

SIGA TECHNOLOGIES INC
Form PRER14A
September 19, 2006
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

SIGA TECHNOLOGIES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock

(2) Aggregate number of securities to which transaction applies:

88,898,722

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\$1.38 (being the last sale price for the common stock of the Registrant on June 29, 2006 as reported on the NASDAQ Capital Market)

(4) Proposed maximum aggregate value of transaction:

\$122,680,236

(5) Total fee paid:
\$24,536

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

[SIGA TECHNOLOGIES, INC. LETTERHEAD]

September , 2006

To the Stockholders of SIGA Technologies, Inc.:

On behalf of the Board of Directors of SIGA Technologies, Inc. (“SIGA,” or the “Company”), I cordially invite you to attend a special meeting of stockholders (the “Special Meeting”) of SIGA. The formal notice of the Special Meeting appears after this letter.

You may already be aware that, on June 8, 2006, SIGA entered into an Agreement and Plan of Merger (the “Merger Agreement”) among SIGA, SIGA Acquisition Corp. (“SIGA Acquisition”), a newly formed, wholly-owned subsidiary of SIGA, and PharmAthene, Inc., a Delaware corporation (“PharmAthene”). Pursuant to the Merger Agreement, SIGA Acquisition will merge with and into PharmAthene (the “Merger”), with PharmAthene surviving the Merger. The stockholders of PharmAthene will receive shares of common stock of SIGA and warrants to purchase shares of common stock of SIGA as consideration for their shares of PharmAthene capital stock. At the time of the closing of the Merger, all but one of SIGA’s then current directors, Mr. Paul G. Savas, will resign from the Board of Directors, and immediately following the closing of the Merger six individuals, five of whom will be designated by the former stockholders of PharmAthene, will be appointed by Mr. Savas to fill the vacancies created by such resignations. The final board member will be designated by certain current holders of SIGA capital stock in accordance with a stockholders agreement.

A condition to consummation of the Merger is that SIGA also complete, simultaneously with the closing of the Merger, a private offering of its equity securities to certain investors (the “PIPE”). Current PharmAthene stockholders will also convert approximately \$11.8 million of bridge financing into the same securities offered in the PIPE. The purpose of the PIPE is to provide the combined company with necessary working capital following the Merger.

The signing of the Merger Agreement by SIGA and PharmAthene was the culmination of a long and thorough exploratory and mutual due diligence process that began in 2004. The Board of Directors of SIGA, after taking into consideration many factors, including the findings of the due diligence team and management of SIGA, the receipt of a fairness opinion from Sutter Securities Incorporated, and their own detailed understanding of the proposed transaction and the current business environment, unanimously decided to approve the Merger Agreement and the

Merger. The Board of Directors believes that the Merger offers the best opportunity at the present time to return value on the investment that SIGA's stockholders have made in the Company. Subject to satisfaction of certain closing conditions, and to the receipt of stockholder approval of the proposals described below and in the Proxy Statement accompanying this letter, we currently expect the Merger to be completed by _____, 2006.

Although the proposals presented in this proxy statement are discussed and will be voted upon individually, and require stockholder approval for different reasons, as described herein, stockholders should consider all of the proposals together as being presented for the purpose of effectuating the Merger. Consequently, if one or more of the separate proposals is not approved by SIGA's stockholders, it is unlikely that the Merger will be consummated, even if the remainder of the proposals have been approved. Moreover, if the issuance of SIGA securities in the Merger, or the issuance of SIGA securities in connection with the PIPE, is not approved by SIGA's stockholders, other proposals presented herein that may have been approved by the stockholders (for example, the increase of shares authorized under SIGA's stock option plan and the reverse stock split) may not be implemented by SIGA, as they are, among other things, contingent upon the consummation of the Merger. Notwithstanding the foregoing, the Boards of Directors of SIGA and PharmAthene have the authority to waive their respective conditions set forth in the Merger Agreement, including the completion of the PIPE, and if they do so, the Merger may be consummated even if, in the absence of such a waiver, a condition or conditions precedent contained in the Merger Agreement would not have been satisfied (and approval of the stockholders of SIGA would not be resolicited). In addition, the implementation of the reverse stock split, if approved, will be in the discretion of the Board of Directors.

Table of Contents

THE PROPOSALS. At the Special Meeting, you will be asked to consider the following proposals:

AMENDMENTS TO THE CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED CAPITAL STOCK AND TO CHANGE CORPORATE NAME. We do not, at present, have sufficient authorized capital stock to issue all of the shares that are required to be issued in the Merger or pursuant to the PIPE. At the Special Meeting, you will be asked to consider and approve an amendment to our certificate of incorporation to increase our authorized capital stock. That amendment would authorize the Company to issue 310,000,000 shares of capital stock in the aggregate, divided into 300,000,000 shares of common stock, par value \$.0001 per share, and 10,000,000 shares of preferred stock, par value \$.0001 per share. In addition, you will be asked to consider and approve an amendment to our certificate of incorporation to change our corporate name to PharmAthene, Inc. upon completion of the Merger.

APPROVAL OF FIVE ALTERNATIVE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT. SIGA common stock is quoted on the Nasdaq Capital Market ("NASDAQ") and is currently subject to NASDAQ's issuer requirements for continued inclusion in the NASDAQ system. Nevertheless, because current PharmAthene stockholders will own a majority of the shares of SIGA's common stock upon completion of the Merger, a change of control of SIGA will be deemed to have occurred at that time, and the combined company will, as a consequence of SIGA having undergone a change of control, become subject to NASDAQ's more stringent requirements for an initial listing, rather than continued listing, of its stock. NASDAQ requires, in connection with an initial listing, that the trading price of an issuer's stock be not less than \$4 per share. At _____, 2006, SIGA's common stock was trading at \$ _____ per share. Our Board of Directors believes that the most efficient way to increase the trading price of the common stock of the combined company to a level that will comply with NASDAQ's initial listing requirements is the implementation of a reverse stock split. You will, therefore, be asked to consider and approve a proposal to give the Board of Directors the authority, in its discretion, to amend the certificate of incorporation to effect a reverse stock split after the consummation of the Merger and, if completed, the PIPE.

APPROVAL OF ISSUANCE OF SHARES AND WARRANTS TO PURCHASE SHARES OF COMMON STOCK IN THE MERGER. NASDAQ rules require that a company obtain stockholder approval of the issuance of securities in a transaction that would, directly or indirectly, result in a change of control of such company. Consummation of the Merger will result in a change of control of SIGA. You will, therefore, be asked to consider and approve the issuance of our shares and warrants to purchase shares of common stock to the stockholders of PharmAthene in the Merger.

APPROVAL OF ISSUANCE OF SECURITIES IN THE PIPE AND APPROVAL OF ISSUANCE OF CERTAIN OF SUCH SECURITIES TO AFFILIATES. NASDAQ rules require a company to obtain stockholder approval of the issuance of its shares in a transaction, other than a public offering, in which the company proposes to issue a number of shares of its common stock that would equal or exceed 20% of the company's then issued and outstanding shares of common stock, when such shares are being sold at a discount from market price. Although the number of shares that we issue and sell in the PIPE will depend on market conditions prevailing at the time, it is possible that we may sell a number of shares that would exceed 20% of our issued and outstanding shares of common stock. It is likely that such shares will be sold at a discount from the market price. In addition, investors in the PIPE will likely receive warrants to purchase SIGA common stock. As a result of the additional value attributed to the warrants, we believe that NASDAQ could deem the issuance of the shares and warrants together in the PIPE to be at a discount from the market value of SIGA shares, even if the shares themselves are not sold at a discount. Moreover, it is possible that the number of securities we issue in the PIPE may result in another change of control of SIGA as a result of the significant dilution of SIGA's current stockholders that will occur. Under NASDAQ rules, an issuance which may give rise to a change in control requires stockholder approval. Consequently, at the Special Meeting, you will be asked to consider a proposal to approve the issuance by SIGA of its common stock and warrants to purchase shares of common stock in the PIPE.

Table of Contents

NASDAQ rules require stockholder approval of arrangements pursuant to which officers and directors of a company may be issued stock of the company. Since current PharmAthene stockholders are expected to participate in the PIPE, and controlling persons of such stockholders are expected to become directors of SIGA upon consummation of the Merger, you will be asked to consider a proposal to approve the issuance by SIGA of securities to such affiliates in the PIPE.

AMENDMENT TO STOCK OPTION PLAN. At the Special Meeting, you will be asked to consider and approve an amendment to our stock option plan to increase the number of authorized shares reserved for issuance under the plan from 11,000,000 to 25,250,000 shares. Stockholder approval of this plan amendment is also required under NASDAQ rules. The Merger Agreement contemplates that currently outstanding options to purchase shares of common stock of PharmAthene will be converted into options to purchase shares of SIGA common stock. The proposed increase in the number of shares reserved for issuance under the plan is necessary to implement this aspect of the Merger.

APPROVAL OF ADJOURNMENT OF THE SPECIAL MEETING. At the Special Meeting, you may be asked to consider and approve a proposal to adjourn the Special Meeting, if necessary and appropriate, for the purpose of soliciting additional proxies if there are not sufficient votes for the foregoing proposals.

Our Board of Directors unanimously approved each of the proposals and recommends that you vote FOR the approval of each of them.

THE SPECIAL MEETING. All stockholders are invited to attend the Special Meeting in person. The approval of each of the amendments to our certificate of incorporation requires the affirmative vote of a majority of outstanding shares of capital stock of SIGA. The approval of the issuance of SIGA securities in the Merger and the PIPE, the

2. To consider and vote upon an amendment to the certificate of incorporation of SIGA to change the name of the Company to PharmAthene, Inc.
3. To consider and vote upon five alternative amendments to the certificate of incorporation of SIGA, each of which would effect a reverse stock split of the common stock of the combined company at a ratio of between 1-for-3 and 1-for-7.
4. To consider and vote upon a proposal to issue up to 87,234,130 shares of SIGA common stock and warrants to purchase up to 5,817,461 shares of SIGA common stock to the stockholders of PharmAthene, Inc. as merger consideration for the merger of a wholly-owned subsidiary of SIGA into PharmAthene, Inc.
5. To consider and vote upon a proposal to issue shares of SIGA common stock, together with warrants to purchase shares of SIGA common stock, in a private offering to certain investors (the "PIPE").
6. To consider and vote upon a proposal to issue shares of SIGA common stock and warrants to purchase shares of SIGA common stock to certain investors whom we expect will be considered affiliates of SIGA at the time of the closing of the PIPE.
7. To consider and vote upon an amendment to SIGA's stock option plan to increase the number of shares of common stock reserved for issuance under the plan from 11,000,000 to 25,250,000 shares.
8. To consider and vote upon a proposal to adjourn the Special Meeting, if necessary and appropriate, for the purpose of soliciting additional proxies if there are not sufficient votes for the foregoing proposals.
9. To transact any other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

The Board of Directors of SIGA has fixed the close of business on [], 2006, as the record date for the determination of stockholders of SIGA entitled to notice of, and to vote at, the Special Meeting. Only holders of record of SIGA capital stock at the close of business on that date will be entitled to notice of, and to vote at, the Special Meeting or at any adjournments or postponements thereof.

Your attention is directed to the accompanying proxy statement for further information regarding each proposal described above.

All stockholders are asked to complete, sign and date the enclosed proxy and return it promptly by mail in the enclosed self addressed envelope, which does not require postage if mailed in the United States.

By Order of the Board of Directors

Thomas N. Konatich
Secretary

[], 2006
New York, New York

Table of Contents

SIGA TECHNOLOGIES, INC.

PROXY STATEMENT

Edgar Filing: SIGA TECHNOLOGIES INC - Form PRER14A

This proxy statement is furnished by the Board of Directors of SIGA Technologies, Inc., a Delaware corporation (“SIGA” or the “Company”), in connection with the solicitation of proxies to be used at the special meeting of stockholders to be held on [], 2006 (the “Special Meeting”) at the offices of Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, 29th Floor, New York, New York 10036 at [] EDT, and at any adjournment or postponement thereof.

This Proxy Statement is dated [], 2006, and first mailed to stockholders on or about [], 2006.

The Board of Directors has fixed the close of business on [], 2006 as the record date (the “Record Date”) for the determination of stockholders entitled to notice of, and to vote at, the Special Meeting. Only stockholders of record at the close of business on the Record Date will be entitled to vote at the Special Meeting or any and all adjournments or postponements thereof. As of the Record Date, SIGA had issued and outstanding 27,500,648 shares of common stock, par value \$.0001 per share (“Common Stock”), and 68,038 shares of Series A convertible preferred stock, par value \$.0001 per share (“Series A Preferred Stock”). The Common Stock and the Series A Preferred Stock together comprise all of SIGA’s issued and outstanding capital stock. At the Special Meeting, SIGA stockholders will be asked:

1. To consider and vote upon an amendment to the certificate of incorporation of SIGA to increase the number of authorized shares of capital stock to 310,000,000, divided into 300,000,000 shares of common stock, par value \$.0001 per share, and 10,000,000 shares of preferred stock, par value \$.0001 per share.
2. To consider and vote upon an amendment to the certificate of incorporation of SIGA to change the name of the Company to PharmAthene, Inc.
3. To consider and vote upon five alternative amendments to the certificate of incorporation of SIGA, each of which would effect a reverse stock split of the common stock of the combined company at a ratio of between 1-for-3 and 1-for-7.
4. To consider and vote upon a proposal to issue up to 87,234,130 shares of SIGA common stock and warrants to purchase up to 5,817,461 shares of SIGA common stock to the stockholders of PharmAthene, Inc. as merger consideration for the merger of a wholly-owned subsidiary of SIGA into PharmAthene, Inc.
5. To consider and vote upon a proposal to issue and sell shares of SIGA common stock, together with warrants to purchase shares of SIGA common stock, in a private offering to certain investors (the “PIPE”).
6. To consider and vote upon a proposal to issue and sell shares of SIGA common stock and warrants to purchase shares of SIGA common stock to certain investors whom we expect will be considered affiliates of SIGA at the time of the closing of the PIPE.
7. To consider and vote upon an amendment of SIGA’s stock option plan to increase the number of shares of common stock reserved for issuance under the plan from 11,000,000 to 25,250,000 shares.
8. To consider and vote upon a proposal to adjourn the Special Meeting, if necessary and appropriate, for the purpose of soliciting additional proxies if there are not sufficient votes for the foregoing proposals.
9. To transact any other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

Although the proposals presented in this proxy statement are discussed and will be voted upon individually, and require stockholder approval for different reasons, as described herein, stockholders

Table of Contents

should consider all of the proposals together as being presented for the purpose of effectuating the Merger. Consequently, if one or more of the separate proposals is not approved by SIGA's stockholders, it is unlikely that the Merger will be consummated, even if the remainder of the proposals have been approved. Moreover, if the issuance of SIGA securities in the Merger, or the issuance of SIGA securities in connection with the PIPE, is not approved by SIGA's stockholders, other proposals presented herein that may have been approved by the stockholders (for example, the increase of shares authorized under SIGA's stock option plan and the reverse stock split) may not be implemented by SIGA, as they are, among other things, contingent upon the consummation of the Merger. Notwithstanding the foregoing, the Boards of Directors of SIGA and PharmAthene have the authority to waive their respective conditions set forth in the Merger Agreement, including the completion of the PIPE, and if they do so, the Merger may be consummated even if, in the absence of such a waiver, a condition or conditions precedent contained in the Merger Agreement would not have been satisfied (and approval of the stockholders of SIGA would not be resolicited). In addition, the implementation of the reverse stock split, if approved, will be in the discretion of the Board of Directors.

Whether or not you plan to attend the Special Meeting, please take the time to vote by completing, signing and mailing the enclosed proxy card to us. Your vote is very important.

Each share of Common Stock and each share of Series A Preferred Stock outstanding on the Record Date will be entitled to one vote, voting as a single class, on each matter submitted to a vote of the stockholders. Cumulative voting by stockholders is not permitted.

We encourage you to read this entire document carefully. IN PARTICULAR, PLEASE CONSIDER THE MATTERS DISCUSSED UNDER "RISK FACTORS" BEGINNING ON PAGE 9 OF THIS PROXY STATEMENT.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATOR HAS APPROVED OR DISAPPROVED THE MERGER DESCRIBED HEREIN OR DETERMINED THAT THIS PROXY STATEMENT IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

	Page Number
<u>QUESTIONS AND ANSWERS</u>	<u>QA-1</u>
<u>SUMMARY</u>	<u>1</u>
<u>RISK FACTORS</u>	<u>9</u>
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION</u>	<u>26</u>
<u>SPECIAL MEETING OF SIGA STOCKHOLDERS</u>	<u>27</u>
<u>SELECTED HISTORICAL FINANCIAL STATEMENTS OF SIGA</u>	<u>62</u>
<u>PRO FORMA CAPITALIZATION OF COMBINED COMPANY</u>	<u>63</u>
	<u>74</u>

<u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SIGA</u>	
<u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PHARMATHENE</u>	<u>89</u>
<u>BUSINESS OF SIGA</u>	<u>101</u>
<u>BUSINESS OF PHARMATHENE</u>	<u>111</u>
<u>MARKET PRICE AND DIVIDEND INFORMATION</u>	<u>123</u>
<u>VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF</u>	<u>124</u>
<u>MANAGEMENT OF SIGA</u>	<u>127</u>
<u>MANAGEMENT OF PHARMATHENE</u>	<u>128</u>
<u>MANAGEMENT OF COMBINED COMPANY FOLLOWING MERGER</u>	<u>130</u>
<u>COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS</u>	<u>132</u>
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	<u>137</u>
<u>DESCRIPTION OF SIGA’S CAPITAL STOCK</u>	<u>137</u>
<u>MISCELLANEOUS MATTERS</u>	<u>139</u>

Table of Contents

QUESTIONS AND ANSWERS

Q: Why am I receiving this proxy statement?

A: SIGA and PharmAthene have agreed to a combination of the companies (the “Merger”) under the terms of an agreement and plan of merger (the “Merger Agreement,” a copy of which is provided as Annex A) that is described in this proxy statement. While due to the structure of the Merger, the approval of SIGA’s stockholders is not required for the Merger itself, the approval of SIGA’s stockholders of actions to be taken in connection therewith is required by applicable state law and the rules and regulations of the NASDAQ Capital Market, all of which are as summarized below.

The Merger Agreement provides, among other things, that the outstanding shares of capital stock of PharmAthene will be converted into shares of SIGA common stock and warrants to purchase shares of SIGA common stock in the Merger, and that options to purchase shares of PharmAthene common stock outstanding immediately prior to consummation of the Merger will be converted into options to purchase units which consist of SIGA common stock and warrants to purchase shares of SIGA common stock, upon consummation of the Merger. The Merger Agreement also provides, as a condition to the closing of the Merger, which condition may be waived by the parties to the Merger Agreement, that SIGA will complete simultaneously with the closing of the Merger a private offering yielding not less than \$13.2 million of new proceeds (the “PIPE”). Current PharmAthene stockholders will also convert approximately \$11.8 million of bridge financing into the same securities offered in the PIPE such that at least \$25 million of PIPE securities are anticipated to be issued. The total value of securities issued in the PIPE could be as high as \$40 million (inclusive of the \$11.8 million of bridge financing). The purpose of the PIPE is to provide the combined company with necessary working capital following the Merger.

At present, SIGA does not have sufficient authorized capital stock under its certificate of incorporation to consummate the Merger or the PIPE as described above (and in substantially greater detail later in this proxy statement). Consequently, the Board of Directors of SIGA is proposing to amend SIGA’s certificate of incorporation to increase the authorized capital stock of SIGA in order to enable SIGA to effectuate the Merger and the PIPE. The certificate of incorporation is also proposed to be amended to change the name of SIGA to PharmAthene, Inc. upon consummation of the Merger. SIGA is incorporated under the laws of the State of Delaware, and under Delaware law, an amendment

of the certificate of incorporation requires stockholder approval.

SIGA common stock is traded on the Nasdaq Capital Market (“NASDAQ”) and is currently subject to NASDAQ’s issuer requirements for continued inclusion in the NASDAQ system. Nevertheless, because current PharmAthene stockholders will own a majority of the shares of SIGA’s common stock upon completion of the Merger, a change of control of SIGA will be deemed to have occurred at that time, and SIGA will, as a consequence of having undergone a change of control, become subject to NASDAQ’s more stringent requirements for an initial listing, rather than continued listing, of its stock. NASDAQ requires, in connection with an initial listing, that the trading price of an issuer’s stock be not less than \$4 per share. At _____, 2006, SIGA’s common stock was trading at \$ _____ per share. Our Board of Directors believes that the most efficient way to increase the trading price of SIGA’s common stock to a level that will comply with NASDAQ’s initial listing requirements is likely to be the implementation of a reverse stock split. Therefore SIGA stockholders will be asked to consider and approve five alternative proposals each of which will give the Board of Directors the authority, in its discretion, to amend the certificate of incorporation to effect a reverse stock split at a ratio of between 1-for-3 and 1-for-7, following the consummation of the Merger and, if completed, the PIPE.

In addition, in order to implement the conversion of PharmAthene stock options into SIGA stock options, as described above, SIGA’s stock option plan must be amended to increase the number of shares of common stock that SIGA is permitted to issue under that plan. NASDAQ rules require stockholder approval of material amendments to stock option plans. The transactions contemplated by the Merger Agreement (including the PIPE transaction) will require us to issue a significant number of shares of our common stock. The NASDAQ rules also require that we obtain stockholder approval

QA-1

Table of Contents

before such issuances. Further, NASDAQ rules require stockholder approval if shares are issued to our affiliates. As some of our affiliates and parties who are likely to become affiliates may participate in the PIPE, we are seeking your approval.

Q: Why are SIGA and PharmAthene pursuing the Merger?

A: We believe that the combination of the two companies will provide substantial strategic and financial benefits to the stockholders of both companies. The combination should, we believe, create a stronger and more competitive company that is capable of creating more stockholder value than PharmAthene and SIGA could create as separate entities. We also believe that the Merger will allow stockholders of both companies to participate in a larger, more diversified company, and that the Merger will enhance the competitive position of the business of the combined company.

Q: Why is SIGA seeking stockholder approval of the issuance of shares of SIGA and warrants to purchase shares of SIGA in the Merger, but not of the Merger itself?

A: Under Delaware law, because SIGA itself is not merging (rather, its wholly-owned subsidiary is), we are not required to seek stockholder approval of the Merger. However, because the Merger will, among other things, result in a change of control of SIGA, NASDAQ rules require that we obtain stockholder approval of the issuance of our shares in the Merger in order for our shares to continue to be quoted.

Q: Are PharmAthene stockholders required to approve the Merger?

A: Yes, although the holders of in excess of the number of shares of PharmAthene stock required to approve the Merger have already executed an irrevocable consent to the Merger. Accordingly, there are no additional approvals required by PharmAthene to consummate the Merger.

Q: What will happen in the Merger?

A: SIGA Acquisition Corp., a wholly-owned subsidiary of SIGA formed for the purpose of consummating the Merger, will merge with and into PharmAthene with PharmAthene being the surviving corporation. As a consequence of the Merger, PharmAthene will be a wholly-owned subsidiary of SIGA, and the stockholders of PharmAthene will receive shares of SIGA common stock and warrants to purchase shares of SIGA common stock in exchange for their equity interests in PharmAthene.

Q: What will PharmAthene stockholders receive in the Merger?

A: The Merger Agreement provides that the current holders of PharmAthene capital stock immediately prior to the Merger will initially own up to 67.28% of the issued and outstanding shares of SIGA capital stock after the Merger (including as outstanding for purposes of the calculation, shares to be issued upon exercise of a substantial portion of SIGA's outstanding stock options and warrants) and current holders of SIGA capital stock immediately prior to the Merger will hold as little as 32.72% of the issued and outstanding shares of SIGA capital stock after the Merger (including as outstanding for purposes of the calculation, shares to be issued upon exercise of a substantial portion of SIGA's outstanding stock options and warrants). Please note, however, that SIGA has outstanding options and warrants to purchase 47,112,809 shares of common stock, therefore holders of PharmAthene capital stock will own as much as 76.32%, and holders of SIGA capital stock will own as little as 23.68%, of the aggregate issued and outstanding shares of SIGA capital stock without taking into account such stock options and warrants. Further, following the PIPE, current holders of SIGA capital stock will be further diluted, owning as little as, []% of the aggregate issued and outstanding shares of SIGA capital stock without taking into account any options or warrants to purchase shares of SIGA common stock which we expect to be outstanding immediately following the PIPE, and as little as []% taking such options and warrants into account. Therefore, the holders of SIGA stock immediately prior to the Merger will experience substantial dilution of their ownership interest as a result of the Merger, and will, along with the PharmAthene stockholders, experience further dilution upon completion of the PIPE.

QA-2

Table of Contents

PharmAthene and SIGA currently estimate that (i) holders of PharmAthene common stock will receive approximately 0.443 shares of SIGA common stock and warrants to purchase up to approximately 0.009 shares of SIGA common stock for each share of PharmAthene common stock, (ii) holders of PharmAthene Series A Convertible Preferred Stock will receive approximately 0.9441 shares of SIGA common stock and warrants to purchase up to approximately 0.018 shares of SIGA common stock for each share of Series A Convertible Preferred Stock, (iii) holders of each share of PharmAthene Series B Convertible Preferred Stock will receive approximately 1.257 shares of SIGA common stock and warrants to purchase up to approximately 0.024 shares of SIGA common stock for each share of PharmAthene Series B Convertible Preferred Stock, and (iv) holders of each share of PharmAthene Series C Convertible Preferred Stock will receive approximately 1.619 shares of SIGA common stock and warrants to purchase up to approximately 0.028 shares of SIGA common stock for each share of Series C Convertible Preferred Stock. Because these estimates are based on a number of significant assumptions, the actual number of shares of SIGA

common stock and warrants to purchase SIGA common stock that will be issued in exchange for the outstanding shares of PharmAthene capital stock may be materially different.

Q: Will fractional shares of SIGA be paid?

A: All fractional shares of SIGA common stock to be distributed to an individual stockholder of PharmAthene will be aggregated before determining whether any fractional share remains. Any remaining fractional shares that would otherwise be issuable in the Merger will be rounded to the nearest whole share, with 0.5 shares being rounded up to the next full share.

Q: Will SIGA stockholders receive any shares as a result of the Merger?

A: No. You will continue to hold the shares of SIGA common stock that you currently own, but because of the issuance of shares of SIGA common stock to PharmAthene stockholders in the Merger and to the investors in the PIPE, your shares will represent a substantially smaller percentage of the total shares of SIGA that will be outstanding after all of the shares are issued in connection with the Merger and the PIPE.

Q: When do you expect to complete the Merger?

A: SIGA and PharmAthene are working to complete the Merger as quickly as possible and hope to complete the Merger by _____, 2006. However, we cannot predict the exact timing of the completion of the Merger because the Merger is subject to certain other conditions.

Q: If the Board of Directors chooses to waive a condition to the closing of the Merger, including requiring the completion of the PIPE, will it seek stockholder approval prior to doing so?

A: By approving the resolutions proposed at the Special Meeting, you are granting to the Board of Directors of SIGA the right to waive any such condition without seeking your prior approval. Accordingly, the Board of Directors may waive this or any other condition to the merger which is material without providing to you a notice of and the opportunity to approve or object to such waiver.

Q: Why is SIGA proposing the PIPE?

A: The combined company requires additional funds to carry on its business. Without additional capital, we do not anticipate that the combined company will be able to meet its expenses or implement its business plans. Since both SIGA and PharmAthene stockholders have a mutual interest in the success of the combined company, a condition to the closing of the Merger, which condition may be waived by the parties to the Merger Agreement, is that SIGA complete, simultaneously with the closing of the Merger, a private offering yielding not less than \$13.2 million of new proceeds. Current PharmAthene stockholders will also convert approximately \$11.8 million of bridge financing into the same securities offered in the PIPE such that at least \$25 million of PIPE securities are anticipated to be issued. The total value of securities issued in the PIPE could be as high as

QA-3

Table of Contents

\$40 million (inclusive of the \$11.8 million of bridge financing). If this condition is met and not waived, we believe that these additional funds, together with the combined company's existing funds and projected sources of revenue,

should be sufficient to enable the combined company to operate and carry out its business plans beyond September 30, 2007. We anticipate that between [] and [] shares of our common stock will be issued in connection with the PIPE.

Q: Why am I being asked to approve the PIPE and the issuance of securities to affiliates of SIGA in the PIPE?

A: Our shares of common stock are quoted on NASDAQ, and we are, therefore, subject to NASDAQ rules applicable to companies whose shares are in that quotation system. NASDAQ rules require that we obtain stockholder approval of the PIPE for three reasons. First, NASDAQ rules require a company to obtain stockholder approval of the issuance of its shares in a transaction in which the company proposes to issue a number of shares of its common stock that would equal or exceed 20% of the company's then issued and outstanding shares of common stock, when such shares are being sold at a discount from market price. While the exact terms of the PIPE are not yet known, it is anticipated that the issuance of SIGA common stock in the PIPE will be required to comply with such rules. In addition to shares of common stock, it is anticipated that investors in the PIPE will receive warrants to purchase shares of SIGA common stock. Whether shares issued in the PIPE will be sold at a discount from market price (and if so, the amount of any such discount) has not yet been determined, but even if such shares were sold at the then applicable market price, we believe that NASDAQ could deem the issuance of the shares of SIGA common stock and warrants to purchase shares of SIGA common stock together in the PIPE to be at a discount from the market value of SIGA shares as a result of additional value attributed to the warrants.

Second, NASDAQ rules require stockholder approval of arrangements pursuant to which officers and directors of a company may be issued stock of the company. Certain PharmAthene stockholders are prospective investors in the PIPE, and controlling affiliates of such investors are expected to become directors of SIGA upon consummation of the Merger. To the extent that PharmAthene stockholders participating in the PIPE have control persons who will serve on SIGA's board at the time of the PIPE, you are being asked to consider a proposal to approve the issuance by SIGA of shares to such affiliates in the PIPE.

Third, it is possible, depending on the number of shares issued in the PIPE, that such issuance could result in a change in control of the combined company as a result of the significant dilution of the combined company's stockholders that will occur. The issuance of shares in a transaction that results in a change of control also requires stockholder approval under NASDAQ rules.

Consequently, at the Special Meeting, you will be asked to consider a proposal to approve the issuance by SIGA of shares of its common stock and warrants to purchase shares of its common stock in the PIPE on such terms as are determined by the Board of Directors to be in the best interests of SIGA, subject to the terms set forth in this proxy statement.

Q: Why are you proposing to change SIGA's name?

A: PharmAthene and SIGA each have established well recognized names in the biodefense industry with well developed product candidates that may be used to respond to each of biological and chemical agents. After extensive discussions, the companies have determined that, given the terms and conditions of the Merger and the resulting management and ownership structure, the ongoing use of the PharmAthene name will better serve the best interests of the combined company.

Q: Why are you proposing a reverse stock split?

A: Consummation of the Merger will effect a change in control of SIGA, thereby subjecting SIGA to NASDAQ issuer requirements for initial listings rather than those currently applicable to SIGA, i.e., requirements for continued listing. NASDAQ's initial listing requirements include, among other things, that a company's stock trade at not less than \$4 per share. The last sale price for a share of SIGA stock on [], 2006 was \$[]. The Board

of Directors of SIGA believes that effecting a reverse stock split may be the most efficient method by which to increase the trading price of a share of SIGA stock so that SIGA will be able to comply with this initial listing requirement.

QA-4

Table of Contents

Q: What will be the effect of the reverse stock split on the authorized and outstanding shares of common stock of the combined company?

A: The number of shares of issued and outstanding common stock of SIGA will be decreased as a result of the reverse stock split by a factor proportionate to the split. The number of authorized shares of common stock of SIGA will be reduced to 100 million. We expect that, following the completion of the reverse split, the number of shares of common stock that we will have issued and outstanding will be between [] and [].

Q: Why are you amending SIGA's stock option plan?

A: As part of the Merger, outstanding options to purchase PharmAthene common stock will be converted into options to purchase SIGA common stock at the conversion ratio applicable to the conversion of shares of PharmAthene common stock into shares of SIGA common stock in the Merger. At present, our stock option plan does not authorize the issuance of a sufficient number of shares to allow for the conversion of options in the Merger. We are proposing to increase the number of shares authorized for issuance under the plan from 11,000,000 to 25,250,000 to enable us to complete the Merger, and otherwise have an appropriate number of shares available for future grants. NASDAQ rules require stockholder approval of this amendment to our plan. Of the additional shares of capital stock proposed to be authorized by amendment to SIGA's certificate of incorporation, we anticipate that 14,250,000 will be allocated to the stock option plan, assuming approval by the stockholders of both the amendment to the certificate of incorporation and the amendment to the stock option plan. Of such shares, 4,075,109 will be allocated for grants to holders of existing PharmAthene stock options upon conversion of the PharmAthene stock options to SIGA stock options. It is also anticipated that options to purchase up to approximately 9.0 million shares of common stock will be granted after the Closing Date to current officers and employees of SIGA and PharmAthene.

Q: What vote is required by SIGA stockholders to approve the amendments to SIGA's certificate of incorporation?

A: In order for the proposed amendments to the certificate of incorporation to be adopted, a majority of the voting shares of SIGA capital stock outstanding as of the Record Date must vote "FOR" the amendments.

Q: What vote is required by SIGA stockholders to approve the issuance of shares of common stock and warrants to purchase shares of common stock in the Merger and the PIPE and the issuance of securities to affiliates in the PIPE?

A: In order for SIGA to issue shares of common stock and warrants to purchase shares of common stock in the Merger and the PIPE, including to affiliates in the PIPE, a majority of the votes cast at the Special Meeting, in person or by proxy, must vote "FOR" such issuance.

Q: What vote is required by SIGA stockholders to approve the amendment of SIGA's stock option plan?

A: In order for SIGA to amend its stock option plan, a majority of the votes cast at the Special Meeting, in person or by proxy, must vote "FOR" such amendment.

Q: Do I have Appraisal Rights?

A: Under Delaware law, you are not entitled to appraisal rights with respect to the issuance of shares of our common stock in connection with the Merger or any other matters addressed herein.

QA-5

Table of Contents

Q: What do I need to do now?

A: We urge you to read and consider the information contained in this proxy statement carefully, including the annexes, and to consider how the Merger will affect you as a stockholder of SIGA. You should then vote as soon as possible. If your shares are held by a broker in “street name,” follow the voting directions provided to you by your broker. If your shares are held in your name, and you wish to vote by proxy, complete your proxy card and indicate how you want to vote. Sign and mail the proxy card in the enclosed return envelope as soon as possible. You should complete, sign and return your proxy card even if you currently expect to attend the Special Meeting and vote in person. Mailing in a proxy card now will not prevent you from later canceling or “revoking” your proxy right up to the day of the Special Meeting, and you will ensure that your shares get voted if you later find you are unable to attend. If you sign and send in the proxy card and do not indicate how you want to vote, your proxy will be voted FOR each of the amendments to the certificate of incorporation, FOR the issuance of securities in the Merger and the PIPE, FOR the issuance of securities in the PIPE to certain affiliates of SIGA, and FOR the amendment of the stock option plan.

Q: If my broker holds my shares in “street name,” will my broker vote my shares for me?

