thereto, are by public streets and roads;

(c) Except as set forth in Schedule "3" annexed hereto or in respect of Immaterial Leases or Immaterial Real Properties listed on Schedule "13" annexed hereto, all buildings and improvements located on the Real Properties (including, without limitation, the roofs, basements, appliances, the plumbing, heating and electric systems, the cesspools and septic systems, if any, and the elevators, if any) are in good working order, condition and repair (reasonable wear and tear excepted) for the purposes currently used by the Borrowers, and, to the Borrowers' knowledge, are maintained in accordance with Applicable Law in all material respects; and, to the Borrowers' knowledge, no condition exists pursuant to which any adjoining or other landowner may claim damage to such landowner's property by reason of drainage from or any other condition existing upon the Real Properties; and

(d) Except as set forth in Schedule "3" annexed hereto or in respect of Immaterial Leases or Immaterial Real Properties listed on Schedule "13" annexed hereto, the use of the Real Properties in and for the purposes of the Business Operations is in full compliance with all building, zoning and other Applicable Law in all material respects.

Section 3.08. Machinery and Equipment. The machinery and equipment owned

and/or used by the Borrowers is covered under the Security Agreement and is, as to each individual material item of machinery and equipment, and in the aggregate as to all such machinery and equipment, in good and usable condition and in a state of good maintenance and repair (reasonable wear and tear excepted), and adequate for its use in the Business Operations.

Section 3.09. Capitalization. Except as set forth on Schedule "10"

annexed hereto, before giving effect to the Spin-Off, IGI has no Subsidiaries other than the Subsidiaries listed in IGI's Form 10-K for its Fiscal Year ended December 31, 1994; and after giving effect to the Spin-Off, other than the elimination of the members of the MPS Group as Subsidiaries, IGI's Subsidiaries are as they were immediately prior to the Spin-Off. Neither IGI nor any existing Subsidiaries owns any capital stock, equity or assets of any other corporation, form or entity, except for the Immaterial Subsidiaries (each of which has total assets and/or total liabilities not in excess of \$25,000), all as set forth on Schedule "10" annexed hereto.

Section 3.10. Solvency. The Spin-Off, and the borrowings made and to be

made by the Borrowers under this Agreement, do not and will not render the Borrowers insolvent or with unreasonably small capital for their business; the fair saleable value of all of the assets and properties of the Borrowers do now, and will, upon the funding of the Loans contemplated hereby and after giving effect to the Spin-Off, exceed the aggregate Liabilities and Indebtedness of the Borrowers (including Contingent Liabilities); none of the Borrowers is contemplating either the filing of a petition under any state or federal bankruptcy or insolvency law, or the liquidation of all or any substantial portion of its assets or property; and the Borrowers have no knowledge of any Person contemplating the filing of any such petition against the Borrowers.

Section 3.11. Full Disclosure. No statement of fact made by or on behalf

of any of the Borrowers in this Agreement, in any Security Document, or in any agreement, certificate or schedule furnished to the Lenders pursuant hereto (including, without limitation, all proxy materials and Forms 10-K, 10-Q, 8-K, and amendments thereto, for the fiscal period from January 1, 1990 through September 30, 1995, as filed with the SEC) contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary to make any statements contained herein or therein not misleading. Except for matters of a general economic or political nature which do not affect the Borrowers uniquely, there is no fact presently known to the Borrowers which has not been disclosed to the Lender, which materially adversely affects, or so far as the Borrowers can foresee, will materially adversely affect, their property, business, operations or condition (financial or otherwise).

Section 3.12. No Investment Company. None of the Borrowers is an

"investment company", or a company "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

Section 3.13. Margin Securities. None of the Borrowers owns or has any

present intention of acquiring any "margin security"

-30-

within the meaning of Regulation G (12 CFR Part 207), or any "margin stock" within the meaning of Regulation U (12 CFR Part 221), of the Board of Governors of the Federal Reserve System (herein called "margin security" and "margin stock"). None of the proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying, or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry, any margin security or margin stock or for any other purpose which might constitute the transactions contemplated hereby a "purpose credit" within the meaning of said Regulation G or Regulation U, or cause this Agreement to violate any other regulation of the Board of Governors of the Federal Reserve System or the Securities Exchange Act of 1934, as amended, or any rules or regulations promulgated under such statutes.

Section 3.14. Tax Returns. Except as otherwise set forth in footnotes to

the consolidated balance sheet of Borrowers as at December 31, 1994, and except for any returns currently on extension pursuant to properly filed extension, the Borrowers have filed all federal, state and local tax returns required to be filed by any of them and have paid or made adequate provision (as reflected in the balance sheets described in Section 3.01 hereof) for the payment of all federal, state and local taxes, charges and assessments.

Section 3.15. ERISA. Except as set forth in Schedule "7" annexed hereto,

none of the Borrowers nor any ERISA Affiliate of any of the Borrowers maintains or has any obligation to make any contributions to any pension, profit sharing or other similar plan providing for deferred compensation to any employee. With respect to any such plan(s) as may now exist or may hereafter be established by the Borrowers or any ERISA Affiliate of any of the Borrowers, and which constitutes an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA, except as set forth on Schedule "7": (a) the Borrowers or the subject ERISA Affiliate have paid and shall cause to be paid when due all amounts necessary to fund such plan(s) in accordance with its terms, (b) except for normal premiums payable by the Borrowers to the Pension Benefit Guaranty Corporation ("PBGC"), the Borrowers or the subject ERISA Affiliate have not taken and shall not take any action which could result in any Liability to the PBGC, or any of its successors or assigns, (c) the present value of all vested accrued benefits thereunder shall not at any time exceed the value of the assets of such plan(s) allocable to such vested accrued benefits, (d) there have not been and there shall not be any transactions such as would cause the imposition of any tax or penalty under Section 4975 of the Code or under Section 502 of ERISA, which would adversely affect the funded benefits attributable to the Borrowers or the subject ERISA Affiliate, (e) there has not been and there shall not be any termination or partial termination thereof (other than a partial termination resulting solely from a reduction in the number of employees of the Borrowers or an ERISA Affiliate of the

Borrowers, which reduction is not anticipated by the Borrowers), and there has not been and there shall not be any "reportable event" (as such term is defined in Section 4043(b) of ERISA) on or after the effective date of Section 4043(b) of ERISA with respect to any such plan(s) subject to Title IV of ERISA, (f) no "accumulated funding deficiency" (as defined in Section 412 of the Code) has been or shall be incurred on or after the effective date of Section 412 of the Code, (g) except as otherwise reflected on Schedule "7" annexed hereto, such plan(s) have been and shall be determined to be "qualified" within the meaning of Section 401(a) of the Code, and have been and shall be duly administered in compliance with ERISA and the Code, and (h) the Borrowers are not aware of any fact, event, condition or cause which might adversely affect the qualified status thereof. As respects any "multiemployer plan" (as such term is defined in Section 3(37) of ERISA) to which any of the Borrowers or any ERISA Affiliate thereof has heretofore been, is now, or may hereafter be required to make contributions, such Borrower or such ERISA Affiliate has made and shall make all required contributions thereto, and there has not been and shall not be any "complete withdrawal" or "partial withdrawal" (as such terms are respectively defined in Sections 4203 and 4205 of ERISA) therefrom on the part of the Borrowers or such ERISA Affiliate.

Section 3.16. Compliance with Laws. The Borrowers are in compliance in

all material respects with all occupational safety, health, wage and hour, employment discrimination, environmental, flammability, labelling and other Applicable Law which are material to their respective businesses and the Business Operations, and the Borrowers are not aware of any state of facts, events, conditions or occurrences which may now or hereafter constitute or result in a violation of any of such Applicable Law, or which may give rise to the assertion of any such violation, the effect of which could have a material adverse effect on any Borrower.

Section 3.17. Licenses and Permits. The Borrowers have all federal, state

and local licenses and permits required to be maintained in connection with and material to the Business Operations (including all Food and Drug Administration ("FDA") permits and licenses), and all such licenses and permits are valid and in full force and effect.

Section 3.18. Environmental Laws.

(a) Except as disclosed on Schedule "9" annexed hereto: (i) the Borrowers have complied in all material respects with all Environmental Laws relating to their respective businesses and properties, and (ii) there exists no Hazardous Substances in or under any Existing Real Properties or storage tanks, except those that are stored and used in compliance with Applicable Laws.

(b) Except as disclosed in Schedule "9" annexed hereto, to the best of the Borrowers' knowledge, there exist no past or present violations of Environmental Laws which will result in a material adverse effect on the business, operations, prospects, assets, property or condition (financial or otherwise) of the Borrowers.

(c) During the term of this Agreement, and for so long as any Loans remain outstanding, the Borrowers shall comply in all material respects with all applicable Environmental Laws, and shall, in addition, promptly notify the Lender of any and all claims, demands or Notices received under any Environmental Laws and the Borrowers' response thereto.

(d) As used in this Section 3.18 and in Section 5.17 below, the following terms have the following meanings:

"Environmental Laws" include all federal, state, and local laws, rules, regulations, ordinances, permits, orders, and consent decrees agreed to by the Borrowers, relating to health, safety, and environmental matters applicable to the business and property of the Borrowers. Such laws and regulations include but are not limited to the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. (S)6901 et seq., as amended; the New Jersey Environmental Cleanup and Recovery Act ("ECRA"); the Comprehensive Environmental

Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. (S)9601 et seq., as amended; the Toxic Substances Control Act ("TSCA"), 15 U.S.C. (S)2601 et seq., as amended; and the Clean Water Act, 33 U.S.C. (S)1331 et seq., as amended.

"Hazardous Substances", "Release", "Respond" and "Response" shall have the meanings assigned to them in CERCLA, 42 U.S.C. (S)9601, as amended.

"Notice" means any summons, citation, directive, information request, notice of potential responsibility, notice of violation or deficiency, order, claim, complaint, investigation, proceeding, judgment, letter, or other communication, written or oral, actual or threatened, from the United States Environmental Protection Agency or other federal, state, or local agency or authority, or any other entity or individual, public or private, concerning any intentional or unintentional act or omission which involves management of Hazardous Substances on or off any Real Properties; the imposition of any lien on any Real Properties, including but not limited to liens asserted by government entities in connection with any Borrower's response to the presence or Release of Hazardous Substances; and any alleged violation of or responsibility under any Environmental Laws.

Section 3.19. Reaffirmation. Each and every request by a Borrower for

Advances under Section 2.01 or Section 2.02 above shall constitute a reaffirmation of the truth and accuracy in all

-33-

material respects of the Borrowers' representations and warranties hereunder and under the Security Documents on and as of the date of such request.

IV. CONDITIONS OF MAKING THE LOANS -----

The effectiveness of this Agreement and the amendments to be effected hereby, and the obligations of the Lenders to make any further Advances hereunder, are subject to the following conditions precedent:

Section 4.01. Representations and Warranties. The representations and

warranties set forth in Article III hereof shall be true and correct in all material respects on and as of the Agreement Date, and on each subsequent date that an Advance is to be made.

Section 4.02. Loan Documents. The Borrowers shall have duly executed and

delivered to the Agent and the Lenders (as appropriate), upon the execution of this Agreement, all of the following:

(a) The Second Modification Agreement (which shall also have been duly executed and delivered by the MPS Group), and all UCC Financing Statements, stock certificates and stock powers, and other certificates and documents required thereunder;

(b) The Notes;

(c) A certificate of the Secretary or an Assistant Secretary of each of the Borrowers certifying the votes of the Boards of Directors of the Borrowers, each authorizing and directing the execution and delivery of this Agreement, the Notes, the Second Modification Agreement, and all further agreements, instruments, certificates and other documents pursuant hereto and thereto;

(d) A certificate of the Secretary or an Assistant Secretary of each of the Borrowers certifying the names of the officers of each of the Borrowers who are authorized to execute and deliver this Agreement, the Notes, the Second Modification Agreement, and all other agreements, instruments, certificates and other documents to be delivered pursuant hereto and thereto, together with the true signatures of such officers. The Lenders may conclusively rely on such certificate until they shall receive any further such certificate canceling or amending the prior certificate and submitting the signatures of the officers named in such further certificate;

(e) Certificates of the Secretary of State of Delaware, all dated reasonably prior to the Agreement Date, stating that each

-34-

Borrower is duly incorporated and in good standing in such jurisdiction; and

(f) Certificates of the Secretary of State of New Jersey, dated reasonably prior to the Agreement Date, stating that each of IGI and ImmunoGen is in good standing as a foreign corporation in such jurisdiction; and

(g) Such other agreements, instruments, documents and certificates as the Lenders or their counsel may reasonably request.

Section 4.03. Spin-Off. The Borrowers shall have implemented, consummated

and completed the Spin-Off strictly in accordance with the terms and conditions thereof as set forth in the definition of "Spin-Off" contained in Section 1.01 hereof, subject only to the funding of the \$5,000,000 of Line of Credit Advances as contemplated by clause (d) of the definition of "Spin-Off" contained in Section 1.01 hereof; and the Borrowers shall have delivered to the Lenders a certificate of the Chairman, President or Chief Financial Officer of IGI, confirming such implementation, consummation and completion.

Section 4.04. Legal Opinion. The Lenders shall have received the

favorable written opinion of White & McDermott, P.C., counsel for the Borrowers and/or other such counsel acceptable to the Lenders, each dated the Agreement Date, satisfactory to the Lenders and their counsel in scope and substance.

Section 4.05. Amendment/Restructuring Fee. The Borrowers shall have paid

to Fleet (for Fleet's sole account) an amendment/restructuring fee in the aggregate amount of \$20,000.

Section 4.06. Expense Reimbursement. The Borrowers shall have paid or

reimbursed Fleet for its out-of-pocket costs, charges and expenses (including reasonable attorneys' fees) incurred to the date of this Agreement.

Section 4.07. Further Matters. All legal matters, and the form and

substance of all documents, incident to the transactions contemplated hereby shall be satisfactory to counsel for the Lenders.

Section 4.08. No Default. No Default or Event of Default shall have

occurred.

V. AFFIRMATIVE COVENANTS

The Borrowers hereby jointly and severally covenant and agree that, from the date hereof and until all Obligations (whether now existing or hereafter arising) have been paid in full and the

-35-

Borrowers have no further right to extension or funding under this Agreement, each of the Borrowers shall:

Section 5.01. Corporate and Insurance. Do or cause to be done all things

necessary to at all times (a) other than mergers solely among Borrowers, preserve, renew and keep in full force and effect its corporate existence, rights, licenses, permits and franchises, (b) comply with this Agreement and maintain and preserve the Agent's Liens and the priority thereof, (c) maintain, preserve and protect all of its franchises and material trade names, and preserve all of its material property used or useful in the conduct of its business and keep the same in good repair, working order and condition (reasonable wear and tear excepted), and from time to time make, or cause to be made, all needed and proper repairs, renewals, replacements, betterments and

improvements thereto, so that the Business Operations carried on in connection therewith may be properly and advantageously conducted at all times, (d) keep, under the coverage of an "umbrella" policy or other form of coverage reasonably acceptable to the Lenders, its insurable properties adequately insured at all times, by financially sound and reputable insurers reasonably acceptable to the Lenders, to such extent and against such risks, including fire and other risks and casualty insured against by extended coverage, and maintain, as part of such coverage, liability and such other insurance, as is customarily maintained by companies engaged in similar businesses (including, without limitation, products liability insurance), in amounts reasonably satisfactory to the Agent and each Lender, all of which insurance policies shall name the Agent and each Lender as loss payee and an additional insured as its interests appear, and shall provide for the Agent and each Lender to receive written notice thereof at least twenty (20) days prior to any cancellation, modification or non-renewal of the subject policy, and (e) comply with all Applicable Law material to its Business Operations, whether now in effect or hereafter enacted, promulgated or issued.

Section 5.02. Payment of Taxes. File, pay and discharge, or cause to be

paid and discharged, all taxes, assessments and governmental charges or levies imposed upon the Borrowers or upon their income and profits or upon any of their property (real, personal or mixed) or upon any part thereof, before the same shall become in default, as well as all lawful claims for labor, materials, supplies and otherwise, which, if unpaid when due, might become a Lien or charge upon such property or any part thereof; provided, however, that the Borrowers

shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim (other than taxes and/or assessments relating to real property or the use thereof) so long as (a) the validity thereof shall be contested in good faith by appropriate proceedings and the Borrowers shall have set aside on their books adequate reserves with respect to any such tax, assessment, charge, levy or claim so contested, and (b) payment

-36-

with respect to any such tax, assessment, charge, levy or claim shall be made before any of the Borrowers' property shall be seized or sold in satisfaction thereof.

Section 5.03. Notice of Proceedings. Give prompt written notice to the

Lenders of any proceedings instituted against any of the Borrowers in any federal or state court or before any commission or other regulatory body, whether federal, state or local, which, if adversely determined, could have a material adverse effect upon such Borrower's business, operations, properties, assets or condition, financial or otherwise.

Section 5.04. Periodic Reports. Furnish to the Lenders:

(a) Within ninety (90) calendar days after the end of each Fiscal Year: (i) consolidated balance sheets, statements of income, statements of stockholders' equity, and statements of cash flows of the Borrowers, together with footnotes and supporting schedules thereto, all certified by independent certified public accountants selected by the Borrowers and reasonably acceptable to the Lenders (with the form of certification to be without qualification or otherwise satisfactory to the Lenders), showing the financial condition of the Borrowers at the close of such Fiscal Year and the results of operations of the Borrowers during such Fiscal Year; (ii) an unaudited consolidating balance sheet and statement of income of each of the Borrowers, together with appropriate adjustments and eliminations; and (iii) a schedule of all Contracts, capital contributions and loan transactions between any Borrower (on the one hand) and any other Borrower or any Subsidiary (on the other hand), including therein a schedule of all cash capital contributions made by any Borrower and all Indebtedness (including Indebtedness for Money borrowed) owed to any Borrower by any other Borrower or any Subsidiary (hereinafter collectively referred to as "Intercompany Investment(s)"), as at the end of such Fiscal Year;

(b) Within forty-five (45) calendar days after the end of each fiscal quarter: (i) unaudited consolidated and consolidating balance sheets and statements of income of the Borrowers, together with supporting schedules thereto, prepared by the Borrowers and certified by the Borrowers' Chairman, President or Chief Financial Officer, such balance sheets to be as of the close of such fiscal quarter and such statements of income to be for the period from

the beginning of the then-current Fiscal Year to the end of such fiscal quarter, together with comparative statements of income for the corresponding fiscal quarter in the immediately preceding Fiscal Year, in each case subject to normal audit and year-end adjustments which shall not be material; and (ii) a schedule of all Intercompany Investments (specifying therein, the respective obligors and obligees) as at the end of such fiscal quarter;

-37-

(c) Concurrently with the delivery of each set of audited financial statements contemplated by Section 5.04(a) above, a certificate from the independent certified public accountants for the Borrowers, in form and content reasonably satisfactory to the Lenders, certifying that, in connection with their audit examination which was performed to express an opinion of such financial statements, such accountants have reviewed the provisions of this Agreement and that no Event of Default has come to their attention;

(d) Concurrently with the delivery of each of the financial statements required by Sections 5.04(a) and 5.04(b) above, a certificate (the "Compliance Certificate") on behalf of the Borrowers (signed by the Chairman or President of IGI on behalf of the Borrowers or IGI's Chief Financial Officer), in substantially the form annexed as Exhibit "K" to the Original Agreement, (i) calculating, setting forth, and certifying as to the accuracy of the calculations required under Sections 5.08 through 5.11 hereof, and (ii) certifying that he has examined the provisions of this Agreement and that no Event of Default has occurred and/or is continuing;

(e) Such other supplemental financial information pertaining to the Borrowers as either Lender may from time to time reasonably request (provided, ----- that as to items listed in clauses (iii) and (iv) below, not more frequently than annually) including: (i) aging schedules of all accounts receivable and accounts payable of the Borrowers as of the end of any one or more months, (ii) an analysis of the Borrowers' inventory as at the end of any one or more months in a form reasonably satisfactory to the requesting Lender, (iii) within thirty (30) days after the commencement of each Fiscal Year, a consolidated Capital Expenditure budget and a separate consolidated research and development expenditure budget of the Borrowers for such Fiscal Year showing the nature and amount of the proposed Capital Expenditures and proposed research and development expenditures; and within ninety (90) days after the end of each Fiscal Year, updated reports showing the actual Capital Expenditures and actual research and development expenditures for such immediately preceding Fiscal Year; and (iv) within thirty (30) days after the commencement of each Fiscal Year, a consolidated cash flow and profit and loss projection of the Borrowers for such Fiscal Year;

(f) Within ten (10) days after filing with the SEC, true and complete copies of all registration statements, proxy materials and other periodic reports (including Forms 10-K, 10-Q, 8-K and other related forms) filed or required to be filed on behalf of any or all of the Borrowers or any Subsidiary with the SEC under the Securities Act of 1933, as amended, and/or the Securities and Exchange Act of 1934, as amended; and

-38-

(g) Promptly, from time to time, such other information regarding the Borrowers' operations, assets, business, affairs and financial condition, as either Lender may reasonably request.

Section 5.05. Books and Records; Inspection. Maintain centralized books

and records respecting all of the Business Operations at the Borrowers' principal places of business, and permit agents or representatives of the Agent and each Lender to inspect, at any time during normal business hours, upon reasonable notice, and without undue material disruption of the Business Operations, all of the Borrowers' various books and records, and to make copies, abstracts and/or reproductions thereof.

Section 5.06. Notice of Default or Material Adverse Change. Promptly

advise the Lender of: (a) any material adverse change in the condition, financial or otherwise, of ImmunoGen, individually, or all of the Borrowers when taken as a consolidated whole, or any other Borrower providing 10% or more of

the Borrowers' consolidated revenues or assets; and (b) as to any of the Borrowers, of the existence or occurrence of any Default or Event of Default.

Section 5.07. Accounting. Maintain a standard system of accounting in

order to permit the preparation of consolidated financial statements in accordance with GAAP.

Section 5.08. Capital Base. As at the end of each quarter of each Fiscal

Year, maintain a Capital Base of not less than the minimum amount set forth below for such date:

Quarter Ending -----	Minimum Capital Base -----
December 31, 1995	Capital Base as calculated from audited financial statements as of 12/31/95, minus \$100,000 (herein, "x")
March 31, 1996	x + \$375,000
June 30, 1996	x + \$750,000
September 30, 1996	x + \$1,125,000
December 31, 1996	x + \$1,500,000
March 31, 1997	x + \$2,000,000
June 30, 1997	x + \$2,500,000
September 30, 1997	x + \$3,000,000
December 31, 1997	x + \$3,500,000
March 31, 1998	x + \$4,125,000
June 30, 1998	x + \$4,750,000
September 30, 1998	x + \$5,375,000
December 31, 1998	x + \$6,000,000
March 31, 1999	x + \$6,625,000
June 30, 1999	x + \$7,250,000
September 30, 1999	x + \$7,875,000
December 31, 1999 and thereafter	x + \$8,500,000

-39-

provided, that from time to time as and when any of the Borrowers shall

receive any net proceeds from any public or private offering or sale of any equity securities of any Borrower which are not reflected in the Pro Forma Balance Sheet, then the foregoing minimum amounts shall thereupon and thereafter be permanently increased by an amount equal to the amount of such net proceeds.

Section 5.09. Indebtedness to Capital Base Ratio. As at the end of each

quarter of each Fiscal Year, maintain an Indebtedness to Capital Base Ratio of not more than (a) 3.00 to 1 from September 30, 1995 through December 31, 1995, (b) 2.50 to 1 from January 1, 1996 through June 30, 1996, (c) 2.00 to 1 from July 1, 1996 through December 31, 1996, (d) 1.50 to 1 from January 1, 1997 through June 30, 1997, and (e) 1.25 to 1 from and after July 1, 1997.

Section 5.09A. Current Ratio. As at the end of each quarter of each

Fiscal Year, maintain a Current Ratio of not less than 1.50 to 1.

Section 5.10. Interest Coverage Ratio. As at the end of each Fiscal Year,

maintain an Interest Coverage Ratio of not less than 1.50 to 1.

Section 5.11. Adjusted Interest Coverage Ratio. As at the end of each

Fiscal Year, maintain an Adjusted Interest Coverage Ratio of not less than 3 to 1.

Section 5.12. Deposit Accounts. The Borrowers shall utilize Fleet as

the Borrowers' principal bank of account and maintain with Fleet all of Borrowers' primary corporate depository bank accounts. The Borrowers shall not open or otherwise maintain accounts with any other financial institution except (a) as set forth on Schedule "11" annexed hereto, (b) incidental accounts otherwise required for the Business Operations, and/or (c) as may otherwise be approved in writing by the Requisite Lenders.

Section 5.13. New Realty. Except for: (i) Operating Leases and/or

Capitalized Leases constituting Immaterial Leases, (ii) purchases of Immaterial Real Properties, and (iii) purchases of other Real Properties (in addition to Immaterial Real Properties) expressly permitted pursuant to the provisions of Section 6.09 below, obtain the written consent of the Requisite Lenders prior to entering into any purchase or lease of real estate in any capacity, supply the Lender with a copy of each proposed purchase agreement or lease and, in any event, unless otherwise waived in writing by the Requisite Lenders, grant to the Agent a specific first priority mortgage or collateral assignment of each parcel of real property or each lease in such form, on such terms and with such supporting materials as the Agent shall specify.

Section 5.14. Reimbursements. Pay or reimburse the Lenders or other

appropriate Persons for all costs, expenses and other

-40-

charges incurred or payable in connection with the transactions contemplated by this Agreement, regardless of whether the transactions are in fact consummated, including but not limited to any and all title insurance premiums, search fees, recording fees, mortgage taxes, environmental site assessment costs, appraisal and survey costs, and legal fees; provided that the Borrowers shall not be required to pay or reimburse Mellon for its attorneys' fees incurred in connection with the review and negotiation of this Agreement.

Section 5.15. Further Deliveries. Exert its best efforts to obtain and

deliver to the Agent any and all further landlord's and/or lessee's consents and estoppel certificates in respect of the Lease Assignments, certificates of occupancy, and other relevant matters related to the Real Properties, to the extent that the same have not previously been delivered, are not available for delivery, or are not delivered to the Agent in accordance with this Agreement and the Security Documents, and which subsequent deliveries are expressly consented to in writing by Agent.

Section 5.16. [Intentionally Omitted]

Section 5.17. Environmental Response. In the event of any discharge,

spill, injection, escape, emission, disposal, leak or other Release of Hazardous Substances on any Real Property owned or leased by any of the Borrowers, which is not authorized by a permit or other approval issued by the appropriate governmental agencies, and which requires notification to or the filing of any report with any federal or state governmental agency, the Borrowers shall promptly: (i) notify the Lender; and (ii) comply with the notice requirements of the Environmental Protection Agency and applicable state agencies, and take all steps necessary to promptly clean up such discharge, spill, injection, escape, emission, disposal, leak or other Release in accordance with all applicable Environmental Laws and the Federal National Contingency Plan, and, if required, receive a certification from all applicable state agencies or the Environmental Protection Agency, that such Real Property has been cleaned up to the satisfaction of such agency(ies). In addition, the Borrowers shall promptly register with the New Jersey Department of Environmental Protection any underground storage tanks installed after the Agreement Date pursuant to the applicable regulations contained in the New Jersey Underground Storage Tank Act, N.J.S.A. 58: 10A-21, et seq.

Section 5.18. Management. Cause each of Edward B. Hager and John P. Gallo

to continue to be employed as senior executive officers of IGI, unless a successor to either of such members of the Management Group is appointed within ninety (90) days of the termination of such Person's employment, and such successor shall be reasonably satisfactory to the Requisite Lenders.

VI. NEGATIVE COVENANTS

The Borrowers jointly and severally covenant and agree that, until all Obligations (whether now existing or hereafter arising) have been paid in full and the Borrowers have no further right to extension or funding under this Agreement, unless the Requisite Lenders shall otherwise consent in writing, none of the Borrowers shall, directly or indirectly:

Section 6.01. Indebtedness and Liabilities. Incur, create, assume, become

or be liable in any manner with respect to, or permit to exist, any Indebtedness or Liability, other than:

(a) Indebtedness to the Lenders for Money Borrowed, or otherwise;

(b) Indebtedness and Liabilities with respect to trade obligations, accounts payable and other normal accruals incurred in the ordinary course of business, or with respect to which any of the Borrowers is contesting in good faith the amount or validity thereof by appropriate proceedings, and then only to the extent that the Borrowers have set aside on their books adequate reserves therefor;

(c) Indebtedness under those Real Property Leases listed on Schedule "3" or Schedule "13" annexed hereto;

(d) Indebtedness under Existing Operating Leases listed on Schedule "3" or Schedule "13" annexed hereto;

(e) Existing Indebtedness, but only to the extent set forth on Schedule "1" annexed hereto;

(f) Indebtedness incurred or assumed in connection with the purchase of Immaterial Real Properties after the Original Agreement Date;

(g) Indebtedness incurred or assumed in connection with Immaterial Leases entered into after the Original Agreement Date;

(h) Purchase money Indebtedness or other Indebtedness incurred or assumed in connection with Investments (including the acquisition of additional assets or businesses) and Capital Expenditures made following the Original Agreement Date; provided, however, that: (i) the Borrowers shall, in connection

with the incurrence of any and all such Indebtedness, be in compliance with the provisions of Section 6.06(c) and Section 6.09 hereof; and (ii) to the extent

that the Borrowers shall elect to incur Indebtedness for Money Borrowed (other than purchase money Indebtedness) from any financial institution in connection with any permitted Investment contemplated by Section 6.06(c) hereof, they shall afford the Lenders a reasonable right of first refusal (in

proportion to the Lenders' respective proportions of the aggregate amount of the Revolving Credit Commitment and the Line of Credit Commitment) to provide the financing therefor; provided, that the terms and conditions of any such

financing which the Lenders may (at their sole discretion) elect to offer shall be on terms and conditions which, in the aggregate, shall be no less favorable to the Borrowers than those offered by any other comparable financial institution;

(i) Intercompany Investments which are represented by instruments that are promptly delivered (with all necessary endorsements thereon) to the Agent pursuant to the Security Agreement and/or the Subsidiary Pledge Agreement; and

(j) Subordinated Debt in such amounts and upon such terms and conditions as shall be acceptable to the Lender.

Section 6.02. Liens. Create, incur, assume or suffer to exist any Lien or

other encumbrance of any nature whatsoever on any of its assets, now or hereafter owned, other than:

(a) Subject to Section 5.02 above, Liens securing the payment of taxes which are either not yet due or the validity of which is being contested in good faith by appropriate proceedings, and as to which the Borrowers shall have set aside on their books adequate reserves;

(b) Deposits under workers' compensation, unemployment insurance and social security laws, or to secure the performance of bids, tenders, contracts (other than for the repayment of Money Borrowed) or leases, or to secure statutory obligations or surety or appeal bonds, or to secure indemnity, performance or other similar bonds in the ordinary course of business;

(c) Liens imposed by law, such as carriers', warehousemen's or mechanics' liens, incurred by the Borrowers in good faith in the ordinary course of business and discharged promptly after same are incurred, and fully bonded Liens arising out of a judgment or award against the Borrowers with respect to which the Borrowers shall currently be prosecuting an appeal, a stay of execution pending such appeal having been secured;

(d) Liens in favor of the Agent;

(e) Existing Liens which are to survive the Agreement Date as consented to by the Lenders and which are expressly reflected and described as such in Schedule "2" annexed hereto;

(f) Other Liens incurred in connection with Indebtedness expressly permitted pursuant to Section 6.01 above, but only to the extent that such Liens secure Indebtedness in amounts not in excess of those permitted by such Section 6.01;

-43-

(g) Encumbrances consisting of easements, rights-of-way, survey exceptions and other similar restrictions on the use of real property reflected on title reports accepted by the Agent, or minor irregularities in title thereto which do not materially impair the use of such property in the operation of the business of the Borrowers; and

(h) Liens arising out of judgments or awards with respect to which the Borrowers shall be prosecuting an appeal in good faith and in respect of which a stay of execution shall have been issued.