A: Your broker will vote your shares only if you tell the broker how to vote. To do so, follow the directions your broker provides. Please note that brokers that have not received voting instructions from their clients cannot, in the case of the proposals in this proxy statement, vote on their client's behalf. In the event a broker indicates in a proxy that it does not have discretionary authority to vote shares on a particular matter, referred to as a “broker non-vote,” then those shares will not be entitled to vote on a particular matter. However, abstentions and broker, non-votes will be treated as shares present for the purposes of determining the presence of a quorum for the transaction of business at the meeting. The approval of the proposals to amend the certificate of incorporation requires the affirmative vote of a majority of the outstanding shares of capital stock entitled to vote at the Special Meeting, voting as a single class. The approval of the remainder of the proposals each requires the affirmative vote of a majority of the shares of capital stock present or represented by proxy and voting at the meeting, provided that there is the required quorum. Abstentions and broker non-votes could prevent the approval of a proposal where the number of affirmative votes, though a majority of the votes represented and cast, does not constitute a majority of the votes entitled to vote at the meeting.

Q: What if I abstain or do not vote?

A: If you:

- fail to respond, it will have the same effect as a vote against the proposals to amend the certificate of incorporation. With respect to the other proposals, it will have the effect of not counting toward the quorum necessary for the Special Meeting.
- respond and do not indicate how you want to vote, your proxy will be counted as a

vote in favor of the proposals to be considered at the Special Meeting.

- respond and abstain from voting, your proxy will be treated as shares present for the purposes of determining the presence of a quorum for the transaction of business at the meeting. The approval of the proposals to amend the certificate of incorporation requires the affirmative vote of a majority of the outstanding shares of capital stock entitled to vote at the special meeting, voting as a single class. The approval of the remainder of the proposals each require the affirmative vote of a majority of the shares of capital stock present or represented by proxy and voting at the meeting, provided that there is the required quorum. Abstentions and broker non-votes could prevent the approval of a proposal where the number of affirmative votes, though a majority of the votes represented and cast, does not constitute a majority of the votes entitled to vote at the meeting.

Officers, directors and stockholders of SIGA, including affiliates of certain directors of SIGA, owning a total of approximately 29% of the outstanding SIGA capital stock have already agreed to vote in favor of each of the proposals.

QA-6

Table of Contents

Q: Can I change my vote after I have mailed my signed proxy?

A: Yes. You can change your vote at any time before your proxy is voted at the Special Meeting by taking any of the following actions:

- delivering to the corporate secretary of SIGA a signed notice of revocation;
- granting a new, later-dated proxy, which must be signed and delivered to the corporate secretary of SIGA; or
- attending the Special Meeting and voting in person; however, your attendance at the Special Meeting alone will not revoke your previously delivered proxy.

Q: Whom should I contact with questions?

A: If you have any questions about the Merger, you should contact the following:

SIGA Technologies, Inc.
420 Lexington Avenue
Suite 408
New York, NY 10170
Attention: Thomas N. Konatich
Telephone: 212-672-9100

You may also obtain additional information about SIGA from documents filed with the United States Securities and Exchange Commission by following the instructions in the section entitled "Availability of Reports and Other Information" on page 110.

QA-7

Table of Contents

SUMMARY

SIGA is sending this proxy statement to its stockholders. This Summary discusses the most material aspects of the Merger and related transactions, but may not contain all of the information that is important to you. It is not intended to be a complete description and is qualified in its entirety by the more detailed information contained elsewhere in this proxy statement and the documents included with this proxy statement. We have included page references parenthetically to direct you to a more complete description of the topics presented in this Summary. To gain a better understanding of the Merger, you should read this entire document carefully, including the Merger Agreement attached as Annex A, the Voting Agreement attached as Annex B, the fairness opinion of Sutter Securities Incorporated attached as Annex C, the proposed amendments to SIGA's certificate of incorporation attached as Annex D, the proposed amendment to SIGA's stock option plan attached as Annex E, the Registration Rights Agreement attached as Annex F, the Lock-Up Agreement attached as Annex G and the other documents to which SIGA and PharmAthene refer. You may obtain the additional information without charge by following the instructions in the section entitled "Availability for Reports and Other Information" on page 110.

This proxy statement contains forward looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward looking statements as a result of the factors described under the heading "Risk Factors" and elsewhere in this proxy statement. All references to "SIGA," "the Company," "we," "us," and "our" in this proxy statement refer to SIGA Technologies, Inc. Unless otherwise noted, all references to "PharmAthene" refer to PharmAthene, Inc. and its wholly-owned subsidiary PharmAthene Canada, Inc.

The Special Meeting (page 27)

The Special Meeting will be held at the offices of Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, 29th Floor, New York, New York 10036 EDT on _____, 2006. At the Special Meeting, SIGA stockholders will be asked:

1. To consider and approve an amendment to the certificate of incorporation of SIGA to increase the number of authorized shares of capital stock to 310,000,000, divided into 300,000,000 shares of common stock, par value \$.0001 per share, and 10,000,000 shares of preferred stock, par value \$.0001 per share.
2. To consider and approve an amendment to the certificate of incorporation of SIGA to change the name of the Company to PharmAthene, Inc.
3. To consider and approve five alternative amendments to the certificate of incorporation of SIGA, each of which would effect a reverse stock split of the common stock of the combined company at a ratio of between 1-for-3 and 1-for-7.
4. To consider and approve a proposal to issue up to 87,234,130 shares of SIGA common stock and warrants to purchase up to 5,817,461 shares of SIGA common stock to the stockholders of PharmAthene, Inc. as merger consideration for the merger of a wholly-owned subsidiary of SIGA into PharmAthene, Inc.
5. To consider and approve a proposal to issue shares of SIGA common stock, together with warrants to purchase shares of SIGA common stock, in a private offering to certain investors (the "PIPE").
6. To consider and approve a proposal to issue shares of SIGA common stock and warrants to purchase SIGA common stock to certain investors whom we expect will be considered

affiliates of SIGA at the closing of the PIPE.

7. To consider and approve an amendment of SIGA's stock option plan to increase the number of shares of common stock reserved for issuance under the plan from 11,000,000 to 25,250,000 shares; and

1

Table of Contents

8. To consider and approve a proposal to adjourn the Special Meeting, if necessary and appropriate, for the purpose of soliciting additional proxies if there are not sufficient votes for the foregoing proposals.
9. To transact any other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

Although the proposals presented in this proxy statement are discussed and will be voted upon individually, and require stockholder approval for different reasons, as described herein, stockholders should consider all of the proposals together as being presented for the purpose of effectuating the Merger. Consequently, if one or more of the separate proposals is not approved by SIGA's stockholders, it is unlikely that the Merger will be consummated, even if the remainder of the proposals have been approved. Moreover, if the issuance of SIGA shares in the Merger, or the issuance of SIGA shares in connection with the PIPE, is not approved by SIGA's stockholders, other proposals presented herein that may have been approved by the stockholders (for example, the increase of shares authorized under SIGA's stock option plan and the reverse stock split) may not be implemented by SIGA, as they are, among other things, contingent upon the consummation of the Merger. Notwithstanding the foregoing, the Boards of Directors of SIGA and PharmAthene have the authority to waive their respective conditions set forth in the Merger Agreement, including the completion of the PIPE, and if they do so, the Merger may be consummated even if, in the absence of such a waiver, a condition or conditions precedent contained in the Merger Agreement would not have been satisfied (and approval of the stockholders of SIGA will not be resolicited). In addition, the implementation of the reverse stock split, if approved, will be in the discretion of the Board of Directors.

The Companies

SIGA Technologies, Inc.
420 Lexington Avenue
Suite 408
New York, NY 10170
Telephone: 212-672-9100

SIGA is a biotechnology company which aims to discover, develop and commercialize novel anti-infectives, antibiotics and vaccines for serious infectious diseases, including products for use in defense against biological warfare agents such as smallpox and arenaviruses (hemorrhagic fevers). Our lead product, SIGA-246, is an orally administered anti-viral drug that targets the smallpox virus. In December 2005, the Food and Drug Administration ("FDA") accepted our Investigational New Drug ("IND") application for SIGA-246 and granted the program "Fast-Track" status. Our anti-viral programs are designed to prevent or limit the replication of the viral pathogen. Our anti-infectives programs are aimed at the increasingly serious problem of drug resistance. We are also developing a technology for the mucosal delivery of our vaccines which may allow the vaccines to activate the immune system at the mucus lined surfaces of the body — the mouth, the nose, the lungs and the gastrointestinal and urogenital tracts — the sites of entry for most infectious agents.

PharmAthene, Inc.

175 Admiral Cochrane Drive
Suite 101
Annapolis, MD 21401
Telephone: 410-571-8920

PharmAthene is a Delaware corporation engaged in the discovery and development of new human therapeutics and prophylactics for the treatment and prevention of morbidity and mortality from exposure to chemical and biological weapons. PharmAthene's mission is to seize leadership in this emerging area by developing a portfolio of products urgently needed by the U.S. Government and its allies. PharmAthene has two products under development that are intended to provide

2

Table of Contents

protection from anthrax and chemical threats. Beyond its initial focus in biodefense, PharmAthene intends to identify and develop dual-use technologies which have application and indications in broader commercial markets.

PROPOSAL 1 — APPROVAL OF THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED CAPITAL STOCK

General (page 29)

The Merger Agreement, pursuant to which a newly-formed wholly-owned subsidiary of SIGA will merge with and into PharmAthene, provides that as consideration for the conversion of their shares of PharmAthene capital stock in the Merger, the stockholders of PharmAthene will receive 87,234,130 shares of SIGA common stock for their shares of PharmAthene stock, which is approximately 67.28% of our outstanding common stock (including, for the purpose of this calculation, all options and warrants exercisable for \$2.00 or less and one-half of all options and warrants exercisable for greater than \$2.00). Please note, however, that SIGA has outstanding options and warrants to purchase 47,112,809 shares of common stock, therefore holders of PharmAthene capital stock will own as much as 76.32% of the aggregate issued and outstanding shares of SIGA capital stock without taking into account such options and warrants. In addition, the stockholders of PharmAthene will receive warrants to purchase up to _____ shares of SIGA common stock. Of the consideration allocated to the holders of PharmAthene equity, 4.46% is attributable to option holders of PharmAthene whose options are being converted into options for SIGA common stock in the Merger. (See "Pro Forma Capitalization" on page 63). As a result of this option conversion, SIGA would be obligated to issue an aggregate of up to 4,075,109 shares of its common stock upon exercise of the SIGA stock options received by PharmAthene option holders in the Merger and 205,356 shares of its common stock upon the exercise of SIGA warrants received by holders of options to purchase PharmAthene common stock. In order to have a sufficient number of shares available to issue to PharmAthene stockholders pursuant to the Merger and to effectuate the other transactions relating to the Merger (including the private placement described below under "The PIPE" as well as the exercise of derivative securities issued in connection with the Merger and PIPE), we must amend our certificate of incorporation to increase the number of authorized shares of common stock by 250,000,000, to a total of 300,000,000 shares authorized.

SIGA's Reasons For the Merger (page 32)

Our Board of Directors considered a variety of positive and negative factors in approving the Merger. Our Board of Directors believes that the positive factors provide value to us at least equal to the negotiated Merger consideration,

and offset the risks associated with the Merger. There can be no assurance, however, that such will be the case.

The Merger Agreement (page 40)

The Merger Agreement is included as Annex A to this proxy statement and a detailed summary thereof may be found at “The Merger” at page 30. It is the legal document that governs the Merger and is incorporated herein by reference.

Conditions to Completion of the Merger (page 45)

The Merger will be completed if certain conditions are met. Among these is the condition that we complete a private placement of our equity securities (the “PIPE”) yielding proceeds to us of not less than \$25 million (which amount includes approximately \$11.8 million in principal amount of bridge loan notes of PharmAthene which will be converted into SIGA securities in the PIPE). (See “The PIPE” at page 52). The issuance of our shares in the PIPE will result in additional dilution of the ownership interests in the combined company for current SIGA stockholders, and could result in a

3

Table of Contents

change of control of the combined company. (See “Pro Forma Capitalization” on page 63). Current PharmAthene stockholders are expected to be among the investors in the PIPE, and the Company expects that potential investors in the PIPE may also include current stockholders of SIGA. The purpose of the PIPE is to provide the Company with sufficient working capital to fund its anticipated operational expenses and overhead for the next twelve months.

If legally permitted, SIGA or PharmAthene may each waive conditions for the benefit of their respective companies and stockholders and complete the Merger even though one or more of these conditions has not been met. We cannot assure you that the conditions will be satisfied or waived or that the Merger will occur. By approving the resolutions proposed at the Special Meeting, you are granting to the Board of Directors of SIGA the right to waive any such condition without seeking your prior approval.

Opinion of SIGA’s Financial Advisor (page 33)

In connection with the proposed Merger, SIGA’s financial advisor, Sutter Securities Incorporated (“Sutter”), delivered its original written opinion, dated June 2, 2006, to the Board of Directors of SIGA to the effect that, as of the date of the opinion, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Sutter, the consideration to be paid in the Merger to PharmAthene stockholders was fair to SIGA’s stockholders from a financial point of view. Sutter subsequently issued its updated written opinion to the Board of Directors of SIGA, dated the date hereof. The full text of Sutter’s written opinion, dated as of the date hereof, is attached to this proxy statement as Annex C. SIGA encourages you to read this opinion carefully in its entirety, and the more detailed discussion of this fairness opinion provided in this proxy statement, for a description of the procedures followed, assumptions made, matters considered, and limitations on the review undertaken. Sutter’s opinion is addressed to the SIGA Board of Directors and does not constitute a recommendation to any stockholder as to any matters relating to the Merger. Sutter’s compensation is in no way contingent on the Merger, and Sutter will receive no additional compensation if the Merger closes.

Material U.S. Federal Income Tax Consequences of the Merger (page 37)

Although no legal opinion or ruling from the Internal Revenue Service will be sought with respect to the tax consequences of the Merger, SIGA and PharmAthene intend to treat the exchange of PharmAthene capital stock for SIGA common stock in the Merger as a reorganization within the meaning of Section 368(a) of the U.S. Internal Revenue Code.

As a result, no income, gain or loss should be recognized by SIGA, SIGA Acquisition Corp. or PharmAthene as a result of the transfer to PharmAthene stockholders of SIGA common stock provided by SIGA to SIGA Acquisition Corp. pursuant to the Merger.

Interests of Officers and Directors in the Merger and Private Placement (page 39)

Following the consummation of the Merger, all but one of the members of the Board of Directors of SIGA will resign and the new board members will be appointed by Paul G. Savas, the remaining member of the SIGA Board. It is also anticipated that Thomas Konatich, the current Acting Chief Executive Officer and Chief Financial Officer of SIGA, will no longer be employed by the combined company. Under his employment agreement, he will be entitled to receive a severance payment as a result of the change of control. Dennis Hruby, SIGA's Chief Scientific Officer, is expected to serve as a vice president of the combined company following the Merger.

Following the closing of the Merger, a majority of the members of the Board of Directors of the combined company will consist of parties initially designated by PharmAthene. Three of these proposed Board members, Steven St. Peter, M.D., who is a General Partner of MPM Capital, James Cavanaugh, Ph.D., who is the President of Healthcare Ventures LLC, and Elizabeth Czerepak, who is

4

Table of Contents

a member of Bear Stearns Health Innoventures Management, LLC, are, by virtue of their relationships with such entities, affiliated with stockholders of PharmAthene which provided bridge financing to PharmAthene during 2006 that will convert into securities issued in the PIPE at a further discount to the price such securities will be sold in the PIPE transaction. PharmAthene's current Chief Executive Officer, its Chief Financial Officer and its Vice President Business Development & Strategic Planning have also invested in the bridge financing and will be entitled to the additional discount upon conversion of this investment. The terms of the PIPE will be based upon prevailing market conditions. A committee which consists of four individuals, Steven St. Peter, M.D., Elizabeth Czerepak, Matthew Drapkin, who is a Senior Vice President – Corporate Development of MacAndrews & Forbes Holdings, Inc., and Paul Savas, who is an Executive Vice President of Finance of MacAndrews & Forbes Holdings, Inc., who represent parties that will hold SIGA common stock following the closing of the Merger, must approve the terms of the PIPE, which approval will be presumed if the terms fall within certain parameters previously agreed upon by SIGA. Two of the individuals on the committee, Paul Savas and Matthew Drapkin, represent parties designated by the Board of Directors of SIGA prior to the Merger who are not affiliated with any entity participating in the PIPE. As a result, at least one committee member who is independent of both the investors in the PIPE and PharmAthene must approve the final terms of the PIPE.

Our Board of Directors has unanimously approved the amendment of the certificate of incorporation to increase authorized capital stock and recommends that you vote FOR such amendment.

PROPOSAL 2 — APPROVAL OF THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO CHANGE THE COMPANY'S NAME

Change of Corporate Name (page 50)

PharmAthene and SIGA each have established well recognized names in the biodefense industry with well developed product candidates that may be used to respond to each of biological and chemical agents. After extensive discussions, the companies have determined that given the terms and conditions of the Merger and the resulting management and ownership structure, that the ongoing use of the PharmAthene name will better serve the best interests of the combined company.

Our Board of Directors has unanimously approved the amendment to the Certificate of Incorporation to change the Company's name and recommends that you vote FOR such amendment.

PROPOSAL 3 — APPROVAL OF FIVE ALTERNATIVE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT

At the Special Meeting, SIGA Stockholders will be asked to vote upon a proposal which would allow the Board of Directors, in its discretion, to amend the certificate of incorporation of SIGA to effect a reverse stock split after the consummation of the Merger and, if completed, the PIPE. The Board of Directors may effect only one reverse stock split pursuant to this proposal at one of the five possible ratios hereafter described. Under the proposed alternative amendments, each outstanding 3, 4, 5, 6 or 7 shares of the authorized and issued and outstanding common stock of the combined company would be combined, converted and changed into one share of common stock. Upon the effectiveness of one such amendment, the other amendments would be abandoned and all such amendments could be abandoned, in all cases at the sole discretion of the Board of Directors. The primary purpose of the reverse split would be to increase the price of the shares of the combined company in order to comply with NASDAQ listing requirements.

Because current PharmAthene stockholders will own a majority of the shares of SIGA's common stock upon completion of the Merger, a change of control of SIGA will be deemed to have occurred at that time, and SIGA will, as a consequence of having undergone a change of control, become

5

Table of Contents

subject to NASDAQ's more stringent requirements for an initial listing, rather than continued listing, of its stock. NASDAQ requires, in connection with an initial listing, that the trading price of an issuer's stock be not less than \$4 per share. At _____, 2006, SIGA's common stock was trading at \$ _____ per share. We do not know what the trading price will be following the Merger, but, assuming that it will still be below \$4.00 per share, our Board of Directors believes that the most efficient way to increase the trading price of SIGA's common stock to a level that will comply with NASDAQ's initial listing requirements is likely to be the implementation of a reverse stock split. You will, therefore, be asked to consider and approve a proposal to give the Board of Directors the authority to, in its discretion, amend the certificate of incorporation to effect a reverse stock split at one of the approved ratios, although there can be no assurance that following a reverse split the stock price will adjust to a level that will meet NASDAQ's initial listing requirements.

Our Board of Directors has unanimously agreed to recommend to our stockholders that they approve, subject to a subsequent board vote, the amendment to our certificate of incorporation to approve a reverse stock split.

PROPOSAL 4 — APPROVAL OF THE ISSUANCE OF SHARES AND WARRANTS TO PURCHASE SHARES OF COMMON STOCK IN THE MERGER

The Merger (page 52)

Consummation of the Merger will result in a change of control of SIGA. Prior to the Merger, current stockholders of SIGA own 100% of the voting power of SIGA capital stock. Following the Merger but prior to the PIPE, they will own up to approximately 23.7% of such capital stock in the aggregate. Current PharmAthene stockholders will, following the Merger but prior to the PIPE, own, in the aggregate, up to 76.32% (67.28% on a fully-diluted basis) of SIGA's outstanding common stock in addition to the warrants to purchase SIGA common stock they will receive at the closing. In addition, designees of PharmAthene will constitute a majority of the Board of Directors of SIGA following the closing of the Merger. NASDAQ rules require that a company obtain stockholder approval of the issuance of securities in a transaction the result of which would be a direct or indirect change of control of the company. We are, therefore, asking you to approve the issuance of our shares and warrants to purchase our shares to the stockholders of PharmAthene in the Merger.

Our Board of Directors has unanimously approved the Merger, including the issuance of our shares and warrants to purchase our shares to PharmAthene stockholders as consideration for the Merger, and recommends that you vote FOR such proposed issuance.

PROPOSAL 5 — APPROVAL OF THE ISSUANCE OF SIGA SECURITIES IN A PRIVATE OFFERING FOR AN AGGREGATE PURCHASE PRICE OF UP TO \$40,000,000

The PIPE (page 52)

At the Special Meeting, SIGA stockholders will be asked to vote upon a proposal to approve the issuance of shares of SIGA securities pursuant to purchase agreements (collectively, the "Purchase Agreements") between SIGA and certain investors yet to be determined. The Purchase Agreements are expected to provide for a private offering (the "PIPE") either of shares of SIGA common stock alone, or of units consisting of shares of SIGA common stock and warrants to purchase shares of SIGA common stock (the "PIPE Warrants"), for an aggregate consideration of up to \$40 million (inclusive of the conversion by current PharmAthene stockholders, including PharmAthene's Chief Executive Officer, of approximately \$11.8 million of bridge financing into the same securities offered in the PIPE). The price per share of the common stock issued and sold by SIGA in the PIPE is likely to be based on the closing price of SIGA's common stock reported on NASDAQ immediately prior to the pricing of the PIPE. NASDAQ requires a company to obtain stockholder approval of the issuance of its shares in a transaction in which the company proposes to issue a number of shares of common

6

Table of Contents

stock that would equal or exceed 20% of the company's then issued and outstanding shares of common stock, when such shares are being sold at a discount from market price. Although the number of shares that we issue and sell in the PIPE has not been determined as of the date of this proxy statement, the Board of Directors anticipates that the terms of any such securities would be such that the issuance thereof could be subject to this NASDAQ requirement. In addition, although it has not yet been determined whether the shares issued in the PIPE will be sold at a discount from market price (or if so, the amount of any such discount), even if such shares are sold at market price we believe that the NASDAQ could deem the issuance of the shares in the PIPE to be at a discount as a result of value attributed to

the PIPE Warrants, if any are issued. Moreover, it is possible that the number of securities we issue in the PIPE may result in another change of control of SIGA as a result of the significant dilution of SIGA's current stockholders that will occur. Under NASDAQ rules, an issuance which may give rise to a change in control also requires stockholder approval.

The purpose of the PIPE is to provide the combined company with necessary working capital. In order to comply with the possible application of NASDAQ rules to the potential issuance of any securities in the PIPE, SIGA is seeking stockholder approval for this proposal so that the SIGA Board of Directors will have the flexibility to enter into and close the PIPE on such terms as the Board of Directors deems to be in the best interests of SIGA.

The terms of the Purchase Agreements and the PIPE Warrants and the other terms of the PIPE are complex. This summary of the terms is general in nature and is qualified by reference to the more detailed description in this proxy statement at page 52. Stockholders desiring a more complete understanding of the general terms of the Purchase Agreements and the PIPE are urged to review the form of Purchase Agreement.

The Board of Directors approved the issuance of our securities in the PIPE and recommends voting FOR the approval of the issuance of SIGA securities in the PIPE.

PROPOSAL 6 — APPROVAL OF THE ISSUANCE OF SECURITIES IN THE PIPE TO CERTAIN AFFILIATES OF SIGA

The PIPE (page 55)

Investors in the PIPE will include current stockholders of PharmAthene. Certain persons in control positions of these stockholders are expected to become members of SIGA's Board of Directors upon consummation of the Merger. These individuals are also affiliates of PharmAthene's current institutional stockholders. NASDAQ rules require a company to obtain stockholder approval of certain arrangements pursuant to which officers and directors of a company may be issued stock of a company. To the extent that PharmAthene stockholders participating in the PIPE have control persons who will serve on the Board of Directors of SIGA upon the consummation of the Merger, you are being asked to consider a proposal to approve the issuance by SIGA of securities to such affiliates in the PIPE.

Following the closing of the Merger, a majority of the members of the Board of Directors of the combined company will consist of parties initially designated by PharmAthene. Three of the proposed Board members, Steven St. Peter, M.D., who is a General Partner of MPM Capital, James Cavanaugh, Ph.D., who is the President of Healthcare Ventures LLC, and Elizabeth Czerepak, who is a member of Bear Stearns Health Innoventures Management, LLC, are, by virtue of their relationships with such entities, affiliated with stockholders of PharmAthene which provided bridge financing to PharmAthene during 2006 which will convert into securities issued in the PIPE at a further discount to the price such securities will be sold in the PIPE transaction. PharmAthene's current Chief Executive Officer, its Chief Financial Officer and its Vice President Business Development & Strategic Planning have also invested in the bridge financing and will be entitled to the additional discount upon the conversion of their investment. The terms of the PIPE will be based upon prevailing market conditions. A committee which consists of four individuals, Steven St. Peter, M.D., Elizabeth Czerepak, Matthew

7

Drapkin, who is a Senior Vice President – Corporate Development of MacAndrews & Forbes Holdings, Inc. and Paul Savas, who is an Executive Vice President of Finance of MacAndrews & Forbes Holdings, Inc., who represent parties that will hold SIGA common stock following the closing of the Merger, must approve the terms of the PIPE, which approval will be presumed if the terms fall within certain parameters previously agreed upon by SIGA. Two of the individuals on the committee, Paul Savas and Matthew Drapkin, represent parties designated by the Board of Directors of SIGA prior to the Merger who are not affiliated with any entity participating in the PIPE. As a result, at least one committee member who is independent of both the investors in the PIPE and PharmAthene must approve the final terms of the PIPE.

The Board of Directors has unanimously approved the issuance of our securities in the PIPE to certain affiliates and recommends voting FOR the approval of the issuance of SIGA securities to certain affiliates of SIGA in the PIPE.

PROPOSAL 7 — APPROVAL OF AMENDMENT TO STOCK OPTION PLAN TO INCREASE THE MAXIMUM NUMBER OF SHARES OF COMMON STOCK AVAILABLE FOR ISSUANCE UNDER THE PLAN FROM 11,000,000 SHARES TO 25,250,000 SHARES

NASDAQ rules require stockholder approval of material amendments to stock option plans. Our stockholders are being asked to approve an amendment of the Amended and Restated 1996 Incentive and Non-Qualified Stock Option Plan of SIGA Technologies, Inc. (the “SIGA Option Plan”) to increase the number of shares of common stock reserved for issuance thereunder from 11,000,000 to 25,250,000 shares. In the Merger, options to purchase PharmAthene shares outstanding immediately prior to consummation of the Merger will be converted into units consisting of options to purchase shares of SIGA common stock and warrants to purchase shares of SIGA common stock at the same ratio at which the holders of PharmAthene common stock will receive SIGA common stock in the Merger. In order to have sufficient shares authorized under the SIGA Option Plan for the issuance of SIGA shares upon exercise of these converted options, as well as upon the exercise of other outstanding SIGA stock options and options to be granted in the future, we must increase the number of shares of common stock reserved for issuance under the SIGA Option Plan.

Our Board of Directors has unanimously approved the amendment of the SIGA Option Plan and recommends voting FOR such amendment.

PROPOSAL 8 — APPROVAL OF ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY AND APPROPRIATE, FOR THE PURPOSE OF SOLICITING ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES FOR THE FOREGOING PROPOSALS.

If SIGA fails to receive a sufficient number of votes to approve any of Proposals 1 through 7, SIGA may propose to adjourn the Special Meeting for a period of not more than 60 days for the purpose of soliciting additional proxies to approve any proposal that fails to receive a sufficient number of votes. Proxies initially cast in favor of a proposal will be voted in favor of such proposal at the Special Meeting subsequently convened within 60 days of the Special Meeting so adjourned or postponed unless those proxies are revoked as described under “Revocation of Proxies.” SIGA does not intend currently to propose adjournment of the Special Meeting if it has sufficient votes to approve Proposals 1 through 7.

Approval of the proposal to adjourn the Special Meeting for the purpose of soliciting additional proxies requires (assuming a quorum is present) the affirmative vote of a majority of the votes cast at the Special Meeting in person or by proxy.

Our Board of Directors recommends voting FOR any such necessary and appropriate adjournment.

Table of Contents

RISK FACTORS

SIGA stockholders should carefully consider the following factors in evaluating whether to approve the amendments to the certificate of incorporation, the issuance of securities in the Merger and the PIPE, the issuance of securities in the PIPE to certain affiliates of SIGA and the amendment to the SIGA Option Plan. These factors should be considered in conjunction with the other information included in this proxy statement and enclosed herewith. Additional risks and uncertainties not presently known to SIGA or PharmAthene, or that are not currently believed to be important to you, also may adversely affect the Merger and the combined company following the Merger.

Risks Related to the Business of the Combined Company

It is expected that the combined company will incur net losses and negative cash flow for the foreseeable future.

Each of SIGA and PharmAthene has incurred significant losses since their respective commencements of operations. For the year ended December 31, 2005, PharmAthene incurred an operating loss of approximately \$23.4 million. For the year ended December 31, 2005, SIGA incurred an operating loss of approximately \$2.3 million. The pro forma combined accumulated deficit of the combined company is approximately \$95.7 million at June 30, 2006. The two companies' losses to date have resulted principally from research and development costs related to the development of their product candidates and general and administrative costs related to their operations.

It is expected that the combined company will incur substantial losses for the foreseeable future as a result of increases in its research and development costs, including costs associated with conducting preclinical testing, clinical trials and regulatory compliance activities.

The combined company's likelihood for achieving profitability will depend on numerous factors, including success in:

- developing and testing new product candidates;
- carrying out the combined company's intellectual property strategy;
- establishing the combined company's competitive position;
- pursuing third-party collaborations;
- acquiring or in-licensing products;
- receiving regulatory approvals;
- manufacturing and marketing products;
- obtaining government procurement contracts from the Department of Defense and other government agencies and programs, including Project BioShield; and
- continuing to receive government funding and identifying new government funding opportunities.

Many of these factors will depend on circumstances beyond the combined company's control. We cannot guarantee that we will achieve sufficient revenues for profitability. Even if we do achieve profitability, we cannot guarantee that we can sustain or increase profitability on a quarterly or annual basis in the future. If revenues grow slower than we anticipate, or if operating expenses exceed our expectations or cannot be adjusted accordingly, then our business, results of operations, financial condition and cash flows will be materially and adversely affected. Because our strategy might include acquisitions of other businesses, acquisition expenses and any cash used to make these acquisitions will reduce our available cash.

The combined company is in various stages of product development and there can be no assurance of successful commercialization.

In general, the combined company's research and development programs are at an early stage of development. To obtain FDA approval for the combined company's biological warfare defense

9

Table of Contents

products under the current FDA regulation, we will be required to perform two animal models and provide animal and human safety data. The combined company's other products will be subject to the relevant approval guidelines under FDA regulatory requirements which include a number of phases of testing in humans.

Neither SIGA nor PharmAthene has commercialized any products or recognized any revenue from product sales. In December 2005, the FDA approved SIGA's IND application for SIGA-246. SIGA initiated Phase I clinical trials in the second quarter of 2006. Valortim, PharmAthene's anthrax treatment, is currently in late preclinical and early clinical stages of development. The combined company expects that it must conduct significant additional research and development activities before it will be able to receive final regulatory approval to commercialize SIGA-246 or Valortim. In addition, Protexia, Pharmathene's nerve agent countermeasure, is in the pre-clinical stage of development and must also undergo clinical trials and receive regulatory approval before it can be commercialized.

Other than the SIGA-246 and Valortim product candidates, the research and development programs for the combined company are at an early stage of development. Other drug candidates developed by the combined company will require significant additional research and development efforts, including extensive pre-clinical and clinical testing and regulatory approval, prior to commercial sale. SIGA cannot be sure the approach of the combined company to drug discovery will be effective or will result in the development of any drug. SIGA does not expect that any drugs resulting from the research and development efforts of the combined companies will be commercially available for many years, if at all.

Even if the combined company receives initially positive pre-clinical or clinical results, such results do not indicate that similar results will be obtained in the later stages of drug development, such as additional pre-clinical testing or human clinical trials.

All of the combined company's potential product candidates will be prone to the risks of failure inherent in pharmaceutical product development, including the possibility that none of its product candidates will or can:

- be safe, non-toxic and effective and otherwise meet applicable regulatory standards;
- develop into commercially viable drugs;
- be manufactured or produced economically and on a large scale;
- be successfully marketed; and
- achieve customer acceptance.

Even if the combined company succeeds in developing and commercializing its product candidates, it may never generate sufficient or sustainable revenue to enable it to be profitable.

Furthermore, even if the product candidates of the combined company are successful when tested in animals, such success would not be a guarantee of the effectiveness and safety of such product candidates in humans. PharmAthene's

first product candidate, its Dominate Negative Inhibitor (“DNI”), was demonstrated to be effective in animal testing, but was determined to be unsafe for humans following clinical trials in human subjects. The DNI program was subsequently terminated. There can be no assurances that one or more of the combined company’s future product candidates would not similarly fail to meet safety standards in human testing, even if those product candidates were found to be effective in animal studies. Nor can there be any assurances that any such product candidates will prove to be effective in humans.

Most of the combined company’s immediately foreseeable future revenues are contingent upon grants and contracts from the United States government and collaborative and license agreements and the combined company may not achieve sufficient revenues from these agreements to attain profitability.

Until and unless the combined company successfully markets a product, its ability to generate revenues will largely depend on its ability to enter into additional collaborative agreements, strategic

10

Table of Contents

alliances, research grants, contracts and license agreements with third parties, including, without limitation, the U.S. government and branches and agencies thereof, and maintain the agreements it currently has in place. Substantially all of the revenue of SIGA and PharmAthene for the years ended December 31, 2005, 2004 and 2003, respectively, were derived from revenues related to grants, contracts and license agreements. SIGA’s current revenue is derived from contract work being performed for the NIH under two major grants which are scheduled to expire in September 2006 and two contracts with the U.S. Army which expire in September 2006 and December 2007, respectively. These agreements are for specific work to be performed under the agreements and could only be canceled by the other party thereto for non-performance.

In addition, the combined company’s business plan calls for significant payments from milestone based collaborative agreements. The combined company may not earn significant milestone payments under its existing collaborative agreements until its collaborators have advanced products into clinical testing, which may not occur for many years, if at all.

SIGA has material agreements with the following collaborators:

- National Institutes of Health. Under its collaborative agreement with the NIH, SIGA was awarded federal government grants under the Small Business Innovation Research (SBIR’) program totaling approximately \$11.1 million in 2004. The term of these grants expires in September 2006. In August 2006, SIGA was awarded a three year SBIR grant for approximately \$4.8 million. SIGA receives cash payments from the NIH under these grants on a semi-monthly basis, as the work is performed and the related revenue is recognized. SIGA’s current NIH SBIR grants do not include milestone payments. As of June 30, 2006, SIGA received approximately \$8.4 million from these grants for work it had performed and expects to receive the remainder of the \$11.1 million as it continues to perform the related work. The agreements can be cancelled for non-performance and if cancelled, the Company will not receive additional funds under the agreements. SIGA also has an agreement whereby the NIH is required to conduct and pay for the clinical trials of its strep vaccine product through phase II human trials. The NIH can terminate the agreement on 60 days written notice. If terminated, SIGA will receive copies of all data, reports and other information related to the trials. If

terminated, SIGA would have to find another source of funds to continue to conduct the trials. As of June 30, 2006, SIGA has not performed any clinical trials related to its strep vaccine program and does not expect to perform any during the next three to five years.