Section 6.03. Guarantees. Except for the Guarantee by any one of the

Borrowers of obligations of any of the other Borrowers, Guarantee, endorse or otherwise in any manner become or be responsible for obligations of any other Person, except: (a) endorsements of negotiable instruments for collection in the ordinary course of business; and (b) Guarantees, not to exceed \$50,000 outstanding at any point in time in the aggregate, in respect of the financing of automobiles or other items for use by employees of the Borrowers.

Section 6.04. Sales of Assets and Management. (a) Sell, lease, transfer,

encumber or otherwise dispose of any of the Borrowers' properties, assets, rights, licenses or franchises other than (i) sales of inventories in the ordinary course of business, (ii) licenses, joint ventures and related transactions entered into, modified or terminated in the ordinary course of business, (iii) the disposition of obsolete personal properties in the ordinary course of business, or (iv) the termination of Excluded Contracts, (b) turn over the management of, or enter into any management contract with respect to, the Business Operations or such properties, assets, rights, licenses or franchises, or (c) permit any Affiliate of any of the Borrowers (except other Borrowers) to own or obtain any patent, patent application, license, trademark or other intangible asset relating to the Business Operations; provided, however, that

nothing herein contained shall be deemed to prohibit any of the transactions contemplated by the definition of the "Spin-Off" contained in Section 1.01 hereof, to the extent reflected in the Pro Forma Balance Sheet.

Section 6.05. Sale-Leaseback. Enter into any arrangement, directly or

indirectly, with any Person whereby any of the Borrowers shall sell or transfer any property (real, personal or mixed) used or useful in the Business Operations, whether now owned or hereafter acquired, and thereafter rent or lease such property.

Section 6.06. Investments; Acquisitions. Make any Investment in, or

otherwise acquire or hold securities (including, without limitation, capital stock and evidences of indebtedness) of, or make loans or advances to, or enter into any arrangement for the

-44-

purpose of providing funds or credit to, any other Person (including any Affiliate), except:

(a) advances to employees of any one or more of the Borrowers: (i) for business expenses not to exceed at any time \$25,000 in the aggregate, and (ii) for personal needs not to exceed at any time \$700,000 in the aggregate as to all employees of the Borrowers;

(b) investments in obligations of the United States or certificates of deposit of the Lender or other commercial banks reasonably satisfactory to the Lender;

(c) so long as no Default or Event of Default has occurred and is continuing, an Investment in or acquisition of the securities, assets or properties of any Person in which: (i) the aggregate consideration paid or payable by any or all of the Borrowers (whether in the form of cash, notes and/or any other securities obligating any of the Borrowers to mandatory payments of dividends, Interest Expense or other redemption obligations) does not exceed Five Hundred Thousand (\$500,000) Dollars in any one Fiscal Year; and

(ii) the aggregate Indebtedness for Money Borrowed (including purchase money Indebtedness incurred in connection with any such Investment) does not exceed Two Hundred Thousand (\$200,000) Dollars in any one Fiscal Year; and

(d) Intercompany Investments, but only if and to the extent evidenced by appropriate instruments (including, without limitation, in respect of Indebtedness, negotiable promissory notes in principal amount equal to any and all such Intercompany Investments so incurred), all of which shall be promptly delivered (with all necessary endorsements thereon) to the Agent pursuant to the Security Agreement and/or the Subsidiary Pledge Agreement.

Section 6.07. Corporate Form; Acquisitions. Dissolve or liquidate, or

consolidate or merge with or into, sell all or substantially all of the assets of any of the Borrowers to, or otherwise acquire all or substantially all of the securities, assets or properties of, any other Person; provided, that any such

transaction shall be permitted without the prior written consent of the Requisite Lenders: (a) if solely between or among Borrowers within the same Group (but not between or among any member(s) of one Group and any member(s) of another Group), or (b) if constituting an acquisition or Investment otherwise permitted and within the dollar consideration and Indebtedness limitations provided in Section 6.06(c) above; provided, however, that nothing herein

contained shall be deemed to prohibit any of the transactions contemplated by the definition of the "Spin-Off" contained in Section 1.01 hereof, to the extent reflected in the Pro Forma Balance Sheet.

-45-

Section 6.08. Dividends and Redemptions. Except for a transaction

otherwise permitted pursuant to Section 6.06(c) above, or (subject to the provisions of Section 6.16 below) dividends paid or declared by any one or more Borrowers to any other Borrower(s): (a) directly or indirectly declare or pay any dividends, or make any distribution of cash or property, or both (other than dividends solely in the form of common stock of IGI), to any Person in respect of any of the shares of the capital stock of any of the Borrowers; or (b)

directly or indirectly redeem, purchase or otherwise acquire for consideration any securities or shares of the capital stock of any of the Borrowers or any other Person. Notwithstanding the foregoing, IGI shall be permitted to pay cash dividends to its stockholders out of the Net Income of the Borrowers earned in respect of any Fiscal Year equal to not more than twenty-five (25%) percent of the Net Income earned in such Fiscal Year; provided, that: (i) at the time of

and after giving effect to the declaration or payment of such cash dividend(s), no Default or Event of Default shall have occurred and be continuing; (ii) the consolidated accumulated Retained Earnings of the Borrowers (both prior to and

after giving effect to the payment of the cash dividend in question) shall at all times equal or exceed \$1,000,000; and (iii) such cash dividend shall be paid not later than four (4) months after the declaration of the dividend in question.

Section 6.09. Indebtedness for Capital Expenditures. Other than

Indebtedness to the Lenders, as contemplated by this Agreement: (a) incur Indebtedness (including purchase money Indebtedness) in connection with Capital Expenditures in any Fiscal Year, including direct purchases and/or Capitalized Lease Obligations (other than Existing Capitalized Lease Obligations or substitutes therefor at the same or lower annual rentals), for fixed assets or personal property, where the aggregate Indebtedness (including purchase money Indebtedness) so incurred shall exceed \$500,000 in such Fiscal Year; or (b) enter into any Operating Leases which obligates the Borrowers to rental payments in any Fiscal Year which shall be \$250,000, in the aggregate, in excess of the Borrowers' aggregate rental payments under Operating Leases in the immediately preceding Fiscal Year.

Section 6.10. Change of Business. As to any of the Borrowers, directly or

indirectly: (a) engage in a business materially different from the general nature of the Business Operations as now being conducted or as same may hereafter be reasonably expanded from time to time in like areas of business (including, without limitation, the developing, manufacturing or marketing of vaccines and/or pharmaceuticals for human consumption or use), or (b) wind up its Business Operations or cease substantially all of its normal Business Operations for a period in excess of thirty (30) consecutive days, or (c) suffer any material disruption, interruption or discontinuance of a material portion of

-46-

its normal Business Operations for a period in excess of ninety (90) consecutive days.

Section 6.11. Receivables. Sell, assign, discount or dispose in any way

of any accounts receivable, promissory notes or trade acceptances held by any of the Borrowers with or without recourse, except for collections (including endorsements) in the ordinary course of business.

Section 6.12. Corporate Charter and By-Laws. Agree, consent, permit or

otherwise undertake to amend any of the terms or provisions of IGI's Certificate of Incorporation or By-Laws in a manner which may impair in any respect any of the Lenders' or the Agent's rights hereunder or under the Security Documents.

Section 6.13. Affiliate Transactions. Except as disclosed in Schedule "4"

annexed hereto, or at arm's length in the normal course of business, enter into any Contract, agreement or transaction with any Affiliate of any of the Borrowers (other than among Borrowers) except after prior written notice to the Lenders and then only upon the prior written consent of the Requisite Lenders.

Section 6.14. Fiscal Year. Amend its Fiscal Year.

Section 6.15. Subordinated Debt. Prepay, redeem or purchase any

Subordinated Debt or capital stock, provided that, subject to the provisions of

Section 6.16 and Section 6.17 below, IGI or any Subsidiary may redeem or purchase capital stock of any other Subsidiary which is a Borrower, if and to

the extent wholly-owned by IGI or another Subsidiary.

Section 6.16. Transfers of Assets Among Borrowers. Except for

Intercompany Investments evidenced by appropriate pledged instruments as contemplated by Section 6.01(i) and/or 6.06(d) above, no member of one Group shall dividend, sell, assign or otherwise transfer any of its assets or properties (including, without limitation, any technology, patent applications, letters patent or related intangible assets) subject to Liens and Mortgages granted to the Agent under the Security Documents to any member of the other Group.

Section 6.17. Sales of Capital Stock of Subsidiaries. Sell, lease,

transfer, assign, encumber or otherwise dispose of any shares of capital stock (collectively, a "Stock Transfer") of any Subsidiary, except that:

(a) stock options to employees of BCI or any other Borrower may be granted and exercised in respect of capital stock of BCI;

-47-

(b) any member of either Group may effect a Stock Transfer to any other member of such Group, subject to the continuing applicability (to the extent theretofore applicable) of the Subsidiary Pledge Agreement to the capital stock which was the subject of the Stock Transfer; and

(c) provided that no Default or Event of Default hereunder shall have occurred and shall then be continuing, (i) IGEN shall have the right, free and clear of any and all Liens imposed by the Subsidiary Pledge Agreement, to sell, assign, transfer or dispose of capital stock of BCI in a Stock Transfer for cash upon such terms and conditions as the Board of Directors of IGEN shall determine, and/or (ii) BCI shall have the right, free and clear of any and all Liens imposed by the Subsidiary Pledge Agreement, to consummate a Stock Transfer for cash pursuant to any public or private offering BCI's capital stock, upon such terms and conditions as the Board of Directors and stockholder(s) of BCI shall determine; provided, that, if in connection with any such Stock Transfer

under either clause (i) or clause (ii) of this Section 6.17(c): (A) in excess of forty-nine (49%) percent of the fully-diluted shares of capital stock of BCI shall be owned of record or beneficially by any Person other than a Borrower; or (B) the Agent shall be requested, as a condition of such cash financing for BCI, to terminate its Liens on the assets and properties of BCI or the BCI Group, then, and in either such event:

(x) all Loans or Indebtedness directly or indirectly advanced or provided by Lenders to or for the benefit of BCI or the BCI Group, including therein any Loans made by the Lenders to another Borrower and subsequently advanced by the other Borrower to BCI or the BCI Group (whether or not such Intercompany Investments to or for the benefit of BCI or the BCI Group shall be loans or capital contributions or otherwise evidenced by promissory notes of any member of the BCI Group issued to any other Borrower), together with all interest accrued thereon, shall be paid in full or reimbursed to any of IGI or the ImmunoGen Group simultaneously with the consummation of such Stock Transfer and solely out of the proceeds thereof (such payment to be applied in accordance with Section 2.07 hereof and the applicable Notes); and

(y) no further Line of Credit Advances or Revolving Credit Advances shall be thereafter made to or for the benefit of BCI or the BCI Group.

Subject to compliance with the foregoing provisions of Section 6.16 and Section 6.17(c), the Lender shall, if requested in connection with any such Stock Transfer, release its Liens on the assets and properties of BCI and/or the BCI Group and terminate BCI and/or the BCI Group as a Borrower(s) hereunder and under the Notes and Security Documents.

-48-

VII. DEFAULTS

Section 7.01. Events of Default. Each of the following events is herein,

and in the Notes and the Security Documents, sometimes referred to as an Event of Default:

(a) if any representation or warranty made herein, or in any of the Security Documents, or in any report, certificate, financial statement or other instrument furnished in connection with the Original Agreement, this Agreement, or the borrowing hereunder, shall be false, inaccurate or misleading in any material respect when made or when deemed made hereunder;

(b) any default in the payment of any principal or interest under any of the Notes or any other Obligations of any of the Borrowers to either of the Lenders when the same shall be due and payable, whether at the due date thereof or at a date fixed for prepayment or by acceleration or otherwise;

(c) any default in the performance of any of the financial covenants contained in any of Sections 5.08 through 5.11 hereof which is not fully cured within thirty (30) days from the date of such default; or any default in the due observance or performance of any material covenant, condition or agreement contained in any Section of Article VI hereof, or in any of the Notes or Security Documents;

(d) any material default in the due observance or performance of any other covenant, condition or agreement to be observed or performed under Article V hereof, or otherwise pursuant to the terms hereof, and the continuance of such default unremedied for a period of twenty (20) days after written notice thereof to the Borrowers;

(e) any default with respect to any Indebtedness for Money Borrowed of the Borrowers (other than to the Lenders) in an amount in excess of \$50,000, if the effect of such default is to accelerate the maturity of any such Indebtedness for Money Borrowed or to cause such Indebtedness for Money Borrowed to become due prior to the stated maturity thereof;

(f) any material default in the due observance or performance of any covenant, condition or agreement on the part of the Borrowers to be observed or performed under the Notes or the Security Documents, including, without limitation, any event which subordinates or otherwise renders invalid or unenforceable the Agent's first priority Liens, encumbrances and security interests on the assets and properties of the Borrowers (subject only to the Existing Liens) and the continuation of such default beyond any applicable grace period provided therein;

-49-

(g) if any of the Borrowers shall: (i) apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of it or any of its properties, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent or be the subject of an order for relief under Title 11 of the United States Code, or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against him or it in any proceeding under any such law, or (vi) take or permit to be taken any action in furtherance of or for the purpose of effecting any of the foregoing;

(h) if any order, judgment or decree shall be entered, without the application, approval or consent of any of the Borrowers, by any court of competent jurisdiction, approving a petition seeking reorganization of any of the Borrowers, or appointing a receiver, trustee, custodian or liquidator of any of the Borrowers, or of all or any substantial part of their respective assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;

(i) if final judgment(s) for the payment of money in excess of \$50,000 individually or \$100,000 in the aggregate shall be rendered against the Borrowers or any of them, and the same shall remain undischarged or unbonded for a period of thirty (30) consecutive days, during which execution shall not be effectively stayed;

(j) the occurrence of any levy upon or seizure or attachment of any deposits or other property of the Borrowers (or any of them), in the hands or

possession of either Lender, and/or the occurrence of any levy upon or seizure or attachment of any other property of the Borrowers (or any of them) having an aggregate fair value in excess of \$50,000 individually or \$100,000 in the aggregate, which levy, seizure or attachment shall not be set aside, bonded or discharged within sixty (60) days after the date thereof; or

(k) if the Net Income of the Borrowers is a negative number (i.e., a net loss) for any fiscal quarter.

Section 7.02. Remedies. Upon the occurrence of any Event of Default, and

at all times thereafter during the continuance thereof: (a) the Notes, and any and all other Indebtedness and Obligations of the Borrowers to the Lenders, shall, at the Lenders' option in accordance with Sections 9.04(b), 9.04(c) and/or 9.04(d) hereof (except in the case of Sections 7.01(g) and 7.01(h) hereof, the occurrence of which shall automatically effect acceleration,

-50-

regardless of any action or forbearance in respect of any prior or ongoing Default or Event of Default which may be inconsistent with such automatic acceleration), become immediately due and payable, both as to principal, interest and premium, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes or other evidence of such Indebtedness or Obligations to the contrary notwithstanding, (b) all outstanding Obligations under the Notes, and all other outstanding Obligations on which the applicable interest rate is determined by reference to the interest rate under any of the Notes, shall bear interest at the default rate of interest provided in the Notes, (c) the Lenders may, subject to Section 9.04 hereof, file suit against the Borrowers on the Notes and/or seek specific performance or injunctive relief thereunder (whether or not a remedy exists at law or is adequate), (d) the Agent shall have the right, in accordance with the Notes and the Security Documents, to exercise any and all remedies in respect of such or all of the collateral security for the Obligations as the Agent may determine in its discretion (without any requirement of marshalling of assets, or other such requirement), and (e) the Lenders shall be under no further obligation to consider making any further Advances to any of the Borrowers.

VIII. PARTICIPATING LENDERS; ASSIGNMENT.

Section 8.01. Participations. Anything in this Agreement to the contrary

notwithstanding, each Lender may, at any time and from time to time, without the requirement of any consent in the case of a participation to an Affiliate of such Lender, and otherwise with the prior written consent of a majority in interest of the other Lenders (which consent shall not be unreasonably withheld or delayed), without in any manner affecting or impairing the validity of any Obligations or any collateral security therefor, transfer, assign or grant participating interests in the Loans as such Lender shall in its sole discretion determine, to such other financial institutions (the "Participants") as such Lender may determine. Upon any such transfer, assignment or granting of participating interests, the Participants shall be deemed to be included within the term "Lender" for all purposes of this Agreement and the Exhibits hereto, subject to such agreements and arrangements as the originating Lender and the Participants may agree upon. Each Lender shall endeavor to give written notice to the Borrowers upon the granting of any such participations, but the failure to give any such notice shall not affect or impair the participating interests so established. Notwithstanding the granting of any such participating interests: (a) the Borrowers shall look solely to the Lender granting such participating interest, in respect of the subject Lender's interest, for all purposes of this Agreement and the transactions contemplated hereby, (b) the Borrowers shall at all times have the right to rely upon any waivers or consents signed by the Agent as being binding upon all of the Participants,

-51-

and (c) all communications in respect of this Agreement and such transactions shall remain solely between the Borrowers and the Agent and the original Lenders hereunder.

Section 8.02. Transfer. Anything in this Agreement to the contrary

notwithstanding, each Lender may, at any time and from time to time, without the requirement of any consent in the case of a transfer or assignment as part of a sale of loans by the subject Lender in an aggregate principal amount of \$100,000,000 or more, and otherwise with the prior written consent of a majority in interest of the other Lenders (which consents may be withheld in each Lender's sole and absolute discretion), without in any manner affecting or impairing the validity of any Obligations or any collateral security therefor, transfer and assign all or any portion of its interest in this Agreement, the Notes, the Security Documents, and the Loans to any other commercial banking institution as such Lender shall determine (an "Assignee Lender"). Upon any such transfer or assignment, the Assignee Lender shall be deemed to succeed to the rights and obligations of a "Lender" for all purposes of this Agreement and the Exhibits hereto. Each Lender shall endeavor to give written notice to the Borrowers prior to making any such transfer or assignment, but the failure to give any such notice shall not affect or impair the assignment so effected.

IX. THE AGENT; AGREEMENTS AMONG LENDERS

Section 9.01. Appointment, Powers and Immunities. Each Lender hereby

irrevocably appoints and authorizes Fleet to act as administrator of the Loans and the credit facilities hereunder, and as the Lenders' Agent hereunder and under the Security Documents with such powers as are specifically delegated to the Agent by the terms of this Agreement and the Security Documents together with such other powers as are reasonably incidental thereto. The Agent shall have no duties or responsibilities or authority except those expressly set forth in this Agreement and the Security Documents and shall not be a trustee for the Lenders. The Agent shall not be responsible to the Lenders for any recitals, statements, representations or warranties contained in this Agreement, the Notes, the Security Documents, or any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or the Security Documents, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the Security Documents or any other document referred to or provided for herein or therein or for the collectibility of the Loans or for the validity, effectiveness of any assignment, mortgage, pledge, security agreement, financing statement, document or instrument, or for the filing, recording, re-filing, continuing or re-recording of any document or for any failure by any of the Borrowers to perform any of its agreements, covenants or Obligations hereunder or under the Security Documents.

-52-

The Agent may, other than for purposes of normal Loan administration, employ agents and attorneys-in-fact and shall not be answerable, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Agent nor any of its directors, officers, employees or agents shall be responsible to the Lenders for any action taken or omitted to be taken by it or them hereunder or under the Security Documents in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

Section 9.02. Reliance by Agent. Except to the extent that such reliance

constitutes gross negligence or willful misconduct, the Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopier, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper person or persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. As to any matters not expressly provided by this Agreement, the Security Documents or the other instruments and agreements executed in connection with the Loans, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder, or under the Security Documents, in accordance with written instructions signed by the Requisite Lenders.

Section 9.03. Events of Default. The Agent shall not be deemed to have

knowledge of the occurrence of a Default or an Event of Default (other than the

non-payment of principal of or interest on Loans) unless the Agent has itself issued a notice, or has received notice from the Borrowers or a Lender specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice, the Agent shall provide the Lenders with prior written notice of any actions or omissions proposed to be taken by the Agent with respect thereto, unless the giving of such notice is impracticable for reasons of safety or preservation of collateral. The foregoing notwithstanding, the Agent and each of the Lenders hereby agrees to share with one another any and all material information regarding the Borrowers which may come into the possession of the Agent or the Lenders from time to time, provided that neither the Agent nor the Lenders shall be under any duty or obligation to provide any analysis of any such information so provided, or to determine therefrom whether a Default or an Event of Default has occurred.

Section 9.04. Waivers; Amendments; Event of Default.

(a) The Agent may, with the prior written consent of the Requisite Lenders, enter into any amendment or modification of this Agreement and/or any of the Security Documents, and the Borrowers shall be entitled to rely upon any such amendment or modification

-53-

executed and delivered by the Agent as being made on behalf of all of the Lenders. Such amendments and modifications may include, without limitation, any amendment or modification that would (i) extend the stated maturity of any of the Loans, (ii) increase the principal amounts of any of the Loans (provided that no specific consent shall be required to make additional Advances from time to time in accordance with this Agreement), (iii) change the interest rate charged on any of the Loans (provided that no specific consent shall be required for any such change provided for in the Notes), (iv) forgive or extend any payment of principal or interest payable with respect to any of the Loans, (v) modify any of the financial covenants contained in Sections 5.08 through 5.11 hereof, or any of the covenants contained in Article VI hereof, (vi) release any material portion of the collateral security for the Obligations (provided that no specific consent shall be required in respect of any such release which is required in accordance with the terms of any of the Security Documents as in effect on the Agreement Date), (vii) use any of such collateral security to secure any indebtedness or liabilities other than the Obligations, or (viii) grant any waiver which would have the practical effect of implementing any amendment or modification described in the foregoing clauses (i) through (vii).

(b) Upon the giving of any Notice of Default required under Section 9.03 above, Fleet (as Agent), for itself and on behalf of the Lenders, shall (subject to the provisions of this Article IX) take such action or actions, assert such rights, exercise such remedies and/or waive such Default(s) or Event(s) of Default or refrain from taking such actions with respect thereto, as the Lenders shall mutually agree upon, including, without limitation, (i) the cessation of any further Advances, the acceleration of any or all of the Obligations, the institution of suit, and/or the commencement of foreclosure proceedings in respect of the collateral under the Security Documents (individually and collectively, hereinafter referred to as a "Loan Acceleration Action"), or (ii) the waiving of any Default(s) or Event(s) of Default, the granting of any moratoriums in payment of required payments under any Notes, and/or the extension of the term of any Loans, for the purposes of assisting the Borrower and "working out" the Loans (individually and collectively, hereinafter referred to as a "Loan Workout Action"). In the event that the Lenders are unable to mutually agree upon the appropriate Loan Acceleration Action or Loan Workout Action, or forbearance from any such action, as the case may be, within ten (10) Business Days after the Lenders receive Notice of Default or any proposed action or omission by a Lender, then: (A) if the subject Event of Default is a "Non-Fundamental Default" (as such term is hereinafter defined), then, and in such event, the provisions of Section 9.04(c) hereof shall be applicable; and (B) if the Default or Event of Default is a "Fundamental Default" (as such term is hereinafter defined), then, and in such event, the provisions of Section 9.04(d) hereof shall be applicable.

-54-

(c) (i) In the event that there shall occur and be continuing any Event of Default hereunder, other than an Event of Default of the nature specified in

Section 9.04(d) hereof (a "Non-Fundamental Default"), then Fleet (as Agent) may at any time, by consent or agreement (written or oral) of the holders of more than fifty (50%) percent of the combined Revolving Credit Commitment and Line of Credit Commitment, take such Loan Workout Action or Loan Acceleration Action as such Requisite Lenders shall deem to be appropriate, including but not limited to the institution of foreclosure proceedings in respect of the collateral for the Obligations, all as contemplated by Section 9.04(b) above and pursuant to the Security Documents; provided, however, that the Agent may not thereby,

without the consent of the Requisite Lenders for such purpose, grant any waiver or effect any amendment or modification requiring supermajority consent pursuant to Section 9.04(a) hereof.

(ii) Following the occurrence and during the continuance of any Non-Fundamental Default, notwithstanding a request for any specific Loan Acceleration Action by any of the Lenders, if the Requisite Lenders shall not agree with the proposed Loan Acceleration Action, then, and in such event, neither the Agent nor any Lender shall, without the express prior written consent of the Requisite Lenders, take any such Loan Acceleration Action for a period of ninety (90) days following the date of such Notice of Default (the "Standstill Period"). If such Non-Fundamental Default(s) shall still be continuing at the expiration of such ninety (90) day Standstill Period, unless the specific Loan Acceleration Action previously requested by any Lender is retracted or modified in writing by such Lender, then, and in such event, Fleet (as Agent) shall promptly, on behalf of all Lenders, commence Loan Acceleration Action to the extent and in the manner that Fleet (as Agent) determines in good faith that any Loan Acceleration Action is then requested by Lenders collectively constituting the Requisite Lenders, failing which, Mellon may, if Mellon then holds at least one-third of the combined Revolving Credit Commitment and Line of Credit Commitment, unilaterally commence such Loan Acceleration Action as Agent on behalf of all of the Lenders.

(iii) Notwithstanding the occurrence of any one or more Event(s) of Default constituting Non-Fundamental Defaults, if, during the pendency of any Standstill Period, there shall occur and be continuing any Event(s) of Default constituting a "Fundamental Default" as defined in Section 9.04(d) hereof, such Standstill Period shall terminate on a date which shall be the earlier of thirty (30) days from the occurrence of such Fundamental Default(s) or ninety (90) days from the date such Standstill Period originally commenced.

(iv) During the pendency of any Standstill Period, if and for so long as any Lender (or group of Lenders) holding not less than one-third of the combined Revolving Credit Commitment and Line

-55-

of Credit Commitment shall continue to fund its (or their) pro rata percentage
--- ----
of the Advances, then the other Lender(s) shall likewise continue to fund its
pro rata percentage of the Advances.
- --- ----

(d) In the event that there shall occur and be continuing any Event(s) of Default (individually a "Fundamental Default" and collectively "Fundamental Defaults"):

(i) of the nature specified in Section 7.01(b) of this Agreement;
or

(ii) with respect to (A) any of the financial covenants contained in any of Sections 5.08 through 5.11 hereof by a variance of more than ten (10%) percent which is not fully cured in the next succeeding fiscal quarter, or (B) any of the financial covenants contained in any of Sections 5.08 through 5.11 hereof by a variance of more than twenty (20%) percent; or

(iii) of the nature specified in Sections 7.01(e), 7.01(g), 7.01(h), 7.01(i) or 7.01(j) of this Agreement;

then, provided that such Fundamental Default shall still be continuing thirty (30) days after the occurrence thereof, Fleet (as Agent) shall promptly commence such Loan Acceleration Action as may be requested in writing by the holders of the greatest portion of the combined Revolving Credit Commitment and Line of Credit Commitment who request specific Loan Acceleration Action, including but not limited to the institution of foreclosure proceedings in respect of the

collateral for the Obligations; failing which, Mellon may, if it then holds more than one-third of the combined Revolving Credit Commitment and Line of Credit Commitment, unilaterally commence such Loan Acceleration Action as Agent on behalf of all of the Lenders.

(e) Each of the Lenders shall, at all times, act in good faith to mutually agree upon all Loan Workout Actions and/or Loan Acceleration Actions to be taken in respect of the Loans and other Obligations. In the event and to the extent that the Agent receives conflicting instructions as to any action to be taken, the Agent shall use its good faith judgment to determine and implement those specific actions requested by the Requisite Lenders. In the event that the Agent receives conflicting instructions from two Lenders (or two groups of Lenders) each holding fifty (50%) percent of the combined Revolving Credit Commitment and Line of Credit Commitment, the Agent shall not, and shall not be required to, undertake any action requested by either such Lender (or group of Lenders), except to the extent that such instructions are not materially inconsistent or amended by either Lender (or group of Lenders) so as to be not materially inconsistent.

(f) In the event that Mellon shall, at any time, have the right to take action under this Section 9.04 as Agent for the

-56-

benefit of the Lenders, then Fleet shall cooperate with Mellon in all respects to enable Mellon to take such action as it is authorized to take under this Section 9.04, including but not limited to (i) assigning to Mellon such of Fleet's rights and responsibilities as Agent under this Agreement as may be necessary or appropriate for Mellon to act under the circumstances, (ii) delivering to Mellon such books and records as may be requested by Mellon and necessary or appropriate under the circumstances, (iii) turning over to Mellon any collateral for the Obligations then held by Fleet (as Agent), and/or (iv) executing and delivering to Mellon any and all such agreements, instruments, certificates and other documents as may be necessary or appropriate for Mellon to undertake and carry out such action as it is permitted to take hereunder.

(g) Neither Fleet nor, if applicable, Mellon, shall be required to take any action as Agent under this Section 9.04 if Fleet or Mellon, as the case may be, shall have requested and the Lenders shall not have provided reasonable indemnity against the reasonable costs, expenses and liabilities which might be incurred by reason of such action, which indemnity shall entitle Fleet or Mellon, as the case may be, to receive reimbursement for such reasonable costs, expenses and liabilities out of the proceeds of collateral (if applicable) or otherwise from the Lenders as and when such costs, expenses and liabilities are incurred.

(h) Except as otherwise specified in this Section 9.04, Fleet shall, and shall be permitted in its discretion to, administer the Loans in a manner consistent with its normal lending and business practices, and to enforce the provisions, rights and remedies pursuant to this Agreement and the Security Documents in a manner consistent herewith and therewith and in Fleet's good faith judgment.

(i) Nothing contained in this Section 9.04 shall be deemed to grant to the Borrowers any indulgence or grace period in respect of any of their covenants or obligations under this Agreement (or any right to expect or receive any such indulgence or grace period), except as otherwise specifically provided in other Sections of this Agreement. Nothing contained in this Section 9.04 shall be deemed to prohibit or impair the Agent, regardless of the lack of any requisite consents of Lenders, from taking action in respect of any of the collateral under the Security Documents if same are perishable or threaten to decline speedily in value.

Section 9.05. Agent's Rights as a Lender. With respect to its interest in

the Revolving Credit Commitment and the Line of Credit Commitment and the Loans made by it, the Agent in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender, and may exercise the same as though it were not acting as Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include

-57-

the Agent in its individual capacity. To the same extent as such rights are available to any Lender in accordance with and subject to this Agreement, the Agent and its Affiliates (including, without limitation, Mellon and its Affiliates in the event that Mellon shall at any time be acting as or performing duties of the Agent hereunder) may (without having to account therefor to any other Lender) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrowers or their Affiliates, as if it were not acting as Agent. The Agent (including, without limitation, Mellon and its Affiliates in the event that Mellon shall at any time be acting as or performing duties of the Agent hereunder) may accept, for its sole account, fees and other consideration from the Borrower or its Affiliates, for services in connection with this Agreement or the Security Documents or otherwise.

Section 9.06. Indemnification. Each Lender shall, ratably in accordance

with its ratable interest in the Loans, indemnify the Agent (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Agent's gross negligence or willful misconduct) that the Agent may suffer or incur in connection herewith or any action taken or omitted by the Agent hereunder. Such right to indemnification shall be available to each Agent from time to time hereunder, including (without limitation) Mellon in the event that Mellon shall at any time be acting as or performing duties of the Agent hereunder.