- United States Army Medical Research and Material Command (“USAMRMC”). In September 2005 SIGA entered into a \$3.2 million, one year contract with USAMRMC. The agreement, for the rapid identification and treatment of anti-viral diseases, is funded through the USAF. It is anticipated that work under the agreement will aid the USAF Special Operations Command in its use of computational biology to design and develop specific countermeasures against biological threat agents smallpox and adenovirus. As of June 30, 2006, SIGA received cash payments of \$3.2 million under this contract and recognized total revenue of approximately \$1.9 million. SIGA expects to complete its work under the contract and recognize the related revenue. If SIGA is unable to complete work under the contract it will be required to refund USAMRMC funds which remained classified as deferred revenue.
- Saint Louis University. On September 1, 2005, SIGA entered into an agreement with Saint Louis University for the continued development of one of SIGA's smallpox drugs. The agreement was funded through the NIH. Under the agreement, SIGA received approximately \$1.0 million during the term of September 1, 2005 to February 28, 2006 for work it performed under the agreement.
- United States Army Medical Research Acquisition Activity (“USAMRAA”). In December 2002, SIGA entered into a four year contract with USAMRAA to develop a drug to treat

11

Table of Contents

smallpox. SIGA receives cash payments from USAMRAA under this contract on a monthly basis, as the work is performed and the related revenue is recognized. The agreement with USAMRAA does not include milestone payments. As of June 30, 2006, SIGA expects to complete its obligations under this agreement and receive all of the related funding.

- Rockefeller University. The term of SIGA's agreement with Rockefeller is for the duration of the patents and a number of pending patents. As SIGA does not currently know when any patents pending or future patents will expire, SIGA cannot at this time definitively determine the term of this agreement. The agreement can be terminated earlier if SIGA is in breach of the provisions of the agreement and does not cure the breach in the allowed cure period. SIGA does not expect receipt or disbursement of funds under the agreement with Rockefeller for the next three to five years.
- Oregon State University. OSU is a signatory of SIGA's agreement with Rockefeller. The term of this agreement is for the duration of the patents and a number of pending patents. As SIGA does not currently know when any patents pending or future patents will expire, SIGA cannot at this time definitively determine the term of this agreement. The agreement can be terminated earlier if SIGA is in breach of the provisions of the agreement and does not cure the breach in the allowed cure period. SIGA does not expect receipt or disbursement of funds under the agreement with OSU for the next three to five years.
- Washington University. SIGA has licensed certain technology from Washington University under a non-exclusive license agreement. The term of SIGA's agreement with Washington University is for the duration of the patents and a number of pending patents. As SIGA does not currently know when any patents pending or future patents will expire, SIGA cannot at this time determine with certainty, the term of this agreement. The agreement cannot be terminated unless SIGA fails to pay its share of the joint patent costs for the technology licensed. SIGA

does not expect receipt or disbursement of funds under the agreement with Washington University for the next three to five years.

- Regents of the University of California. SIGA has licensed certain technology from Regents under an exclusive license agreement. SIGA is required to pay minimum royalties under this agreement. SIGA does not expect receipt or disbursement of funds under the agreement with the Regents of the University of California for the next three to five years.
- TransTech Pharma, Inc. Under SIGA's collaborative agreement with TransTech Pharma, a related party to SIGA, TransTech Pharma is collaborating with SIGA on the discovery, optimization and development of lead compounds to certain therapeutic agents. SIGA and TransTech Pharma have agreed to share the costs of development and revenues generated from licensing and profits from any commercial sales of products covered by the agreement. The agreement will be in effect until terminated by the parties or upon cessation of research or sales of all products developed under the agreement. SIGA does not expect receipt or disbursement of funds under the collaborative agreement with TransTech Pharma for the next three to five years.

PharmAthene has a development agreement with Medarex, Inc., to develop Valortim, its fully human monoclonal antibody product designed to protect against and treat inhalation anthrax. Under the agreement with Medarex, PharmAthene will be entitled to a variable percentage of profits derived from sales of Valortim, depending on the amount of its investment. In addition, PharmAthene has entered into licensing and research and development agreements with a number of other parties and collaborators. Under the Agreement with Medarex and PharmAthene's other agreements, PharmAthene is obligated to continue to provide funding for each project without any assurance that government funding will be forthcoming or that if funding is obtained that it will be at a level necessary to recover the funds invested or on a schedule acceptable to PharmAthene.

12

Table of Contents

The combined company may need additional capital in the future. If additional capital is not available or not available on acceptable terms, the combined company may be forced to delay or curtail the development of its product candidates.

The combined company's requirements for additional capital may be substantial and will depend on many other factors, including:

- continued funding by the Department of Defense and other branches and agencies of the United States Government;
- payments received under present or future collaborative partner agreements;
- continued progress of research and development of the combined company's products;
- the combined company's ability to license compounds or products from others;
- costs associated with protecting the combined company's intellectual property rights;
- development of marketing and sales capabilities; and
- market acceptance of the combined company's products.

To the extent the combined company's capital resources are insufficient to meet future capital requirements, it will have to raise additional funds to continue the development of its product candidates. We cannot assure you that funds will be available on favorable terms, if at all. To the extent the combined company raises additional capital through the sale of securities, the issuance of those securities could result in dilution which may be substantial to the combined

company's stockholders. In addition, if the combined company incurs debt financing, a substantial portion of its operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for the combined company's business activities. Further, lenders may require that we agree to be bound by restrictive covenants that could limit our ability to take certain actions, including the payment of dividends. If adequate funds are not available, the combined company may be required to curtail significantly its development and commercialization activities. We expect to receive proceeds of not less than \$12 million from the sale of our securities in the PIPE. Such proceeds will be used to fund our ongoing operations, clinical trials for our product candidates, and research and development, among other things. We believe that, with available resources, our capital will be sufficient to finance our operations through at least December 2007.

Biodefense treatment and drug development is an expensive and uncertain process, and delay or failure can occur at any stage of the combined company's development process.

To develop biodefense treatment and drug candidates, the combined company must provide the FDA and foreign regulatory authorities with clinical data that demonstrates adequate safety and immune response. Because humans are not normally exposed to anthrax, nerve agents, smallpox or other lethal biotoxins or chemical agents, effectiveness of the combined company's biodefense product candidates cannot be demonstrated in humans, but instead must be demonstrated, in part, by utilizing animal models before such product candidates can be approved for commercial sale. In addition, because the effectiveness of the combined company's biodefense product candidates cannot be demonstrated in humans, the combined company will not know the long term adverse reactions to its products. As a result, the Company could be exposed to product liability claims that could be sizeable if in fact persons receiving treatment are demonstrated to have suffered long term adverse reactions to our products because of their receipt of treatment. Additionally, few facilities in the U.S. have the capability of testing animals with anthrax, smallpox or nerve agent exposure. The combined company may not be able to secure clinical contracts to conduct the testing in a predictable timeframe or at all.

Even if the combined company completes the development of its products, if the U.S. government does not purchase sufficient quantities of its nerve agent countermeasure and anthrax treatment products, the combined company may be unable to generate sufficient revenues to continue operations.

Changes in government budgets and agendas may result in a decreased and de-prioritized emphasis on procuring the biodefense products the combined company will develop. Government

13

Table of Contents

contracts typically contain provisions that permit cancellation in the event that funds are unavailable to the governmental agency. Furthermore, the combined company cannot be certain of the timing of any purchases. Additionally, substantial delays or cancellations of purchases could result from protests or challenges from third parties. If the U.S. government fails to purchase the combined company's products, the combined company may be unable to generate sufficient revenues to continue operations. Similarly, if the combined company develops products that are approved by the FDA, but the U.S. government does not place sufficient orders for these products, the combined company's future business will be harmed.

The combined company may fail to obtain contracts to supply the strategic national stockpiles of anthrax treatments to the U.S. government.

The U.S. government has undertaken commitments to help secure improved countermeasures against bioterrorism, including the stockpiling of treatments and vaccines for anthrax through a program known as the Strategic National Stockpile. However, the process of obtaining government contracts is lengthy and uncertain and the combined company will have to compete for each contract. The combined company cannot be certain that it will be awarded any contracts to supply a government stockpile of anthrax treatment. It is possible that future awards to provide the U.S. government with emergency stockpiles of anthrax treatments will be granted solely to other suppliers. If the U.S. government makes significant future contract awards for the supply of its emergency stockpile to the combined company's competitors, the combined company's business will be harmed and it is unlikely that the combined company will ultimately be able to commercialize that particular treatment or product.

U.S. government agencies have special contracting requirements, which create additional risks.

The combined company anticipates that its primary sales will be to the U.S. government. U.S. government contracts typically contain unfavorable termination provisions and are subject to audit and modification by the government at its sole discretion, which will subject the combined company to additional risks. These risks include the ability of the U.S. government to unilaterally:

- suspend the combined company for a set period of time from receiving new contracts or extending existing contracts with the United States government based on violations or suspected violations of laws or regulations;
- terminate the combined company's contracts with the United States government;
- reduce the scope and value of the combined company's contracts with the United States government;
- audit and object to the combined company's contract-related costs and fees, including allocated indirect costs;
- control and potentially prohibit the export of the combined company's products; and
- change certain terms and conditions in the combined company's contracts.

The U.S. government will be able to terminate any of its contracts with the combined company, either for its convenience or if the combined company defaults by failing to perform in accordance with the contract schedule and terms. Termination for convenience provisions would generally enable the combined company to recover only the combined company's costs incurred or committed, and settlement expenses and profit on the work completed prior to termination. Termination for default provisions do not permit these recoveries and would make the combined company liable for excess costs incurred by the U.S. government in procuring undelivered items from another source.

Delays in successfully completing the combined company's clinical trials could jeopardize its ability to obtain regulatory approval or market its product candidates on a timely basis.

The combined company will not be able to successfully commercialize its products without first demonstrating adequate evidence of effectiveness in animal models, and in certain cases, demonstrating safety and immune response in humans through clinical trials. Any delay or adverse

Table of Contents

clinical events arising during any of its clinical trials could force the combined company to abandon a product altogether or to conduct additional clinical trials in order to obtain approval from the FDA or other regulatory bodies.

These clinical trials are lengthy and expensive, and the outcome is uncertain.

Completion of the combined company's clinical trials, announcement of results of the trials and the combined company's ability to obtain regulatory approvals could be delayed for a variety of reasons, including:

- slower-than-anticipated enrollment of volunteers in the trials;
- lower-than-anticipated recruitment or retention rate of volunteers in the trials;
- adverse events related to the products;
- unsatisfactory results of any clinical trial;
- mistakes or delays on the part of third-party investigators that perform the combined company's clinical trials; or
- different interpretations of the combined company's preclinical and clinical data, which could initially lead to inconclusive results.

The combined company's development costs will substantially increase if it has material delays in any clinical trial or if it needs to perform more or larger clinical trials than planned. If the delays are significant, or if any of the combined company's products do not prove to be safe or effective or do not receive required regulatory approvals, the combined company's financial results and the commercial prospects for its product candidates will be harmed. Furthermore, the combined company's inability to complete its clinical trials in a timely manner could jeopardize its ability to obtain regulatory approval.

The combined company may fail to fully realize the potential of Valortim and of its co-license arrangement with its partner in the development of Valortim.

PharmAthene and Medarex are co-developing Valortim, PharmAthene's monoclonal antibody product candidate, and are in the process of a Phase I study of Valortim. The results of the Phase I study are expected in the third quarter of 2006. If the results of this study are negative, or if there are delays in the regulatory approval of Valortim, the combined company will not be able to fully realize the potential value of the development of Valortim.

If the combined company cannot enter into new licensing arrangements, its ability to develop a diverse product portfolio could be limited.

A component of the combined company's business strategy will be in-licensing compounds and products developed by other pharmaceutical and biotechnology companies or academic research laboratories that may be marketed and developed or improved upon using the combined company's novel technologies. Competition for promising compounds or products can be intense. If the combined company is not able to identify new licensing opportunities or enter into other licensing arrangements on acceptable terms, it may be unable to develop a diverse portfolio of products.

The combined company will face competition from several companies with greater financial, personnel and research and development resources.

The biopharmaceutical industry is characterized by rapid and significant technological change. The combined company's success will depend on its ability to develop and apply its technologies in the design and development of its product candidates and to establish and maintain a market for its product candidates. There also are many entities, both public and private, including major pharmaceutical and chemical companies, specialized biotechnology firms, universities and other research institutions, engaged in developing pharmaceutical and biotechnology products. Many of these companies have substantially greater financial, technical, research and development, and human resources than those of the combined company. Competitors may develop products or other technologies that are more effective than any that are being developed by the combined company or may obtain FDA approval for products more rapidly. If the combined company commences

Table of Contents

commercial sales of products, it still must compete in the manufacturing and marketing of such products, areas in which it has limited experience. Many of these companies also have manufacturing facilities and established marketing capabilities that would enable such companies to market competing products through existing channels of distribution. The combined company's commercial opportunities will be reduced or eliminated if its competitors develop and market products for any of the harmful effects that it targets that:

- are more effective;
- have fewer or less severe adverse side effects;
- are more adaptable to various modes of dosing;
- are easier to administer; or
- are less expensive than the products or product candidates the combined company will be developing.

Even if the combined company is successful in developing effective products, and obtains FDA and other regulatory approvals necessary for commercializing them, its products may not compete effectively with other successful products. The combined company's competitors may succeed in developing and marketing products either that are more effective than those that it may develop, alone or with its collaborators, making its products obsolete, or that are marketed before any products that the combined company develops are marketed.

Companies that are developing products that would compete with the combined company's products include: VaxGen, Inc., which is developing vaccines against anthrax and smallpox; Avant Immunotherapeutics, Inc., which has vaccine programs for agents of biological warfare, including plague and anthrax; Human Genome Sciences, Inc., Elusys Therapeutics, Inc. and AVANIR Pharmaceuticals, Inc., all of which are developing monoclonal antibodies as anthrax treatments. Other competitors of the combined company include: Emergent Biosolutions Inc., Merck & Co., Inc., Bio Sante Pharmaceuticals, Inc., Dynport Vaccine Company, LLC ("DVC") and Ligocyte Pharmaceuticals, Inc.

Changes in political or societal attitudes or priorities could adversely affect the combined company's ability to develop and market its products.

Products developed to combat the threat of bioterrorism are especially vulnerable to societal and political attitudinal changes. Since the United States Government is the primary customer for our products, we depend to a large extent on Congressional policy which supports and promotes a sustainable biodefense industry in the United States. Future changes in public policy, brought about by various geopolitical events, societal or political attitudinal changes, or fluctuations in healthcare priorities could therefore adversely impact our business.

Under the current administration, support for biodefense-related research and development is strong, as evidenced by the implementation of Project Bioshield, signed into law in 2004, which provides \$5.6 billion to support the development of medical countermeasures to combat chemical, biological, radiological and nuclear attack. From 2001 to 2004, biodefense preparedness spending has increased from \$294 million to \$5.2 billion. However, there is no assurance that this level of commitment and funding for biodefense will be sustained.

It is possible that public or congressional support for biodefense could decline in the future for any number of reasons, such as a perceived or actual decrease in the risk of a threat, prioritization of other concerns or changes in the manner of addressing biodefense concerns.

New health priorities may emerge which take precedence and therefore divert attention and resources from biodefense issues. Also, existing public health issues, such as pandemic flu preparedness, may receive increased priority in the future, which could potentially impair the progress of our products if the government officials who oversee countermeasures development and procurement are directed to change priority. Furthermore, political support for a particular policy may be alternately popular or unpopular and could influence medical countermeasures development.

16

Table of Contents

In addition, prevailing attitudes and policies could result in pricing limitations being imposed on our products, which could potentially harm the combined company's business.

The U.S. government's determination to award any contracts to the combined company may be challenged by an interested party, such as another bidder, at the General Accounting Office or in federal court.

The laws and regulations governing the procurement of goods and services by the U.S. government provide procedures by which other bidders and other interested parties may challenge the award of a government contract. In the event that the combined company is awarded a government contract, such protests could be filed even if there are not any valid legal grounds on which to base the protest. If any such protests are filed, the government agency may decide to suspend the combined company's performance under the contract while such protests are being considered by the General Accounting Office or the applicable federal court, thus potentially delaying delivery of goods and services and payment. In addition, the combined company could be forced to expend considerable funds to defend any potential award. If a protest is successful, the government may be ordered to terminate the combined company's contract at its convenience and reselect bids. The government could even be directed to award a potential contract to one of the other bidders.

Failure to hire and retain key management employees could adversely affect the combined company's ability to obtain financing, develop its products, conduct clinical trials or execute its business strategy.

The combined company will be highly dependent on its senior management and scientific staff. These individuals have played a critical role in raising capital, negotiating business development opportunities, developing the product candidates, conducting clinical trials and manufacturing product candidates for each of PharmAthene and SIGA. The combined company will face intense competition for qualified personnel, and the existence of non-competition agreements between prospective employees and their former employers may prevent the combined company from hiring those individuals or subject it to suit from their former employers. The combined company likely will not maintain non-compete agreements with any of its employees. If the combined company loses the services of any key members of its senior management or scientific staff, temporarily or permanently, and it is unable to recruit qualified replacements where it deems it necessary, the combined company may be unable to achieve its business objectives. Although PharmAthene's management team is expected to remain intact and to join the combined company following the Closing, it is currently expected that the Acting Chief Executive Officer and Chief Financial Officer of SIGA will not remain with the combined company following the Closing. As such, while current PharmAthene officers will fill these positions, the lack of continuity could result in certain operational difficulties for the combined company.

The combined company may have difficulty managing its growth.

The combined company expects to experience growth in the number of its employees and the scope of its operations. This future growth could place a significant strain on the combined company's management and operations. Its ability

to manage this growth will depend upon its ability to broaden its management team and its ability to attract, hire and retain skilled employees. The combined company's success will also depend on the ability of its officers and key employees to continue to implement and improve its operational and other systems and to hire, train and manage its employees.

Legal and Regulatory Risks of Development Stage Biotechnology Companies

The combined company's patents and proprietary technology may be subject to challenges by others.

The patent position of biotechnology firms generally is highly uncertain and involves complex legal and factual questions. To date, no consistent policy has emerged regarding the breadth of claims allowed in biotechnology patents. Accordingly, there can be no assurance that patent applications owned or licensed by the combined company will result in patents being issued or that, if issued, the patents will afford protection against competitors with similar technology.

PharmAthene is aware of one United States patent covering recombinant production of an antibody, which, it has been argued, covers any reproduction of an antibody, as well as another United

17

Table of Contents

States patent application with claims over pegylated butyrylcholinesterase. Although PharmAthene believes that neither Valortim, which is a monoclonal antibody and uses recombinant reproduction of antibodies, nor Protexia, which uses pegylated butyrylcholinesterase technology, infringes on any valid claims of such patents, neither PharmAthene nor SIGA can provide any assurances that if a legal action based on either of these two patents is brought against the combined company or its distributors, licensees or collaborators, such action or actions would be resolved in the combined company's favor. If such a dispute were resolved against the combined company, in addition to potential damages, the clinical testing, manufacturing or sale of Valortim and Protexia, as applicable, could be enjoined unless, in each case as applicable, a license is obtained. There can be no assurances that if a license is required, any such license would be made available on terms acceptable to the Company.

Any inability to protect the combined company's intellectual property could harm its competitive position.

The combined company's success will depend in part on its ability to obtain patents and maintain adequate protection of other intellectual property for its technologies and products in the United States and other countries. If the combined company does not adequately protect its intellectual property, competitors may be able to use its technologies and erode or negate its competitive advantages. Further, the laws of some foreign countries will not protect the combined company's proprietary rights to the same extent as the laws of the United States, and the combined company may encounter significant problems in protecting its proprietary rights in these foreign countries.

The patent positions of pharmaceutical and biotechnology companies, including the combined company's patent positions, involve complex legal and factual questions and, therefore, validity and enforceability cannot be predicted with certainty. Patents may be challenged, deemed unenforceable, invalidated or circumvented. The combined company will be able to protect its proprietary rights from unauthorized use by third parties only to the extent that it covers its proprietary technologies with valid and enforceable patents or that it effectively maintains such proprietary technologies as trade secrets. The combined company will apply for patents covering its technologies and product candidates as it deems appropriate. The combined company may fail to apply for patents on important technologies or

products in a timely fashion, or at all, and in any event, the applications the combined company files may be challenged and may not result in issued patents. Any future patents the combined company obtains may not be sufficiently broad to prevent others from practicing its technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design around the combined company's patented technologies. In addition, if challenged, the combined company's patents may be declared invalid. Even if valid, the combined company's patents may fail to provide it with any competitive advantages.

The combined company will rely upon trade secrets protection for its confidential and proprietary information. SIGA and PharmAthene have taken measures to protect their proprietary information; however, these measures may not provide adequate protection to the combined company. The companies have sought to protect their proprietary information by entering into confidentiality agreements with employees, collaborators and consultants. Nevertheless, employees, collaborators or consultants may still disclose the companies' proprietary information, and the combined company may not be able to meaningfully protect its trade secrets. In addition, others may independently develop substantially equivalent proprietary information or techniques or otherwise gain access to the combined company's trade secrets.

If the technologies of the combined company or of its collaborators are alleged or found to infringe the patents or proprietary rights of others, the combined company may be sued or have to license those rights from others on unfavorable terms.

The commercial success of the combined company will depend significantly on its ability to operate without infringing the patents and proprietary rights of third parties. The technologies of the combined company, along with the technologies of their licensors and collaborators, may infringe the patents or proprietary rights of others. If there is an adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office, then the combined company, or

18

Table of Contents

its collaborators and licensors, could be subjected to significant liabilities, required to license disputed rights from or to other parties and/or required to cease using a technology necessary to carry out research, development and commercialization. At present we are unaware of any potential infringement claims against the patent portfolio of SIGA. PharmAthene is aware of one United States patent covering recombinant production of an antibody, which, it has been argued, covers any reproduction of an antibody, as well as another United States patent application with claims over pegylated butyrylcholinesterase. PharmAthene believes that neither Valortim, which is a monoclonal antibody and uses recombinant reproduction of antibodies, nor Protexia, which uses pegylated butyrylcholinesterase technology, infringes on any valid claims of such patents. PharmAthene is not aware of any other potential infringement claims against it.

The costs to establish the validity of patents, to defend against patent infringement claims of others and to assert infringement claims against others can be expensive and time consuming, even if the outcome is favorable. An outcome of any patent prosecution or litigation that is unfavorable to the combined company or one of their licensors or collaborators may have a material adverse effect on the combined company. The combined company could incur substantial costs if it is required to defend itself in patent suits brought by third parties, if it participates in patent suits brought against or initiated by their licensors or collaborators or if it initiates such suits. The combined company may not have sufficient funds or resources in the event of litigation. Additionally, the combined company may not prevail in any such action.

Any conflicts resulting from third-party patent applications and patents could significantly reduce the coverage of the patents owned, optioned by or licensed to the combined company or its collaborators and limit the ability of the combined company or that of its collaborators to obtain meaningful patent protection. If patents are issued to third parties that contain competitive or conflicting claims, the combined company, its licensors or collaborators may be legally prohibited from researching, developing or commercializing potential products or be required to obtain licenses to these patents or to develop or obtain alternative technology. The combined company, its licensors and/or its collaborators may be legally prohibited from using patented technology, may not be able to obtain any license to the patents and technologies of third parties on acceptable terms, if at all, or may not be able to obtain or develop alternative technologies.

The combined company's use of hazardous materials and chemicals require it to comply with regulatory requirements and expose it to potential liabilities.

The combined company's research and development involves the controlled use of hazardous materials and chemicals. The combined company will be subject to federal, state, local and foreign laws governing the use, manufacture, storage, handling and disposal of such materials. The combined company will not be able to eliminate the risk of accidental contamination or injury from these materials. In the event of such an accident, the combined company could be held liable for significant damages or fines, and these damages could exceed its resources and any applicable insurance coverage. In addition, the combined company may be required to incur significant costs to comply with regulatory requirements in the future.

The research and development activities of SIGA do not produce any unusual hazardous products. SIGA does use small amounts of radio-active materials, such as 32P, 35S and 3H, which are stored, used and disposed of in accordance with Nuclear Regulatory Commission regulations. SIGA maintains liability insurance in the amount of approximately \$5,000,000 and it believes this should be sufficient to cover any contingent losses.

The combined company may become subject to product liability claims, which could reduce demand for its product candidates or result in damages that exceed its insurance coverage.

The combined company will face an inherent risk of exposure to product liability suits in connection with its products being tested in human clinical trials or sold commercially. The combined company may become subject to a product liability suit if any product it develops causes injury, or if treated individuals subsequently become infected or otherwise suffer adverse effects from its products.

19

Table of Contents

Regardless of merit or eventual outcome, product liability claims may result in decreased demand for a product, injury to the combined company's reputation, withdrawal of clinical trial volunteers and loss of revenues.

If a product liability claim is brought against the combined company, the cost of defending the claim could be significant and any adverse determination may result in liabilities in excess of its insurance coverage. Additionally, the combined company will be applying for indemnification under the Support Anti-terrorism by Fostering Effective Technologies Act of 2002 which preempts and modifies tort laws so as to limit the claims and damages potentially faced by companies who provide certain "qualified" anti-terrorism products. However, the combined company will not be able to be certain that it will be able to obtain or maintain adequate insurance coverage on acceptable terms, if at all.

Legislation limiting or restricting liability for medical products used to fight bioterrorism is new, and the combined company cannot be certain that any such protection will apply to its products.

The Public Readiness and Emergency Preparedness Act (“Public Readiness Act”) was signed into law in December 2005 and creates general immunity for manufacturers of countermeasures, including security countermeasures (as defined in Section 319F-2(c)(1)(B)), when the Secretary of Defense issues a declaration for their manufacture, administration or use. The declaration is meant to provide general immunity from all claims under state or federal law for loss arising out of the administration or use of a covered countermeasure. Manufacturers are exempt from this protection in cases of willful misconduct.

Upon a declaration by the Secretary of Health and Human Services, a compensation fund is created to provide “timely, uniform, and adequate compensation to eligible individuals for covered injuries directly caused by the administration or use of a covered countermeasure.” The “covered injuries” to which the program applies are defined as serious physical injuries or death. Individuals are permitted to bring a willful misconduct action against a manufacturer only after they have exhausted their remedies under the compensation program. A willful misconduct action could be brought against us if an individual(s) has exhausted his or her remedies under the compensation program which thereby could expose us to liability. The combined company may become subject to standard product liability suits and other third party claims if products it develops which fall outside of the Public Readiness Act cause injury or if treated individuals subsequently become infected or otherwise suffer adverse effects from such products. In addition, if courts interpreting the provisions of the Public Readiness Act nullify or scale back the extent of the protections provided for therein, the combined company could become subject to exposure for product liability and other third party claims.

The combined company may be subject to claims that its employees or it wrongfully used or disclosed alleged trade secrets of the employees’ former employers.

As is commonplace in the biotechnology industry, PharmAthene and SIGA employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including their competitors or potential competitors. Although no such claims against PharmAthene or SIGA are currently pending, the combined company may be subject to claims that these employees or it have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if the combined company is successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

If the combined company experiences delays in obtaining regulatory approvals, or is unable to obtain or maintain regulatory approvals, it may be unable to commercialize any products.

The combined company will need to conduct a substantial amount of additional research and development before any U.S. or foreign regulatory authority will approve any of its products. In addition, the combined company’s product candidates will be subject to extensive and rigorous domestic government regulation. Results of the combined company’s research and development activities may indicate that its potential products are unsafe or ineffective. In this case, regulatory authorities will not approve them. Even if approved, the combined company’s products may not be

20

Table of Contents

commercially successful. If the combined company fails to develop and commercialize its products, it may be forced to curtail or cease operations.

In addition, the commencement and rate of completion of clinical trials for the combined company's products may be delayed by many factors, including:

- lack of efficacy during the clinical trials in animals;
- unsatisfactory results of any clinical trial;
- unforeseen safety issues;
- slower than expected rate of patient recruitment; or
- government or regulatory delays.

Delays in obtaining regulatory approvals may:

- adversely affect the commercialization of any products that the combined company or its collaborative partners develop;
- impose costly procedures on the combined company or its collaborative partners;
- diminish any competitive advantages that the combined company or its collaborative partners may attain; and
- adversely affect the combined company's receipt of revenues or royalties.

The results from preclinical testing and early clinical trials are often not predictive of results obtained in later clinical trials. Although a new product may show promising results in initial clinical trials, it may subsequently prove unfeasible or impossible to generate sufficient safety and efficacy data to obtain necessary regulatory approvals. Data obtained from preclinical and clinical studies are susceptible to varying interpretations, which may delay, limit or prevent regulatory approval. In addition, the combined company may encounter regulatory delays or rejections as a result of many factors, including results that do not support its claims, perceived defects in the design of clinical trials and changes in regulatory policy during the period of product development. The combined company's business, financial condition, prospects and results of operations may be materially adversely affected by any delays in, or termination of, its clinical trials or a determination by the FDA that the results of the combined company's trials are inadequate to justify regulatory approval.

Any required approvals, once obtained, may be withdrawn. Further, if the companies fail to comply with applicable FDA and other regulatory requirements at any stage during the regulatory process, it may encounter difficulties including:

- delays in clinical trials or commercialization;
- product recalls or seizures;
- suspension of production and/or distribution;
- withdrawals of previously approved marketing applications; and
- fines, civil penalties and criminal prosecutions.

The combined company's collaborative partners may not be able to conduct clinical testing or obtain necessary approvals from the FDA or other regulatory authorities for any product candidates. If the combined company fails to obtain required governmental approvals, it or its collaborative partners will experience delays in, or be precluded from, marketing products developed through it or, as applicable, their research.

The combined company and its contract manufacturers will also be required to comply with the applicable FDA good manufacturing practice regulations. Good manufacturing practice regulations include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Manufacturing facilities are subject to inspection by the FDA. These facilities must be approved before the combined company will be able to use them in

Table of Contents

commercial manufacturing of their products. The combined company and its contract manufacturers may not be able to comply with the applicable good manufacturing practice requirements and other FDA regulatory requirements. If the combined company and its contract manufacturers fail to comply, they could be subject to fines or other sanctions, or be precluded from marketing their products.

The combined company may be required to perform additional clinical trials or change the labeling of its products if it or others identify side effects after its products are on the market, which could harm sales of the affected products.

If the combined company or others identify side effects after any of its products are on the market, or if manufacturing problems occur:

- regulatory approval may be withdrawn;
- reformulation of the affected products, additional clinical trials, or changes in labeling of the combined company's products may be required;
- changes to or re-approvals of the combined company's manufacturing facilities may be required;
- sales of the affected products may drop significantly;
- the combined company's reputation in the marketplace may suffer; and
- lawsuits, including class action suits, may be brought against the combined company.

Any of the above occurrences could harm or prevent sales of the affected products or could increase the costs and expenses of commercializing and marketing these products.

Risks Particular to the Merger

Having a minority share position may reduce the influence that SIGA's current stockholders have on the management of the combined company.

Following the completion of the Merger, the influence of SIGA's current stockholders, in their capacity as shareholders of the combined company, will be significantly limited. SIGA's current stockholders will hold, in the aggregate, at most 24% of the issued and outstanding shares of the combined company. Following the completion of the PIPE, SIGA's current stockholders will be further diluted, owning as little as []% of the aggregate issued and outstanding shares of SIGA capital stock without taking into account any options or warrants to purchase shares of SIGA common stock which we expect to be outstanding immediately following the PIPE, and as little as []% taking such options and warrants into account.

Moreover, following the Merger, but not including any shares issued in the PIPE, funds affiliated with MPM Capital, HealthCare Ventures VII, L.P. and Bear Stearns Health Innoventures will beneficially own approximately 20.39%, 21.44% and 11.00%, respectively, (52.83% in the aggregate) of the outstanding voting shares of the combined company and, therefore, will have the ability to exercise substantial influence over the election of directors and other issues submitted to the stockholders of the combined company. In addition, assuming 22,861,876 shares of common stock are sold in the PIPE and that the outstanding \$11.8 million bridge loan is converted into SIGA common stock in connection therewith, funds affiliated with MPM Capital, HealthCare Ventures VII, L.P. and Bear Stearns Health Innoventures will beneficially own approximately 20.14%, 19.08% and 10.82%, respectively, (50.09% in the aggregate) of the outstanding voting shares of the combined company. Further, pursuant to a Stockholder's Agreement to be entered into by current stockholders of PharmAthene and SIGA, such parties have agreed to elect two designees of current holders of SIGA common stock to serve on the board of directors of the combined company (subject to

reduction under certain circumstances). The concentration of ownership, as well as the Stockholder Agreement, may have the effect of delaying or preventing a change in control of the combined company even if such a change in control would be in your interest. As a result, you might not have the opportunity to receive consideration for your shares of common stock that could be greater than the value of such shares on the open market.

22

Table of Contents

The combined company may not successfully integrate the assets and business of SIGA and PharmAthene.

The Merger will present challenges to the management of the combined companies, including the integration of the respective operations, systems, technologies and personnel of SIGA and PharmAthene, and special risks, including possible unanticipated costs, diversion of management's attention, operational interruptions and the loss of key employees, customers and suppliers. The difficulties that the combined company encounters in the integration and transition processes could have a material adverse effect on its revenues, level of expenses and operating results, which could have a material adverse impact on the value of your shares.

As a result of the Merger, SIGA may lose its eligibility for SBIR funding.

SIGA has received, from the NIH, SBIR grant funds of approximately \$5.8 million to support its development of a drug for smallpox. These funds were awarded in the third quarter of 2004. SIGA has also received, from the NIH, SBIR grant funds of approximately \$6.3 million to support its hemorrhagic fever virus and arenavirus program. These funds were awarded in the third quarter of 2004. As a result of the Merger, the combined company may no longer meet the necessary requirements for eligibility for SBIR funding, and it may lose the ability to obtain such funding in the future.

SIGA's dividend policy may reduce the value of your investment.

SIGA, following the Merger, does not intend that the combined company will in the foreseeable future declare or pay any cash dividend on its shares and anticipate that earnings, if any, will be used to finance the development and expansion of its business. Any payment of future dividends and the amounts thereof will be dependent upon earnings, financial requirements and other factors deemed relevant by its Board of Directors, including its contractual obligations, if any. As a result, investors may place a lower value on our shares than they might if we were in a position to declare and pay dividends.

The value of your investment in SIGA's stock may decline as a result of the reverse stock split.