Section 9.07. Credit Decision. Each Lender acknowledges that it has,

independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 9.08. Successor Agent. The Agent (a) may resign at any time by

giving thirty (30) days' written notice thereof to the Lenders and the Borrowers, and (b) shall be deemed to have resigned upon any bankruptcy, insolvency or receivership of the Agent; provided, that any such resignation shall be effective at the time specified below. Upon any such resignation, the Requisite Lenders shall have the right, but not the obligation, to appoint a successor Agent (which successor shall be subject to the Borrower's prior written approval (such approval not to be unreasonably withheld or delayed) in the event that such successor is not also a Lender). If no successor Agent shall have been so appointed by the Requisite Lenders, and shall have accepted such appointment, within thirty (30) days after the resigning Agent gives notice of

resignation, then the resigning Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the resigning Agent, and the resigning Agent shall be discharged from its duties and obligations hereunder. After any resigning Agent's resignation hereunder as Agent, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

Section 9.09. Several Liability of Lenders; Failure to Lend.

(a) No Lender shall incur or assume any liability or obligation to any Borrower by reason of any other Lender failing or refusing to make Advances or otherwise lend the amounts required by this Agreement; it being understood and agreed that all obligations of the Lenders to make any and all Loans hereunder are several, and not joint and several.

(b) In the event and to the extent that any Lender shall, for any reason or no reason, fail or refuse to make its pro rata portion of the Advances otherwise

--- ----
required to be made hereunder, then the other Lender(s) may (but shall not be obligated to) make such Advances on behalf of the defaulting Lender; in which event such non-defaulting Lender may be reimbursed for any such Advances so made on behalf of the defaulting Lender out of the defaulting Lender's otherwise applicable share of the initial proceeds of all payments and collections received under the Borrowers' Loan accounts, or out of the initial net proceeds received from the sale or liquidation of any collateral under the Security Documents in the event of a foreclosure thereof.

Section 9.10. Sharing and Remittance of Payments and Collateral.

(a) In order to minimize, to the extent feasible, the number of transfers of funds under this Agreement, (i) the Agent may, in its discretion, fund to the Borrowers (within the limit of the Revolving Credit Commitment or the Line of Credit Commitment, as the case may be), upon receipt of any borrowing request from the Borrowers, the full amount of the requested borrowing, and (ii) the Borrowers shall be entitled to make any and all payments (whether for principal, interest, fees or otherwise) hereunder to the Agent on behalf of the Lenders. Upon any such advance or receipt of funds by the Agent, the Agent shall notify (telephonically or in such other manner as the Agent may deem appropriate) each of the Lenders of the amounts thereof, and the Lenders shall remit to the Agent, or the Agent shall remit to the Lenders (as the case may be), the subject Lender's pro rata share of the subject

-59-

disbursement or collection, which remittance shall be made (i) if the subject notice or receipt of funds is received prior to 1:00 P.M. eastern time, on the same day as such notice or receipt of funds is received, and (ii) if such notice or receipt of funds is received at or after 1:00 P.M. eastern time, then not later than the next succeeding Business Day following the receipt of such notice or receipt of funds. Any and all payments hereunder shall be made by wire transfer of same-day Federal Reserve Funds, and to the extent that any payments (either by or to the Agent) are not made on the same day as the underlying disbursement or collection, then interest on the subject amount shall be charged or credited (as the case may be) to the next amounts payable by or to the subject Lender.

(b) All collections received by the Agent or any Lender(s) in respect of the Borrowers shall be applied in accordance with this Agreement, and all collections applied to Advances and/or interest thereon or fees in respect thereof shall be allocated ratably among the Lenders in proportion to their relative interests in such Loans, with funds remitted, in accordance with Section 9.10(a) above, by wire transfer of same-day Federal Reserve Funds for all fees, interest payments and other amounts payable to the Lenders under this Agreement, including amounts payable in respect of the principal amounts of, and accrued interest on, the Loans. If requested by the Agent, each Lender shall, promptly following receipt of each payment under this Section 9.10(b), confirm its receipt by a written acknowledgment telecopied to the Agent.

(c) If and to the extent that any payment received by any Lender in respect of the Loans (whether principal, interest or otherwise) shall be rescinded or must otherwise be returned for any lawful reason, then each of the Lenders shall, upon notice thereof, remit its proportionate share of the amount(s) so rescinded or returned.

(d) Except for any prepayments made by the Borrowers while no other Obligations shall be then due and payable (which prepayments shall be applied to those Obligations and in the manner directed by the Borrower), and any other payments received at any time when no other Obligations shall be then due and payable (which payments shall be applied in reduction of the outstanding Advances), all payments received by the Agent or any Lender(s) from the Borrower (whether by means of direct payment, by charge or set-off to the Borrower's Loan accounts or deposit accounts, out of the proceeds of collateral, or otherwise) shall be applied and disbursed by the Agent to the Lenders, ratably in proportion to their relative interests therein, as follows:

(i) first, to any Revolving Credit Advances outstanding in excess of the Revolving Credit Commitment as in effect at such time (provided that nothing herein contained shall

-60-

be deemed to permit any such excess Revolving Credit Advances to be outstanding at any time);

(ii) next, to any Line of Credit Advances outstanding in excess of the Line of Credit Commitment as in effect at such time (provided that nothing herein contained shall be deemed to permit any such excess Line of Credit Advances to be outstanding at any time);

(iii) next, to accrued interest due and payable on the Advances, in such order and application as the Agent may determine;

(iv) next, to any unpaid Revolving Credit Commitment Fee and/or Line of Credit Commitment Fee then due and payable, in such order and application as the Agent may determine; and

(v) next, to any other Obligations then due and payable.

The foregoing notwithstanding, the Agent shall be entitled, prior to any application of payments hereunder, to receive reimbursement out of such payments for any previously unreimbursed reasonable costs and expenses incurred by the Agent pursuant to any of the Security Documents.

(e) To the extent of any payments made by the Borrower to the Agent as administrator of the Loans, the Borrower shall be entitled to presume that such payments have effectively been made to the Lenders under this Agreement, and the Borrower shall have no liability to any Lender with respect to any payments misapplied, misappropriated, or otherwise improperly disbursed or not disbursed by the Agent as administrator.

Section 9.11. Buyout Rights. Upon any bankruptcy, insolvency or

receivership of any Lender, each of the other Lenders shall have the right (but not the obligation), at any time thereafter, to purchase, ratably in proportion to their respective interests in the Revolving Credit Commitment and the Line of Credit Commitment (or in such other proportions as such other Lenders may mutually agree), the bankrupt or insolvent Lender's interest in the Advances, at an aggregate price equal to the principal balance and unpaid accrued interest and fees on the interest being purchased as of the date of purchase, such purchase price to be paid on the date of purchase by wire transfer of Federal Reserve funds. Upon any such purchase, each purchasing Lender shall succeed to the applicable portion of the bankrupt or insolvent Lender's interest in the Revolving Credit Commitment and the Line of Credit Commitment.

-61-

X. MISCELLANEOUS

Section 10.01. Survival. This Agreement and all covenants, agreements,

representations and warranties made herein and in the certificates delivered pursuant hereto, shall survive the making by the Lenders of the Loans, and the execution and delivery to the Lenders of the Notes, and shall continue in full force and effect for so long as the Notes or any other Indebtedness or other Obligations of the Borrowers to the Lenders are outstanding and unpaid. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and permitted assigns of such party; and all covenants, promises and agreements in this Agreement contained, by or on behalf of the Borrowers, shall inure to the benefit of the successors and assigns of the Lenders.

Section 10.02. Indemnification. The Borrowers hereby jointly and

severally indemnify each of the Lenders and each of their respective directors, officers, employees, attorneys and agents against, and agrees to hold each Lender and such Persons harmless from, any and all losses, claims, damages and liabilities and related expenses, including reasonable counsel fees and expenses, incurred by either Lender or any such Person arising out of, in any way connected with, or as a result of: (a) the use of any of the proceeds of the Loans made by the Lenders to the Borrowers for the making, or furtherance, of the consummation of the transactions contemplated by Section 2.04 above; (b) this Agreement, the ownership and operation of the Borrowers' assets, including all real properties and improvements or any Contract, the performance by the

Borrowers or any other Person of their respective obligations thereunder, and the consummation of the transactions contemplated by this Agreement; and/or (c) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not a Lender or its directors, officers, employees, attorneys or agents are a party thereto; provided that such indemnity shall not apply to any such losses, claims, damages, liabilities or related expenses arising from (i) any unexcused breach by the subject Lender of any of its obligations under this Agreement, (ii) the willful misconduct or negligence of the subject Lender, provided that any such loss, claim, damage, liability or expense is determined by a court of competent jurisdiction by final judgment to have resulted from the willful misconduct or negligence of such Lender and the further finding that such willful misconduct or negligence was the primary cause thereof (i.e., more than 50% of the causation), or (iii) the breach of any commitment or legal obligation of the subject Lender to any Person other than the Borrowers or their Affiliates, provided that such breach is determined pursuant to a final and nonappealable decision of a court of competent jurisdiction. The foregoing indemnity shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated by this Agreement, the repayment of any

-62-

or all of the Loans, the invalidity or unenforceability of any term or provision of this Agreement, the Security Documents or the Notes, any investigation made by or on behalf of either Lender, and the content or accuracy of any representation or warranty made by the Borrowers or their Affiliates under this Agreement. All amounts due under this Section 10.02 shall be payable on written demand therefor.

Section 10.03. Governing Law. This Agreement, the Notes and the Security

Documents shall (irrespective of where same are executed and delivered) be governed by and construed in accordance with the laws of the State of New Hampshire (without giving effect to principles of conflicts of laws), except as may otherwise be provided in the Mortgages.

Section 10.04. Waiver and Amendment. Neither any modification or waiver

of any provision of this Agreement, the Notes or the Security Documents, nor any consent to any departure by the Borrowers therefrom, shall in any event be effective unless the same shall be set forth in writing duly signed or acknowledged by the Requisite Lenders (or by the Agent if in accordance with Section 9.04(a) hereof) and all of the Borrowers, and then such waiver or consent shall be effective only in the specific instance, and for the specific purpose, for which given. No notice to or demand on the Borrowers in any instance shall entitle the Borrowers to any other or future notice or demand in the same, similar or other circumstances.

Section 10.05. Reservation of Remedies. Neither any failure nor any delay

on the part of either Lender or the Agent in exercising any right, power or privilege hereunder, or under the Notes, any of the Security Documents, or any other instrument given as security for any of the Obligations, shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or future exercise, or the exercise of any other right, power or privilege.

Section 10.06. Notices. All notices, requests, demands and other

communications under or in respect of this Agreement or any transactions hereunder shall be in writing (which may include telegraphic or telecopied communication) and shall be personally delivered or mailed (registered or certified mail, return receipt requested) or telegraphed or telecopied by facsimile transmission to the applicable party at its address or telecopier number indicated below.

-63-

If to the Agent or the Lenders:

Fleet Bank-NH
650 Elm Street

Manchester, New Hampshire 03101
Attn: John A. Hopper, Senior Vice President
Mail Stop NH/NA/0123
Telecopier # (603) 647-7617

- and -

Mellon Bank, N.A.
1735 Market Street
Philadelphia, Pennsylvania 19103
Attn: Middle Market

- and -

Mellon Bank, N.A.
c/o Mellon Financial Services
Woodland Falls Corporate Park
210 Lake Drive East, Suite 106
Cherry Hill, New Jersey 08002
Attn: Anthony W. LaMarca
Telecopier # (609) 482-9733

with a copy to:

Solomon, Fornari, Weiss & Moskowitz, P.C.
650 Fifth Avenue
New York, New York 10019
Attn: Stephen A. Weiss, Esq.
Telecopier # (212) 246-2561

If to the Borrowers:

IGI, Inc.
Wheat Road and Lincoln Avenue
Buena, New Jersey 08310
Attn: John P. Gallo, President
Telecopier # (609) 697-1001

with a copy to:

David A. White, Esq.
White & McDermott, P.C.
65 William Street
Suite 209
Wellesley, Massachusetts 02181
Telecopier # (617) 237-8120

-64-

or, as to each party, at such other address or telecopier number as shall be designated by such party in a written notice to the other parties delivered as aforesaid. All such notices, requests, demands and other communications shall be deemed given when personally delivered or when deposited in the mails with postage prepaid (by registered or certified mail, return receipt requested) or delivered to the telegraph company, addressed as aforesaid or when submitted by facsimile transmission to a telecopier number designated by such addressee. No other method of written notice is precluded.

Section 10.07. Binding Effect. This Agreement shall be binding upon and

inure to the benefit of each of the Borrowers and the Lenders and their respective successors and assigns, except that none of the Borrowers shall have the right to assign any of its rights or obligations hereunder without the prior written consent of the Lenders.

Section 10.08. Consent to Jurisdiction; Waiver of Jury Trial. Each of the

Borrowers hereby consents to the jurisdiction of all courts of the State of New Hampshire and the United States District Court for the District of New Hampshire, as well as to the jurisdiction of all courts from which an appeal may be taken from such courts, for the purpose of any suit, action or other proceeding arising out of or with respect to this Agreement, the Notes, the Security Documents, the Modification Agreement, the Second Modification Agreement, any other agreements, instruments, certificates or other documents

executed in connection herewith or therewith, or any of the transactions contemplated hereby or thereby, or any of the Borrowers' obligations hereunder or thereunder. The Borrowers hereby expressly waive any and all objections any of them may have as to venue in any of such courts, and also waive trial by jury in any such suit, action or proceeding.

Section 10.09. Severability. If any provision of this Agreement is held

invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall thereupon be deemed modified only to the extent necessary to render same valid, or not applicable to given circumstances, or excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein, as the case may be.

Section 10.10. Captions. The Article and Section headings in this

Agreement are included herein for convenience of reference only, and shall not affect the construction or interpretation of any provision of this Agreement.

Section 10.11. Sole and Entire Agreement. This Agreement, the Notes, the

Security Documents, the Modification Agreement, the

-65-

Second Modification Agreement, and the other agreements, instruments, certificates and documents referred to or described herein and therein constitute the sole and entire agreement and understanding between the parties hereto as to the subject matter hereof, and supersede all prior discussions, agreements and understandings of every kind and nature between the parties as to such subject matter.

XI. EFFECT ON ORIGINAL AGREEMENTS AND EXISTING OBLIGATIONS -----

Section 11.01. Amendment and Restatement. Effective upon the

satisfaction, or waiver by the Lenders, of the conditions precedent set forth in Article IV above, this Agreement shall amend and restate the Original Agreement and the Amended and Restated Loan Agreement in their entirety, and shall supersede the Original Agreement and the Amended and Restated Loan Agreement except to the extent that any Exhibits or Schedules to the Original Agreement and/or the Amended and Restated Loan Agreement are referenced herein or incorporated herein by reference.

Section 11.02. No Novation. The Borrowers hereby confirm the ongoing

validity of all of the Obligations outstanding on the date hereof and on the effectiveness of this Agreement (including but not limited to Obligations under the Notes), and further acknowledge, confirm and agree that none of the amendments effected and to be effected by this Agreement constitute or shall constitute a novation of any of the Obligations outstanding on the date hereof or immediately prior to the effectiveness of this Agreement.

Section 11.03. Confirmation and Reaffirmation. The Borrowers hereby

reaffirm the validity of all of the liens and security interests heretofore granted to Fleet (all of which shall hereafter be held by the Agent for the benefit of the Lenders) as collateral security for the Obligations, and acknowledge that all of such liens and security interests, and all collateral heretofore pledged as security for the Obligations, shall continue to be and remain collateral for the Obligations (as modified pursuant to this Agreement) from and after the effectiveness of this Agreement.

Section 11.04. Cross-References. From and after the effectiveness of this

Agreement, all references to the "Loan Agreement" contained in the Notes and the Security Documents shall thereafter mean and refer to this Agreement; all references to the Notes contained in the Security Documents shall thereafter mean and refer to the Notes as amended pursuant to this Agreement, the Modification Agreement and the Second Modification Agreement; and all references

My Commission Expires:

STATE OF NEW JERSEY)
) ss:
COUNTY OF _____)

On the _____ day of December, 1995, personally appeared before me _____, of IGI, Inc., who acknowledged that he is the _____ of IGI, Inc., and that said instrument was signed by him on behalf of said corporation by due authority.

Notary Public

My Commission Expires:

STATE OF NEW JERSEY)
) ss:
COUNTY OF _____)

On the _____ day of December, 1995, personally appeared before me _____, of IGEN, Inc., who acknowledged that he is the _____ of IGEN, Inc., and that said instrument was signed by him on behalf of said corporation by due authority.

Notary Public

My Commission Expires:

STATE OF NEW JERSEY)
) ss:
COUNTY OF _____)

On the _____ day of December, 1995, personally appeared before me _____, of Immunogenetics, Inc., who acknowledged that he is the _____ of Immunogenetics, Inc., and that said instrument was signed by him on behalf of said corporation by due authority.

Notary Public

My Commission Expires:

STATE OF NEW JERSEY)
) ss:
COUNTY OF _____)

On the _____ day of December, 1995, personally appeared before me _____, of Blood Cells, Inc., who acknowledged that he is the _____ of Blood Cells, Inc., and that said instrument was signed by him on behalf of said corporation by due authority.

Notary Public

My Commission Expires:

IGI, INC. AND SUBSIDIARIES

EXHIBITS AND SCHEDULES INDEX TO

SECOND AMENDED AND RESTATED LOAN AGREEMENT

EXHIBITS

- A-1.....Fleet Revolving Credit Note
- A-2.....Mellon Revolving Credit Note
- B-1.....Fleet Line of Credit Note
- B-2.....Mellon Line of Credit Note
- C.....Second Modification Agreement

SCHEDULES

- 1.....Existing Indebtedness
- 2.....Existing Liens
- 3.....Existing Real Properties and Existing Leases
- 4.....Transactions with Affiliates
- 5.....Contracts
- 6.....Litigation
- 7.....Benefit Plans
- 8.....Material Adverse Changes; Sale or Encumbrance of Assets,
Etc.
- 9.....Environmental Matters
- 10.....Capitalization of Borrowers
- 11.....Permitted Bank Depositories
- 12.....Immaterial Contracts
- 13.....Immaterial Leases and Immaterial Real Properties
- 14.....Ongoing Transactions with MPS Group

LICENSE AGREEMENT

This Agreement is effective as of the 13th day of December, 1995 (the "Effective Date"), by and between Micro-Pak, Inc., a Delaware corporation (hereinafter "MP"), having a principal place of business at 209 Baynard Building, 3411 Silverside Road, Wilmington, Delaware and Igen, Inc., a Delaware corporation, (hereinafter "IGEN"), having a principal place of business at 103 Springer Building, 3411 Silverside Road, Wilmington, Delaware.

W I T N E S S E T H :

- - - - -

WHEREAS, MP represents and warrants that it is the owner and/or exclusive licensee of certain inventions (as described in several patents and patent applications), trademarks, and information, know-how and skill which is unique and confidential relating to organized lipid structures, lipid vesicle encapsulation technologies, cellulose structure and micellar nanoparticles (designated herein as the "NOVAVAX TECHNOLOGIES"), including, but not limited to the lipid vesicle technology developed by Micro Vesicular Systems, Inc. (designated herein as the "NOVASOME(R) Technology") and superabsorber/hydrogel technology (designated herein as the "ULTRASPONGE(TM) Technology") useful in conjunction with various products including animal pharmaceuticals, biologicals and other animal care products; foods, food applications, flavorings, and nutrients (except to the extent used in human pharmaceuticals and vaccines); cosmetics, consumer products, and topical dermatological products for localized usage at the delivery zone (specifically excluding dermatologically administered pharmaceuticals which are delivered systemically through the skin, antiinfectives for treating infectious pathogens, replacement hormone therapy, spermicides and viracides); fragrances; and chemicals including herbicides,

insecticides, pesticides, paints and coatings, photographic chemicals and other specialty chemicals including blood substitutes containing hemoglobin and other oxygen carrying materials; and processes for making the same.

WHEREAS, MP represents and warrants that it has the right to grant licenses for such inventions under the terms and conditions set forth herein;

WHEREAS, IGEN states that its Affiliates (as hereinafter defined) are in the business of producing various animal pharmaceuticals, biologicals and other animal care products; foods, food applications, flavorings, and nutrients; cosmetics, consumer products, and topical dermatological products for localized usage at the delivery zone; fragrances; and chemicals including herbicides, insecticides, pesticides, paints and coatings, photographic chemicals and other specialty chemicals including blood substitutes containing hemoglobin and other oxygen carrying materials; and processes for making the same and desires to acquire exclusive rights from MP in and to the products, and methods and processes for making and using the NOVAVAX TECHNOLOGIES in the Field, and seeks the right to grant sublicenses of the NOVAVAX TECHNOLOGIES to its Affiliates and to third parties, and to grant to its Affiliates the right to grant further sublicenses to third parties; and

WHEREAS MP is willing to grant such a license;

NOW, THEREFORE, the parties hereto agree as follows:

-2-

ARTICLE I - DEFINITIONS

1.1 Licensed Technology. The term "Licensed Technology" shall mean

any and all data, information, technology, know-how, process, technique, method, skill, proprietary information, trade secret, development, discovery, and invention, related to the NOVAVAX TECHNOLOGIES, including but not limited to the NOVASOME Technology and/or the ULTRASPONGE Technology including Improvements on such inventions in the Field, which arise from and during the course of this Agreement.

1.2 Licensed Patent Rights. The term "Licensed Patent Rights" shall

mean each United States and foreign patent and application for any such patent for any Licensed Technology in the Field, and including but not necessarily limited to those Letters Patent and patent applications listed in Appendix "A" and related applications.

1.3 Licensed Product. The term "Licensed Product" shall mean any

product, the manufacture, use or sale of which is within the scope of a "Valid Claim" (as defined hereinafter) of a Licensed Patent Right.

1.4 Valid Claim. The term "Valid Claim" shall mean an unexpired

claim in a Licensed Patent Right which has not been held invalid or unenforceable by a decision of a court, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid by the owner through reissue or disclaimer; provided, however, that no pending claim shall be deemed to constitute a "Valid Claim" after six (6) years from the date of filing an application as long as a patent has not issued thereon.

-3-

1.5 Affiliates. The term "Affiliates" shall mean any person, firm,

corporation or other business entity, directly or indirectly, controlling, controlled by or under common control with a party.

1.6 Territory. The term "Territory" shall mean all countries in the

world.

1.7 Field. The term "Field" means the use of the NOVAVAX

TECHNOLOGIES, including but not limited to the NOVASOME Technology and ULTRASPONGE Technology for (i) animal pharmaceuticals, biologicals and other animal care products; (ii) foods, food applications, flavorings, and nutrients (except to the extent used in human pharmaceuticals and vaccines); (iii) cosmetics, consumer products, and topical dermatological products for localized usage at the delivery zone, (specifically excluding dermatologically administered pharmaceuticals which are delivered systemically through the skin, antiinfectives for treating infectious pathogens, replacement hormone therapy, spermicides and viracides); (iv) fragrances; and (v) chemicals including herbicides, insecticides, pesticides, paints and coatings, photographic chemicals and other specialty chemicals including blood substitutes containing hemoglobin and other oxygen carrying materials; and processes for making the same.

ARTICLE II - GRANT

2.1 Exclusive License. MP hereby grants to IGEN a fully paid-up,

exclusive, ten (10) year license, with the right to grant sublicenses, and the right of its sublicensees to grant further sublicenses, to make, have made, use and sell Licensed Products in the Field using the Licensed Technology covered by a Valid Claim of a Licensed Patent Right throughout the Territory.

-4-

2.2 Option. MP hereby grants to IGEN an option, exercisable within

the last year of the exclusive license period granted in Paragraph 2.1, to extend the exclusive license granted herein for an additional ten (10) year period upon payment of the Option Fee as defined in Paragraph 3.2.

2.3 Trademark License. MP hereby grants to IGEN the right to use any

of the trademarks listed in Appendix B in connection with the sale or marketing of any Licensed Product, subject to the restrictions set forth in Paragraph 4.5.

ARTICLE III - PAYMENTS

3.1 Initial Payment. As full payment for the ten (10) year exclusive
license described in Paragraph 3.1, IGEN shall pay to MP a single payment of
five million dollars (\$5,000,000.00), payable within thirty days after the
Effective Date of this Agreement.

3.2 Option Fee. IGEN shall have the option to extend the exclusive
license for an additional ten (10) year period as set forth in Paragraph 2.2
upon payment of one million dollars (\$1,000,000.00), payable before the
expiration of the license described in paragraph 2.1.

ARTICLE IV - COMMERCIALIZATION

4.1 Government Approvals. IGEN (or its Affiliates or sublicensees)
shall be responsible for all government approval of Licensed Products. Rights
in and to said

-5-

data and any governmental approvals obtained thereof shall be the property of
IGEN (or its Affiliates or sublicensees as the case may be), except as needed by
MP for patent purposes.

4.2 Right to Manufacture. IGEN (together with its Affiliates and
sublicensees) shall have the exclusive right to manufacture, and sublicense for
manufacture, Licensed Products in the Field pursuant to the grant of paragraph
2.1.

4.3 Manufacturing Know-How. To assist IGEN (and its Affiliates and
sublicensees) in achieving the aims of Section 4.2, MP (and its Affiliates) will
supply all of the manufacturing know-how in its possession or available to it
for manufacture of Licensed Products in the Field at no cost; provided, however,
reasonable costs to effect the transfer will be paid by IGEN. To further assist
IGEN in IGEN's manufacture of Licensed Products, IGEN may send personnel to the
facilities of MP (or its Affiliates) at a time convenient for, and with the
prior approval of, MP and MP (or its Affiliates) shall provide the instruction
necessary for manufacturing Licensed Products. If such instruction is carried
out within the first three (3) months after the Effective Date of this
Agreement, it shall be without charge to IGEN (or its Affiliates), but after
that, MP (or its Affiliates) shall be compensated for its employees time at an
agreed upon rate. In addition, if IGEN (or its Affiliates or sublicensees)
requires assistance from MP (or its Affiliates) employees at any facility of
IGEN (or its Affiliates or sublicensees), IGEN shall pay an agreed upon daily
fee plus living and travel expenses as appropriate.

4.4 Advertising and Promotion. IGEN (and its Affiliates or
sublicensees) shall have the responsibility for the preparation and
dissemination of all advertising and promotional materials including the
choosing and use of trade names and trademarks in

-6-

connection with the Licensed Products and shall pay all costs in connection
therewith. IGEN (and its Affiliates or sublicensees) may use the marks listed in
Appendix B without payment of any additional royalty.

4.5 IGEN (and its Affiliates or sublicensees) agrees that MP may
control the nature and quality of the goods and the services on which IGEN (and
its Affiliates or sublicensees) use any of the licensed trademarks. IGEN (and
its Affiliates or sublicensees) further acknowledges that MP (and/or the
trademark's owner if the trademark is licensed) has the right to inspect the
nature and quality of the goods or services which IGEN (and its Affiliates or
sublicensees) sell or render under any of the trademarks and that MP (and/or the
trademark's owner if the trademark is licensed) will be the sole judge of
whether IGEN (and its Affiliates or sublicensees) are meeting the required
nature and quality of the goods and services. IGEN further agrees that all
sublicenses granted by it or its Affiliates will contain specific reference to

this right of MP.

ARTICLE V - PATENTS

5.1 Patent Warranty. MP warrants that at least basic patent

applications covering the technology for use in making Licensed Products in the Field have been filed, that some patents have been issued, and that other applications have been filed, and that MP is not aware of any valid patents of third parties which would be infringed by IGEN's, or its Affiliates or sublicensees, making, using or selling Licensed Products. This warranty does not extend to variations or modifications of the Licensed Products distinct from those products being made by IGEN (and its Affiliates or sublicensees) as of the Effective Date of this Agreement.

-7-

5.2 Obtaining Patents. MP (on its own behalf and that of its

Affiliates) agrees, at its own expense, to file and prosecute diligently patent applications covering the Licensed Products in the countries of the United States, the European Patent Office, Japan and Canada (known as Group "A" countries) or other countries as it may be requested to do so by IGEN (known as Group "B" countries), and to maintain where required, by payment of renewal fees or taxes, any patents issued thereon. MP shall be responsible for all patent expenses relating to the Group "A" countries unless it decides to abandon such patent or application and IGEN shall be responsible for the reasonable pro rata expenses in the Group "B" countries, said pro rata expenses to be shared equally on a country-by-country basis by all licensees of MP who request coverage in that country. If MP decides to abandon an application or patent, MP will inform IGEN of its intent to abandon such patent or application in sufficient time that IGEN may assume prosecution and/or ownership at its own expense and no further royalties under that patent or application shall be due. MP shall keep IGEN or its counsel informed of all developments in connection with each filing and prosecution, promptly furnishing to IGEN or its counsel copies of all applications, official actions, amendments, issued patents and all other papers filed or received. All patents obtained pursuant to this Section 5.2 shall become a part of the Licensed Patent Rights.

5.3 Infringement Notice. MP or IGEN, as the case may be, shall give

prompt written notice to the other of any infringement known to MP or IGEN of a Licensed Patent Right, and shall supply the other with such details of such infringement as are actually in MP's or IGEN's possession.

-8-

5.4 Infringement by Others.

5.4.1 In the event of any infringement of a Licensed Patent Right in the Field, MP shall, if consistent with its business interests, institute such proceedings or other actions as it deems advisable to prevent such infringement and shall retain all recovery had from any infringer.

5.4.2 If MP does not institute such proceedings or other actions necessary to prevent such infringement within three (3) months after it learns of such infringement, IGEN may, at its own expense, institute such proceedings as may be appropriate to prevent such infringement. MP shall join in any such proceedings, if required. In such event MP shall, upon the request of IGEN and at IGEN's expense, formally assign to IGEN any cause of action it may have against any such infringer of the Licensed Patent and execute all documents and do all acts deemed necessary by IGEN for IGEN to prosecute and control such proceedings or other actions brought by it, including, but not limited to, being named as a party if legally required.

5.4.3 Neither MP or IGEN has any obligation to institute any proceedings or other actions to prevent such infringement. However, which ever party initiates such proceedings or actions shall be entitled to any recovery, after paying any expenses incurred at its request by the other party.

5.5 Infringement of Others' Proprietary Rights.

5.5.1 MP has no obligation or liability to IGEN (and its Affiliates or sublicensees) to hold harmless, indemnify or defend IGEN (and its Affiliates or sublicensees) from and against any and all liabilities, losses, damages, claims, demands,

-9-

suits, judgments, royalties, actions, causes of action, costs or expenses of any nature whatsoever arising out of any infringement or alleged infringement of the proprietary rights of others by a Licensed Product.

ARTICLE VI - IMPROVEMENTS

6.1 MP and IGEN Improvements. If at any time during the term of this

License Agreement MP (and its Affiliates or sublicensees) or IGEN (and its Affiliates or sublicensees) shall, to the extent permitted by other agreements, make or discover any Improvement of the Licensed Products useful in the Field (such Improvement being limited to those improvements which would be dominated by the claims of a Licensed Patent). MP and IGEN, respectively, shall communicate all details in respect thereof to the other party. If MP (or its Affiliates) makes such an Improvement, IGEN (and its Affiliates or sublicensees) shall be entitled to use the same in the Field during the term of this Agreement upon the same terms pursuant to this Agreement without paying any increased or decreased royalty in respect thereof. If MP obtains a patent in respect to any such Improvement, it shall be included in the Patent Rights. If IGEN (or its Affiliates or sublicensees) makes such an Improvement, MP (and its Affiliates or sublicensees) shall have the right to use it outside the Field during the term of this Agreement.

6.2 Joint Inventions. In the event employees of MP and IGEN, or one

of their Affiliates, are joint inventors as a result of inventions arising out of the development of Licensed Products, any patent applications filed thereon shall be owned by MP and IGEN shall have an exclusive license in the Field as provided in Section 2.1.