We can not assure you that the market price per share of SIGA's common stock immediately after the reverse stock split will rise in proportion to the reduction in the number of shares of common stock outstanding immediately before the reverse stock split or that it will not fall thereafter. For example, based on the reported last sale price of SIGA's common stock on , 2006 of \$1. per share, if the Board of Directors were to implement a reverse stock split and utilize a ratio of 1-for-5, we can not assure you that the post-split market price of the common stock of the combined company would be \$. (or 5 times \$.) per share or greater. In many cases, the market price of a company's shares declines after a reverse stock split. The market price of the shares to the common stock of the combined company may decline as well.

SIGA may waive one or more conditions to the Merger without resoliciting stockholder approval for the Merger.

One or more conditions to SIGA's obligation to complete the Merger may be waived in whole or in part to the extent legally allowable either unilaterally or by agreement of PharmAthene and SIGA. Depending upon the condition, the Board of Directors of SIGA will evaluate the materiality of any such waiver to determine whether amendment to this proxy statement and re-solicitation of proxies as necessary. In the event that the Board of Directors of SIGA determines any such waivers are not significant enough to require re-solicitation of stockholders, it would have the discretion to complete the Merger without seeking further stockholder approval.

Failure to complete the Merger can negatively affect SIGA's stock price and its future business and operations; upon a termination of the Merger Agreement, SIGA is obligated to negotiate in good faith a license to PharmAthene of SIGA-246, its lead biodefense compound.

If the Merger is not completed for any reason, the price of SIGA's common stock may decline because the current market price of SIGA's common stock may reflect a positive market assumption

23

Table of Contents

that the Merger will be completed or because the failure to complete the Merger may result in a negative market reaction. In addition, if the Merger is not completed, SIGA may be subject to payment of expenses that are not contingent on PharmAthene and the completion of the Merger or are due upon termination of the Merger. Moreover, if the Merger Agreement is terminated SIGA may be unable to find a partner willing to engage in a similar transaction on terms as favorable as those set forth in the Merger Agreement, or at all which could limit SIGA's ability to pursue its strategic goals.

If the Merger is not consummated, PharmAthene and SIGA have agreed to negotiate, in good faith and exclusively for 90 days, the terms of a definitive license agreement for SIGA-246, SIGA's lead biodefense compound. As a result, SIGA could become less attractive to new merger partners or investors generally if the Merger is not completed.

SIGA's stock price is, and is expected it to remain, volatile, which could limit investors' ability to sell stock at a profit.

The volatile price of our stock makes it difficult for investors to predict the value of their investment, to sell shares at a profit at any given time, or to plan purchases and sales in advance. A variety of factors may affect the market price of our common stock. These include, but are not limited to:

- publicity regarding actual or potential clinical results relating to products under development by our competitors or us;
- delay or failure in initiating, completing or analyzing pre-clinical or clinical trials or the unsatisfactory design or results of these trials;
- achievement or rejection of regulatory approvals by our competitors or us;
- announcements of technological innovations or new commercial products by our competitors or us;
- developments concerning proprietary rights, including patents;
- developments concerning our collaborations;
- regulatory developments in the United States and foreign countries;
- economic or other crises and other external factors;
- period-to-period fluctuations in our revenues and other results of operations;

- changes in financial estimates by securities analysts; and
- sales and short selling activity of our common stock.

Additionally, because there is not a high volume of trading in our stock, any information about SIGA in the media may result in significant volatility in our stock price.

We will not be able to control many of these factors, and we believe that period-to-period comparisons of our financial results will not necessarily be indicative of our future performance.

In addition, the stock market in general, and the market for biopharmaceutical and biotechnology companies in particular, has experienced extreme price and volume fluctuations that may have been unrelated or disproportionate to the operating performance of individual companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance.

Concentration of ownership of SIGA's capital stock could delay or prevent change of control.

Our directors, executive officers and principal stockholders will beneficially own a significant percentage of our common stock. They also have, through the exercise or conversion of certain securities, the right to acquire additional common stock. As a result, these stockholders, if acting together, have the ability to significantly influence the outcome of corporate actions requiring shareholder approval. Additionally, this concentration of ownership may have the effect of delaying or

24

Table of Contents

preventing a change in control of SIGA. At December 31, 2005, directors, officers and principal stockholders beneficially owned approximately 46.0% of our stock. Following the Merger, they will beneficially own approximately 10.9% of the capital stock of the combined company, and following the PIPE, approximately 9.08%.

Risks Related to SIGA's Business

SIGA's business will suffer if it is unable to raise additional equity funding.

We continue to be dependent on our ability to raise money in the equity markets. There is no guarantee that we will continue to be successful in raising such funds. If we are unable to raise additional equity funds, we may be forced to discontinue or cease certain operations. We currently have sufficient operating capital to finance our operations beyond September 30, 2007 if the Merger does not occur. Our annual operating needs vary from year to year depending upon the amount of revenue generated through grants and licenses and the amount of projects we undertake, as well as the amount of resources we expend, in connection with acquisitions all of which may materially differ from year to year and may adversely affect our business.

SIGA's potential products may not be acceptable in the market or eligible for third party reimbursement, resulting in a negative impact on its future financial results.

Any products successfully developed by us or our collaborative partners may not achieve market acceptance. The antibiotic products which we are attempting to develop will compete with a number of well-established traditional antibiotic drugs manufactured and marketed by major pharmaceutical companies. The degree of market acceptance of

any of our products will depend on a number of factors, including:

- the establishment and demonstration in the medical community of the clinical efficacy and safety of such products,
- the potential advantage of such products over existing treatment methods, and
- reimbursement policies of government and third-party payors.

Physicians, patients or the medical community in general may not accept or utilize any products that we or our collaborative partners may develop. Our ability to receive revenues and income with respect to drugs, if any, developed through the use of our technology will depend, in part, upon the extent to which reimbursement for the cost of such drugs will be available from third-party payors, such as government health administration authorities, private health care insurers, health maintenance organizations, pharmacy benefits management companies and other organizations. Third-party payors are increasingly disputing the prices charged for pharmaceutical products. If third-party reimbursement was not available or sufficient to allow profitable price levels to be maintained for drugs developed by us or our collaborative partners, it could adversely affect our business.

Healthcare reform and controls on healthcare spending may limit the price SIGA may charge for any products and the amounts thereof that it can sell.

The U.S. federal government and private insurers have considered ways to change, and have changed, the manner in which healthcare services are provided in the U.S. Potential approaches and changes in recent years include controls on healthcare spending and the creation of large purchasing groups. In the future, the U.S. government may institute further controls and limits on Medicare and Medicaid spending. These controls and limits might affect the payments we could collect from sales of any products. Uncertainties regarding future healthcare reform and private market practices could adversely affect our ability to sell any products profitably in the U.S. At present, we do not foresee any changes in FDA regulatory policies that would adversely affect our development programs.

25

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This proxy statement contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, including statements regarding the efficacy of potential products, the timelines for bringing such products to market and the availability of funding sources for continued development of such products. Forward-looking statements are based on the respective SIGA and PharmAthene management’s estimates, assumptions and projections, and are subject to uncertainties, many of which are beyond the control of SIGA and PharmAthene. Actual results may differ materially from those anticipated in any forward-looking statement. Factors that may cause such differences include the risks that (a) potential products that appear promising to SIGA, PharmAthene or their collaborators cannot be shown to be efficacious or safe in subsequent pre-clinical or clinical trials, (b) SIGA, PharmAthene or their collaborators will not obtain appropriate or necessary governmental approvals to market these or other potential products, (c) SIGA and PharmAthene may not be able to obtain anticipated funding for their development projects or other needed funding, (d) SIGA and PharmAthene may not be able to secure funding from anticipated government contracts and grants, (e) SIGA and PharmAthene may not be able to secure or enforce adequate legal protection, including patent protection, for their products and (f) unanticipated internal control deficiencies or weaknesses or ineffective disclosure controls and procedures. More detailed information about SIGA and risk factors that may affect the realization of forward-looking statements, including the forward-looking

statements in this presentation, is set forth in SIGA's filings with the United States Securities and Exchange Commission (the "SEC"), including SIGA's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and in other documents that SIGA has filed with the SEC. SIGA urges investors and security holders to read those documents free of charge at the SEC's Web site at <http://www.sec.gov>. Interested parties may also obtain those documents free of charge from SIGA. Forward-looking statements speak only as of the date they are made, and except for our ongoing obligations under the U.S. federal securities laws, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

26

Table of Contents

SPECIAL MEETING OF SIGA STOCKHOLDERS

General

SIGA is furnishing this proxy statement to holders of SIGA capital stock in connection with the solicitation of proxies by the SIGA Board of Directors for use at the Special Meeting of SIGA stockholders to be held on _____, 2006 and at any adjournment, postponement, or continuation thereof.

This proxy statement is first being furnished to stockholders of SIGA entitled to vote at the Special Meeting on or about _____, 2006.

Date, Time, and Place

The Special Meeting of SIGA stockholders will be held on _____, 2006, at _____ EDT, at the offices of Kramer Levin Naftalis & Frankel LLP located at 1177 Avenue of the Americas, 29th Floor, New York, NY 10036.

Purposes of the Special Meeting

At the Special Meeting, SIGA is asking holders of SIGA common stock to:

1. Consider and approve an amendment to the certificate of incorporation of SIGA to increase the number of authorized shares of capital stock to 310,000,000, divided into 300,000,000 shares of common stock, par value \$.0001 per share, and 10,000,000 shares of preferred stock, par value \$.0001 per share.
2. Consider and approve an amendment to the certificate of incorporation of SIGA to change the name of the Company to PharmAthene, Inc.
3. Consider and approve five alternative amendments to the certificate of incorporation of SIGA each of which would effect a reverse stock split of the common stock of the combined company at a ratio of between 1-for-3 and 1-for-7.
4. Consider and approve a proposal to issue up to 87,234,130 shares of SIGA common stock and warrants to purchase up to 5,817,461 shares of SIGA common stock to the stockholders of PharmAthene, Inc. as merger consideration for the merger of a wholly-owned subsidiary of SIGA into PharmAthene, Inc.
5. Consider and approve a proposal to issue and sell shares of SIGA common stock, together with warrants to purchase shares of SIGA common stock, in a private offering to certain investors

(the ‘‘PIPE’’).

6. Consider and approve a proposal to issue shares of SIGA common stock and warrants to purchase shares of common stock to certain investors whom we expect will be considered affiliates of SIGA at the time of the closing of the PIPE.
7. Consider and approve an amendment to SIGA's stock option plan to increase the number of shares of common stock reserved for issuance under the plan from 11,000,000 to 25,250,000 shares.
8. To consider and approve a proposal to adjourn the Special Meeting, if necessary and appropriate, for the purpose of soliciting additional proxies if there are not sufficient votes for the foregoing proposals.
9. Transact any other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

Recommendation of the SIGA Board of Directors

The SIGA Board of Directors has unanimously approved each of the proposals and unanimously recommends that SIGA stockholders vote ‘‘FOR’’ the approval of each of them.

Record Date; Outstanding Shares

SIGA has fixed the close of business on _____, 2006 as the record date for determination of SIGA stockholders entitled to notice of, and to attend and vote at, the Special

27

Table of Contents

Meeting. As of the close of business on August 8, 2006, there were 27,688,686 shares of SIGA capital stock outstanding and entitled to vote, consisting of 27,500,648 shares of common stock, par value \$.0001 per share, and 68,038 shares of Series A Preferred Stock, par value \$.0001 per share.

Quorum and Vote of SIGA Stockholders Required

A quorum of stockholders is necessary to hold a valid meeting. The presence, in person or by proxy, of a majority of the shares of SIGA’s capital stock issued and outstanding and entitled to vote, constitutes a quorum. If a quorum is not present at the Special Meeting, SIGA expects that the Special Meeting will be adjourned or postponed to solicit additional proxies. Abstentions count as shares present for purposes of establishing a quorum.

The adoption of each of the amendments to the certificate of incorporation require the affirmative vote of a majority of the outstanding shares of capital stock entitled to vote at the Special Meeting, voting as a single class. The approval of the remainder of the proposals each requires the affirmative vote of a majority of shares of capital stock present or represented by proxy and voting at the meeting, provided that there is the required quorum.

Failure to respond will have the same effect as a vote against the proposals to amend the certificate of incorporation. With respect to the other proposals, it will have the effect of not counting toward the quorum necessary for the Special Meeting. Proxies that are returned but do not indicate a vote will be counted as a vote in favor of the proposals to be considered at the Special Meeting.

Abstentions and broker “non-votes” will be treated as shares present for the purposes of determining the presence of a quorum for the transaction of business at the meeting. The approval of the proposals to amend the certificate of incorporation requires the affirmative vote of a majority of the outstanding shares of capital stock entitled to vote at the Special Meeting, voting as a single class. The approval of the remainder of the proposals each requires the affirmative vote of a majority of the shares of capital stock present or represented by proxy and voting at the meeting, provided that there is the required quorum. Abstentions and broker non-votes could prevent the approval of a proposal where the number of affirmative votes, though a majority of the votes represented and cast, does not constitute a majority of the votes entitled to vote at the meeting.

Stockholders of SIGA who collectively owned approximately 29% of the outstanding shares of SIGA capital stock as of June 8, 2006, have already agreed to vote all of their shares in favor of approval of the amendments to the certificate of incorporation, the issuance of shares and warrants in the Merger and the PIPE, the issuance of shares in the PIPE to certain affiliates of SIGA, the amendment of the stock option plan and the adjournment, if necessary and appropriate, of the Special Meeting. (See “Agreements Related to the Merger-Voting Agreement.”)

Voting by Proxy

You should vote your proxy even if you plan to attend the Special Meeting. Stockholders may change their vote at the Special Meeting. SIGA stockholders of record may grant their proxies through the mail by completing their proxies, and signing, dating, and returning them in the enclosed, pre-addressed postage paid envelope. To be valid, a returned proxy must be signed and dated.

All properly executed proxies that SIGA receives prior to the vote at the Special Meeting, and that are not revoked, will be voted in accordance with the instructions indicated on the proxies or, if no direction is indicated, will be voted “FOR” the amendments to the certificate of incorporation, the issuance of shares and warrants in the Merger and the PIPE, the issuance of shares and warrants in the PIPE to certain affiliates of SIGA, the amendment of the stock option plan and the adjournment, if necessary and appropriate, of the Special Meeting unless you are voting through a broker as set forth above.

If other matters properly come before the Special Meeting, the shares represented by proxies will be voted, or not voted, by the individuals named in the proxies, in their discretion. SIGA’s Board of Directors does not currently intend to bring any other business before the Special Meeting and, as far

28

Table of Contents

as SIGA’s Board of Directors is aware, no other matters are to be brought before the Special Meeting. No proxy that is voted against the amendments to the certificate of incorporation, the issuance of shares and warrants in the Merger and the PIPE, the issuance of shares and warrants in the PIPE to certain affiliates of SIGA and the amendment of the stock option plan, will be voted in favor of any adjournment or postponement of the Special Meeting for the purpose of soliciting additional proxies.

Revocation of Proxies

SIGA stockholders may revoke their proxies at any time prior to use by delivering to the corporate secretary of SIGA, at the address below, a signed notice of revocation or a later-dated signed proxy, or by attending the Special Meeting in person and voting in person. Attendance at the Special Meeting does not in itself constitute the revocation of a

proxy.

Written notices of revocation and other communications with respect to the revocation of SIGA proxies should be addressed as follows:

SIGA Technologies, Inc.
420 Lexington Avenue
Suite 408
New York, NY 10170
Attention: Thomas N. Konatich
Telephone: (212) 672-9100

Voting in Person

SIGA stockholders may also attend the Special Meeting and vote in person instead of submitting a proxy. SIGA stockholders who plan to attend the Special Meeting and wish to vote in person will be given a ballot at the Special Meeting.

Proxy Solicitation

SIGA will bear the costs of solicitation of proxies from its stockholders, including assembly, printing, and mailing of this proxy statement and the enclosed proxy. Proxies may be solicited on behalf of SIGA in person or by telephone, email, facsimile or other electronic means by Directors, officers or employees of the Company, who will receive no additional compensation for soliciting. We have engaged Georgeson Shareholder Services to assist us in the solicitation of proxies, for a fee of \$10,000 plus certain fees for additional shareholder meeting services.

Adjournments

Adjournments may be made for various purposes. You are being asked in this proxy statement to approve a proposal that would permit us to adjourn the meeting for the purpose of soliciting additional proxies. If this proposal is not approved by SIGA stockholders, SIGA will be unable to adjourn the meeting for that purpose. Adjournments for any other purpose, however, may be made from time to time by approval of the stockholders representing a majority of the votes present in person or by proxy at the meeting, whether or not a quorum exists, without further notice other than by an announcement made at the meeting. SIGA does not currently intend to seek an adjournment of the Special Meeting.

PROPOSAL 1 — APPROVAL OF THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED CAPITAL STOCK

General

Our Merger Agreement with PharmAthene, pursuant to which a newly formed acquisition subsidiary of SIGA will merge with and into PharmAthene, provides that as consideration for the conversion of their shares of PharmAthene capital stock in the Merger, the stockholders of

29

PharmAthene will receive an aggregate of 87,234,130 shares of SIGA common stock for their shares of PharmAthene stock, or up to 76.32% of our outstanding common stock (61.28% on a fully-diluted basis). In addition, the Merger Agreement provides that options to purchase PharmAthene common stock outstanding immediately prior to the consummation of the Merger will be converted into options to purchase SIGA common stock at the conversion ratio applicable to the conversion of shares of PharmAthene common stock into shares of SIGA common stock in the Merger. Securityholders (including option holders) of PharmAthene will also receive warrants to purchase up to an aggregate of 1,242,352 shares of SIGA common stock. As a result of the option conversion, and the issuance of the warrants, SIGA would be obligated to issue an aggregate of up to 4,075,109 shares of its common stock upon exercise of the SIGA stock options and warrants received by PharmAthene securityholders in the Merger and 205,356 shares of its common stock upon the exercise of SIGA warrants received by PharmAthene warrant holders in the Merger. In order to have a sufficient number of shares to issue to PharmAthene stockholders pursuant to the Merger and to effectuate the other transactions relating to the Merger (including the private placement described below under “The PIPE”), we must amend our certificate of incorporation to increase the number of authorized shares.

Since you are being asked to approve this amendment and the other proposals described in this proxy statement in connection with the Merger, it is important that you understand the Merger transaction and its consequences. The description of the Merger that follows is provided to assist you in gaining this understanding.

THE MERGER

This section of this proxy statement describes material aspects of the Merger, including the Merger Agreement. While SIGA and PharmAthene believe that the description covers the material terms of the Merger, this summary may not contain all of the information that is important to you. You should carefully read this entire document and the other documents to which we refer, including the Merger Agreement attached as Annex A, for a more complete understanding of the Merger and the Merger Agreement.

Background of the Merger

On November 11, 2003, representatives of SIGA and PharmAthene attended a biodefense meeting arranged by the Royal Danish Consulate in order to promote collaboration with Danish biotechnology firms in the biodefense field. The focus of the meeting was emerging companies addressing issues and developments in this new field. Eric Richman, PharmAthene’s Vice President, Business Development & Strategic Planning, had served on SIGA’s Board of Directors in 2003 and recognized Thomas Konatich, Chief Financial Officer and Acting Chief Executive Officer of SIGA, in the audience. They discussed their companies’ mutual interests in biodefense and decided at that meeting to further explore their respective businesses and to determine whether or not there were areas in which SIGA and PharmAthene might partner or work together.

On December 1, 2003, a confidentiality agreement was executed between SIGA and PharmAthene and a meeting was held in the law offices of Keller & Heckman which was attended by Valerie Riddle, Jim Lewkowski, David Wright and Eric Richman, on behalf of PharmAthene, and Dr. Dennis Hrubby, Chief Scientific Officer of SIGA. Dr. Hrubby presented an overview of SIGA and details associated with the degP (broad spectrum antibiotic) program and antiviral 17L, an antiviral agent intended for use against smallpox. There was discussion about these programs, including development plans, timelines and budgets.

PharmAthene showed significant interest in these programs as well as earlier stage programs at SIGA focusing on antibiotic research (Sortase) and smallpox vaccines. Materials describing these programs were sent to PharmAthene and materials on PharmAthene programs were provided to SIGA. Numerous discussions followed by phone.

PharmAthene’s Chief Executive Officer, David Wright, and Mr. Richman traveled to SIGA’s development partner, Transtech Pharma in Greensboro, North Carolina, to learn about its capabilities

Table of Contents

and to present PharmAthene's programs to Dr. Adnan Mjalli, Chief Executive Officer of Transtech Pharma and a director of SIGA. Subsequent discussions and meetings were held on January 22, 2004 in Annapolis, Maryland and January 24, 2004 in New York City. On February 3, 2004, Dr. Hruby and Mr. Richman had a dinner meeting in Washington, DC to discuss a potential merger and its reporting structure, as well as activities and development programs. A meeting at PharmAthene's offices on February 4, 2004 followed, with further discussion on these topics with a broader audience including PharmAthene's Chief Scientific Officer, Dr. Solomon Langermann.

On February 4, 2004, a meeting was held in New York City at the offices of Mr. Donald Drapkin, Chairman of the Board of Directors of SIGA. The meeting was attended, on behalf of PharmAthene, by Mr. Richman and Dr. Langermann and, on behalf of SIGA, by Mr. Drapkin, SIGA board members Dr. Eric Rose, Dr. Michael Weiner and Paul Savas and by SIGA advisor and equity holder Howard Gittis. PharmAthene presented its anthrax program and discussed the rationale for and general terms of a merger. Discussion of the terms followed with proposals made by Mr. Drapkin and his advisors.

On February 12, 2004, a conference call occurred among Messrs. Mjalli, Richman and Wright to discuss Transtech Pharma's development efforts on DegP and 17L. On February 17, 2004, a conference call with Steven Fasman, advisor to Mr. Drapkin and SIGA, took place to review the intellectual property status of SIGA's development programs.

On February 23, 2004, a term sheet setting forth proposed terms of a merger of SIGA and PharmAthene was reviewed by the Board of Directors of PharmAthene and then sent to Mr. Drapkin. A teleconference was arranged and held on February 27, 2004, among Messrs. Drapkin, Wright and Richman. Certain terms were discussed, negotiated and modified. The term sheet was then circulated to the Board of Directors of PharmAthene. On March 4, 2004, the SIGA/PharmAthene merger proposal was presented to the Board of Directors of PharmAthene and rejected due to certain unacceptable and irresolvable terms. Discussions between PharmAthene and SIGA terminated and proprietary information was returned by both parties.

In 2004, Viropharma, a biotechnology company engaged in the development and commercialization of products that address serious human diseases, made a strategic decision to terminate funding of its Virodefense unit, which included the technology that became the two SIGA products currently in development, SIGA-246, an orally administered anti-viral for the treatment of smallpox, and ST-294, an antiviral for the treatment of certain arenaviruses. In August 2004, these products, along with various NIH SBIR grants, were acquired by SIGA in exchange for \$1 million and 1 million shares of SIGA common stock. SIGA continued to develop the smallpox antiviral (Viropharma's version) and filed an IND with the FDA in November 2005.

On January 3, 2006, the draft term sheet was submitted to Mr. Drapkin and Mr. Konatich by PharmAthene for the license and co-development of SIGA-246. On January 9, 2006, SIGA requested an updated term sheet for a license in order to accommodate changes in the initial form and a revision was sent to SIGA. On January 12, 2006, SIGA made a scientific presentation of SIGA-246 to PharmAthene investors at Bear Stearns Health Innoventures (a current PharmAthene investor who designates a member of PharmAthene's board of directors) and discussion about development plans and timelines followed.

Mr. Richman suggested that the PharmAthene Board of Directors preferred a merger to a license and discussions followed regarding how to proceed. On January 19, 2006 Mr. Drapkin and Mr. Richman discussed a potential merger,

as opposed to a license agreement, in a telephone conversation.

On January 23, 2006 a meeting was held at the offices of Mr. Drapkin to further explore a business combination between the companies. The meeting was hosted by Mr. Drapkin and attended by Matthew Drapkin and Michael Borofsky, each advisors to Mr. Drapkin and SIGA, as well as Messrs. Savas, Wright and Richman and PharmAthene Board Members James Cavanaugh, Elizabeth Czerepak and Steven St. Peter. The group discussed potential synergy between the companies, general terms of a merger and financing requirements of the combined company.

31

Table of Contents

PharmAthene retained W.R. Hambrecht to provide advice on the merger, to value SIGA and to assist in the preparation of a term sheet. A term sheet was developed for a merger and sent to Mr. Drapkin on February 10, 2006.

On February 22, 2006 a meeting was held at the offices of Mr. Drapkin with Messrs. Drapkin, Savas, Wright, Richman and counsel to PharmAthene, to negotiate terms of a merger. Various discussions and meetings followed (including meetings with SIGA's outside counsel) and a draft term sheet reflecting comments from both sides was delivered to Mr. Drapkin on March 2, 2006 and again on March 7, 2006. Mr. Drapkin also held several informal meetings with the SIGA Board of Directors to advise them on the status of the negotiations and to seek advice on how to proceed.

The SIGA Board of Directors met on March 10, 2006 to discuss the terms of the agreement and the benefits to and effects on the shareholders of the company. A vote to accept the term sheet was held. Nine directors voted in favor of accepting the term sheet, with such changes as are approved by the officers of SIGA on advice of counsel, and one director abstained from voting in a desire to have more information about certain aspects of the transaction. The term sheet, substantially in the form presented to the SIGA Board of Directors, was signed on March 20, 2006.

On June 2, 2006 a meeting of the SIGA Board of Directors was held at the offices of its counsel. The meeting was held to discuss and vote on the merger between SIGA and PharmAthene, including a vote on the definitive Merger Agreement and related voting agreement. The SIGA Board of Directors heard a presentation by Mr. Gilbert E. Matthews of Sutter Securities, SIGA's financial advisor on the proposed transaction. An extensive discussion followed during which the board discussed the merger and covered topics including, but not limited to, the economic terms of the merger and the effect (including the dilutive effect) of such terms on SIGA stockholders, as well as the long term success of the Company as a stand-alone entity compared to its prospects as a part of a combined company. At the meeting's conclusion, the SIGA Board of Directors voted unanimously to approve the transaction, including authorizing the execution and delivery of the definitive Merger Agreement and the related voting agreement.

On June 8, 2006, the Merger Agreement was executed.

SIGA'S Reasons for the Merger

SIGA identified a number of weaknesses and deficiencies that could hamper its long term success, restrict its growth and limit shareholder value. Such weaknesses include its lack of management depth and its need for a more diverse product pipeline. In addition, SIGA realized that in order to continue to develop its existing products, as well as develop new products, it would need greater access to capital. The SIGA Board of Directors reviewed PharmAthene's management infrastructure and product pipeline. The board determined that PharmAthene's management could effectively assist SIGA in bringing its products to market as it had people in place in a number of important

disciplines where SIGA had very limited expertise and personnel. PharmAthene's more diverse management group would also add management depth to the combined company. Further, SIGA believes the combination of the two companies will provide strong synergies for future product development and sales, while also diversifying the combined company's product pipeline. The combined company will feature a substantial portfolio of procurement-stage biodefense products targeting anthrax, smallpox and chemical nerve agents, as well as a robust pipeline of therapeutic and prophylactic drug candidates targeting Category A biowarfare agents and emerging infectious diseases.

Further, given PharmAthene's investment base and experience in raising substantial amounts of capital, SIGA felt that combining with PharmAthene might give the combined company access to a broader institutional base and more efficient access to the capital markets (although no assurance can be given that this access will occur). As discussed above in "Background of the Merger," the SIGA directors also weighed the consideration to be given to the PharmAthene stockholders and the corresponding dilution to the SIGA stockholders and the willingness on the part of PharmAthene to provide SIGA with \$3 million of interim financing. During the discussion held by the SIGA Board of Directors, the members of the board discussed the adequacy of the consideration to and the dilutive effect on the SIGA stockholders, particularly with respect to the treatment of outstanding options and

32

Table of Contents

warrants. The SIGA Board of Directors determined that even given such dilution, the transaction was in the best interest of SIGA and its stockholders. In connection therewith, the directors discussed possible alternative transactions (such as obtaining equity or debt financing or finding another partner) and SIGA's viability to continue as a going concern as a stand alone entity. The SIGA Board of Directors noted that its pursuit of such alternative transactions had not yielded a transaction which, in the SIGA Board of Director's view, was as potentially beneficial to SIGA's stockholders as the transaction with PharmAthene. The members of SIGA's Board of Directors were satisfied that a transaction with PharmAthene would, as described herein, enhance shareholder value.

Also as discussed above in "Background of the Merger," PharmAthene and SIGA had previously considered a merger transaction but could not agree on certain terms, although even at that time the two companies realized that certain mutual benefits would be achieved by a combination of the two companies. As both SIGA and PharmAthene have a strong presence and commitment to the development of products for use in the defense against agents of biological warfare, there is a common focus between the two companies, while at the same time they each bring distinct strengths not easily obtainable by either in the open market. The SIGA Board of Directors expects that the strong development and commercialization capabilities of PharmAthene, when combined with the research capabilities of SIGA, will create an expanded biodefense platform with the possibility for a greater number of procurement stage products and near term revenue opportunities. Therefore, the SIGA directors unanimously voted for the Merger.

For these reasons, the SIGA directors believed that a transaction with PharmAthene would enhance stockholder value.

Opinion of SIGA's Financial Advisor

On March 16, 2006, the Board of Directors of SIGA retained Sutter Securities Incorporated ("Sutter") to act as its financial advisor in connection with the Merger. Sutter had previously served as financial adviser to the Board of Directors of SIGA in connection with a transaction in 2003. Sutter delivered its original written opinion, dated June 2, 2006, to the Board of Directors of SIGA to the effect that, as of the date of the opinion, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Sutter, the consideration to be paid in

the Merger to the PharmAthene stockholders was fair from a financial point of view. Sutter subsequently issued its written opinion to the Board of Directors of SIGA which has been updated to the date of this proxy statement (the “Sutter Opinion”). Sutter was not requested to opine, and did not opine, as to the value or other implications of the Merger on any individual investor or any group or class of investors in SIGA or otherwise, other than as to all the holders of SIGA’s capital stock, taken as a whole.

Annex C to this proxy statement contains the full text of the Sutter Opinion. SIGA’s stockholders are urged to read the opinion carefully and in its entirety. The following summary is qualified in its entirety by reference to the full text of the Sutter Opinion.

In arriving at its opinion, Sutter:

- reviewed the terms of the Merger Agreement and certain related documents;
- reviewed the historical and projected financial performance of SIGA and PharmAthene; and
- performed such other financial studies and analyses and considered such other factors as it deemed appropriate and feasible.

Sutter has not assumed any responsibility for independent verification of, and has not independently verified, any of the information, whether publicly available or furnished to it, concerning SIGA or PharmAthene, including, without limitation, any financial information, forecasts or projections, considered in connection with the rendering of its opinion. Accordingly, for purposes of its opinion, Sutter assumed and relied upon the accuracy and completeness of all such information. Sutter did not prepare or obtain any independent evaluation or appraisal of any of the assets or liabilities of SIGA or PharmAthene. In the case of information concerning SIGA, whether on a stand

33

Table of Contents

alone basis or merged basis, with respect to financial estimates and projections made available by SIGA to Sutter and used in its analyses, Sutter has assumed that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of SIGA as to the matters covered thereby. In rendering its opinion, Sutter did not express a view as to the reasonableness of such analyses, forecasts, and projections, or the assumptions on which they were based. In addition, in the case of information concerning PharmAthene, Sutter was asked to rely and did rely solely on the financial information, analyses, forecasts, and projections concerning PharmAthene provided by PharmAthene’s management and SIGA’s management, all without independent verification by Sutter or any other party. Sutter’s opinion was necessarily based upon economic, market and other conditions as in effect on, and the information made available to it as of, the date of the Sutter Opinion.

For purposes of rendering its opinion, Sutter assumed that, in all respects material to its analysis, the representations and warranties of SIGA and PharmAthene contained in the Merger Agreement were true and correct, SIGA and PharmAthene would each perform all of the covenants and agreements to be performed by it under the Merger Agreement, as modified by the disclosure schedules thereto, and all conditions to the obligations of each of SIGA and PharmAthene to consummate the Merger will be satisfied without any waiver thereof and that all material governmental, regulatory or other approvals and consents required in connection with the consummation of the Merger, if any, will be obtained and that, in connection with obtaining any necessary governmental, regulatory or other approvals or consents, or any amendments, modifications or waivers to any agreements, instruments or orders to which either SIGA or PharmAthene is a party or is subject or by which it is bound, no limitations, restrictions or conditions will be imposed or amendments, modifications or waivers will be made that would have a material adverse

effect on SIGA or PharmAthene or materially reduce the contemplated benefits of the Merger to SIGA.

In connection with its engagement, Sutter was not requested to, and it did not, solicit third party indications of interest in acquiring all or a part of SIGA. Sutter's Opinion did not address the relative merits of the Merger as compared to other business strategies that may be available to SIGA, and it did not address the underlying business decision of SIGA to engage in the Merger.

The preparation of a fairness opinion is a complex process involving the applications of subjective business judgment and various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Sutter made qualitative judgments.

In conducting its analyses and arriving at its opinion, Sutter considered industry performance, general business, economic, market and financial conditions, and other matters. In determining that, in its opinion, the transaction was fair to the SIGA shareholders from a financial point of view, Sutter reviewed the current business plans, historical performance, and financial condition of each of the two companies.

SIGA and PharmAthene are both development-stage companies that did not have significant revenues and had substantial negative cash flow. Virtually all of their revenues are derived from government grants and not from the sale of any products. Because they had negative EBITDA historically and in their 2006 and 2007 projections, Sutter was not able to apply the comparable company method or the comparable acquisition method. Sutter considered using the discounted cash flow method, but determined that it was not appropriate to calculate the value of either entity in this manner because of the speculative nature of their projections.

Sutter determined that, based on the assumptions provided, SIGA's financial contribution to the combined company was approximately equal to the percentage of the combined company which SIGA shareholders would own. Sutter noted that the relative contribution of PharmAthene to projected EBITDA was expected to increase over time, and that PharmAthene had two significant products in development (Protexia and Valortim), while SIGA had one (SIGA-246).

34

Table of Contents

Relative Contribution to Projected EBITDA

	2008	2009	2010	2011	2012	2013	2014	2015
SIGA	57%	51%	38%	35%	33%	33%	22%	23%
PharmAthene	43%	49%	62%	65%	67%	67%	78%	77%

Sutter reviewed strengths and weaknesses of each of the two companies and determined that PharmAthene had strengths, such as depth of management, a better marketing organization, and a more developed pipeline of products, which complemented certain of SIGA's weaknesses. Sutter considered the fact that SIGA had entered into an agreement with PharmAthene pursuant to which PharmAthene had advanced funds to SIGA to permit it to continue its development program. Sutter also considered the fact that the Merger was subject to an infusion of additional equity into the surviving entity.

The terms of the Merger were determined through negotiations between SIGA and PharmAthene and were approved by the SIGA Board of Directors. The decision to enter into the Merger was solely that of the SIGA Board of Directors. The opinion and financial analyses of Sutter was only one of many factors considered by the SIGA Board of Directors in its evaluation and approval of the Merger. The Sutter Opinion does not constitute a recommendation to any shareholder as to how to vote or take any other action with respect to the Merger. Sutter's compensation is in no way contingent on the Merger, and Sutter will receive no additional compensation if the Merger closes.