-10-

ARTICLE VII- CONFIDENTIALITY

7.1 Obligations. Except as expressly provided under this Agreement,

each party agrees that it shall hold in confidence for the term of this Agreement and for a period of five (5) years thereafter all confidential information disclosed by or acquired from the other pursuant to this Agreement and marked as confidential and shall not use such for the benefit of third parties, or disclose such to third parties, without the prior written authorization of the other party; provided, however, that neither party shall be responsible for any inadvertent disclosure of confidential information provided it has exercised the same standard of care as it exercises with respect to its own information and further provided that the parties may, for the purpose of health registration and exploitation of Licensed Products, transmit and disclose such information to Affiliated companies, subsidiaries and agents. All confidential information conveyed orally shall be treated as if it were conveyed in writing, if it is conveyed again in a writing designated "confidential" within ninety (90) days after such oral transmission.

7.2 Exceptions. The foregoing obligation shall not extend to

information which (i) at the time of disclosure or acquisition is part of the public knowledge or literature or thereafter becomes part of the public knowledge or literature otherwise than by unauthorized disclosure by the receiving party, or (ii) at the time of disclosure or acquisition was in the receiving party's possession as evidenced by its written records, or (iii) become available to the receiving party from another source not bound to secrecy by the disclosing party with respect to such information, or (iv) would be required by Health Registration authorities and/or Government authorities.

ARTICLE VIII - TERM AND TERMINATION

8.1 Term. This Agreement, unless otherwise terminated as provided

herein, shall begin on the Effective Date set forth hereinabove and continue for ten (10) years unless the option under Paragraph 2.2 is exercised, in which case the term shall extend an additional ten (10) years. Upon termination of the second term, IGEN (and its Affiliates or sublicensees) may thereafter make, use, and distribute the Licensed Products in any country without further royalty to MP.

8.2 MP Termination Rights. MP shall have the right to terminate

this Agreement, upon thirty (30) days notice to IGEN, if IGEN fails to make a payment due under Paragraphs 3.1 or 3.2.

ARTICLE IX - FORCE MAJEURE

Notwithstanding anything to the contrary contained herein, neither party hereto shall be liable for damages or otherwise for failure to satisfy or perform any obligation or duty to be satisfied or performed pursuant to the terms and provisions of this License Agreement, if such failure is occasioned by (a) Act of God, war, civil disorder or strikes or acts, regulations or decision of governmental, judicial or administrative agencies or authorities, or other circumstances beyond the control of the party hereto who has failed to satisfy or perform, or (b) the suspension by any Governmental authority of a license or similar authorization or approval necessary in connection with the manufacture or sale of the Licensed Products; provided, however, that any such obligation or duty, although the satisfaction or performance thereof has been postponed pursuant to this Article VIII, shall remain in force and effect and shall be satisfied and performed pursuant to this License

Agreement as soon as such satisfaction and performance becomes legally and practicably possible and IGEN shall make such effort as in IGEN's sole judgment, necessary to regain approval.

ARTICLE X - NOTICES

Any notice given hereunder to be effective shall be in writing and transmitted by certified mail or facsimile transmission, to the recipient at the address stated below. Either party may notify the other in the manner set forth above at the following addresses:

For MP: Micro-Pak, Inc.
209 Baynard Building
3411 Silverside Road
Wilmington, Delaware

Attention: Chairman

For IGEN: Igen, Inc.
103 Springer Building
3411 Silverside Road
Wilmington, Delaware

Attention: President

Either party hereto may change its address for the purposes of this Agreement by giving the other party written notice of its new address.

ARTICLE XI - MISCELLANEOUS PROVISIONS

11.1 Assignment. The rights granted under this Agreement shall

accrue to MP and its successors and assigns, and to IGEN and its successors and assigns. Prompt notification of any such assignment shall be given to the other party.

-13-

11.2 Warranty of License to Others. MP represents, covenants and

warrants to IGEN that no license or right has been or will be granted during the exclusive term of this Agreement by MP to any third party to manufacture, use or sell the Licensed Products in the Field within the scope of the grant of paragraph 2.1 and MP itself shall not manufacture or sell the Licensed Products in the Field within the scope of the grant of paragraph 2.1, except MP may manufacture to the extent necessary for its research purposes.

11.3 Mediation and Arbitration. Both parties agree that they shall

attempt to resolve any dispute arising from this Agreement through mediation. Both parties agree that at least one company employee, capable of negotiating an agreement on behalf of his company, shall, within three weeks of receipt of written notification of a dispute, meet with at least one employee of the other party who is also capable of negotiating an agreement on behalf of his company. If no agreement can be reached, both parties agree to meet again within a four week period after the initial meeting to negotiate in good faith to resolve the dispute. If no agreement can be reached after this second meeting, both parties agree to submit the dispute to arbitration under the Rules of the American Arbitration Association before a single arbitrator.

11.4 No Waiver. This License Agreement may be amended, modified,

superseded or canceled, and any of the terms and conditions hereof may be modified, only by a written instrument executed by both parties or, in the case of a waiver, by the party waiving compliance. Failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right of such party at a later time to enforce the same, and no waiver of any nature, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or considered as a further or continuing waiver of any other provision of this License Agreement.

-14-

10.4 Severability. In the event that any one or more of the

agreements, provisions or terms contained herein shall be declared invalid, illegal or unenforceable in any respect, the validity of the remaining agreements, provisions or terms contained herein shall in no way be affected, prejudiced or disturbed thereby.

11.5 Entire Agreement. This License Agreement contains the entire

agreement between the parties hereto with respect to the subject matter hereof.

11.6 Governing Law. This License Agreement shall be governed by, and

construed and enforced in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this License Agreement as of the day and year first above written.

MICRO-PAK, INC.

By: /s/ SIGNATURE TO COME

Title: SECRETARY

IGEN, INC.

By: /s/ Kevin J. Bratton

Title: TREASURER

APPENDIX A

TO BE ADDED

APPENDIX A

NVR/IMH

FOREIGN PATENTS GRANTED

REF. NO.	COUNTRY	PATENT	SERIAL NO.	DATE FILED	PATENT NO.	GRANTED
NVR-0019CH	SWIT	METHOD OF PRODUCING HIGH AQUEOUS VOLUME MULTILAMELLAR	88 90 4011.9	03/08/88	0349593	03/08/88
NVR-0019CPCA	CANA	METHOD OF PRODUCING HIGH AQUEOUS VOLUME MULTILAMELLAR	561288	03/11/88	1289420	09/24/88
NVR-0019CPJP	JAPA	METHOD OF PRODUCING HIGH AQUEOUS VOLUME MULTILAMELLAR	63-503735	03/08/88	1876852	03/08/88
NVR-0019DE	GERW	METHOD OF PRODUCING HIGH AQUEOUS VOLUME MULTILAMELLAR	88 90 4011.9	03/08/88	P3866544.1	03/08/88
NVR-0019FR	FRAN	METHOD OF PRODUCING HIGH AQUEOUS VOLUME MULTILAMELLAR	88 90 4011.9	03/08/88	0349593	03/08/88
NVR-0019GB	GBRI	METHOD OF PRODUCING HIGH AQUEOUS VOLUME MULTILAMELLAR	88 90 4011.9	03/08/88	0349593	03/08/88
NVR-0023BE	BELG	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	89 90 3640.4	03/02/89	0406273	03/02/89
NVR-0023CA	CANA	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	592763	03/03/89	1320400	07/20/93
NVR-0023CH	SWIT	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	89 90 3640.4	03/02/89	0406273	03/02/89
NVR-0023DE	GERW	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	89 90 3640.4	03/02/89	P68910969.5-08	03/02/89
NVR-0023FR	FRAN	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	89 90 3640.4	03/02/89	0406273	03/02/89
NVR-0023GB	GBRI	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	89 90 3640.4	03/02/89	0406273	03/02/89
NVR-0028CA	CANA	LIPID VESICLES FORMED OF SURFACTANTS AND STEROIDS	561289	03/11/88	1311415	12/15/92
NVR-0028DE	GERW	LIPID VESICLES FORMED OF SURFACTANTS AND STEROIDS	88 90 3061.5	03/08/88	P3867635.4	03/08/88
NVR-0031AU	ASTL	PAUCILAMELLAR LIPID VESICLES	15416/88	03/08/88	605581	03/08/88
NVR-0031CA	CANA	PAUCILAMELLAR LIPID VESICLES	561290	03/11/88	1289419	09/24/91
NVR-0031CH	SWIT	PAUCILAMELLAR LIPID VESICLES	88 90 3062.3	03/08/88	0352282	01/08/92
NVR-9931DE	GERW	PAUCILAMELLAR LIPID VESICLES	88 90 3062.3	03/08/88	P3867637.0	01/08/92
NVR-0031FR	FRAN	PAUCILAMELLAR LIPID VESICLES	88 903062.3	03/08/88	0352282	01/08/92
NVR-0031GB	GBRI	PAUCILAMELLAR LIPID VESICLES	88 90 3062.3	03/08/88	0352282	03/08/88

FOREIGN PATENTS GRANTED

REF. NO.	COUNTRY	PATENT	SERIAL NO.	DATE FILED	PATENT NO.	GRANTED
NVR-0031NZ	NEWZ	PAUCILAMELLAR LIPID VESICLES	223843	03/10/88	223843	03/10/88
NVR-0031ZA	SAFR	PAUCILAMELLAR LIPID VESICLES	88/1763	03/11/88	88/1763	03/11/88
NVR-034CA	CANA	ENCAPSULATED HUMECTANT	608638	08/17/89	1332153	09/27/94
NVR-0036CA	CANA	BIODEGRADABLE SUPERABSORBING SPONGE	2049055	03/08/90	2049055	07/05/94
NVR-0036SF	SAFR	BIODEGRADABLE SUPERABSORBING SPONGE	90/1853	03/09/90	90/1853	08/28/91
NVR-0038AU	ASTL	ENCAPSULATION OF PARASITICIDES	49446/90	12/18/89	633540	12/18/89
NVR-0047AU	ASTL	BIODEGRADABLE INCONTINENCE DEVICE	59432/90	06/13/90	632598	06/13/90
NVR-0047JP	JAPA	BIODEGRADABLE INCONTINENCE DEVICE	02-509554	06/13/90		
NVR-0049AU	ASTL	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED, SINGLE	64098/90	09/18/90	633631	09/18/90
NVR-0049BE	BELG	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED, SINGLE	90 91 3925.5	09/18/90	0493441	09/18/90
NVR-0049CH	SWIT	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED, SINGLE	90 91 3925.5	09/18/90	0493441	09/18/90
NVR-0049DE	GERM	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED, SINGLE	90 91 3925.5	09/18/90	69015642.1	09/18/90
NVR-0049EP	EPC	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED, SINGLE	90 91 3925.5	09/18/90	0493441	12/28/94
NVR-0049FR	FRAN	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED	90 91 3925.5	09/18/90	0493441	09/18/90
NVR-0049GB	GBRI	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED	90 91 3925.5	09/18/90	0493441	191990
NVR-0049JP	JAPA	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED SINGLE	02-513089	09/18/90		
NVR-0050DE	GERW	PARTICULATE ABSORBENT MATERIAL	90 90 4542.9	03/08/90	0462178	03/08/90
NVR-0050GB	GBRI	PARTICULATE ABSORBENT MATERIAL	90 90 4542.9	03/08/90	0462178	03/08/90
NVR-0050JP	JAPA	PARTICULATE ABSORBANT MATERIAL	02-504607	03/08/90	1996619	12/08/95
NVR-0050SE	SWED	PARTICULATE ABSORBENT MATERIAL	90 90 4542.9	03/08/90	0462178	03/08/90
NVR-0055AU	ASTL	CONTROLLED RELEASE VEHICLE	79812/91	05/07/91	638846	05/07/91
NVR-0060EP	EPC	RINSE-FREE SHAMPOO	91 91 3520.2	07/16/91	0539474	10/11/95
NVR-0060SF	SAFR	RINSE-FREE SHAMPOO	91/5587	07/17/91	91/5587	07/17/91

FOREIGN PATENTS GRANTED

REF. NO.	COUNTRY	PATENT	SERIAL NO.	DATE FILED	PATENT NO.	GRANTED
----------	---------	--------	------------	------------	------------	---------

NVR-0083SF	SAFR	LIPID VESICLES HAVING AN ALKYD AS A WALL-FORMING MATERIAL	92/1015	02/12/92	92/1015	02/12/92
NVR-0086AU	ASTL	GAS AND OXYGEN CARRYING LIPID VESICLES	15388/92	02/26/92	660970	07/13/95
IMH-0022CA	CANA	METHOD OF MANUFACTURING UNILAMELLAR LIPID VESICLES	572961	25JL1988	1330532	05JL1994
IMH-0023EP	EPC	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	89 90 3640.4	02MR1989	0406273	02MR1989
IMH-0031EP	EPC	PAUCILAMELLAR LIPID VESICLES	88 90 3062.3	08MR1988	0352282	08JA1992
IMH-0050EP	EPC	PARTICULATE ABSORBENT MATERIAL	90 90 4542.9	08MR1990	0462178	08MR1990
IMH-0060AU	ASTL	RINSE-FREE SHAMPOO	81955/91	16JL1991	649055	16JL1991
IMH-0060GB	GBRI	RINSE-FREE SHAMPOO	91 91 3520.2	16JL1991	0539474	16JL1991
IMH-0121AU	ASTL	BLENDED LIPID VESICLES	24930/92	20AU1992	655072	23MR1995
IMH-0127SF	SAFR	METHOD AND INHIBITING VIRAL REPRODUCTION	94/0102	07JA1994	94/0102	07JA1994

-4-

U.S. PATENTS GRANTED

REF. NO.	COUNTRY	PATENT	SERIAL NO.	DATE FILED	PATENT NO.	GRANTED
NVR-0031CN	USA	PAUCILAMELLAR LIPID VESICLES	443,516	11/29/89	5147723	09/15/92
NVR-0037	USA	ENCAPSULATION IONOPHORE GROWTH FACTOR	287108	12/20/88	5023086	06/11/91
NVR-0046C2	USA	HYBRID PAUCILAMELLAR LIPID VESICLES	07/759732	09/12/91	5234767	08/10/93
NVR-0049	USA	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED, SINGLE	07/410608	09/21/89	5032457	07/16/91
NVR-0060CN	USA	RINSE-FREE SHAMPOO	07/809230	12/17/91	5234621	08/10/93
NVR-0073	USA	BIODEGRADABLE GEL	07/587240	09/24/90	5234915	08/10/93
NVR-0078	USA	METHOD OF MAKING OIL FILLED PAUCILAMELLAR LIPID VESICLES	598120	10/16/90	5160669	11/03/92
NVR-0082	USA	LIPID VESICLES HAVING N N-DIMETHYLAMIDE DERIVATIVES AS THEIR	07/735645	07/15/91	5213805	05/25/93
NVR-0083	USA	LIPID VESICLES HAVING AN ALKYD AS A WALL-FORMING MATERIAL	654327	02/12/91	5164191	11/17/92
NVR-0091CN	USA	LIPID VESICLE CONTAINING WATER-IN-OIL EMULSIONS	07/909112	07/08/92	5256422	10/26/93
NVR-0148CN	USA	EXTENDED DURATION ANTACID PRODUCT	08/210645	03/18/94	5490985	02/13/96
NVR-0215	USA	SUCROSE DISTEARATE LIPID VESICLES	08/148885	11/08/93	5405615	04/11/95
IMH-0005	USA	PNEUMATIC INJECTION APPARATUS	881033	24FE1978	4177810	11DE1979
IMH-0019CP	USA	METHOD OF PRODUCING HIGH AQUEOUS VOLUME MULTILAMELLAR	078658	28JL1987	4855090	08AU1989
IMH-0022	USA	METHOD OF MANUFACTURING UNILAMELLAR LIPID VESICLES	078834	28JL1987	4853228	11AU1989
IMH-0023	USA	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	163806	03MR1988	4895452	23JA1990
IMH-0023DV	USA	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	430119	01NO1989	5013497	07MY1991
IMH-0028	USA	LIPID VESICLES FORMED OF SURFACTANTS AND STEROIDS	124824	24NO1987	4917951	17AP1990
IMH-0031	USA	PAUCILAMELLAR LIPID VESICLES	07/157571	03MR1988	4911928	27MR1990
IMH-0031CN3	USA	PAUCILAMELLAR LIPID VESICLES	200351	03FE1994	5474848	12DE1995