Merger Consideration

The Agreement and Plan of Merger, sometimes referred to herein as the Merger Agreement, has been structured such that the holders of PharmAthene capital stock immediately prior to the Merger will own up to 76.32% of the capital stock of SIGA after the Merger (67.28% on a fully diluted basis), with the holders of SIGA capital stock immediately prior to the Merger owning the balance thereof. As a result, the exact number of shares of SIGA common stock to be issued to holders of PharmAthene capital stock cannot be determined until the closing of the Merger.

On the date that the Merger closes, the parties will determine the aggregate number of shares of common stock of SIGA that are outstanding. For the purpose of determining such number, the parties will assume that all outstanding options to purchase shares of SIGA common stock and all outstanding warrants to purchase shares of SIGA common stock have been exercised, other than half of those SIGA options and warrants with an exercise price greater than \$2.00 per share. This adjusted total number of shares of SIGA common stock will then be multiplied by 2.1 to determine the total number of shares of SIGA common stock allocated in the Merger to holders of PharmAthene equity or derivatives therefor. In addition, holders of PharmAthene securities will also receive warrants to purchase that number of shares of SIGA common stock equal to 2.1 times the number of additional shares of SIGA common stock that would be issuable to certain holders of warrants to purchase SIGA common stock as a result of the effect of anti-dilution provisions in their warrants which are triggered by the Merger, including the PIPE.

The shares of SIGA common stock and warrants to purchase shares of common stock to be allocated to the holders of PharmAthene capital stock in the Merger will be distributed to the holders of PharmAthene capital stock as follows:

- The holders of PharmAthene common stock will receive, on a pro rata basis (determined based on the number of shares of PharmAthene common stock held by such holder) divided among the holders thereof, 5.3121% of the total number of shares of SIGA common stock and warrants to purchase shares of SIGA common stock allocated in the Merger to the holders of PharmAthene capital stock.
- The holders of PharmAthene Series A Convertible Preferred Stock will receive, on a pro rata basis (determined based on the number of shares of PharmAthene Series A Convertible Preferred Stock held by such holder) divided among the holders thereof, 17% of the total number of shares of SIGA common stock and warrants to purchase shares of SIGA common stock allocated in the Merger to the holders of PharmAthene capital stock.

35

Table of Contents

- The holders of PharmAthene Series B Convertible Preferred Stock will receive, on a pro rata basis (determined based on the number of shares of PharmAthene Series B Convertible Preferred Stock held by such holder) divided among the holders thereof, 41.9% of the total number of shares of SIGA common stock and warrants to purchase shares of SIGA common stock allocated in the Merger to the holders of PharmAthene capital stock.

- The holders of PharmAthene Series C Convertible Preferred Stock will receive, on a pro rata basis (determined based on the number of shares of PharmAthene Series C Convertible Preferred Stock held by such holder) divided among the holders thereof, 31.1% of the total number of shares of SIGA common stock and warrants to purchase shares of SIGA common stock allocated in the Merger to the holders of PharmAthene capital stock.
- The remaining 4.6879% of the total number of shares of SIGA common stock and warrants to purchase shares of SIGA common stock allocated in the Merger to the holders of PharmAthene capital stock shall be distributed upon the exercise of options to purchase units consisting of SIGA common stock and warrants to purchase SIGA common stock, which options will be delivered to holders of options to purchase shares of PharmAthene common stock at the Closing of the Merger in exchange for such options. To the extent such options to purchase SIGA common stock terminate without being exercised, such allocated shares will remain unissued.

The foregoing allocation may be revised to reflect the exercise or termination of warrants or options to purchase PharmAthene common stock which occurs after the date of the Merger Agreement and prior to the closing of the Merger.

As of August 8, 2006, there were 27,500,648 shares of SIGA common stock outstanding. The fully diluted number of shares of common stock, assuming the exercise of all outstanding options and warrants to purchase SIGA common stock other than half of those SIGA options and warrants with an exercise price greater than \$2.00 per share, was 43,480,590 as of August 8, 2006. Assuming no change in SIGA's capitalization between , 2006 and the closing of the Merger, approximately 91.3 million shares of SIGA common stock would be allocated to the PharmAthene stockholders in the manner described above.

In accordance with various agreements entered into with the holders of warrants to purchase capital stock of PharmAthene, the holders of all warrants to purchase shares of PharmAthene capital stock have agreed to terminate or exercise such warrants immediately prior to the closing of the Merger. After taking into account the termination of warrants to be terminated immediately prior to closing and assuming that all other currently outstanding warrants to purchase shares of PharmAthene common stock and all options to purchase shares of PharmAthene common stock are exercised to the maximum extent allowable, there would be 31,456,798 shares of PharmAthene common stock outstanding immediately prior to the Merger.

It is expected that there will be 16,442,000 shares of PharmAthene Series A Convertible Preferred Stock outstanding immediately prior to the Merger.

It is expected that there will be 30,448,147 shares of PharmAthene Series B Convertible Preferred Stock outstanding immediately prior to the Merger.

It is expected that there will be 17,538,133 shares of PharmAthene Series C Convertible Preferred Stock outstanding immediately prior to the Merger.

Based on the foregoing, and assuming no changes thereto, as a result of the Merger, each share of PharmAthene common stock would convert into approximately 0.443 shares of SIGA common stock and warrants to purchase up to approximately 0.009 shares of SIGA common stock, each share of PharmAthene Series A Convertible Preferred Stock would convert into approximately 0.9441 shares of SIGA common stock and warrants to purchase up to approximately 0.018 shares of SIGA common stock, each share of PharmAthene Series B Convertible Preferred Stock would convert into approximately 1.257 shares of SIGA common stock and warrants to purchase up to approximately 0.024 shares of SIGA common stock, and each share of PharmAthene Series C Convertible Preferred

Table of Contents

Stock would convert into approximately 1.619 shares of SIGA common stock and warrants to purchase up to approximately 0.028 shares of SIGA common stock. PharmAthene and SIGA currently estimate that approximately 4,075,109 shares of SIGA common stock and warrants to purchase 77,760 shares of SIGA common stock will remain available to be issued upon the exercise of options to purchase units which consist of SIGA common stock and warrants to purchase SIGA common stock which are exchanged for options to purchase PharmAthene common stock as discussed above.

The actual number of shares of SIGA common stock and warrants to purchase shares of SIGA common stock to be paid to the holders of each class and series of PharmAthene stock may change if any of the assumptions described above change between the date of this proxy statement and the closing of the Merger. For example, the number of shares of SIGA common stock outstanding as of the date of the Merger could increase if SIGA sells additional shares of its common stock prior to the closing of the Merger. In addition, the number of outstanding shares of PharmAthene's common stock, Series A Convertible Preferred Stock, Series B Convertible Preferred Stock or Series C Convertible Preferred Stock could change upon the occurrence of certain events including, but not limited to, (i) the exercise of warrants to purchase shares of either common stock or Series C Convertible Preferred Stock, (ii) the exercise of options to purchase common stock, or (iii) the conversion of shares of Series A Convertible Preferred Stock, Series B Convertible Preferred Stock or Series C Convertible Preferred Stock into PharmAthene common stock.

No fractional shares of SIGA common stock will be issued in the Merger. All fractional shares of SIGA common stock to be distributed to an individual stockholder of PharmAthene will be aggregated before determining whether a fractional share remains. Any remaining fractional shares that would otherwise be issuable in the Merger will be rounded to the nearest whole share, with 0.5 shares being rounded up to the next full share.

Material U.S. Federal Income Tax Consequences

The following discussion is a summary of certain material U.S. federal income tax consequences of the exchange of PharmAthene capital stock for SIGA common stock in the Merger. The discussion which follows is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, administrative rulings and pronouncements and judicial decisions as of the date hereof, all of which are subject to change, possibly with retroactive effect. Any such change could alter the tax consequence discussed in this document. No legal opinion from a law firm or ruling from the Internal Revenue Service will be sought with respect to the tax consequences of the Merger.

The discussion below is for general information purposes only and, except where specifically noted, does not address the effects of any state, local or non-U.S. tax laws. In addition, the discussion below relates to persons who hold PharmAthene capital stock and will hold SIGA common stock as capital assets. The tax treatment of a PharmAthene stockholder may vary depending upon such stockholder's particular situation, and certain stockholders may be subject to special rules including for example, partners of partnerships that hold PharmAthene capital stock or will hold SIGA common stock, insurance companies, tax-exempt organizations, financial institutions, broker-dealers and individuals who received PharmAthene capital stock pursuant to the exercise of employee stock options or otherwise as compensation. In addition, this discussion does not address the tax consequences to any PharmAthene stockholder who is not a U.S. Holder.

As used in this section, a "U.S. Holder" means a beneficial owner of PharmAthene capital stock who exchanges PharmAthene capital stock for SIGA common stock and who is, for U.S. federal income tax purposes:

- a citizen or resident of the U.S.;
- a corporation, partnership or other entity treated as such for U.S. federal income tax purposes, created or organized in or under the laws of the U.S. or any political subdivision thereof;

37

Table of Contents

- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust:
 1. if, in general, a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons have authority to control all of its substantial decisions; or
 2. that has a valid election in effect under applicable U.S. treasury regulations to be treated as a U.S. person.

Although no legal opinion or ruling from the Internal Revenue Service will be sought with respect to the tax consequences of the Merger, SIGA and PharmAthene intend to treat the merger of SIGA Acquisition Corp. with and into PharmAthene and the exchange of PharmAthene capital stock for SIGA common stock in the Merger as a reorganization within the meaning of Section 368(a) of the Code.

As a result, no income, gain or loss should be recognized by SIGA, SIGA Acquisition Corp. or PharmAthene as a result of the transfer to PharmAthene stockholders of SIGA common stock provided by SIGA to SIGA Acquisition Corp. pursuant to the Merger.

Federal Income Tax Consequences of the Reverse Stock Split

No legal opinion or ruling from the Internal Revenue Service will be sought with respect to the tax consequences of the reverse stock split. The SIGA stockholders should incur no U.S. federal income tax liability as a result of the reverse stock split. The IRS requires that taxpayers who will receive SIGA common stock in the reverse stock split attach to their U.S. income tax return, for the period including the date of such reverse stock split, a statement containing certain information relating to the reverse stock split. SIGA stockholders who are calendar year taxpayers should complete and attach the enclosed "Statement A" to their 2006 U.S. Federal Income tax return for 2006 if the reverse stock split is, in fact, completed.

Limitation of Net Operating Losses

The Merger should constitute an "ownership change" under Section 382(g) of the Code, resulting in a limitation on SIGA's pre-Merger net operating loss carryforwards which have not otherwise been previously limited by Code Section 382.

THE FOREGOING DISCUSSION DESCRIBES ONLY CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER. STOCKHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE MERGER TO THEM IN THEIR PARTICULAR SITUATIONS, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL, ESTATE AND OTHER TAX LAWS.

Other Approvals

If any governmental or third party approvals or actions are required, SIGA and PharmAthene intend to try to obtain them. PharmAthene and SIGA cannot assure you, however, that SIGA and PharmAthene will be able to obtain any approvals or actions. PharmAthene and SIGA do not believe that any regulatory approvals are required.

Accounting Treatment

The Merger will be accounted for as a “purchase” transaction for accounting and financial reporting purposes, in accordance with accounting principles generally accepted in the United States. PharmAthene will be treated as the acquiring corporation for these purposes since the stockholders of PharmAthene will own a majority of the outstanding stock of SIGA as a combined company immediately following the Merger. After the Merger, the results of operations of SIGA will be included in the consolidated financial statements of PharmAthene. The purchase price will be

38

Table of Contents

allocated based on the fair values of the assets acquired and the liabilities assumed. Pursuant to Statements of Financial Accounting Standards No. 141, “Business Combinations” and No. 142, “Goodwill and Other Intangible Assets,” goodwill is not amortized. Rather, goodwill will be subject to at least annual assessment for impairment based on a fair value test. Identified intangible assets with finite lives will be amortized over those lives. A final determination of the intangible asset values and required purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not yet been made. SIGA will determine the fair value of assets and liabilities and will make appropriate business combination accounting adjustments. However, for purposes of disclosing unaudited pro forma information in this proxy statement, SIGA has made a preliminary determination of the purchase price allocation, based upon current estimates and assumptions, which is subject to revision upon consummation of the Merger.

Restrictions on Sales of Shares Issued to PharmAthene Stockholders

The shares of SIGA common stock and warrants to purchase SIGA common stock (and the shares of SIGA stock issuable upon the exercise thereof) to be issued to the PharmAthene stockholders in the Merger are not being registered under the Securities Act of 1933, as amended (the “Securities Act”). PharmAthene stockholders may not sell such securities of SIGA except pursuant to (1) an effective registration statement under the Securities Act covering the resale of those securities, (2) Rule 144 under the Securities Act, or (3) any other applicable exemption under the Securities Act.

Upon consummation of the Merger, SIGA will enter into a Registration Rights Agreement in the form attached hereto as Annex F with the current PharmAthene stockholders which will give them certain registration rights with respect to the SIGA securities issued to them in the Merger. In addition, as a result of certain demand registration rights provided in the Registration Rights Agreement, such stockholders will also have the right, upon a request by two-thirds of them and subject to certain limitations, to require SIGA to register any shares issued in connection with the PIPE or otherwise acquired by such stockholders after the consummation of the Merger. Further, such stockholders will also be entitled to certain piggyback registration rights with respect to the above described shares. For additional information concerning these lock-up agreements, see “Other Agreements Related to the Merger — Registration Rights Agreement” on page 49.

Notwithstanding the foregoing, all officers, directors and certain parties who are expected to hold in excess of 5% of the outstanding securities of SIGA following the Merger are required, as a condition to completion of the Merger, to enter into a Lock-up Agreements in the form attached hereto as Annex G with SIGA. These agreements provide that, subject to certain exceptions, the parties thereto may not offer, pledge, sell, or otherwise dispose of or transfer any shares of SIGA common stock, or any options or warrants to purchase any shares of SIGA common stock, or any securities convertible into or exchangeable or exercisable for SIGA common stock following the closing of the Merger until such time as the lock-up obligations set forth in the lock-up agreements executed in connection with the PIPE terminate. For additional information concerning these lock-up agreements, see “Other Agreements Related to the Merger — Lock-up Agreements” on page 49.

Interests of Certain Directors, Officers, and Affiliates

Following the consummation of the Merger, all but one of the members of the Board of Directors of SIGA will resign and the new board members will be appointed by Paul G. Savas, the remaining member of the SIGA Board. It is also anticipated that Thomas Konatich, the current Acting Chief Executive Officer and Chief Financial Officer of SIGA will no longer be employed by the combined company. Under his employment agreement with SIGA, he will be entitled to receive a severance payment as a result of the change of control. The severance payment Mr. Konatich will receive will be equal to the balance of his salary due through June 30, 2007. His salary is \$230,000 per year. In addition, all of his stock options will vest. Dennis Hruby, SIGA’s Chief Scientific Officer, is expected to serve as a vice president of the combined company following the Merger.

Following the closing of the Merger, a majority of the members of the Board of Directors of the combined company will consist of parties initially designated by Pharmathene. Three of the proposed

39

Table of Contents

Board members, Steven St. Peter, M.D., who is a General Partner of MPM Capital, James Cavanaugh, Ph.D., who is the President of Healthcare Ventures LLC, and Elizabeth Czerepak, who is a member of Bear Stearns Health Innoventures Management, LLC, are, by virtue of their relationships with such entities, affiliated with stockholders of PharmAthene which provided bridge financing to PharmAthene during 2006 which will convert into securities issued in the PIPE at a further discount to the price such securities will be sold in the PIPE transaction. PharmAthene's current Chief Executive Officer, its Chief Financial Officer and its Vice President Business Development & Strategic Planning have also invested in the bridge financing and will be entitled to the additional discount upon the conversion of their investment. The terms of the PIPE will be based upon prevailing market conditions. A committee which consists of four individuals, Steven St. Peter, M.D., Elizabeth Czerepak, Matthew Drapkin, who is a Senior Vice President – Corporate Development of MacAndrews & Forbes Holdings, Inc., and Paul Savas, who is an Executive Vice President of Finance of MacAndrews & Forbes Holdings, Inc., who represent parties that will hold SIGA common stock following the closing of the Merger, must approve the terms of the PIPE, which approval will be presumed if the terms fall within certain parameters previously agreed upon by the Board of Directors of SIGA. Two of the individuals on the committee, Paul Savas and Matthew Drapkin, represent parties designated by the Board of Directors of SIGA prior to the Merger who are not affiliated with any entity participating in the PIPE. As a result, at least one committee member who is independent of both the investors in the PIPE and PharmAthene must approve the final terms of the PIPE.

Stock Options

At the closing of the Merger, SIGA will issue to holders of PharmAthene stock options, in exchange for such PharmAthene options (each hereinafter referred to as, a “Replacement Option”), units consisting of options to purchase shares of SIGA common stock and warrants to purchase [] shares of SIGA common stock, the Replacement Options will be exercisable for a number of shares of SIGA common stock equal to the number of shares of SIGA common stock that would have been issued to such holder, rounded down to the nearest whole share, had the unexercised portion of the applicable PharmAthene options been exercised immediately prior to the Merger, and shall have an exercise price equal to (x) (A) the number of shares of PharmAthene Common Stock issuable upon the exercise of the then unexercised portion of such PharmAthene option, multiplied by (B) the exercise price of such PharmAthene option; divided by (y) the number of shares of SIGA common stock issuable upon the exercise of the applicable Replacement Option, rounded up to the nearest whole cent. The SIGA common stock issuable upon exercise of the Replacement Options will vest in accordance with a vesting schedule that is substantially similar to the remaining vesting schedule under the PharmAthene options.

THE AGREEMENT AND PLAN OF MERGER

The following summary describes the material provisions of the Merger Agreement. The provisions of the Merger Agreement are complicated and not easily summarized. This summary may not contain all of the information about the Merger Agreement that is important to you. The Merger Agreement is attached to this proxy statement as Annex A and is incorporated by reference into this proxy statement, and we encourage you to read it carefully in its entirety for a more complete understanding of the Merger Agreement.

General

The Agreement and Plan of Merger, sometimes referred to herein as the Merger Agreement, provides that upon the consummation of the Merger, SIGA Acquisition Corp., a newly formed, wholly-owned subsidiary of SIGA will be merged with and into PharmAthene. PharmAthene will survive the Merger as a wholly-owned subsidiary of SIGA, and stockholders of PharmAthene will exchange their PharmAthene equity interests for SIGA common stock and warrants (as described above), thereby becoming equityholders of SIGA.

The closing of the transactions contemplated by the Merger Agreement will occur promptly after the last of the conditions to the Merger has been satisfied or waived, or at such other time as SIGA

40

Table of Contents

and PharmAthene agree. Contemporaneously with or as soon as practicable after that time, SIGA and PharmAthene will file a Certificate of Merger with the Secretary of State of the State of Delaware. The Merger will become effective upon the filing of the Certificate of Merger or at such other time as SIGA and PharmAthene may agree. SIGA and PharmAthene currently expect that the completion of the Merger will take place in the fourth calendar quarter of 2006. However, because the Merger is subject to stockholder approval and other customary conditions, SIGA and PharmAthene cannot predict exactly when the Merger will occur.

Representations and Warranties

The Merger Agreement contains general representations and warranties made by each of SIGA and SIGA Acquisition Corp. on the one hand, and PharmAthene on the other, regarding various aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the Merger. These representations and warranties

are subject to materiality, knowledge and other similar qualifications in many respects and expire at the effective time of the Merger. The representations and warranties of each of the parties have been made solely for the benefit of the other party and those representations and warranties should not be relied on by any other person. In addition, those representations and warranties may be intended not as statements of actual fact, but rather as a way of allocating risk between the parties, may have been modified by the disclosure schedules attached to the Merger Agreement, are subject to the materiality standard described in the Merger Agreement, which may differ from what may be viewed as material by you, and were made only as of the date of the Merger Agreement or another date as specified in the Merger Agreement.

The representations and warranties made by SIGA and PharmAthene to each other in the Merger Agreement include representations and warranties relating to the following matters, among others:

- corporate organization, existence, good standing and power and authority;
- corporate authorization to enter into and carry out the obligations contained in the Merger Agreement and the valid and binding nature of such obligations;
- absence of any conflict or violation of the corporate charter and bylaws, any applicable legal requirements, or any agreements with third parties, as a result of entering into and carrying out the obligations contained in the Merger Agreement;
- capital structure and the absence of restrictions or encumbrances with respect to capital stock;
- corporate organization, qualifications to do business and corporate standing of subsidiaries;
- ownership of, and absence of restrictions or encumbrances with respect to, the capital stock of subsidiaries;
- litigation;
- financial statements;
- internal accounting controls and disclosure controls and procedures;
- absence of undisclosed liabilities;
- absence of certain changes since December 31, 2005;
- intellectual property;
- taxes and tax returns;
- title to assets and properties;
- leases of intangible or personal property;
- owned and leased real property;
- material contracts and the absence of breaches of material contracts;

41

Table of Contents

- compensation of employees; absence of collective bargaining arrangements and labor liability as a result of the Merger;
- benefit plans;
- labor relations;
- transactions with affiliates;
- insurance;
- permits, licenses, franchise and approvals;
- compliance with applicable laws;
- environmental matters;
- Food and Drug Administration matters;

- entitlements to any broker's, finder's, or other similar fees, commissions or expenses in connection with the transactions contemplated by the Merger Agreement;
- absence of certain business practices;
- restrictions on business activities;
- inapplicability of state takeover statutes;
- maintenance of books and records; and
- disclosure.

SIGA and SIGA Acquisition Corp. also made a number of additional representations and warranties to PharmAthene in the Merger Agreement, including representations and warranties relating to the following matters:

- SEC filings and the financial statements contained in those filings;
- agreement by certain holders of SIGA capital stock to vote in favor of the actions that must be taken by SIGA in order to complete the Merger;
- receipt of a fairness opinion of a financial advisor;
- absence of reporting obligations under Canadian securities legislation;
- valid issuance of common stock to be issued in connection with the Merger;
- NASDAQ compliance; and
- absence of preemptive, anti-dilution or similar rights.

Covenants and Agreements

Operating Covenants

Under the Merger Agreement PharmAthene and SIGA have each agreed, until the closing of the Merger, except under certain circumstances, to:

- maintain their corporate existence in good standing (and that of their subsidiaries); and
- conduct their business in the usual and ordinary course.

Also under the Merger Agreement, PharmAthene and SIGA have each agreed, until the closing of the Merger that, except with the prior written consent of the other, they each will not (and will not permit their subsidiaries to):

- amend or otherwise modify their constituting documents or by-laws;
- alter any term of any of their outstanding securities or make any change in their outstanding shares of capital stock or their capitalization;

42

Table of Contents

- issue, sell or otherwise cause to become outstanding securities, subject to certain exceptions, including option grants;
- declare, set aside or make any payment, dividend or other distribution upon any of their capital stock or acquire or dispose of any shares of such capital stock;
- incur any liability or obligation, issue any corporate debt securities or pay or discharge any outstanding indebtedness, in each case, subject to certain limited exceptions;
- mortgage, pledge, subject to any lien or grant any security interest in any of their assets or properties; enter into any lease of real property or buildings or, subject to certain limited exceptions, enter into any lease of machinery or equipment, or sell, transfer, lease to others or otherwise dispose of any tangible or intangible asset or property;

- make any changes or arrangements with respect to compensation of employees or agents, or make any bonus, severance or similar payments, in each case, subject to certain limited exceptions;
- make changes in employee benefits, subject to certain limited exceptions;
- enter into any transaction other than in the ordinary course of business consistent with past practice, except in connection with the execution and performance of Merger Agreement and the transactions contemplated thereby;
- terminate or modify any material agreement, subject to certain limited exceptions;
- incur or assume any indebtedness for borrowed money or guarantee any obligation or the net worth of any entity or person;
- discharge or satisfy any lien other than those then required to be discharged or satisfied in accordance with their original terms;
- pay any material obligation or liability, whether due or to become due, except for any current liabilities, and the current portion of any long term liabilities, shown on their financial statements or incurred since the date of the Merger Agreement in the ordinary course of business consistent with past practice;
- cancel, waive or compromise any material debt or claim;
- make any loan or advance to any entity or person, subject to certain limited exceptions;
- purchase or acquire any capital stock or other securities of any other corporation or any ownership interest in any other business enterprise;
- make capital expenditures or capital additions or betterments in an amount which exceed \$50,000 in the aggregate;
- change their method of accounting or their accounting principles or practices, other than as required by GAAP;
- institute or settle any litigation or any legal, administrative or arbitration action or proceeding relating to them or any of their properties or assets;
- make any new elections, change any current elections or settle or compromise any liabilities with respect to their taxes; or
- enter into any agreement or commitment to do any of the foregoing.

Additional SIGA Covenants

Under the Merger Agreement, SIGA has agreed to take such action as may be necessary so that:

- in accordance with applicable law and its certificate of incorporation and by-laws, it convenes as promptly as practicable a meeting of its stockholders to vote upon matters requiring stockholder approval in connection with the Merger Agreement and the transactions contemplated thereby;

43

Table of Contents

- it shall include in its proxy statement the recommendation of its Board of Directors (subject to their fiduciary duties) that the holders of SIGA capital stock vote in favor of all matters requiring stockholder approval in connection with the Merger;
- its Board of Directors will be reconstituted immediately following the closing of Merger to be set at seven (7) persons and to be comprised of the following persons: James H. Cavanaugh, Elizabeth Czerepak, Joel McCleary, Steven St. Peter, and David P. Wright, Matthew Drapkin and Paul Savas with Mr. McCleary serving as Chairman;

- David Wright shall be appointed to the office of Chief Executive Officer of SIGA, effective as of the closing of Merger;
- all required filings under the securities laws are made, subject to certain consultation and notice rights of PharmAthene;
- prior to the consummation of the Merger it shall enter into one or more agreements related to the sale of at least \$25,000,000 worth of its equity securities to investors through private transactions (sometimes referred to herein as the ‘PIPE’);
- its name will be changed to ‘PharmAthene, Inc.’ and its NASDAQ symbol to PTHN, effective immediately after the closing of Merger;
- it shall cooperate with PharmAthene in PharmAthene’s preparation of the information statement required by Regulation D under the Securities Act to be delivered to the holders of PharmAthene capital stock;
- at or prior to the consummation of the Merger, it shall enter into the Registration Rights Agreement;
- at or prior to the consummation of the Merger, it shall enter into the Stockholders Agreement; and
- the Board of Directors of SIGA or a committee thereof shall adopt such resolutions as may be requested by PharmAthene to ensure that the issuance of shares and warrants in the Merger or the PIPE are exempt under Section 16 of the Securities Exchange Act of 1934, as amended (the ‘Exchange Act’).

Other Covenants

Under the Merger Agreement, SIGA and PharmAthene have each agreed:

- to cooperate in obtaining all necessary approvals with respect to the Merger;
- to allow the other party and its representatives reasonable access during normal business hours to such party’s books and records and other information reasonably requested, subject to duties of confidentiality;
- to give prompt notice in writing of: (i) the occurrence, or failure to occur, of any event, which occurrence or failure would be likely to cause any of the representations or warranties contained in the Merger Agreement to be untrue or inaccurate in any material respect, (ii) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the Merger, (iii) any notice or other communication from any governmental or regulatory agency or authority in connection with the Merger, (iv) any actions, suits, claims, investigations or proceedings commenced or threatened against a party or any subsidiary or relating to or involving or otherwise affecting such party or which relate to the Merger, and (v) any material failure of a party or any officer, director, employee or agent thereof to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under the Merger Agreement.
- to use their reasonable best efforts to cause the Merger to qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

44

Table of Contents

No Solicitation

Under the Merger Agreement, SIGA has agreed that from the date of the Merger Agreement until the Closing or termination of the Merger Agreement, it will not, and it will not permit any of its officers, directors, employees, agents or representatives to, initiate, solicit or encourage proposals, requests, inquiries or contacts or participate in negotiations or discussions for the purpose or with the intention of leading to any proposal concerning any disposition of any material assets of SIGA or any take-over bid, merger, consolidation or other business combination involving SIGA or any acquisition of an equity interest in SIGA representing a material amount of the equity of SIGA, or any similar transaction except for the transactions contemplated by the Merger Agreement (an "Acquisition Proposal"). Furthermore, SIGA may not enter into any agreements or letters of intent relating to any Acquisition Proposal, except in connection with a Superior Proposal which, for the purposes of the Merger Agreement, means any bona fide written proposal made by a third party (i) involving the purchase or acquisition of all of the shares of SIGA common stock or all or substantially all of the assets of SIGA and (ii) which is otherwise on terms which the SIGA Board of Directors determines in good faith, by resolution duly adopted, (A) would result in a transaction that, if consummated, is more favorable to holders of SIGA common stock, from a financial point of view, than the transactions contemplated by the Merger Agreement, taking into account all the terms and conditions of such proposal and the Merger Agreement (including any proposal by PharmAthene to amend the terms of the Merger Agreement) that the SIGA Board of Directors deems relevant and (B) is reasonably capable of being completed on the terms proposed, taking into account all financial, regulatory, legal and other aspects of such proposal.

The Merger Agreement may be terminated by SIGA, generally, upon the execution of a Superior Agreement by SIGA. For purposes of the Merger Agreement, a Superior Agreement is an agreement that memorializes a Superior Proposal. SIGA shall not execute a Superior Agreement unless (i) the SIGA Board of Directors has received a Superior Proposal, (ii) in light of such Superior Proposal, the SIGA Board of Directors has determined, in good faith by resolution duly adopted after consultation with outside counsel, that it is necessary for the SIGA Board of Directors to withdraw, amend or modify its approval or recommendation of the Merger Agreement or the Merger in order to comply with its fiduciary duties to the stockholders of SIGA under applicable law, (iii) SIGA has provided written notice of the determination described in clause (ii) above to PharmAthene, (iv) at least five (5) business days following receipt by PharmAthene of the notice referred to in clause (iii) above, such Superior Proposal remains a Superior Proposal and the SIGA Board of Directors has again made the determination referred to in clause (i) above and (v) SIGA has not breached any of its obligations pertaining to the non-solicitation of Superior Proposals in any material respect.

If the Merger Agreement is terminated as the result of the execution of a Superior Agreement, SIGA must pay PharmAthene upon demand a termination fee equal to three percent of the value of SIGA, as determined in accordance with the terms of the Merger Agreement.

Conditions to the Completion of the Merger

The obligations of the parties to complete the Merger are subject to the satisfaction or waiver on or prior to the closing date of the Merger Agreement of various conditions, including the following:

- the transactions contemplated by the Merger Agreement, including the PIPE, shall have been approved by the stockholders of SIGA, SIGA Acquisition Corp. and PharmAthene;
- an amendment to SIGA's certificate of incorporation to provide for the increase in SIGA's capital stock so that it will have a sufficient number of shares of common stock authorized to issue to holders of PharmAthene capital stock upon the closing of the Merger shall have been approved by the SIGA stockholders;
- no court shall have restrained or prohibited the consummation of the transactions contemplated by the Merger Agreement, and no statute, rule or regulation shall have been promulgated or enacted, which would prevent or make illegal the consummation of the transactions contemplated by the Merger Agreement;

Table of Contents

- SIGA shall have entered into a binding agreement to raise at least \$25 million through the PIPE;
- there shall be no litigation against any party to the Merger Agreement relating to the consummation of the transactions contemplated therein or any governmental action seeking to delay or enjoin any such transactions and no investigation by any governmental or regulatory body shall have been commenced (and be pending), seeking to restrain or prohibit (or questioning the validity or legality of) the consummation of the transactions contemplated by the Merger Agreement, or seeking material damages in connection therewith which a party, in good faith and with the advice of counsel, believes makes it undesirable to proceed with the consummation of the transactions contemplated in the Merger Agreement;
- the stockholders of PharmAthene who are parties to a certain Stockholders' Agreement shall have agreed to terminate such agreement and it shall have been so terminated;
- there shall be no more than 35 holders of PharmAthene capital stock entitled to receive SIGA common stock in accordance with the Merger Agreement which are not "accredited investors" as such term is defined in Regulation D; and
- each holder of PharmAthene capital stock shall have received such information pertaining to SIGA as may be necessary to satisfy all information delivery requirements of Regulation D, in all material respects, applicable to the issuance of SIGA common stock to the holders of PharmAthene capital stock in the Merger.

In addition, the obligation of PharmAthene to complete the Merger is subject to the satisfaction or waiver, on or prior to the closing date of the Merger, of the following conditions:

- PharmAthene shall have received a legal opinion from Kramer Levin Naftalis & Frankel LLP, counsel to SIGA and SIGA Acquisition Corp., in a form reasonably acceptable to PharmAthene;
- the representations and warranties of SIGA and SIGA Acquisition Corp. made in the Merger Agreement shall continue to be true and correct in all material respects and their covenants shall have been complied with;
- no event shall have occurred that has had or could have a material adverse effect on SIGA or SIGA Acquisition Corp.;
- SIGA shall have received a certificate of the Secretary of PharmAthene, in form and substance reasonably satisfactory to SIGA, with respect to (i) its certificate of incorporation; (ii) its by-laws, and (iii) the authorization by its boards of directors and stockholders of the execution and delivery of the Merger Agreement and the consummation of the transactions contemplated thereby;
- PharmAthene shall have received a certificate of the Secretary of each of SIGA and SIGA Acquisition Corp., in form and substance reasonably satisfactory to PharmAthene, with respect to (i) their respective certificate of incorporation; (ii) their by-laws, and (iii) the authorization by their respective boards of directors and stockholders of the execution and delivery of the Merger Agreement and the consummation of the transactions contemplated thereby.
- SIGA and SIGA Acquisition Corp. shall have obtained all necessary consents, authorizations, approvals waivers and waivers of conflict to consummate the Merger;
- certain stockholders of SIGA shall have entered into "lock-up" agreements with respect to the shares of SIGA common stock held by such stockholders;
- all directors of SIGA, other than Paul Savas, shall have submitted their resignations to SIGA;
-

certain individuals shall have been elected to serve as directors of SIGA, effective upon the consummation of the Merger;

- the number of shares issuable under SIGA's stock option plan shall have been increased to 25,250,000;

46

Table of Contents

- SIGA shall have executed and delivered the Registration Rights Agreement (as hereinafter defined);
- the number of authorized shares of SIGA common stock shall have been increased to 300,000,000;
- any and all agreements relating to the nomination or election of directors of SIGA other than the Stockholders Agreement shall have been terminated; and
- certain holders of SIGA warrants shall have waived the right to an adjustment to the exercise price of such warrants and to the number of shares of SIGA common stock issuable thereunder resulting from or deriving from the issuance of warrants to the holders of PharmAthene securities in accordance with the Merger Agreement.