-5-

U.S. PATENTS GRANTED

REF. NO.	COUNTRY	PATENT	SERIAL NO.	DATE FILED	PATENT NO.	GRANTED
IMH-0034	USA	ENCAPSULATED HUMECTANT	234309	19AU1988	4942038	7JL1990
IMH-0035	USA	PROTEIN COUPLING TO LIPID VESICLES	300079	19JA1989	5000960	19MR1991
IMH-0036	USA	BIODEGRADABLE SUPERABSORBING SPONGE	320944	09MR1989	4959341	25SE1990
IMH-0036DV	USA	METHOD OF USING BIODEGRADABLE SUPERABSORBING SPONGE	552587	12JL1990	5073202	17DE1991
IMH-0038	USA	ENCAPSULATION OF PARASITICIDES	286731	20DE1988	5019392	28MY1991
IMH-0041	USA	REINFORCED PAUCILAMELLAR LIPID VESICLES	371738	26JE1989	5104736	14AP1992
IMH-0047	USA	BIODEGRADABLE INCONTINENT DEVICE	371210	26JE1989	4944734	31JL1990
IMH-0048	USA	LIPOSOMAL CLEANER	410650	21SE1989	5019174	28MY1991
IMH-0050	USA	PARTICULATE ABSORBENT MATERIAL	490356	08MR1990	4952550	28AU1990
IMH-0055	USA	CONTROLLED RELEASE VEHICLE	521086	09MY1990	5049395	17SE1991
IMH-0073	USA	BIODEGRADABLE GEL	587240	24SE1990	5234915	10AU1993
IMH-0086	USA	GAS AND OXYGEN CARRYING LIPID VESICLES	662850	01MR1991	5219538	16JE1993
IMH-0121	USA	BLENDED LIPID VESICLES	07/761253	17SE1991	5260065	09NO1993
IMH-0209	USA	LIPID VESICLES CONTAINING AVOCADO OIL UNSAPONIFIABLES		15DE1993		
IMH-0214	USA	PROPYLENE GLYCOL STEARATE VESICLES	148952	08NO1993	5439967	08AU1995

-6-

FOREIGN PATENTS FILED

REF. NO.	COUNTRY	PATENT	SERIAL NO.	DATE FILED
NVR-0023BR	BRAZ	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	P1 89 07293	03/02/89
NVR-0023JP	JAPA	METHOD AND APPARATUS FOR PRODUCING LIPID VESICLES	01-503339	03/02/89
NVR-0028JP	JAPA	LIPID VESICLES FORMED OF SURFACTANTS AND STEROIDS	63502979	03/08/88
NVR-0031BR	BRAZ	PAUCILAMELLAR LIPID VESICLES	P18807410	03/08/88
NVR-0031JP	JAPA	PAUCILAMELLAR LIPID VESICLES	63-502980	03/08/88
NVR-0031KR	KORS	PAUCILAMELLAR LIPID VESICLES	701447/88	03/08/88
NVR-0031SU	USSR	PAUCILAMELLAR LIPID VESICLES	4742173	03/08/88
NVR-0035CA	CANA	PROTEIN COUPLING OF LIPID VESICLES	2046893	01/10/90
NVR-0036EP	EPC	BIODEGRADABLE SUPERABSORBING SPONGE	90 90 5032.0	03/08/90
NVR-0036JP	JAPA	BIODEGRADABLE SUPERABSORBING SPONGE	02-505069	03/08/90
NVR-0036KR	KORS	BIODEGRADABLE SUPERABSORBING SPONGE	702416/90	03/08/90
NVR-0038BR	BRAZ	ENCAPSULATION OF PARASITICIDES	PI 8907837	12/18/89
NVR-0038CA	CANA	ENCAPSULATION OF PARASITICIDES	2006251-7	12/20/89
NVR-0038JP	JAPA	ENCAPSULATION OF PARASITICIDES	02-502095	12/18/89
NVR-0041CA	CANA	REINFORCED PAUCILAMELLAR LIPID VESICLES	2062726	06/13/90
NVR-0047CA	CANA	BIODEGRADABLE INCONTINENCE DEVICE	2060660	06/13/90
NVR-0049BR	BRAZ	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED, SINGLE	P190076781	09/18/90

NVR-0049CA	CANA	PAUCILAMELLAR LIPID VESICLES USING CHARGE-LOCALIZED, SINGLE	2066617	09/18/90
NVR-0050CA	CANA	PARTICULATE ABSORBENT MATERIAL	2049054	03/08/90
NVR-0050SK	KORS	PARTICULATE ABSORBENT MATERIAL	702417/900	03/08/90

-7-

FOREIGN PATENTS FILED

REF. NO.	COUNTRY	PATENT	SERIAL NO.	DATE FILED
NVR-0055CA	CANA	CONTROLLED RELEASE VEHICLE	2082496	05/07/91
NVR-0055EP	EPC	CONTROLLED RELEASE VEHICLE	91 91 1101.3	05/07/91
NVR-0055JP	JAPA	CONTROLLED RELEASE VEHICLE	03-510601	05/07/91
NVR-0060CA	CANA	RINSE-FREE SHAMPOO	2087176	07/16/91
NVR-0060JP	JAPA	RINSE-FREE SHAMPOO	03-512323	07/16/91
NVR-0060KR	KORS	RINSE-FREE SHAMPOO	93-700069	07/16/91
NVR-0078CA	CANA	METHOD OF MAKING OIL FILLED PAUCILAMELLAR LIPID VESICLES	2093526	10/15/91
NVR-0078EP	EPC	METHOD OF MAKING OIL FILLED PAUCILAMELLAR LIPID VESICLES	91 92 0355.4	10/15/91
NVR-0078JP	JAPA	METHOD OF MAKING OIL FILLED PAUCILAMELLAR LIPID VESICLES	04-500743	10/15/91
NVR-0082CA	CANA	LIPID VESICLES HAVING N N-DIMETHYLAMIDE DERIVATIVES AS THEIR	2114836	07/21/92
NVR-0083CA	CANA	LIPID VESICLES HAVING AN ALKYD AS A WALL-FORMING MATERIAL	2103808	02/10/92
NVR-0083EP	EPC	LIPID VESICLES HAVING AN ALKYD AS A WALL-FORMING MATERIAL	92 90 7074.6	02/10/92
NVR-0083EPDV	EPC	LIPID VESICLES HAVING AN ALKYD AS A WALL-FORMING MATERIAL	96 10 2243.1	02/10/92
NVR-0086CA	CANA	GAS AND OXYGEN CARRYING LIPID VESICLES	2106405	02/26/92
NVR-0086JP	JAPA	GAS AND OXYGEN CARRYING LIPID VESICLES	04-507835	02/26/92
NVR-0091BR	BRAZ	LIPID VESICLE CONTAINING WATER-IN-OIL EMULSIONS	P19205819	03/25/92
NVR-0091CA	CANA	LIPID VESICLE CONTAINING WATER-IN-OIL EMULSIONS	2108039	03/25/92
NVR-0091EP	EPC	LIPID VESICLE CONTAINING WATER-IN-OIL EMULSIONS	92 91 0447.9	03/25/92
NVR-0091JP	JAPA	LIPID VESICLE CONTAINING WATER-IN-OIL EMULSIONS	04-510613	03/25/92
NVR-0127CA	CANA	METHOD AND INHIBITING VIRAL REPRODUCTION	2153780	01/03/94
NVR-0148EP	EPC	EXTENDED DURATION ANTACID PRODUCT	94 90 1572.1	11/17/93
NVR-0209PC	PCT	LIPID VESICLES CONTAINING AVOCADO OIL UNSAPONIFIABLES	PCT/US94/12158	10/25/94
NVR-0213PC	PCT	METHOD AND INHIBITING VIRAL REPRODUCTION	PCT/US95/00475	01/11/95

-8-

FOREIGN PATENTS FILED

REF. NO.	COUNTRY	PATENT	SERIAL NO.	DATE FILED
NVR-0214PC	PCT	PROPYLENE GLYCOL STEARATE VESICLES	PCT/US94/12157	10/25/94
NVR-0215PC	PCT	SUCROSE DISTEARATE LIPID VESICLES	PCT/US94/12156	10/25/94
NVR-0298PC	PCT	ANTIMICROBIAL OIL-IN-WATER EMULSIONS	PCT/US95/06236	05/18/95
NVR-0298ZA	SAFR	ANTIMICROBIAL OIL-IN-WATER EMULSIONS	95/9426	11/07/95
NVR-0299CPPC	PCT	SOLVENT DETERGENT EMULSIONS HAVING ANTIVIRAL ACTIVITY	NEW APPLICATION	03/19/96
NVR-0300PC	PCT	EOXY ESTER VESICLES AND PAINTS	PCT/US95/13877	10/26/95
NVR-0310PC	PCT	MICELLAR NANOPARTICLES	PCT/US96/01410	01/29/96
NVR-0310ZA	SAFR	MICELLAR NANOPARTICLES	96/0738	01/31/96
NVR-0311PC	PCT	ANTIBACTERIAL OIL-IN-WATER EMULSIONS	PCT/US95/06234	05/18/95
NVR-0311ZA	SAFR	ANTIBACTERIAL OIL-IN-WATER EMULSIONS	95/9427	11/07/95
NVR-0325PC	PCT	GRAM NEGATIVE BACTERIAL INFECTION VACCINE	PCT/US95/15446	11/09/95
IMH-0121CA	CANA	BLENDED LIPID VESICLES	2119250	20AU1992
IMH-0121EP	EPC	BLENDED LIPID VESICLES	92 91 8622.9	20AU1992
IMH-0121JP	JAPA	BLENDED LIPID VESICLES	05-506038	20AU1992
IMH-0148CA	CANA	EXTENDED DURATION ANTACID PRODUCT	2150463	17NO1993
IMH-0148JP	JAPA	EXTENDED DURATION ANTACID PRODUCT	NEW APPLICATION	17NO1993
IMH-0148PC	PCT	EXTENDED DURATION ANTACID PRODUCT	PCT/US93/11180	17NO1993
IMH-0216PC	PCT	METHOD OF TRANSMITTING A BIOLOGICALLY ACTIVE MATERIAL	PCT/US94/14537	15DE1994

-9-

U.S. PATENTS FILED

REF. NO.	COUNTRY	PATENT	SERIAL NO.	DATE FILED
NVR-0046CN4	USA	HYBRID PAUCILAMELLAR LIPID VESICLES	08/456283	05/31/95
NVR-0146CN	USA	ENTRAPMENT VEHICLE AND METHOD	08/335207	11/07/94
NVR-0209C2	USA	LIPID VESICLES CONTAINING AVOCADO OIL UNSAPONIFIABLES	08/583667	01/05/96
NVR-0213	USA	VACCINES CONTAINING PAUCILAMELLAR LIPID VESICLES AS	08/201346	02/24/94
NVR-0216CN	USA	LIPID VESICLE FUSION AS A METHOD OF TRANSMITTING A	08/420324	04/11/95
NVR-0282	USA	ANTIMICROBIAL OIL-IN-WATER EMULSIONS	08/246868	05/20/94
NVR-0298	USA	ANTIMICROBIAL OIL-IN-WATER EMULSIONS	08/322827	10/13/94
NVR-0299	USA	SOLVENT DETERGENT EMULSIONS HAVING ANTIVIRAL ACTIVITY	08/427042	04/24/95
NVR-0299CP	USA	SOLVENT DETERGENT EMULSIONS HAVING ANTIVIRAL ACTIVITY	08/593651	01/29/96
NVR-0302	USA	GRAM NEGATIVE BACTERIAL INFECTION VACCINE	08/389637	02/16/95

NVR-0300	USA	EPOXY ESTER VESICLES AND PAINTS	08/333757	11/03/94
NVR-0305	USA	VIRUS INACTIVATING OIL-IN-WATER EMULSIONS	08/329730	10/26/94
NVR-0310	USA	MICELLAR NANOPARTICLES	08/380942	01/31/95
NVR-0325	USA	GRAM NEGATIVE BACTERIAL INFECTION VACCINE	08/482552	06/07/95
NVR-0339	USA	ADJUVANT PROPERTIES OF POLY(AMIDOAMINE) DENDRIMERS	08/597938	02/07/96
IMH-0046C3	USA	HYBRID PAUCILAMELLAR LIPID VESICLES	08/005940	19JA1993
IMH-0127CN	USA	METHOD OF INHIBITING VIRAL REPRODUCTION	08/265506	24JE1994
IMH-0308	USA	STIMULATION OF HAIR FOLLICLES	06OC1995	
IMH-0311	USA	ANTIBACTERIAL OIL-IN-WATER EMULSIONS	443937	18MY1995

COMPUTATION OF NET INCOME PER COMMON SHARE

	For the years ended December 31		
	1995	1994	1993
Income from continuing operations	\$ 1,507,744	\$ 1,969,151	\$ 1,765,251
Loss from discontinued operations	(4,033,768)	(1,699,844)	(5,942,921)
Net (loss) income for primary earnings per share	\$ (2,526,024)	\$ 269,307	\$ (4,177,670)
Weighted average shares outstanding	9,173,156	8,803,979	8,668,308
Common stock equivalents (net of common stock deemed reacquired) based on average market price	552,074	351,252	380,587
Total equivalent shares for primary computation	9,725,230	9,155,231	9,048,895
Per share amounts:			
Primary:			
Income from continuing operations	\$.16	\$.22	\$.20
Loss from discontinued operations	\$ (.42)	\$ (.19)	\$ (.66)
Net (loss) income	\$ (.26)	\$.03	\$ (.46)

Fully diluted earnings per share have been omitted as they approximate primary earnings per share.

LIST OF SUBSIDIARIES OF IGI, INC.

IGEN, Inc., a Delaware corporation
ImmunoGenetics, Inc., a Delaware corporation
Marketing Aspects, Inc., a Delaware corporation
Blood Cells, Inc., a Delaware corporation
Flavorsome, Ltd., a Delaware corporation
Vista, Inc., a Virgin Island corporation

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement of IGI, Inc. on Form S-8 (No. 2-90713), the Registration Statement of IGI, Inc. on Form S-8 and S-3 (No. 33-35047), the Registration Statement of IGI, Inc. on Form S-8 and S-3 (No. 33-43212), the Registration Statement of IGI, Inc. on Form S-8 and S-3 (No. 33-47777), the Registration Statement of IGI, Inc. on Form S-3 (No. 33-54920), the Registration Statement of IGI, Inc. on Form S-8 (No. 33-58479) and the Registration Statement of IGI, Inc. on Form S-8 (No. 33-65249) of our report, dated March 27, 1996, on our audits of the consolidated financial statements and financial statement schedule of IGI, Inc. and subsidiaries as of December 31, 1995 and 1994, and for each of the three years in the period ended December 1995, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
March 27, 1996

<ARTICLE> 5

<PERIOD-TYPE>	YEAR	
<FISCAL-YEAR-END>	DEC-31-1995	
<PERIOD-END>	DEC-31-1995	
<CASH>		169,849
<SECURITIES>		0
<RECEIVABLES>		8,455,610
<ALLOWANCES>		306,000
<INVENTORY>		9,000,208
<CURRENT-ASSETS>		18,442,799
<PP&E>		10,110,383
<DEPRECIATION>		8,224,670
<TOTAL-ASSETS>		32,331,324
<CURRENT-LIABILITIES>		14,159,379
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		0
<OTHER-SE>		0
<TOTAL-LIABILITY-AND-EQUITY>		32,331,324
<SALES>		31,220,632
<TOTAL-REVENUES>		31,220,632
<CGS>		15,431,534
<TOTAL-COSTS>		12,544,548
<OTHER-EXPENSES>		(145,300)
<LOSS-PROVISION>		(7,358)
<INTEREST-EXPENSE>		1,268,681
<INCOME-PRETAX>		2,128,527
<INCOME-TAX>		620,783
<INCOME-CONTINUING>		1,507,744
<DISCONTINUED>		(4,033,768)
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(2,526,024)
<EPS-PRIMARY>		(.26)
<EPS-DILUTED>		(.26)