In addition, the obligation of SIGA and SIGA Acquisition Corp. to complete the Merger is subject to the satisfaction or waiver, on or prior to the closing date of the Merger, of the following conditions:

- SIGA shall have received a legal opinion from McCarter & English, LLP, counsel to PharmAthene, in a form reasonably acceptable to SIGA;
- the representations and warranties of PharmAthene made in the Merger Agreement shall continue to be true and correct in all material respects and their covenants shall have been complied with;
- no event shall have occurred that has had or could have a material adverse effect on PharmAthene;
- PharmAthene shall have obtained all necessary consents, authorizations and approvals to consummate the Merger;
- certain stockholders of PharmAthene shall have entered into "lock-up" agreements with respect to the shares of SIGA common stock to be received by such stockholders upon the consummation of the Merger;
- certain stockholders of PharmAthene shall have entered into a Stockholders Agreement; and
- PharmAthene shall have delivered to SIGA investor questionnaires with respect to its stockholders in a form reasonably acceptable to SIGA.

Termination

The Merger Agreement may be terminated by either party at any time before the completion of the Merger, whether before or after SIGA stockholder approval is obtained, if:

- the other party shall have in any material respect breached its representations, warranties covenants or agreements contained in the Merger Agreement, which breach has resulted in or is reasonably likely to result in any of the non-breaching party's closing conditions not being satisfied and which breach is not cured within ten days after written notice from the non-breaching party;
- a permanent injunction is entered which prohibits the consummation of the Merger and all appeals of such injunction have been unsuccessful;

- any required governmental approvals are not obtained, and all appeals of such determination by the governmental body have been unsuccessful; or
- the closing shall not have occurred by September 30, 2006, provided the right to terminate following such date shall not be available to a party whose action or failure was the principal reason why the transaction did not close by such date.

The Merger Agreement may also be terminated by SIGA upon the execution of a superior agreement (as described under “No Solicitation” above). If the Merger Agreement is terminated by

47

Table of Contents

SIGA upon the execution of such a “superior agreement,” it will be required to pay to PharmAthene a termination fee equal to 3% of the value of SIGA, determined in accordance with the Merger Agreement.

Upon any termination of the Merger Agreement, the parties have agreed to negotiate, in good faith and exclusively for 90 days, a definitive license agreement related to SIGA’s lead product, SIGA 246, in accordance with the terms of a license agreement term sheet attached to the Merger Agreement.

Amendment

Under principles of general contract law, the Merger Agreement may only be amended with the consent of each of SIGA, SIGA Acquisition Corp. and PharmAthene.

Expenses

If the Merger is not consummated, each party will be responsible for its own expenses in connection with the Merger. If the Merger is consummated, the combined company will pay all of the expenses related to the Merger, including reasonable investment banking and advisory expenses of each party.

Directors and Officers Insurance

SIGA shall for a period of six years from the consummation of the Merger, honor all of SIGA’s and PharmAthene’s respective obligations to indemnify current and former officers and directors of each of the respective companies. Furthermore, SIGA shall, for a period of no less than six years, maintain directors and officers insurance policies which are comparable to those in effect immediately prior to the closing, which such policies shall cover at least those directors and officers of SIGA who were covered immediately prior to the closing to the same extent they were covered prior to the closing.

NASDAQ

For a period of six months following the closing, SIGA will endeavor to satisfy the listing requirements of the NASDAQ Capital Market relating to the listing of SIGA common stock thereon.

Operations After the Merger

Following the Merger, PharmAthene will continue its operations as a wholly owned subsidiary of SIGA. The

stockholders of PharmAthene will become stockholders of SIGA, and their rights as stockholders will be governed by the SIGA certificate of incorporation, the SIGA bylaws, and the laws of the State of Delaware. See “Comparison of the Rights of Holders of SIGA Common Stock and PharmAthene Common Stock.”

OTHER AGREEMENTS RELATED TO THE MERGER

Voting Agreement

In connection with the execution of the Merger Agreement, each of TransTech Pharma, Inc., MacAndrews & Forbes Inc., Howard Gittis, Donald G. Drapkin, James J. Antal, Thomas E. Constance, Mehmet C. Oz, Eric A. Rose and Paul G. Savas (collectively, the “SIGA Stockholders”), as well as SIGA and PharmAthene have entered into a Voting Agreement, dated June 8, 2006 (the “Voting Agreement”). Collectively, the SIGA Stockholders own 8,029,364 shares of SIGA capital stock which is approximately 29% percent of the issued and outstanding shares of SIGA capital stock.

Pursuant to the Voting Agreement, each of the parties thereto has agreed, solely in its capacity as a SIGA stockholder, to vote (or cause to be voted) all shares of capital stock over which it has voting power, in such a manner as to lead to the successful consummation of the Merger, including as follows:

48

Table of Contents

- in favor of the Merger Agreement and the transactions contemplated thereby;
- against any action that could reasonably be expected to impede, interfere with, delay, frustrate, prevent, prohibit or discourage the consummation of the transactions contemplated by the Merger Agreement; and
- in favor of adoption of any proposal or action that is reasonably determined by SIGA to be necessary or appropriate to submit to its stockholders for approval in order to facilitate the consummation of the transactions contemplated by the Merger Agreement.

In addition, the parties to the Voting Agreement have agreed, solely in their capacity as stockholders, not to in any way facilitate any proposal from a third party which would reasonably be expected to impede, interfere with, delay, frustrate, prevent, prohibit or discourage the transactions contemplated by the Merger Agreement.

Registration Rights Agreement

Upon consummation of the Merger, SIGA will enter into a Registration Rights Agreement in the form attached hereto as Annex F with the current PharmAthene stockholders which will give them certain registration rights with respect to the SIGA securities issued to them in the Merger. In addition, as a result of certain demand registration rights provided in the Registration Rights Agreement, such stockholders will also have the right, upon a request by two-thirds of them and subject to certain limitations, to require SIGA to register any shares issued in connection with the PIPE or otherwise acquired by such stockholders after the consummation of the Merger. Further, such stockholders will also be entitled to certain piggyback registration rights with respect to the above described shares.

Lock-Up Agreements

As a condition to the Merger, each of MPM Bioventures III, L.P., MPM Bioventures III-QP, L.P., MPM Bioventures III Parallel Fund, L.P., MPM Bioventures III GMBH & Co. Beteiligungs KG, MPM Asset Management Investors 2004 BVIII LLC, Ontario Teachers’ Pension Plan Board, Bear Stearns Health Innoventures, L.P., Bear Stearns Health

Innoventures Offshore, L.P., BSHI Members, L.L.C., Bear Stearns, Health Innoventures Employees Fund, L.P., BX, L.P., Healthcare Ventures VII, L.P., BX Associates Limited, Canadian Medical Discoveries Fund Inc., Nexia Biotechnologies Inc., MDS Life Sciences Technology Fund Limited Partnership, Joseph Klein III, David P. Wright, Eric Richman, Francesca Cook, Solomon Langermann, Valerie Riddle, Ronald Kaiser, Elizabeth Czerepak, Joel McCleary, Steven St. Peter, Transtech Pharma, Inc., MacAndrews & Forbes Inc., Howard Gittis, Donald G. Drapkin, James T. Antal, Thomas E. Constance, Mehmet C. Oz, Eric A. Rose, Paul G. Savas, Matthew Drapkin and Dennis E. Hruby, are required to enter into lock-up agreements covering the shares of SIGA common stock that they are to receive in the Merger or that they may acquire in the future subject to certain limitations. These agreements provide that, subject to certain exceptions, the parties thereto may not offer, pledge, sell, or otherwise dispose of or transfer any shares of SIGA common stock, or any options or warrants to purchase any shares of SIGA common stock, or any securities convertible into or exchangeable or exercisable for SIGA common stock following the closing of the Merger until such time as the lock up obligations set forth in the lock up agreements executed in connection with the PIPE terminate. In addition, the parties may not enter into any swap or any other agreement or any transaction that transfers the economic consequence of ownership of such SIGA common stock during such period.

Stockholders Agreement

At the closing of the Merger, MPM Bioventures III, L.P., MPM Bioventures III QP, L.P., MPM Bioventures III Parallel Fund, L.P., MPM Bioventures III GMBH & Co. Beteiligungs KG, MPM Asset Management Investors 2004 BVIII LLC, Ontario Teachers' Pension Plan Board, Canadian Medical Discoveries Fund Inc., Bear Stearns Health Innoventures, L.P., Bear Stearns Health Innoventures Offshore, L.P., BSHI Members, L.L.C., Bear Stearns Health Innoventures Employee

49

Table of Contents

Fund, L.P., BX, L.P., Healthcare Ventures VII, L.P., BX Associates Limited, Joseph Klein III and MDS Life Sciences Technology Fund USA, L.P. (the "PharmAthene Parties"), each of which is currently a stockholder of PharmAthene, and TransTech Pharma, Inc., MacAndrews & Forbes Inc., Howard Gittis, Donald G. Drapkin, Matthew Drapkin, Paul Savas, Dr. Eric Rose (the "SIGA Parties"), each of which is currently a stockholder of SIGA, will enter into a stockholders agreement. Pursuant to such stockholders agreement, the PharmAthene Parties will agree, that as long as the SIGA Parties maintain their current ownership level in the Company, they will vote to elect two designees of the SIGA Parties to the Board of Directors of the combined company. If the aggregate number of shares of capital stock held by the SIGA Parties falls below 75% of the number of shares held by such parties on the closing date, then the PharmAthene Parties shall only be obligated to vote to elect one designee of the SIGA Parties to the Board of Directors of the combined company. If the aggregate number of shares of capital stock held by the SIGA Parties falls below 50% of the number of shares held by such parties on the closing date, then the PharmAthene Parties shall no longer be obligated to vote to elect any designees of the SIGA Parties to the Board of Directors of the combined company. Furthermore, if the aggregate number of shares of capital stock owned by the SIGA Parties falls below 5% of the combined company's total outstanding capital stock, then the obligations under the stockholders agreement shall cease two years following such event.

Our Board of Directors has unanimously approved the amendment to the certificate of incorporation to increase authorized capital stock and recommends that you vote FOR such amendment.

PROPOSAL 2 — APPROVAL OF THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO CHANGE THE COMPANY'S NAME

PharmAthene and SIGA each have established well recognized names in the biodefense industry with well developed product candidates that may be used to respond to each of biological and chemical agents. After extensive discussions, the companies have determined that, given the terms and conditions of the Merger and the resulting Management and ownership structure, that the ongoing use of the PharmAthene name will better serve the best interests of the combined company.

Our Board of Directors has unanimously approved the amendment of the Certificate of Incorporation to change the company's name and recommends that you vote FOR such amendment.

PROPOSAL 3 — APPROVAL OF FIVE ALTERNATIVE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT

At the Special Meeting, SIGA Stockholders will be asked to vote upon a proposal which would allow the Board of Directors, in its discretion, to amend the certificate of incorporation of SIGA to effect a reverse stock split after the consummation of the Merger and, if completed, the PIPE. The Board of Directors may effect only one reverse stock split pursuant to this proposal at one of the five possible ratios hereafter described. Under the proposed alternative amendments, each outstanding 3, 4, 5, 6 or 7 shares of the issued and outstanding common stock of the combined company would be combined, converted and changed into one share of common stock. Upon the effectiveness of one such amendment, the other amendments would be abandoned and all such amendments could be abandoned, in all cases at the sole discretion of the Board of Directors.

Purposes

The SIGA Board recommends the proposal authorizing the reverse stock split for the following reasons:

- the Board of Directors believes a reverse stock split may be the most effective means of increasing the trading price of a share of SIGA common stock so as to meet the initial listing requirement of the NASDAQ, and
- the Board of Directors believes a higher stock price may help improve investor interest in the combined company.

50

Table of Contents

Following the Merger, current PharmAthene stockholders will own a majority of the shares of SIGA's common stock. Accordingly, under current NASDAQ rules, a change of control of SIGA will be deemed to have occurred. As a consequence NASDAQ requires that SIGA satisfy its more stringent requirements for an initial listing requirements in order to maintain its NASDAQ listing. At _____, 2006, SIGA's common stock was trading at \$ _____ per share. Unless the trading price is increased to a price at least high enough to meet the NASDAQ listing requirements, SIGA's stock may be delisted from the NASDAQ. Delisting is likely to have a significant adverse effect on the marketability and liquidity of SIGA's stock. NASDAQ requires that a security trade at \$4.00 per share or higher to be initially listed on the NASDAQ stock market.

On _____, 2006, SIGA's common stock closed at \$ _____ per share. In approving the proposal authorizing the reverse stock split, SIGA's Board of Directors considered that the common stock of the combined company may not appeal to brokerage firms that are reluctant to recommend lower priced securities to their clients. Investors may also be dissuaded from purchasing lower priced stocks because the brokerage commissions, as a

percentage of the total transaction, tend to be higher for such stocks. Moreover, analysts at many brokerage firms do not monitor the trading activity or otherwise provide coverage of lower priced stocks. Also, the SIGA Board believes that most investment funds are reluctant to invest in lower priced stocks.

Principal Effects of the Reverse Stock Split

The reverse stock split will be effected simultaneously for all common stock of the combined company and the exchange ratio will be the same for all shares of common stock. The reverse stock split will affect all stockholders of the combined company uniformly and will not affect any stockholder's percentage ownership interests therein, except to the extent that the reverse stock split results in any stockholder owning a fractional share. The total number of shares of common stock that the combined company is authorized to issue will be reduced to 100 million in connection with the reverse stock split. Common stock issued pursuant to the reverse stock split will remain fully paid and nonassessable. The reverse stock split will not affect the combined company's continuing to be subject to the periodic reporting requirements of the Exchange Act. We expect that upon the completion of the reverse split, the number of shares of common stock that we will have issued and outstanding will be between [] and [], and we will have approximately [] stockholders of record.

One effect of the reverse stock split would be adjustments in the number of shares granted and reserved under the SIGA Option Plan (as defined below). The plan provides that the number of shares granted and/or reserved thereunder are to be adjusted appropriately to give effect to any reverse stock split. If the reverse stock split is approved, the number of shares reserved for issuance under the SIGA Option Plan will be decreased, proportionately based on the ratio selected by the Board, which does not take into account any shares previously issued pursuant to the exercise of existing options. Thus, a reverse stock split would require adjustments in the outstanding options granted, which would decrease the number of shares issuable upon exercise of the options and increase the exercise price per share, proportionately based on the ratio selected by the Board. The reverse stock split will also result in adjustments being made to the conversion ratios of the Series A Preferred Stock, so that such shares will be convertible into such number of shares of common stock that a holder of such preferred stock would have been entitled to receive if such preferred stock had been converted into common stock immediately prior to the reverse stock split. For example, under such adjustments, if a 1-for-5 reverse stock split is effected, the 68,038 outstanding shares of the Series A Preferred Stock will be convertible into an aggregate of 13,613 shares of common stock, as compared to 68,038 shares of common stock prior to the reverse stock split. Similar adjustments will also be made to the conversion ratio and exercise provisions of other outstanding convertible securities of the combined company.

If implemented, the reverse split will result in an increase in the number of shares of common stock available for issuance by the combined company in the future. The combined company will have ongoing needs for capital and may consider the issuance of additional equity securities as one method of raising capital. As described previously, the combined company also anticipates granting a significant number of stock options to current officers and employees of SIGA and PharmAthene. The

51

Table of Contents

combined company may also consider other transactions in the future that it believes will further its business plans and strategy, as well as enhance stockholder value, and may consider the issuance of equity securities in connection with such transactions. As part of its continuing business development activities, PharmAthene has engaged in preliminary discussions with various other companies relating to acquisition, licensing or other similar transactions that could complement its business. The combined company has no agreement, arrangement or understanding with

any party or definitive plans with respect to the issuance of additional shares in connection with any such transaction. Any new issuance of equity would have the effect of further diluting the ownership interests of the stockholders of the combined company.

Fractional Shares

No fractional shares will be issued in connection with the reverse stock split. All fractional shares of common stock of the combined company to which a stockholder would be entitled will be rounded to the nearest whole share, with .5 shares being rounded up to the next full share.

Our Board of Directors has unanimously agreed to recommend to the stockholders that they approve, subject to a subsequent board vote, the amendment to our certificate of incorporation to approve the reverse stock split.

PROPOSAL 4 — APPROVAL OF THE ISSUANCE OF SHARES AND WARRANTS TO PURCHASE SHARES OF COMMON STOCK IN THE MERGER

Consummation of the Merger will result in a change of control of SIGA. Prior to the Merger, current stockholders of SIGA own 100% of the voting power of SIGA capital stock. Following the Merger but prior to the PIPE, they will own in the aggregate up to approximately 23.7% of such capital stock. Current PharmAthene stockholders will, following the Merger but prior to the PIPE, own, in the aggregate, up to 76.3% (67.28% on a fully-diluted basis) of SIGA's outstanding common stock in addition to the warrants to purchase SIGA common stock they will receive at the closing. In addition, designees of PharmAthene will constitute a majority of the Board of Directors of SIGA following the closing of the Merger. NASDAQ rules require that a company obtain stockholder approval of the issuance of securities in a transaction the result of which would be a direct or indirect change of control of the company. We are, therefore, asking you to approve the issuance of our shares and warrants to purchase our shares to the stockholders of PharmAthene in the Merger.

Our Board of Directors has unanimously approved the Merger, including the issuance of our shares and warrants to purchase our shares to PharmAthene stockholders as consideration for the Merger, and recommends that you vote FOR such proposed issuance.

PROPOSAL 5 — APPROVAL OF THE ISSUANCE OF SIGA SECURITIES IN A PRIVATE OFFERING FOR AN AGGREGATE PURCHASE PRICE OF UP TO \$40,000,000

The PIPE

At the Special Meeting, SIGA stockholders will be asked to vote upon a proposal to approve the issuance of SIGA securities pursuant to purchase agreements (collectively, the "Purchase Agreements") between SIGA and certain investors. The Purchase Agreements are expected to provide for a private offering (the "PIPE") either of shares of SIGA common stock alone, or of units consisting of shares of SIGA common stock and warrants to purchase SIGA common stock (the "PIPE Warrants"), for a maximum aggregate offering price of \$40 million (exclusive of any amounts to be received in the future upon the exercise of the Warrants). Amounts payable upon exercise of any PIPE Warrants that may be issued will not be included in the offering price; however, amounts outstanding under \$11.8 million in aggregate principal amount of bridge notes issued by PharmAthene and PharmAthene Canada to certain of its investors, including, among others, funds affiliated with MPM, Healthcare Ventures VII, L.P. ("HCV"), and funds affiliated with Bear Stearns Health Innoventures, will be converted into equity securities issued in the PIPE (the "Conversion Securities") and will count towards the aggregate offering price in the PIPE. To the extent that funds provided to

Table of Contents

PharmAthene in the \$11.8 million financing have been used for operations up until the date of the closing, the actual proceeds available to PharmAthene on the closing date will be lower than if the full amount of the PIPE were invested at the closing. An investment banking firm will act as placement agent in connection with the PIPE, for which it will be entitled to receive a cash fee based upon the number of shares or units sold, and may also receive compensation in the form of PIPE Warrants. All purchasers in the PIPE will be required to be “accredited investors,” as that term is defined in Regulation D under the Securities Act. The closing of the PIPE is expected to occur immediately following the closing of the Merger.

The number of shares of SIGA common stock and PIPE Warrants (if any) to be issued in the PIPE, and the specific pricing terms, will be based upon prevailing market conditions. The purchase price per share of common stock or unit, as the case may be, sold in the PIPE (the “PIPE Purchase Price”) will, however, likely be based upon the last closing price of a share of SIGA common stock reported on NASDAQ prior to the pricing of the securities to be issued in the PIPE (the “Market Price”) and, except with respect to the Conversion Securities, may be at a discount ranging from 1% to 20% of the Market Price. The actual discount, if any, will be determined by the Board of Directors of SIGA and will depend upon market conditions at the time that the PIPE is completed. The Conversion Securities will be issued at an additional 10% discount from the PIPE Purchase Price. It is expected, but cannot be assured, that the exercise price of the PIPE Warrants will be at a price that is above the market price of SIGA's Common Stock. In addition, it is anticipated that the aggregate number of shares of SIGA common stock that may be issued in the PIPE, inclusive of SIGA common stock and shares issuable upon exercise of PIPE Warrants, will not exceed 60,000,000. SIGA anticipates that such PIPE Warrants could be exercisable for five years, will be entitled to certain anti-dilution protections, and could allow for a cashless exercise under certain limited circumstances. Approval of this proposal will give the SIGA Board of Directors discretion to determine the amount and terms of securities to be issued by SIGA in the PIPE, subject to the limitations set forth in the proposal with respect to the maximum amount of proceeds and the approval of the stockholders of the proposal in this proxy relating to the increase in authorized SIGA common stock.

SIGA will likely agree to file a registration statement within 30 days after the closing of the PIPE with respect to the shares of SIGA common stock issued in the PIPE and, if Warrants are issued, with respect to shares of common stock issuable upon exercise of the PIPE Warrants. SIGA will further likely agree to endeavor to cause this registration statement to become effective within 180 days after the closing of the PIPE, and to maintain such effectiveness until the earlier of (i) the second anniversary of the first date on which no Warrants remain unexercised or unexpired, and (ii) the date on which all securities covered by the registration statement may be sold pursuant to Rule 144 under the Securities Act during any 90-day period. If SIGA fails to have such registration statement declared effective by the United States Securities and Exchange Commission (“SEC”) or to maintain such effectiveness within or for the time periods described above, investors in the PIPE will likely be entitled to receive liquidated damages per share of SIGA common stock or per unit, as applicable, equal to not more than .5% of the Purchase Price for each 30-day period during which the registration statement is not effective assessed on a per diem basis at the end of each such period. In addition, it is anticipated that certain investors will also be parties to the Registration Rights Agreement attached as an exhibit to the Merger Agreement and described herein.

In connection with the PIPE, directors, officers and significant stockholders of SIGA and PharmAthene will agree to sign a lock-up agreement restricting changes in their beneficial ownership of SIGA common stock, on terms substantially similar to those contained in the lock-up agreement required in connection with the Merger. The lock-up period will be coextensive with the lock-up period required under the Merger Agreement.

NASDAQ requires a company to obtain stockholder approval of the issuance of its shares in a transaction in which the company proposes to issue a number of shares of common stock that would equal or exceed 20% of the company's then issued and outstanding shares of common stock, when such shares are being sold at a discount from market price. Although, as described above, the number of shares that we may issue and sell in the PIPE has not been determined as of the date of this proxy statement, the Board of Directors anticipates that the terms of any such securities would be such that

53

Table of Contents

the issuance thereof would be subject to this NASDAQ requirement. Whether shares issued in the PIPE will be sold at a discount from the Market Price (and if so, the amount of the discount) has also not yet been determined. Even if such shares are sold at the Market Price, however, we believe that the NASDAQ could deem the issuance of the shares in the PIPE to be at a discount as a result of value attributed to the PIPE Warrants, if PIPE Warrants are included. In addition, NASDAQ rules require stockholder approval of the issuance of shares in a transaction that would result in a change of control. Depending on the number of shares issued in the PIPE, it is possible that consummation of PIPE could result in a change of control of the combined company.

NASDAQ further requires that any company soliciting stockholder approval for purposes of complying with the requirements thereof in connection with the potential issuance of securities, where the specific terms of such securities have not been determined at the time of such solicitation, specify in the proxy statement used to solicit such stockholder approval (i) the maximum aggregate consideration that may be received by such company in connection with the potential issuance of such securities, (2) if such securities are going to be sold and issued at a price that is less than the trading price of the common stock on the date of the pricing of such securities, the maximum amount of such discount, and (3) the period of time during which the potential issuance of such securities may be made by such company. This information has been provided above with respect to the PIPE. Moreover, it is possible that the number of securities we issue in the PIPE may result in another change of control of SIGA as a result of the significant dilution of SIGA's current stockholders that will occur. Under NASDAQ rules, an issuance which may give rise to a change in control also requires stockholder approval.

The purpose of the PIPE is to provide the combined company with necessary working capital. Without additional capital, we do not anticipate that the combined company would be able to meet its expenses or implement its business plans. Since both SIGA and PharmAthene stockholders have a mutual interest in the success of the combined company, the Merger Agreement requires, as a condition to the closing of the Merger, that SIGA complete a private offering yielding not less than \$13.2 million of new proceeds simultaneously with the closing of the Merger. Current PharmAthene stockholders (including the Chief Executive Officer of PharmAthene) will convert approximately \$11.8 million of bridge financing into the same securities offered in the PIPE, such that the total value of shares issued in the PIPE could be as high as \$40 million. This condition may be waived by the parties to the Merger Agreement. In order to comply with the possible application of the NASDAQ stockholder approval requirement described above to the issuance of securities in the PIPE, SIGA is seeking stockholder approval for this proposal so that the Board of Directors will have the flexibility to enter into and close the PIPE on such terms as it deems to be in the best interests of SIGA. Approval of this proposal will, subject to the limitations set forth in this proposal, give the Board of Directors discretion to determine the specific terms of the PIPE.

The consummation of the PIPE will result in a significant increase in the number of shares of SIGA common stock outstanding (and that may become outstanding upon the exercise of the Warrants, if any are issued). As a result, current stockholders would own a smaller percentage of the outstanding common stock and, accordingly, a smaller

percentage interest in the voting power, liquidation value and book value of the combined company upon completion of the PIPE than they owned prior to its consummation.

The foregoing description of the PIPE is included for informational purposes to SIGA's stockholders in connection with the proxy solicitation and does not constitute an offer to sell or a solicitation of an offer to buy any securities. SIGA cannot guarantee that any financing will be completed (or, if so, what the terms or timing may be) and, accordingly, cannot be certain that it will receive any proceeds from any potential financing. The securities to be sold and prices at which they will be sold are subject to market conditions and negotiations with investors.

54

Table of Contents

The Board of Directors has unanimously approved the issuance of SIGA equity securities in the PIPE and recommends voting FOR such proposed issuance.

PROPOSAL 6 — APPROVAL OF THE ISSUANCE OF SHARES IN THE PIPE TO CERTAIN AFFILIATES OF SIGA

Investors in the PIPE are expected to include funds affiliated with MPM Capital, HealthCare Ventures VII, L.P., funds affiliated with Bear Stearns Innoventures and current institutional stockholders of PharmAthene. These investors are investing in the PIPE by virtue of the conversion of their bridge notes into the securities offered in the PIPE at a discount of 10% to the purchase price to be paid by the persons investing in the PIPE. Certain persons affiliated with these stockholders are expected to be individuals who will become members of the Board of Directors of the combined company upon consummation of the Merger, including Steven St. Peter, M.D., James H. Cavanaugh, Ph.D. and Elizabeth Czerepak. NASDAQ rules require a company to obtain stockholder approval of certain arrangements pursuant to which officers and directors of a company may be issued stock of the company. To the extent that PharmAthene stockholders participating in the PIPE have control persons who will serve on the Board of Directors of SIGA upon consummation of the Merger, you are being asked to consider a proposal to approve the issuance by SIGA of shares to such affiliates in the PIPE.

The Board of Directors has unanimously approved the issuance in the PIPE of SIGA equity securities to certain stockholders of PharmAthene that will be affiliates of SIGA following the consummation of the Merger, and recommends voting FOR such proposed issuance.

PROPOSAL 7 — APPROVAL OF AMENDMENT TO STOCK OPTION PLAN TO INCREASE THE MAXIMUM NUMBER OF SHARES OF COMMON STOCK AVAILABLE FOR ISSUANCE UNDER THE PLAN FROM 11,000,000 SHARES TO 25,250,000 SHARES

Under the Amended and Restated 1996 Incentive and Non-Qualified Stock Option Plan of SIGA Technologies, Inc. (the "SIGA Option Plan"), an aggregate of 11,000,000 shares of SIGA common stock have been reserved for issuance under the Plan. Currently, options to purchase an aggregate of 8,238,727 shares of SIGA common stock have been issued under the Plan. As of June 8, 2006, 2,546,232 shares remain available for issuance under the Plan. In the Merger, options to purchase 9,193,679 PharmAthene shares outstanding immediately prior to consummation of the Merger will be converted into options to purchase 4,075,109 shares of SIGA common stock. In order to have sufficient shares authorized under the SIGA Option Plan for the issuance of SIGA shares upon exercise of these converted options, as well as upon the exercise of other outstanding SIGA stock options and options to be granted in the future, we must increase the number of shares of common stock reserved for issuance under the SIGA Option

Plan. SIGA stockholders are being asked to approve an amendment to the SIGA Option Plan to increase the number of shares of common stock reserved for issuance thereunder from 11,000,000 (of which 8,238,727 are reserved for issuance upon exercise of outstanding options) to 25,250,000 shares.

NASDAQ rules require stockholder approval of the amendment to the SIGA Option Plan. At the Special Meeting, our stockholders will be asked to vote upon a proposal to approve an amendment to the SIGA Option Plan to increase by 14,250,000 the number of shares of SIGA common stock for which options may be granted thereunder from 11,000,000 shares to 25,250,000 shares. The SIGA Option Plan, as proposed to be amended, is attached as Annex E to this Proxy Statement.

Description of the SIGA Option Plan

The SIGA Option Plan was initially adopted in 1996 and was subsequently amended in 1998, 1999, 2000, 2004 and 2005 to increase the number of shares of SIGA common stock with respect to which awards may be granted thereunder.

The SIGA Option Plan provides that it is to be administered by a committee appointed by the Board of Directors, comprised of “non-employee directors” within the meaning of Rule 16b-3 under

55

Table of Contents

the Exchange Act and “outside directors” within the meaning of Section 162(m) of the Code. The Board of Directors has appointed the Compensation Committee to administer the SIGA Option Plan. However, with respect to the non-employee members of the Board of Directors and any individuals that are not reasonably expected to be “covered employees” under Section 162(m) of the Code or in any other situation that the Board of Directors elects, the entire Board of Directors may act as the Compensation Committee. The Compensation Committee designates the persons to receive options, the number of shares subject to each option and the terms of the options, including the option’s price and period of exercisability, subject to certain limitations and as permitted by the SIGA Option Plan.

The maximum number of shares of SIGA common stock currently available for issuance under the SIGA Option Plan is 11,000,000 shares, subject to adjustment in the event of stock splits, stock dividends, mergers, consolidations and the like. Shares of SIGA common stock subject to options granted under the SIGA Option Plan that expire or terminate are available for options to be issued under the SIGA Option Plan.

Eligibility

Options may be granted to (i) officers and salaried employees of SIGA and its subsidiaries (including salaried employees who are also directors and prospective salaried employees conditioned on their becoming salaried employees), (ii) members of the Board of Directors, (iii) such consultants to SIGA as the Compensation Committee shall select in its sole discretion and (iv) any other key persons, as determined by the Compensation Committee in its sole discretion. For this purpose, an employee means an individual who is (or is expected to be) classified as an employee of SIGA for purposes of SIGA’s payroll. The granting of Options is discretionary, and SIGA cannot determine the number or type of Options that will be granted in the future to any particular person or group. The SIGA Option Plan provides that non-employee directors may be granted options in the discretion of the Board of Directors.

Options

The SIGA Option Plan provides for the grant of (i) stock options not intended to qualify as incentive stock options within the meaning of Section 422 of the Code (“NQSOs”) and (ii) stock options that are intended to qualify as incentive stock options within the meaning of Section 422 of the Code (“ISOs” and together with NQSOs, the “Options”). Each Option shall be evidenced by an “Option Agreement” containing such terms and conditions as the Compensation Committee shall determine.

Non-Qualified Stock Options. The exercise price-per-share of each NQSO shall be determined by the Compensation Committee on the date of grant, but shall not be less than that required by law. Each Option Agreement shall set forth the vesting schedule for the Option. Unless the Option Agreement provides for pre-vesting exercise, as described below, an NQSO first shall become exercisable when, and to the extent that, it is vested, and shall remain exercisable until the tenth anniversary of the date the NQSO was granted. The exercise price shall be paid in cash or, unless provided otherwise in the applicable Option Agreement, in shares of SIGA common stock valued at their fair market value on the date of exercise or by means of a cashless exercise in which some or all of the shares to be granted upon the exercise are sold to provide the exercise price, or, at the discretion of the Compensation Committee, by such other provision as the Compensation Committee may from time to time prescribe. In addition, SIGA, in its sole discretion, may lend, with full recourse, the exercise price to the participant or guarantee a loan from a third party to the participant.

The following treatment applies to NQSOs in the event of a participant’s termination of employment, unless the Option Agreement provides otherwise: To the extent that the option was not exercisable at the time of termination, it shall expire at the close of business (the commencement of business in the case of a termination for Cause, as defined in the Plan) on the date of termination. To the extent that the option was exercisable at the time of termination, it shall expire on the earlier of the expiration of its term and (i) 90 days after the termination of employment, if the termination was any reason other than “Cause,” “Disability” (as defined in the Plan) or death and (ii) one year after

56

Table of Contents

the termination of employment if the termination was by reason of Disability or death. In the case of a termination of employment for Cause, the option shall expire as of the commencement of business of the effective date of the termination.

Incentive Stock Options. Generally, ISOs are options that may provide a participant with certain federal income tax benefits that are not available with NQSOs, provided that the participant holds the shares acquired upon exercise of the ISO for at least two years after the date the ISO is granted and at least one year after the exercise date. The rules for ISOs under the SIGA Option Plan are the same as with respect to NQSOs, except as follows:

1. ISOs may only be granted to employees.
2. The exercise price-per-share of each ISO must be at least the fair market value of a share of SIGA common stock on the date on which such ISO is granted.
3. An ISO granted to any individual who owns stock possessing more than ten percent of the total combined voting power of all classes of stock of SIGA is subject to the following additional limitations: (i) the exercise price-per-share of the ISO must be at least 110% of the fair market value of a share of SIGA common stock at the time any such ISO is granted and (ii) the ISO cannot be exercisable after the expiration of five years from the grant date.
- 4.

The aggregate fair market value (determined on the grant date) of shares of SIGA common stock with respect to which ISOs are exercisable for the first time by a participant during any calendar year under the Plan or any other plan of SIGA or its subsidiaries may not exceed \$100,000.

Reload Options. The SIGA Option Plan provides that in certain circumstances, the Compensation Committee may include in an Option Agreement evidencing an option (the “Original Option”) a provision that a “reload option” shall be granted to the participant if such participant delivers shares of SIGA common stock in partial or full payment of the exercise price of the Original Option. The reload option will relate to a number of shares of SIGA common stock equal to the number of shares of SIGA common stock delivered, and will have an exercise price-per-share equal to the fair market value of a share of SIGA common stock on the date of the exercise of the Original Option.

Pre-Vesting Exercise. The SIGA Option Plan provides that the Compensation Committee, in an Option Agreement, may permit a participant to exercise an ISO or NQSO before it is vested. The shares of Common Stock that the participant receives upon such pre-vesting exercise will be subject to certain restrictions. The participant may not transfer the shares until they vest and if the participant’s employment with SIGA terminates for any reason, any unvested shares will be forfeited and SIGA will repay the exercise price to the participant.

Transferability of Options

Options granted under the SIGA Option Plan are exercisable during the participant’s lifetime only by the participant and are not transferable by the participant, other than by will or the laws of descent and distribution.

Forfeiture of Gain in Certain Events

The SIGA Option Plan provides that if, within one year after a participant exercises an Option, the Compensation Committee determines in its discretion that SIGA has been materially harmed by the participant, whether such harm (a) results in the participant’s termination of employment for Cause or (b) results from any activity of the participant determined by the Compensation Committee to be in competition with any activity of SIGA, or otherwise inimical, contrary or harmful to SIGA’s interests (including, but not limited to, accepting employment with or serving as a consultant, adviser or in any other capacity to an entity that is in competition with or acting against SIGA’s interests), then any gain realized by the participant from the exercise shall be paid by the participant to SIGA upon notice from SIGA. Such gain shall be determined as of the date of exercise, without regard to

57

Table of Contents

any subsequent change in the Fair Market Value of a share of Company Stock. SIGA shall have the right to offset such gain against any amounts otherwise owed to the participant by SIGA (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement).

Certain Corporate Changes

The SIGA Option Plan provides for an adjustment in the number of shares of SIGA common stock available to be issued under the SIGA Option Plan and the number of shares of SIGA common stock subject to existing options upon any change in SIGA’s capitalization, stock dividend or split, reverse stock split, merger, consolidation, combination or exchange of shares and certain other similar events.

Amendment and Termination

The Board of Directors may suspend, discontinue, revise or amend the SIGA Option Plan at any time and in any respect, subject to stockholder approval to the extent necessary to comply with applicable law and listing requirements. Generally, no amendment to the SIGA Option Plan may reduce a participant's rights under any previously granted Option without the participant's prior written consent.

Limitations Imposed by Section 162(m)

If and to the extent that the Compensation Committee determines that SIGA's federal tax deduction in respect of an Option may be limited as a result of Section 162(m) of the Code, the Compensation Committee may delay payments to the participant with respect to the option and, in exchange, the Compensation Committee shall credit to an account on the books and records of SIGA a cash amount equal to the fair market value of the shares of SIGA common stock subject to such option (a "Book Account"). The amounts credited to the Book Account will be paid to the participant within thirty days after the date the compensation paid to the participant no longer is subject to the deduction limitation under Section 162(m) of the Code.

Summary of U.S. Federal Income Tax Consequences of Options Under the SIGA Option Plan

The following description of the principal federal income tax consequences of Options under the SIGA Option Plan is based on present federal tax laws. Federal tax laws may change from time to time and any legislation that may be enacted in the future by the United States Congress or any administrative guidance adopted by the Internal Revenue Service may significantly affect the federal income tax consequences described below. No representation is or can be made regarding whether any such legislation or administrative guidance will or may be enacted or adopted and/or the impact of any such legislation or administrative guidance. The description below does not purport to be a complete description of the tax consequences associated with Options under the SIGA Option Plan applicable to any particular award recipient. Differences in each individual's financial situation may cause federal, state and local tax consequences of awards to vary.

Non-Qualified Stock Options. In general, an optionee will not be deemed to receive any income at the time an NQSO is granted, nor will the entity for whom services were performed (either SIGA or PharmAthene) (the "Service Recipient") be entitled to a federal tax deduction at that time.

When an optionee exercises an NQSO, other than a pre-vesting exercise, the optionee will recognize ordinary compensation income equal to the excess of (a) the fair market value on the exercise date of the SIGA common stock received as a result of such exercise over (b) the option exercise price, and the Service Recipient will be entitled to a tax deduction in that amount. The shares acquired by the optionee upon exercise of the NQSO will have a tax basis equal to the fair market value of the shares on the exercise date. Upon any subsequent sale of the SIGA common stock received on exercise of the NQSO, the optionee will recognize a capital gain (or loss) in an amount equal to the difference between the amount realized on the sale and such tax basis. Any such gain (or loss) will be characterized as long-term capital gain (or loss) if the shares have been held for

58

Table of Contents

more than one year; otherwise, the gain (or loss) will be characterized as a short-term capital gain (or loss). An optionee's holding period for federal income tax purposes for such shares will commence on the date following the date of exercise. Short-term capital gain is subject to tax at the same rate as is ordinary income. The Code currently provides that, in general, the net long-term capital gain resulting from the sale of shares held for more than 12 months

is subject to tax at a maximum rate of 15% (5% for individuals in the 10% or 15% tax bracket). The Code currently provides that the tax rate on net long-term capital gain will change in future years: The 15% rate will increase to 20% in 2009 and the 5% rate will decrease to 0% in 2008 and then increase to 10% in 2009.

If all or any part of the exercise price of an NQSO is paid by the optionee with shares of SIGA common stock (including shares previously acquired through the exercise of ISOs that have been held for the requisite holding period under Section 422(a) of the Code), no gain or loss will be recognized by the optionee on the shares surrendered in payment. The number of shares received on such exercise of the NQSO equal to the number of shares surrendered will have the same tax basis and holding period, for purposes of determining whether subsequent dispositions result in long-term or short-term capital gain or loss and the applicable tax rates, as the basis and holding period of the shares surrendered. The balance of the shares received on such exercise will be treated for federal income tax purposes (as described in the preceding paragraph) as though issued upon the exercise of the NQSO for an exercise price equal to the consideration, if any, paid by the optionee in cash. The optionee's compensation taxable as ordinary income upon such exercise, and SIGA's deduction, will not be affected by whether the exercise price is paid in cash or in shares of SIGA common stock.

Pre-Vesting Exercise of an NQSO. If an optionee exercises an NQSO before it is vested, the optionee will not recognize any income and SIGA will not receive a tax deduction until such time as the shares are no longer subject to a substantial risk of forfeiture or restrictions on transferability (unless, as described below, the recipient elects otherwise under Section 83(b) of the Code within 30 days of the date of exercise). Upon lapse or release of such restrictions (i.e., when the shares vest), the optionee generally will include in gross income an amount equal to the fair market value of the shares at the time they vested, less the exercise price paid for them, and SIGA will be entitled to a tax deduction in the same amount. The optionee's tax basis in the shares will equal their fair market value on the date the shares vested. Any gain or loss upon a subsequent disposition of the shares will be long-term capital gain or loss if the shares are held for more than one year and otherwise will be short-term capital gain or loss. The federal tax rate applicable to any long-term capital gain will depend upon the holding period of the shares, as described above.

Pursuant to Section 83(b) of the Code, an optionee who exercises an option before it is vested may, within 30 days of exercise, elect to be taxed at ordinary income tax rates on the fair market value at the time of exercise of the SIGA common stock acquired through the pre-vesting exercise. If the election is made, the optionee will acquire a tax basis in the shares equal to the ordinary income recognized by the optionee at the time of exercise plus any amount paid for the shares, and SIGA will be entitled to a deduction in an amount equal to the amount of ordinary income recognized by the optionee. No income will be recognized upon lapse or release of the restrictions. Any gain or loss upon a subsequent disposition of the shares will be long-term capital gain or loss if the shares are held for more than one year and otherwise will be short-term capital gain or loss. The federal tax rate applicable to any long-term capital gain will depend upon the holding period of the shares. In the event of a forfeiture of the shares with respect to which an optionee previously made a Section 83(b) election, the optionee will not be entitled to a loss deduction, unless the amount the optionee received upon forfeiture was less than the exercise price the optionee previously paid for such stock.

Incentive Stock Options. In general, an optionee will not be deemed to receive any income at the time an ISO is granted or exercised if the optionee does not dispose of the shares acquired on exercise of the ISO within two years after the grant of the ISO and one year after the exercise of the ISO (discussed more fully in the next paragraph). In such a case, the gain (if any) on a subsequent sale (the excess of the amount received over the exercise price) or loss (if any) on a subsequent sale (the excess of the exercise price over the amount received) will be a long-term capital gain or loss and will be subject to tax based on the holding period of the shares, as described in the discussion of NQSOs above. However, for purposes of computing the "alternative minimum tax" applicable to an

Table of Contents

optionee, the optionee will include in the optionee's alternative minimum taxable income the amount the optionee would have included in income if the ISO were an NQSO. Such amount may be subject to an alternative minimum tax of 26% or 28%. Similarly, for purposes of making alternative minimum tax calculations, the optionee's basis in the stock received on the exercise of an ISO will be determined as if the ISO were an NQSO.

If an optionee sells the shares acquired on exercise of an ISO within two years after the date of grant of the ISO or within one year after the exercise of the ISO, the disposition is a "disqualifying disposition," and the optionee will recognize income in the year of the disqualifying disposition equal to the excess of the amount received for the shares over the exercise price. Of that income, the portion equal to the excess of the fair market value of the shares at the time the ISO was exercised over the exercise price will be treated as compensation to the optionee, taxable as ordinary income, and the balance (if any) will be long- or short- term capital gain depending on whether the shares were sold more than one year after the ISO was exercised. If the shares were acquired through a pre-vesting exercise of the ISO, the portion of the income that is treated as compensation to the optionee, taxable as ordinary income, is the excess of the fair market value of the shares at the time they vested over the exercise price and the balance (if any) will be long- or short-term capital gain. If the optionee sells the shares in a disqualifying disposition at a price that is below the exercise price, the loss will be a short-term capital loss if the optionee has held the shares for one year or less and otherwise will be a long-term capital loss.

If an optionee uses shares acquired upon the exercise of an ISO to exercise an ISO, and the sale of the shares so surrendered for cash on the date of surrender would be a disqualifying disposition of such shares, the use of such shares also would constitute a disqualifying disposition. In such case, proposed regulations under the Code appear to provide that the tax consequences described above with respect to disqualifying dispositions generally would apply, except that no capital gain would be recognized with respect to such disqualifying disposition. In addition, the basis of the surrendered shares would be allocated to the shares acquired upon exercise of the ISO, and the holding period of the shares so acquired would be determined, in a manner prescribed in proposed regulations under the Code.

SIGA is not entitled to a deduction as a result of the grant or exercise of an ISO. If the optionee has compensation taxable as ordinary income as a result of a disqualifying disposition, SIGA will be entitled to a deduction in an amount equal to the compensation income resulting from the disqualifying disposition in the taxable year of SIGA in which the disqualifying disposition occurs.

Deduction Limit under Section 162(m) of the Code. In general, Section 162(m) of the Code (the "Million-Dollar Limit") provides that, subject to certain exceptions, remuneration in excess of \$1 million that is paid to certain "covered employees" of a publicly held corporation (generally, the corporation's Chief Executive Officer and its four most highly compensated employees other than the Chief Executive Officer) will not be deductible by the corporation. Grants of options generally will be eligible for an exception to the Million-Dollar Limit applicable to certain qualified "performance-based compensation," provided the exercise price of such options is not less than the fair market value of the stock on the date of grant. The SIGA Option Plan permits the Compensation Committee to defer payments to covered employees until such individuals are no longer covered employees with respect to the Section 162(m) limitations. Consequently, it would appear that SIGA's deduction for such amounts can be preserved.

Withholding of Taxes. Whenever a participant is required to recognize compensation income taxable as ordinary income in connection with an Option, SIGA may be obligated to withhold amounts for the payment of federal, state and local taxes. SIGA may withhold (i) an amount in cash sufficient to satisfy its withholding obligations (when the income is recognized through the receipt of cash) or (ii) a number of shares, the fair market value of which is sufficient to satisfy such withholding requirements. Alternatively, SIGA may require that the participant remit to SIGA an amount in cash sufficient to satisfy SIGA's withholding obligations. At the election of the participant and

subject to the approval of the Compensation Committee, the participant may satisfy any such withholding obligations by remitting to SIGA shares of SIGA common stock with a fair market value sufficient to satisfy the withholding obligations.

60

Table of Contents

Section 409A. Section 409A of the Code provides certain requirements for deferred compensation arrangements. Although the full scope of Section 409A is not yet clear, it may limit the flexibility under the SIGA Option Plan. If the requirements of Section 409A are not complied with, the recipient of an Award could be subject to tax on the Award, and an additional 20% tax, at the time the Award is granted or vested. The SIGA Option Plan is intended to comply with the requirements of Section 409A, and the Board and Compensation Committee intends to administer the SIGA Option Plan in a manner so as to avoid the imposition of these taxes.

Other Tax Matters. Tax consequences different from or in addition to those described above may result in the event of an exercise of an option after the termination of a participant's employment by reason of death. In addition, various state laws may provide for tax consequences that vary significantly from those described above.

During 2005, SIGA granted no options to purchase shares of SIGA common stock to its employees.

Options to purchase 122,500 shares of common stock have been granted during the three months ended March 31, 2006. No options were granted to the Chief Executive Officer and the three most highly paid executive officers. The total number of shares of SIGA common stock underlying options granted during the first quarter of 2006 divided by the total shares of common stock outstanding at the beginning of 2006 was 0.50%.

Equity Compensation Plan Information

The following table sets forth certain compensation plan information with respect to both equity compensation plans approved by security holders and equity compensation plans not approved by security holders as of December 31, 2005:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	9,399,561	\$ 2.00	1,385,398
Equity compensation plans not approved by security holders	250,000	\$ 2.00	—
Total	9,649,561	\$ 2.00	1,385,398

⁽¹⁾SIGA Technologies, Inc., Amended and Restated 1996 Incentive and Non-Qualified Stock Option Plan. Our Board of Directors has unanimously approved the amendment of the SIGA Option Plan and recommends that you vote FOR such amendment.

PROPOSAL 8 — APPROVAL OF PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY AND APPROPRIATE, FOR THE PURPOSE OF SOLICITING ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES FOR THE FOREGOING PROPOSALS.

If SIGA fails to receive a sufficient number of votes to approve any of Proposals 1 through 7. SIGA may propose to adjourn the Special Meeting for a period of not more than 60 days for the purpose of soliciting additional proxies to approve any proposal that fails to receive a sufficient number of votes. Proxies initially cast in favor of a proposal will be voted in favor of such proposal at the Special Meeting subsequently convened within 60 days of the Special Meeting so adjourned or postponed unless those proxies are revoked as described under “Voting of Proxies.” SIGA does not intend currently to propose adjournment of the Special Meeting if it has sufficient votes to approve Proposals 1 through 7.

Approval of the proposal to adjourn the Special Meeting for the purpose of soliciting additional proxies requires (assuming a quorum is present) the affirmative vote of a majority of the votes cast at the Special Meeting in person or by proxy.

Our Board of Directors recommends voting for any such necessary and appropriate adjournment.

61

Table of Contents

SELECTED HISTORICAL FINANCIAL STATEMENTS OF SIGA

The following table sets forth selected financial information derived from our audited consolidated financial statements as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001.

	Fiscal Year Ended December 31,				
	(in thousands except share and per share data)				
	2005	2004	2003	2002	2001
Revenues	\$ 8,477	1,839	732	344	1,160
Selling, General and Administrative	2,481	4,042	2,646	1,838	2,571
Research and Development	8,295	4,166	2,943	1,766	1,733
Patent preparation fees	232	393	300	105	117
In-process research and development	—	568			—
Impairment of intangible assets	—	2,118	137	—	—
Operating loss	(2,532)	(9,448)	(5,296)	(3,365)	(3,262)
Net loss	(2,285)	(9,373)	(5,277)	(3,331)	(3,730)
Net loss per share:					
Basic and diluted	(.09)	(.40)	(.34)	(.32)	(.44)
Weighted Average Shares					

Edgar Filing: SIGA TECHNOLOGIES INC - Form PRER14A

Outstanding: basic and diluted	24,824,824	23,724,026	15,717,138	10,450,529	8,499,961
Total assets	6,132	6,111	6,100	2,830	4,208
Cash and cash equivalents	1,772	2,021	1,441	2,069	3,148
Long-term obligations	642	—	—	—	—
Total stockholders' equity	3,231	4,559	5,551	2,173	3,541
Net cash used in operating activities	(1,392)	(4,890)	(5,332)	(2,648)	(2,949)

62

Table of Contents

PRO FORMA CAPITALIZATION OF COMBINED COMPANY

The following table sets forth our unaudited total capitalization as of [], 2006 on an as adjusted basis to give effect to the consummation of the Merger and, subsequently, to the consummation of the PIPE, including the pro forma capitalization reflecting the receipt of the net proceeds of approximately \$25,000,000 if the minimum PIPE investment is made and \$40,000,000 if the maximum PIPE investment is made. The following table does not reflect 25,250,000 shares of common stock reserved for the SIGA Option Plan, as to which options to purchase [] shares have been granted as of the date of this proxy statement.

	PharmAthene, Inc.		After Merger	After PIPE	
	Actual (unaudited)	As Adjusted (unaudited)		Minimum Offering \$25 Million	Maximum Offering \$40 Million
Minority Interest – Series C convertible redeemable preferred stock of PHTN Canada, par value \$0.001 per share; unlimited shares authorized	\$ 2,427,902	\$ 2,427,902	\$ —		
Series A convertible redeemable preferred stock, par value \$0.0001 per share; authorized 16,442,000 shares	\$ 19,030,130	\$ 19,030,130	\$ —		
Series B convertible redeemable preferred stock, par value \$0.001 per share; authorized 30,448,147 shares	\$ 30,335,452	\$ 30,335,452	\$ —		
Series C convertible redeemable preferred stock, par value \$0.0001 per share; authorized 22,799,574 shares	\$ 13,777,155	\$ 13,777,155	\$ —		
Warrants to purchase Series C convertible redeemable preferred stock, exercisable at approx. \$0.91 per share	\$ 1,023,863	\$ 1,023,863	\$ —		

Stockholder's Equity					
Series A convertible preferred stock \$0.0001 par value; authorized 10,000,000; issued and outstanding 68,038 shares		\$ 58,672	\$ 58,672	\$ 58,672	\$ 58,672
Common stock – \$0.0001 par value; authorized 50,000,000 shares; issued and outstanding shares		\$ 2,700	\$ 11,423	\$ 13,710	\$ 15,024
Common stock, par value \$0.0001 per share; authorized 147,089,104 shares	\$ 10,943	\$ 10,943			
Additional paid-in capital		50,640,979	105,188,258	128,373,436	142,284,598
Accumulated other comprehensive loss	358,524	358,524	358,524	358,524	358,524
Accumulated deficit	(57,779,972)	(109,239,494)	(95,721,022)	(95,721,022)	(95,721,022)
Total shareholders' equity	\$(57,410,505)	\$ (58,167,676)	\$ 9,895,855	33,083,320	46,995,796
Total capitalization	\$ 9,183,997	\$ 8,426,828	\$ 9,895,855	33,083,320	46,995,796

63

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION AS OF JUNE 30, 2006

The following unaudited pro forma condensed combined consolidated financial statements combine the historical consolidated balance sheets and statements of operations of SIGA and PharmAthene, giving effect to both the Merger using the purchase method of accounting and the new financing which will close in conjunction with the Merger.

For accounting purposes, PharmAthene is considered to be acquiring SIGA in this transaction. Accordingly, the purchase price is allocated among the fair values of the assets and liabilities of SIGA, while the historical results of PharmAthene are reflected in the results of the combined company. The transaction will be accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations." Under the purchase method of accounting, the total estimated purchase price, calculated as described in Note 2 to these unaudited pro forma condensed combined consolidated financial statements, is allocated to SIGA's net tangible and intangible assets acquired and liabilities assumed in connection with the transaction, based on their estimated fair values as of the completion of the transaction. A preliminary valuation was conducted to determine the fair values of these assets which provided the purchase price allocation and the basis of the estimates of fair value reflected in these unaudited pro forma condensed combined financial statements. This preliminary valuation was primarily based on third party valuations of SIGA's significant assets and products. An independent third party valuation of all of SIGA's assets will be completed in the fiscal year in which the acquisition will close and such valuation will be the basis for the estimates of fair value of these assets for the accounting period in which this merger is recorded. The new financing is a necessary condition of the merger and will close simultaneously with the merger. Accordingly, the estimated accounting effects of the financing are reflected in the unaudited pro forma condensed combined consolidated financial statements.

We are providing the following information to aid you in your analysis of the financial aspects of the merger and the new financing. We derived this information from the audited consolidated financial statements of SIGA for the fiscal year ended December 31, 2005, from the audited financial statements of PharmAthene for the fiscal year ended December 31, 2005, and from the unaudited financial statements of the two companies for the six months ended June 30, 2006.

The unaudited pro forma condensed combined consolidated financial information is only a summary and you should read it in conjunction with SIGA's "Management's Discussion and Analysis of Financial Condition and Results of Operations", the historical consolidated financial statements and related notes contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and its quarterly report on Form 10-Q for the six months ended June 30, 2006, incorporated by reference in and accompanying this Prospectus and PharmAthene's separate historical financial statements and notes thereto for the year ended December 31, 2005 and for the six months ended June 30, 2006, as included in this prospectus.

The unaudited pro forma condensed combined consolidated balance sheet as of June 30, 2006 gives effect to SIGA's merger with PharmAthene and the new financing as if the transaction had occurred on that date. The pro forma condensed combined consolidated balance sheet is based on the historical balance sheet of SIGA as of June 30, 2006 and the historical balance sheet of PharmAthene as of June 30, 2006. The unaudited pro forma condensed combined consolidated statements of operations for the fiscal year ended December 31, 2005 give effect to SIGA's merger with PharmAthene as if it had occurred on January 1, 2005 (the first day of year 2005 for PharmAthene). The pro forma condensed combined consolidated statement of operations for the fiscal year ended December 31, 2005 is based on historical results of operations of SIGA and PharmAthene for the year ended December 31, 2005. The unaudited pro forma condensed combined consolidated statements of operations for the six months ended June 30, 2006 is based on the historical results of operations of SIGA and PharmAthene for the six months ended June 30, 2006 and gives effect to SIGA's merger with PharmAthene as if it had occurred on January 1, 2006 (the first day of the six month period ending June 30, 2006 for PharmAthene).

64

Table of Contents

The unaudited pro forma condensed combined consolidated financial information is for illustrative purposes only. The companies may have performed differently had they always been combined. You should not rely on the pro forma condensed combined consolidated financial information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience after the merger.

65

Table of Contents

Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet

As of June 30, 2006

Edgar Filing: SIGA TECHNOLOGIES INC - Form PRER14A

	Historical PharmAthene	Historical SIGA	Pro Forma Adjustments	Pro Forma Combined
Cash and cash equivalents	\$ 8,330,835	\$ 3,083,463	\$ 25,000,000 5a	\$ 36,414,298
Accounts receivable, net	589,483	210,244		799,727
Prepaid expenses	992,785	136,759		1,129,544
Note receivable	3,000,000	—	(3,000,000 5b)	—
Other assets	780,932	—		780,932
Total current assets	13,694,035	3,430,466	22,000,000	39,124,501
Property and equipment, net	5,267,628	1,603,726	(294,764 5i)	6,576,590
Patents, net	1,379,093			1,379,093
Goodwill	—	898,334	(898,334 5c)	
Intangible assets	—	384,037	2,434,813 5d	2,818,850
Other assets	—	246,201	(45,252 5i)	200,949
Total assets	\$ 20,340,756	\$ 6,562,764	\$ 23,196,463	\$ 50,099,983
Current liabilities:				
Accounts payable	\$ 881,796	\$ 704,943	\$ 1,812,537 5a	\$ 3,399,276
Accrued expenses and other current liabilities	539,549	674,684		1,214,233
Deferred revenue	—	1,341,872	(272,568 5e)	1,069,304
Common stock rights	—	476,095		476,095
Notes payable	9,735,414	3,080,641	(3,000,000 5b)	9,816,055
Total current liabilities	11,156,759	6,728,235	(1,460,031)	15,974,963
Non-current portion of note payable		91,636		91,636
Common stock warrants		950,064		950,064
Total liabilities	11,156,759	7,319,935	(1,460,031)	17,016,663
Minority Interest — Series C convertible redeemable preferred stock of PHTN Canada, par value \$0.001 per share; unlimited shares authorized	2,427,902		(2,427,902) 5f	—
Series A convertible redeemable preferred stock, par value \$0.001 per share; authorized 16,442,000 shares	19,030,130		(19,030,130) 5f	—
Series B convertible redeemable preferred stock, par value \$0.001 per share; authorized 30,448,147 shares	30,335,452		(30,335,452) 5f	—
Series C convertible redeemable preferred stock, par value \$0.001 per share; authorized 22,799,574 shares	13,777,155		(13,777,155) 5f	—
Warrants to purchase Series C convertible redeemable preferred stock, exercisable at approx. \$0.91 per share	1,023,863		(1,023,863) 5f	—
Stockholders' equity:				
Common stock, par value \$0.001 per share; authorized 147,089,104 shares, 10,942,906 outstanding	10,943		(10,943) 5f	—
Series A convertible preferred stock, par value \$0.0001 per share; authorized 10,000,000 shares, 68,038 issued and outstanding	—	58,672		58,672

Common stock, par value \$0.0001 per share; 50,000,000 shares authorized, 27.0 million issued and outstanding	—	2,700	11,010 5a,5f	13,710
Additional paid-in capital	—	50,640,979	77,732,457 5g	128,373,436
Accumulated other comprehensive loss	358,524			358,524
Accumulated deficit	(57,779,972)	(51,459,522)	13,518,472 5h	(95,721,022)
Total stockholders' equity	(57,410,505)	(757,171)	91,250,996	33,083,320
Total liabilities, convertible redeemable preferred stock and stockholders' deficit	\$ 20,340,756	\$ 6,562,764	\$ 23,196,463	\$ 50,099,983

See accompanying notes to unaudited pro forma condensed combined consolidated financial statements.

66

Table of Contents

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Six months Ended June 30, 2006

	Historical PharmAthene	Historical SIGA	Pro Forma Adjustments	Pro Forma Combined
Revenues:				
Grant Revenue	\$ 178,701	\$ 2,853,319	\$	\$ 3,032,020
Other Revenue	7,741	—		7,741
Total revenues	186,442	2,853,319	—	3,039,761
Costs and expenses:				
Research and Development	3,103,802	3,494,919		6,598,721
General and Administrative	3,010,329	2,425,411		5,435,740
Depreciation & Amortization	255,163	825,895	105,066 5j	1,186,124
Acquired In-Process Research & Development	—	—		—
Total costs and expenses	6,369,294	6,746,225	105,066	13,220,585
Operating loss	(6,182,852)	(3,892,906)	(105,066)	(10,180,824)
(Increase) decrease in fair market value of common stock rights and common stock warrants		(1,071,852)		(1,071,852)
Other income (expense):				
Interest Income	106,726	23,852		130,578
Interest Expense	(69)	(49,705)		(49,774)
Total other income	106,657	(25,853)	—	80,804
Net loss	(6,076,195)	(4,990,611)	(105,066)	(11,171,872)
Accretion of redeemable convertible preferred stock to redemptive value	(3,209,890)		3,209,890	—
Net loss attributable to common shareholders	\$ (9,286,085)	\$ (4,990,611)	\$ 3,104,824	\$ (11,171,872)

Edgar Filing: SIGA TECHNOLOGIES INC - Form PRER14A

Weighted average shares outstanding	10,942,906	26,629,769	110,096,006	136,725,775
Net loss per share	\$ (0.85)	\$ (0.19)		\$ (0.08)

67

Table of Contents

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Year Ended December 31, 2005

	Historical PharmAthene	Historical SIGA	Pro Forma Adjustments	Pro Forma Combined
Revenues:				
Grant Revenue	\$ 1,045,751	\$ 8,476,741	\$	\$ 9,522,492
Other Revenue	52,649	—		52,649
Total revenues	1,098,400	8,476,741	—	9,575,141
Costs and expenses:				
Research and Development	6,351,157	7,296,573		13,647,730
General and Administrative	5,009,267	2,385,136		7,394,403
Depreciation & Amortization	660,567	1,327,371	201,063 5j	2,189,001
Acquired In-Process Research & Development	12,812,000	—		12,812,000
Total costs and expenses	24,832,991	11,009,080	201,063	36,043,134
Operating loss	(23,734,591)	(2,532,339)	(201,063)	(26,467,993)
(Increase) decrease in fair market value of common stock rights and common stock warrants		—	235,730	235,730
Other income (expense):				
Interest Income	381,840	9,059		390,899
Interest Expense	(988)	—		(988)
Total other income	380,852	9,059	—	389,911
Net loss	(23,353,739)	(2,287,550)	(201,063)	(25,842,352)
Accretion of redeemable convertible preferred stock to redemptive value	(5,698,630)		5,698,630	—
Net loss attributable to common shareholders	\$ (29,052,369)	\$ (2,287,550)	\$ 5,497,567	\$ (25,842,352)
Weighted average shares outstanding	10,817,949	24,824,824	110,096,006	134,920,830
Net loss per share	\$ (2.69)	\$ (0.09)		\$ (0.19)*

*Subject to changes, if any, as a result of the proposed reverse stock split, which may be implemented at a range of 1-for-3 to 1-for-7.

See accompanying notes to unaudited pro forma condensed combined consolidated financial statements.

68

Table of Contents

Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Information

(1) Description of Transactions and Basis of Pro Forma Presentation

On March 9, 2006, PharmAthene and SIGA executed a letter of intent relating to a proposed merger transaction to be accounted for as a purchase under accounting principles generally accepted in the United States of America. On June 8, 2006, the companies executed a definitive merger agreement. In connection with the merger, SIGA will issue 87,234,130 shares of its common stock for all of PharmAthene's outstanding shares of preferred stock, common stock and certain common stock warrants and 4,075,109 shares will be reserved for the purpose of issuance upon the exercise of PharmAthene's common stock warrants and options. For accounting purposes, the transaction is considered a "reverse merger" under which PharmAthene is considered to be acquiring SIGA. Accordingly, the purchase price is allocated among the fair values of the assets and liabilities of SIGA, while the historical results of PharmAthene are reflected in the results of the combined company. The 27.0 million shares of SIGA common stock outstanding, and the outstanding SIGA options and warrants, are considered as the basis for determining the consideration in the reverse merger transaction. Based on the outstanding shares of PharmAthene capital stock on June 8, 2006, common shareholders of PharmAthene will exchange their shares for 5,055,815 shares of SIGA common stock, preferred shareholders of PharmAthene will exchange their shares for 77,981,993 shares of SIGA common stock, and Series C exchangeable shareholder will receive 4,196,322 shares of SIGA common stock. The receipt of these shares was determined by negotiation between the two companies such that PharmAthene stockholders and option holders would be entitled to receive a number of shares of SIGA common stock equal to 2.1 times the aggregate number of outstanding shares of SIGA common stock and all options, warrants and convertible securities having an exercise price or conversion price equal to or lower than \$2.00 per share, being approximately 43,480,690 million shares.

In addition, each PharmAthene stock option and warrant that is outstanding on the closing date will be converted upon exercise to SIGA options and warrants by multiplying the PharmAthene options and warrants in accordance with agreed upon amounts. The new exercise price will also be determined by multiplying the old exercise price by the same ratio. Each of these options and warrants will be subject to the same terms and conditions that were in effect for the related PharmAthene options.

The merger transaction is contingent upon a financing of not less than \$13.2 million of new proceeds (\$25 million in the aggregate including the conversion of outstanding bridge notes) which will close immediately following the merger of SIGA into PharmAthene. The pro forma Condensed Combined Consolidated Financial Information includes the effects of the financing under certain assumptions, which include raising funds at a discount to the then estimated trading value of SIGA stock, and the issuance of certain warrants to potential investors at a premium to the then estimated trading value of SIGA common stock. This financing is a necessary condition of the merger and includes an agreed upon amount of financing from existing shareholders, officers, and directors of PharmAthene in an amount of at least \$11.8 million. Through July 31, 2006, PharmaAthene received approximately \$11.8 million of this internal financing.

For purposes of inclusion in this pro forma condensed combined consolidated financial information, the effects of this financing assumed a trading price for SIGA common stock for SIGA common stock of \$1.34, a discount of 15% to new participants in this financing, and results in the issuance of 9,512,231 shares of SIGA common stock to the existing shareholders, officers, and directors of PharmaAthene who participate in the financing by virtue of the conversion of their bridge notes at a 10% discount to the new investors and the issuance of 13,349,645 shares of SIGA common stock to other financing participants. The financing is assumed to provide new proceeds of \$15,000,000 (in addition to the \$11.8 million from the bridge financing completed in July 2006 if all of such funds are still available)

and, after deducting estimated costs of this financing of \$1,812,537, results in assumed net proceeds to the combined company of \$23,187,463.

(2) Preliminary Merger Purchase Price

The unaudited pro forma condensed combined consolidated financial statements reflect the proposed merger of PharmAthene with SIGA as a reverse merger wherein PharmAthene is deemed

69

Table of Contents

to be the acquiring entity from an accounting perspective. Under the purchase method of accounting, SIGA's 27.0 million outstanding shares of common stock and its stock options and warrants were valued using the average closing price on Nasdaq of \$1.054 per share for the two days prior to through the two days subsequent to the merger financing announcement date of March 14, 2006. The fair value of the SIGA outstanding stock options and warrants were determined using the Black-Scholes option pricing model with the following assumptions: stock price of \$1.054, which is the value ascribed to the SIGA shares in determining the purchase price; volatility of 55%-74%; risk-free interest rate of 2.19%-3.54%; and an expected life of 0.2 years-4.0 years.

The estimated purchase price is summarized as follows (in thousands):

Fair value of SIGA outstanding common stock assumed issued in exchange for all outstanding shares of PharmAthene	\$ 28,458,683
Fair value of SIGA outstanding stock options assumed issued in exchange for all outstanding stock options of PharmAthene	5,803,116
Fair value of SIGA outstanding warrants assumed issued in exchange for all outstanding warrants of PharmAthene	4,442,016
Fair value of SIGA outstanding preferred stock assumed issued in exchange for shares of PharmAthene	71,712
Estimated merger costs	2,175,000
Less: Amount related to unvested stock options and restricted stock allocated to deferred compensation, based on implicit value of unvested SIGA stock options assumed issued in the exchange for PharmAthene unvested outstanding stock options and restricted stock	(647,436)
Total estimated purchase price	\$ 40,303,091

(3) Preliminary Merger Purchase Price Allocation

For accounting purposes, the transaction is being treated as a business combination under the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations". The preliminary purchase price allocation was derived from a two-step process in which management first determined the estimated fair value of the assets acquired and the liabilities assumed in the proposed merger. The estimated fair value of the net tangible and intangible assets acquired exceeded the preliminary purchase price by approximately \$9.2 million, which results in the recognition of negative goodwill. In accordance with FAS 141, the excess was allocated as a pro rata reduction of the long-term tangible assets, including acquired in-process research and development.

Based on PharmAthene's preliminary valuation of the fair value of the net assets acquired, the preliminary purchase price of recorded fair values are as follows:

	Initial Fair Value	Allocation of Excess	Estimated Fair Value
Tangible assets acquired	\$ 5,280,393	(340,016)	\$ 4,940,377
Liabilities assumed	(2,978,063)		(2,978,063)
Estimated fair value of contracts and grants acquired	3,453,625	(634,775)	2,818,850
Estimated fair value of deferred revenue acquired	(1,069,304)		(1,069,304)
Acquired in-process research and development	44,831,190	(8,239,959)	36,591,231
Net assets acquired	\$ 49,517,841	\$ (9,214,750)	\$ 40,303,091

The final determination of the purchase price allocation will be based on the fair values of the assets, including the fair value of in-process research and development and other intangibles, and the fair value of liabilities assumed at the date of the closing of the merger. The purchase price will remain preliminary until PharmAthene is able to finalize its valuation of significant intangible assets acquired, including in-process research and development, and adjust the fair value of the other assets and liabilities acquired. The final determination of the purchase price allocation will be completed as soon as practicable after the date of the closing of the Merger. The final amounts allocated to assets

70

Table of Contents

and liabilities acquired could differ significantly from the amounts presented in the unaudited pro forma condensed combined consolidated balance sheet and related notes. The long-lived assets of SIGA will be subject to a recoverability test under the applicable accounting rules.

The amount allocated to in-process research and development represents an estimate of the fair value of a purchased in-process technology research project that, as of the closing date of the Merger, will not have reached technological feasibility and will have no alternative future use. Accordingly, the in-process research and development primarily represents the estimated fair value of SIGA-246, a small molecule smallpox antiviral treatment. The initial value of the purchased in-process research and development from the Merger was determined by estimating the projected net cash flows related to such products based upon management's estimates of future revenues and operating profits to be earned upon commercialization of the products. These cash flows were discounted back to their net present value and were then adjusted by a probability of success factor. In-process research and development will be expensed immediately following the consummation of the Merger.

(4) Preliminary Accounting for New Financing

Based on the assumed estimated terms of the proposed financing upon which this transaction is contingent, the combined company will issue approximately 23.0 million shares of its common stock, \$0.001 par value per share, and approximately 8.0 million common stock warrants with a five-year term and an exercise price of approximately \$1.60 per share, in exchange for \$25.0 million in assumed purchase price (including and giving effect to the conversion of the \$11.8 million bridge notes, for which no new proceeds will be received) immediately following the Merger. The company estimates that it will incur approximately \$1.8 million in investment banker fees and legal and other costs in

connection with the transaction. The estimated effects of the new financing are as follows:

Estimated gross proceeds	\$ 25,000,000
Estimated transaction costs	1,812,537
Total estimated net proceeds	\$ 23,187,463

(5) Pro Forma Adjustments

- (a) To record \$25,000,000 (assuming all proceeds from the \$11.8 million bridge financing are still available at the closing) in gross proceeds from the new financing, \$1,812,537 in estimated costs of the new financing, resulting in the issuance of 22,861,876 shares of common stock for net proceeds of \$23,187,463 (see Note 4).
- (b) To record the elimination of the \$3 million bridge loan provided from PharmAthene to SIGA, established under the terms of the Merger Agreement.
- (c) To record the write-off of the historical SIGA goodwill of \$898,334.
- (d) To record the write-off of the historical SIGA intangible assets of \$384,037 and to record the estimated fair value of contracts and grants acquired from SIGA of \$2,818,850 (see Note 3)
- (e) To adjust for the fair value of deferred revenue acquired from SIGA.

71

Table of Contents

- (f) To record the elimination of PharmAthene classes of equity in exchange for SIGA common stock (See Note 1)

Shares	Prior to merger	Common Stock
PharmAthene common stock	11,406,202 shares	5,055,815 shares
PharmAthene Preferred stock holders		77,981,993
	61,836,626 shares	shares
Series C Exchangeable stockholders		4,196,322
	2,591,654 shares	shares
Total		87,234,130
	75,834,482 shares	shares

	For the six months ended June 30, 2006	For the twelve months ended December 31, 2005
SIGA weighted average shares outstanding	26,629,769	24,824,824
Issuance of shares in exchange for PharmAthene	87,234,130	87,234,130
Issuance of new financing stock	22,861,876	22,861,876
Total weighted average shares outstanding	136,725,775	134,920,830

- (g) Pro forma adjustments are an aggregate of the following:

To record the issuance of 22,861,876 shares of common stock for net proceeds of \$23,187,463, less par value	\$ 23,185,177
To record the fair value of the SIGA common stock, stock options and warrants to be issued on the closing of the Merger, less par value of SIGA common stock outstanding	40,689,876
To record the exchange of PharmAthene preferred and common stock for SIGA common stock, less par value from the issuance of the 87,234,130 shares upon closing	64,498,383
To record the elimination of SIGA additional paid in capital	(50,640,979)
	\$ 77,732,457

(h) Pro forma adjustments are an aggregate of the following:

To record the elimination of SIGA accumulated deficit	\$ 51,459,522
To record the elimination of SIGA goodwill	(898,334)
To record the elimination of SIGA intangible assets	(384,037)
To record the decrease in fair value of the SIGA deferred revenue	272,568
To record decrease in fair value of tangible assets acquired	(340,016)
To record acquired in-process research and development	(36,591,231)
	\$ 13,518,472

(i) To adjust for fair value of tangible assets acquired (see Note 3).

72

Table of Contents

(j) Proforma adjustments are an aggregate of the following:

	For the six months ended June 30, 2006	For the twelve months ended December 31, 2006
To record the elimination of SIGA historical amortization expense on contracts and	\$ (548,698)	\$ (1,181,562)
To record the elimination of SIGA amortization expense on	704,712	1,409,425
To record the elimination of SIGA depreciation expense for	(50,948)	(26,800)
To record the increase in fair value of assets acquired	\$ 105,066	\$ 201,063

73

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SIGA

The following discussion should be read in conjunction with our financial statements and notes to those statements and other financial information appearing elsewhere in this proxy statement. In addition to historical information, the following discussion and other parts of this proxy statement contain forward-looking information that involves risks and uncertainties.

Overview

Since our inception in December 1995, we have been principally engaged in the research and development of novel products for the prevention and treatment of serious infectious diseases, including products for use in the defense against biological warfare define agents such as smallpox and arenaviruses. The effort to develop a drug for smallpox is being aided by SBIR grants from the NIH totaling approximately \$5.8 million that were awarded in the third quarter of 2004, an agreement with Saint Louis University that was signed in September 2005, funded by the NIH and a \$1.6 million contract with the U.S. Army which began in January 2003. The Arenavirus program is being supported by SBIR grants from the NIH totaling approximately \$6.3 million that were awarded in the third quarter of 2004.

Our anti-viral programs are designed to prevent or limit the replication of the viral pathogen. Our anti-infectives programs are aimed at the increasingly serious problem of drug resistance. These programs are designed to block the ability of bacteria to attach to human tissue, the first step in the infection process. We are also developing a technology for the mucosal delivery of our vaccines which may allow the vaccines to activate the immune system at the mucus lined surfaces of the body — the mouth, the nose, the lungs and the gastrointestinal and urogenital tracts — the sites of entry for most infectious agents.

We do not have commercial biomedical products, and we do not expect to have such products for one to three years, if at all. We believe that we will need additional funds to complete the development of our biomedical products. Our plans with regard to these matters include continued development of our products as well as seeking additional research support funds and financial arrangements. Although we continue to pursue these plans, there is no assurance that we will be successful in obtaining sufficient financing on terms acceptable to us. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management believes it has sufficient funds and projected cash flows to support operations beyond June 30, 2007.

Our biotechnology operations are based in our research facility in Corvallis, Oregon. We continue to seek to fund a major portion of our ongoing antiviral, antibiotic and vaccine programs through a combination of government grants and strategic alliances. While we have had success in obtaining strategic alliances and grants, there is no assurance that we will continue to be successful in obtaining funds from these sources. Until additional relationships are established, we expect to continue to incur significant research and development costs and costs associated with the manufacturing of product for use in clinical trials and pre-clinical testing. It is expected that general and administrative costs, including patent and regulatory costs, necessary to support clinical trials and research and development will continue to be significant in the future.

To date, we have not marketed, or generated revenues from the commercial sale of, any products. Our biopharmaceutical product candidates are not expected to be commercially available for several years, if at all. Accordingly, we expect to incur operating losses for the foreseeable future. There can be no assurance that we will ever achieve profitable operations.

Critical Accounting Estimates

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements, which we discuss under the heading “Results of Operations” following this section of our MD&A. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make

Table of Contents

estimates of matters that are inherently uncertain. Our most critical accounting estimates include share-based compensation, the assessment of recoverability of goodwill, which could impact goodwill impairments, the assessment of recoverability of long-lived assets, which primarily impact operating income if impairment exists. Below, we discuss these policies further, as well as the estimates and judgments involved. Other key accounting policies, including revenue recognition, are less subjective and involve a far lower degree of estimates and judgment.

Significant Accounting Policies

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment,” (“SFAS 123(R)”) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to the Employee Stock Purchase Plan (“employee stock purchases”) based on estimated fair values. SFAS 123(R) supersedes the Company’s previous accounting under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”) for periods beginning on January 1, 2006. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (“SAB 107”) relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company’s fiscal year 2006. The Company’s Financial Statements as of and for the three months ended March 31, 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, the Company’s Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R). Share-based compensation related to stock options expense recognized under SFAS 123(R) for the three months ended March 31, 2006 was \$121,000. No share-based compensation expense related to employee stock options was recognized during the three months ended March 31, 2005.

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the grant-date using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company’s Statements of Operations. Prior to the adoption of SFAS 123(R), the Company accounted for share-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”). Under the intrinsic value method, no share-based compensation expense related to stock options had been recognized in the Company’s Statements of Operations when the exercise price of the Company’s stock options granted to employees and directors equaled the fair market value of the underlying stock at the grant-date.

Share-based compensation expense recognized during the current period is based on the value of the portion of share-based payment awards that is ultimately expected to vest. SFAS 123(R) requires forfeitures to be estimated at the time of grant in order to estimate the amount of share-based awards that will ultimately vest. The forfeiture rate is based on historical rates. Share-based compensation expense recognized in the Company’s Statements of Operations for the first quarter of 2006 includes (i) compensation expense for share-based payment awards granted prior to, but not yet vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the pro forma provisions of SFAS 123 and (ii) compensation expense for the share-based payment awards granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R).

The Company utilizes the Black-Scholes options pricing model for the valuation of share-based awards. Determining the fair value of these awards at the grant date requires judgment. It is reasonably likely that forfeiture rates will change in the future and impact future compensation expense. It is also reasonably likely that the variables used in the Black Scholes option pricing model will change in the future and impact the fair value of future options at the grant date and future compensation expense.

75

Table of Contents

The following is a brief discussion of the more significant accounting policies and methods used by us in the preparation of our financial statements. Note 2 of the Notes to the Consolidated Financial Statements includes a summary of all of the significant accounting policies.

Revenue Recognition

The Company recognizes revenue from contract research and development and research progress payments in accordance with SEC Staff Accounting Bulletin No. 104, Revenue Recognition, (“SAB 104”). In accordance with SAB 104, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, collectibility is reasonably assured, contractual obligations have been satisfied and title and risk of loss have been transferred to the customer. The Company recognizes revenue from non-refundable up-front payments, not tied to achieving a specific performance milestone, over the period which the Company is obligated to perform services or based on the percentage of costs incurred to date, estimated costs to complete and total expected contract revenue. Payments for development activities are recognized as revenue is earned, over the period of effort. Substantive at-risk milestone payments, which are based on achieving a specific performance milestone, are recognized as revenue when the milestone is achieved and the related payment is due, providing there is no future service obligation associated with that milestone. In situations where the Company receives payment in advance of the performance of services, such amounts are deferred and recognized as revenue as the related services are performed.

Goodwill

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired.

The Company evaluates goodwill for impairment annually, in the fourth quarter of each year. In addition, the Company would test goodwill for recoverability between annual evaluations whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Examples of such events could include a significant adverse change in legal matters, liquidity or in the business climate, an adverse action or assessment by a regulator or government organization, loss of key personnel, or new circumstances that would cause an expectation that it is more likely than not that we would sell or otherwise dispose of a reporting unit. Goodwill impairment is determined using a two-step approach in accordance with Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). The impairment review process compares the fair value of the reporting unit in which goodwill resides to its carrying value. In 2005, the Company operated as one business and one reporting unit. Therefore, the goodwill impairment analysis was performed on the basis of the Company as a whole using the market capitalization of the Company as an estimate of its fair value. In the past, our market capitalization has been significantly in excess of the Company's carrying value. It is reasonably likely that the future market capitalization of SIGA may exceed or fall short of our current market capitalization, in which case a different amount for potential impairment would result. The use of the discounted expected future cash flows to evaluate the fair value

of the Company as a whole is reasonably likely to produce different results than the Company's market capitalization.

Identified Intangible Assets

Acquisition-related intangibles include acquired technology, customer contracts, grants and covenants not to compete, and are amortized on a straight line basis over periods ranging from 2-4 years.

In accordance with Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), the Company performs a review of its identified intangible assets to determine if facts and circumstances exist which indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances do exist, the Company assesses the recoverability of identified intangible assets by comparing the projected undiscounted net cash flows associated with the related

76

Table of Contents

asset or group of assets over their remaining lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Our estimates of projected cash flows are dependent on many factors, including general economic trends, technological developments and projected future contracts and government grants. It is reasonably likely that that future cash flows associated with our intangible assets may exceed or fall short of our current projections, in which case a different amount for an impairment would result. If our actual cash flows exceed our estimates of future cash flows, any impairment charge would be greater than needed. If our actual cash flows are less than our estimated cash flows, we may need to recognize additional impairment charges in future periods, which would be limited to the carrying amount of the intangible assets.

Results of Operations

The following table sets forth certain consolidated statements of income data as a percentage of net revenue for the periods indicated:

	2005	2004	2003
Revenue	100%	100%	100%
Selling, general and administrative	29%	220%	362%
Research and development	98%	227%	402%
Patent preparation fees	3%	21%	401%
In-process research and development	0%	31%	0%
Impairment of intangible assets	0%	115%	19%
Operating loss	30%	514%	723%

Years ended December 31, 2005, 2004 and 2003

Revenues for the years ended December 31, 2005 and 2004 were \$8,477,000 and \$1,839,000, respectively. The increase of \$6,638,000 or 361% from the year ended December 31, 2004 related to the award of two Phase I and two Phase II SBIR grants by the NIH during the third quarter of 2004, an agreement with Saint Louis University entered

into in September 2005, and an agreement with USAMRMC entered into in September 2005.

The grants awarded by the NIH during the third quarter of 2004 to support our smallpox and arenaviruses programs are for a two-year period ending in the third quarter of 2006. The total award for these grants was \$11.1 million. For the years ended December 31, 2005 and 2004 we recorded revenues of \$6.4 million and \$1.0 million, respectively, from these grants, mainly reflecting the continued development of our smallpox oral antiviral drug. In 2004, we also received a one year SBIR grant from the NIH for \$252,000 to support our Strep vaccine program. In 2005 and 2004 we recorded revenue of \$156,000 and \$86,000, respectively, from this grant.

On September 1, 2005, we entered into an agreement with Saint Louis University for the continued development of one of our smallpox drugs. The agreement is funded through the NIH. Under the agreement, SIGA will receive approximately \$1.0 million during the term of September 1, 2005 to February 28, 2006. Revenues are recognized as services are performed. In 2005, we recognized revenues of \$775,000 from the agreement.

On September 22, 2005, we entered into a \$3.2 million, one year contract with USAMRMC. The agreement, for the rapid identification and treatment of anti-viral diseases, is funded through the USAF (the "USAF Agreement"). Advance payments under the USAF Agreement, received prior to the performance of services, are deferred and recognized as revenue when the related services are performed. In 2005, we recognized revenues of \$653,000 from the USAF Agreement.

For the years ended December 31, 2005 and 2004 revenue from our contract with the U.S. Army was \$427,000 and \$425,000. In 2004 we recognized revenue of \$255,000 from an SBIR grant for our DegP anti infective that we completed in the second quarter of 2004.

Revenues of \$1,839,000 for the year ended December 31, 2004 increased \$1.1 million compared to \$731,700 recognized for the year ended December 31, 2003. The 151% increase resulted from the

77

Table of Contents

award of two Phase I and two Phase II SBIR grants by the NIH during the third quarter of 2004. For the year ended December 31, 2004 we recorded revenue of \$1,049,600 from these grants. In 2004, we also recorded \$85,600 from the NIH grant awarded to us in August of 2004 to support our Strep vaccine program. Revenue from our contract with the U.S. Army was \$425,000 for 2004; compared to \$315,300 for the year ended December 31, 2003. The approximate 35% increase was due to the higher budget for work performed in 2004. For the year ended December 31, 2004 we received revenue of \$254,800 from an SBIR grant for our DegP anti infective that we completed in the second quarter of 2004. For the year ended December 31, 2003 we received \$387,800 from this grant.

Selling, general and administrative expenses (SG&A) were \$2,481,000 and \$4,042,000 for the years ended December 31, 2005 and 2004. SG&A declined \$1.6 million or 39% primarily due to \$1.0 million decline in legal fees and \$401,000 decline in consulting fees. In 2005, upon the re-negotiation of certain legal invoices, we received and recorded credits of \$303,000 in legal expenses. In addition to the credits received by SIGA, legal fees declined by approximately \$711,000 from the year ended December 31, 2004 reflecting higher legal fees during the 2004 period due to the acquisition of certain assets from ViroPharma, the review and amendment of our corporate governance policies and procedures to ensure compliance with the Sarbanes-Oxley Act of 2002 and NASDAQ requirements. Legal expenses in 2004 were also incurred in connection with the sale of certain non-core vaccine assets and a legal action that the Company initiated against a former founder. In 2004, we incurred higher consulting expenses in

connection with our efforts to secure certain government contracts. Our agreement with the consulting group was terminated in October 2004.

SG&A expenses for the year ended December 31, 2004 were \$4,042,000 compared to \$2,646,600 for the year ended December 31, 2003. The increase of \$1,395,400, or approximately 53%, was primarily due to an increase of \$628,000 in payroll expense, and a \$693,000 increase in legal expenses. Payroll expenses increased by approximately 128% primarily due to the addition of a Chief Executive Officer and a Vice President — Business Development, bonuses paid to employees, and the costs associated with the termination of the Employment Agreement with our former President. The increase in legal expenses of 272% from 2003 was the result of the costs incurred to review and amend our corporate governance policies and procedures to ensure compliance with the regulations promulgated under the Sarbanes-Oxley Act of 2002, as well as the NASDAQ stock market. Also contributing to the increase in legal expenses were the costs incurred in connection with a potential business combination, the sale of certain non-core vaccine assets, the hiring of our new CEO, a legal action that we initiated against a former founder and the work performed relative to the acquisition of certain assets and grants from ViroPharma. Increases in travel expense, rent, amortization and filing fees were offset by decreases in depreciation, insurance and miscellaneous expenses.

Research and development (R&D) expenses for the years ended December 31, 2005 and 2004 were \$8,295,000 and 4,165,800, respectively. R&D expenses increased \$4.1 million or 99% primarily due to preclinical development work in connection with our two lead product programs, work performed to support our recent agreements with Saint Louis University and the USAF, the hiring of new employees and the increase in amortization expense. In 2005, we incurred approximately \$3.0 million to support preclinical development work in connection with our smallpox and arenaviruses programs. Our research staff increased from 23 scientists at December 31, 2004 to 33 scientists at December 31, 2005, resulting in an increase of \$705,000 in payroll and related expenses. Amortization of intangible assets in the amount of \$1,097,000 and \$636,000 for the years ended December 31, 2005 and 2004, respectively, represented approximately 11% of the increase.

During the years ended December 31, 2005 and 2004, we spent approximately \$3.9 million and \$363,000, respectively, on the development of our lead drug candidate, SIGA-246, an orally administered anti-viral drug that targets the smallpox virus. For the year ended December 31, 2005, we spent approximately \$708,000 on internal human resources and \$3.2 million mainly on pre-clinical testing. For the year ended December 31, 2004, we spent approximately \$136,000 on internal human resources and \$227,000 on pre-clinical testing of SIGA-246. From inception of the SIGA-246 development program to-date, we expended a total of \$4.2 million related to the program, of which \$843,000 million and \$3.4 million were spent on internal human resources and pre-clinical work, respectively. We incurred no costs related to this program during the year ended December 31, 2003.

78

Table of Contents

\$1.6 million and \$431,000 of our R&D expenses during the years ended December 31, 2005 and 2004, respectively, were used to support the development of ST-294, a drug candidate which has demonstrated significant antiviral activity in cell culture assays against arenavirus pathogens. For the year ended December 31, 2005, we spent approximately \$779,000 on internal human resources and \$787,000 mainly on pre-clinical testing. For the year ended December 31, 2004, we spent approximately \$258,000 on internal human resources and \$173,000 on pre-clinical testing of ST-294. From inception of the ST-294 development program to-date, we spent a total of approximately \$2.0 million related to the program, of which approximately \$1.0 million and approximately \$1.0 million were expended on internal human resources and pre-clinical work, respectively. We incurred no costs related to this program during the year ended December 31, 2003.

R&D expenses related to our USAF Agreement were approximately \$132,000 and \$249,000 for internal human resources and external R&D services, respectively, during the year ended December 31, 2005. We incurred no costs related to this program during the years ended December 31, 2004 and 2003.

The remainder of our R&D expenses in each of the periods ended December 31, 2005 and 2004 cannot be specifically attributed to any individual program. The table below provides a summary of our costs:

	Year Ended December 31,	
	2005	2004
R&D expenses related to SIGA-246	\$ 3,868,771	\$ 363,058
R&D expenses related to ST-294	1,563,719	431,111
R&D expenses related to the USAF Agreement	381,310	—
Amortization of identified intangible assets	1,097,396	635,907
Depreciation expense	133,622	166,231
R&D expenses not specifically attributed to an individual program	1,250,444	2,569,542
Total R&D expenses	\$ 8,295,262	\$ 4,165,849

R&D expenses of \$4,165,800 for the year ended December 31, 2004 increased approximately 42% from the \$2,942,800 of expenses incurred for the year ended December 31, 2003. Amortization expense of \$636,000 represented approximately 35% of the increase. These expenses were the result of the acquisition of certain assets from Plexus in 2003 and ViroPharma in 2004. Payroll expenses increased approximately 28% to \$1,654,000 for 2004 from \$1,289,700 incurred in 2003. The increase was the result of the expansion of staff to service the grants acquired from ViroPharma and bonuses paid to employees. Sponsored research increased by approximately 117% in 2004 to \$486,000 from \$223,500 in 2003. The increase was the result of payments made to a Danish university for former Plexus programs, a payment made to TransTech Pharma for work performed on an SBIR grant that was completed in the second quarter and payments to Oregon State University for work on the strep grant received in 2004. Expenses for lab supplies increased approximately 16% to \$473,000 from \$407,000 as a result of accelerated development of our lead product programs.

Our product programs are in the early stage of development. At this stage of development, we cannot make reasonable estimates of the potential cost for most of our programs to be completed or the time it will take to complete the project. Our lead product, SIGA-246, is an orally administered anti-viral drug that targets the smallpox virus. In December 2005 the FDA accepted our IND application for SIGA-246 and granted it Fast-Track status. We expect that costs to complete the program will approximate \$15 million to \$20 million, and that the project could be completed in 24 months to 36 months. There is a high risk of non-completion of any program, including SIGA-246, because of the lead time to program completion and uncertainty of the costs. Net cash inflows from any products developed from our programs is at least one to three years away. However, we could receive additional grants, contracts or technology licenses in the short-term. The potential cash and timing is not known and we cannot be certain if they will ever occur.

Table of Contents

The risk of failure to complete any program is high, as each, other than our smallpox program that is scheduled to enter Phase I clinical trials in 2006, is in the relatively early stage of development. Products for the biological warfare defense market, such as the SIGA-246 smallpox anti-viral, could generate revenues in one to three years. We believe

the products directed toward this market are on schedule. We expect the future research and development cost of our biological warfare defense programs to increase as the potential products enter animal studies and safety testing, including human safety trials. Funds for future development will be partially paid for by NIH SBIR grants, the contract we have with the U.S. Army, additional government funding and from future financing. If we are unable to obtain additional federal grants and contracts or funding in the required amounts, the development timeline for these products would slow or possibly be suspended. Delay or suspension of any of our programs could have an adverse impact on our ability to raise funds in the future, enter into collaborations with corporate partners or obtain additional federal funding from contracts or grants.

Patent preparation expenses for the years ended December 31, 2005 and 2004 were \$232,000 and \$393,000, respectively. The decline of \$161,000 or 41% relates to the termination of our relations with Plexus and Pecos Labs Inc. (Pecos), and the reduction in the number of patents supported by SIGA, in addition to a refund of \$83,000 received in 2005 from our patent legal counsel.

Patent preparation expenses for the year ended December 31, 2004 were \$393,000 compared to \$300,500 incurred in 2003. The 31% increase was the result of increased costs arising from the Plexus and ViroPharma asset acquisitions.

For the year ended December 31, 2004, as a result of the acquisition of certain government grants and two early stage antiviral programs, smallpox and hemorrhagic fever, targeting certain agents of biological warfare, from ViroPharma, \$568,329 was immediately expensed as purchased in-process research and development ('IPRD'). The amount expensed as IPRD was attributed to technology that has not reached technological feasibility and has no alternate future use. The value allocated to IPRD was determined using the income approach that included an excess earnings analysis reflecting the appropriate costs of capital for the purchase. Estimates of future cash flows related to the IPRD were made for both the smallpox and arenavirus programs. The aggregate discount rate of approximately 55% utilized to discount the programs' cash flows were based on consideration of the Company's weighted average cost of capital, as well as other factors, including the stage of completion and the uncertainty of technology advances for these programs. If the programs are not successful or completed in a timely manner, the Company's product pricing and growth rates may not be achieved and the Company may not realize the financial benefits expected from the programs.

For the year ended December 31, 2004 we recorded a \$2,118,200 non-cash loss on impairment of assets. In December 2004, upon completion of the ViroPharma transaction, integration of the related acquired programs into the Company's operations, and the demonstrated antiviral activity of the Company's lead smallpox compound against several mouse models of poxvirus disease, we commenced an application process for additional government grants to support our continued efforts under the smallpox and hemorrhagic fever antiviral programs. We determined that significant efforts and resources will be necessary to successfully continue the development efforts under these programs and decided to allocate the necessary resources to support its commitment. As a result, limited resources will be available for the development of future product candidates that utilize the technology acquired from Plexus in May 2003. These factors resulted in a significant reduction in forecasted revenues related to that technology and a reduction in the future remaining useful life, and triggered the related intangible asset impairment. The amount of impairment recorded by us in December 2004 was determined using the two-step process impairment review as required by SFAS 144. In the first step, we compared the projected undiscounted net cash flows associated with the technology acquired from Plexus over its remaining life against its carrying amount. We determined that the carrying amount of the technology acquired from Plexus exceeded its projected undiscounted cash flows. In the second step, we estimated the fair value of the technology using the income method of valuation, which included the use of estimated discounted cash flows. Based on our assessment, we recorded a non-cash impairment charge of approximately \$1.5 million in December 2004, which was included as a component of our operating loss. In May 2004, we performed an impairment review of our intangible

Table of Contents

assets in accordance with SFAS 144 in connection with the sale of certain intangible assets from our immunological bioinformatics technology and certain non-core vaccine development to a privately-held company, Pecos. We recorded an impairment charge of \$307,000 to the grants transferred to Pecos and \$303,000 to the covenant not to compete with our President who was terminated during the current year period.

For the year ended December 31, 2003, we incurred a loss on impairment of assets as a result of taking a non-cash charge of \$137,000 to the intangible assets acquired in the Plexus transaction to reflect the termination of a research agreement.

Total operating loss for the years ended December 31, 2005 and 2004 was \$2,532,000 and \$9,448,000, respectively. Operating loss in 2004, excluding non-cash charges recorded for the impairment of assets and recognition of in-process R&D was \$6,763,000. The decline in total operating loss is primarily related to the increase in revenues generated during 2005 and the decline in our SG&A expenses which was partially off-set by the increase in R&D expenses to support our programs.

Total operating loss of \$9,448,000 for the year ended December 31, 2004, increased \$4,152,000 from the loss of \$5,296,000 in 2003. \$2,686,500 of the operating loss recognized in 2004 related to non-cash charges incurred for the impairment of assets and recognition of in-process research and development expense. Excluding these expenses, the loss recognized in 2004 was approximately 28% higher than the prior year. The increase in the loss was due to higher selling, general and administrative expenses, higher research and development expenses and higher patent costs as described in detail above. These increases were partially offset by higher revenues.

A gain from the decrease in common stock rights and common stock warrants was recorded in connection with the sale and issuance of common stock, warrants and rights in 2005. In November 2005, we sold 2,000,000 shares of the Company's common stock at \$1.00 per share, warrants to purchase 1,000,000 shares of the Company's common stock and rights to purchase additional shares of the Company's common stock for a gross amount of \$2,000,000 at an initial price of \$1.10 per share. The warrants and rights to purchase additional common stock of SIGA were recorded at fair market value and classified as liabilities at the time of the transaction. A gain of \$253,000 was recorded by us, reflecting the decline in the fair value of the warrants and the rights to acquire additional shares of our common stock, from the time of the transaction to December 31, 2005.

Other income for the years ended December 31, 2005, 2004, and 2003 was \$9,000, \$75,000, and \$18,000, respectively. Other income in 2004 was higher than 2005 and 2003 mainly due to interest income received on higher cash balances during that year. In 2004 we also received other income of \$15,000 as the result of the settlement of a legal action with a former founder.

Three months ended June 30, 2006 and 2005

Revenues from grants and research and development contracts for the three months ended June 30, 2006 and 2005 were approximately \$1.5 million and \$1.9 million, respectively. For the three months ended June 30, 2006 we recorded \$568,000 from NIH SBIR grants supporting two of our lead programs. Revenues from NIH SBIR grants supporting these programs during the same period in 2005 were \$1.7 million. The decline of \$1.1 million was partially offset by \$656,000 of revenues recognized in connection with a \$3.2 million, one year contract with USAMRMC. The agreement, for the rapid identification and treatment of anti-viral diseases, was entered into on September 22, 2005 and is funded through the USAF (the "USAF Agreement"). The decline was also offset by \$134,000 recorded in connection with a \$500,000, one year, Phase I SBIR grant from the NIH to support the development of our Bacterial

Commensal Vector technology for the delivery of smallpox vaccine, ending on February 28, 2007.

Selling, general and administrative expenses (“SG&A”) were \$1.5 million and \$811,000 for the three months ended June 30, 2006 and 2005, respectively. The increase of \$682,000, or 84%, in SG&A is mainly due to professional fees incurred in connection with our potential merger with PharmAthene and a non-cash consulting charge recorded on June 30, 2006. During the three months ended June 30,

81

Table of Contents

2006 we recorded legal, accounting and consulting expenses of \$373,000, \$102,000 and \$82,000, respectively, for due diligence services, a fairness opinion and legal advice related to the potential merger transaction. On June 30, 2006, we recorded approximately \$217,000 of a non-cash consulting charge reflecting our assessment that certain criteria for the issuance of 400,000 warrants under a February 2003 consulting agreement, will be met during the third quarter of fiscal 2006. For the three months ended June 30, 2006, we also recorded a \$91,000 non-cash charge for share based compensation following the adoption of FAS 123(R) on January 1, 2006. The increases were partially offset by a decline of \$42,000 in investor relations expense, a decline of \$112,000 in payroll expense and a decline of \$34,000 in amortization expense.

Research and development expenses (“R&D”) declined approximately \$151,000, or 5.9%, from \$2.6 million for the three months ended June 30, 2005 to \$2.4 million for the three months ended June 30, 2006. R&D expenditures related to two of our lead programs declined \$760,000 from the same three months period in 2005. The decline was partially offset by an increase of \$155,000 in payroll expenses related to the expansion of the Company's research and development work force. In addition, on April 1, 2006, we completed the renovation of a new laboratory space in Corvallis, Oregon. Depreciation expense and lab supplies expenditures for the three months ended June 30, 2006, increased by \$200,000 and \$105,000, respectively, from the same period in 2005.

During the three months ended June 30, 2006, and 2005 we spent approximately \$716,000 and \$1.6 million, respectively, on the development of our lead drug candidate, SIGA-246, an orally administered anti-viral drug that targets the smallpox virus. For the three months ended June 30, 2006, we spent approximately \$122,000 on internal human resources and \$594,000 mainly on human clinical testing. For the three months ended June 30, 2005, we spent approximately \$154,000 on internal human resources and \$1.5 million on pre-clinical testing of SIGA-246. From inception of the SIGA-246 development program to-date, we expended a total of \$5.4 million related to the program, of which \$1.2 million and \$4.2 million were spent on internal human resources, and clinical and pre-clinical work, respectively.

\$220,000 and \$474,000 of our R&D expenses during the three months ended June 30, 2006 and 2005, respectively, were used to support the development of ST-294, a drug candidate which has demonstrated significant antiviral activity in cell culture assays against arenavirus pathogens. For the three months ended June 30, 2006, we spent approximately \$174,000 on internal human resources and \$45,000 mainly on pre-clinical testing. For the three months ended June 30, 2005, we spent approximately \$209,000 on internal human resources and \$264,000 on pre-clinical testing of ST-294. From inception of the ST-294 development program to-date, we spent a total of \$2.4 million related to the program, of which \$1.4 million and \$1.1 million were expended on internal human resources and pre-clinical work, respectively.

R&D expenses related to our USAF Agreement were approximately \$219,000 and \$165,000 for internal human resources and external R&D services, respectively, during the three months ended June 30, 2006. Costs related to our

work on the USAF Agreement, during the term of the agreement to-date were approximately \$1.1 million, of which we spent \$544,000 and \$543,000 on internal human resources and external R&D services, respectively.

The remainder of our R&D expenses in each of the three months ended June 30, 2006 and 2005 cannot be specifically attributed to any individual program. The table below provides a summary of our costs:

82

Table of Contents

	Three Months Ended June 30,	
	2006	2005
R&D expenses related to SIGA-246	\$ 716,468	\$ 747,282
R&D expenses related to ST-294	220,035	473,698
R&D expenses related to the USAF Agreement	384,284	—
Amortization of identified intangible assets	274,349	274,284
Depreciation expense	233,825	34,913
R&D expenses not specifically attributed to an individual program	602,536	1,052,575
Total R&D expenses	\$ 2,431,497	\$ 2,582,752

Patent preparation expenses for the three months ended June 30, 2006 and 2005 were \$113,000 and \$91,000, respectively.

A gain of \$454,000 was recorded during the three months ended June 30, 2006, reflecting the decline in fair market value of common stock rights and common stock warrants sold in November 2005, from March 31, 2006 to June 30, 2006. The warrants and rights to purchase common stock of SIGA were recorded at fair market value and classified as liabilities at the time of the transaction.

Other expense, net, increased from \$9,600 for the three months ended June 30, 2005, to net interest expense of \$32,000 mainly due to interest expense related to the three \$1.0 million notes payable to PharmAthene, recorded for the three months ended June 30, 2006. Other loss of \$9,600 for the three months ended June 30, 2005 comprised of interest income of approximately \$5,400 and loss on impairment of our investment in Pecos' common stock of \$15,000.

Our product programs are in the early stage of development. At this stage of development, we cannot make reasonable estimates of the potential cost for most of our programs to be completed or the time it will take to complete the project. Our lead product, SIGA-246, is an orally administered anti-viral drug that targets the smallpox virus. In December 2005 the FDA accepted our IND application for SIGA-246 and granted it Fast-Track status. Fast Track programs of the FDA are designed to facilitate the development and expedite the review of new drugs that are intended to treat serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs.

We expect that costs to complete our SIGA-246 program will approximate \$15 million to \$20 million, and that the project could be completed in 12 months to 36 months. There is a high risk of non-completion of any program, including SIGA-246, because of the lead time to program completion and uncertainty of the costs. Net cash inflows from any products developed from our programs are at least one to three years away. However, we could receive additional grants, contracts or technology licenses in the short-term. The potential cash and timing is not known and we cannot be certain if they will ever occur.

The risk of failure to complete any program is high, as each, other than our smallpox program that entered phase I clinical trials in 2006, is in the relatively early stage of development. Products for the biological warfare defense market, such as the SIGA-246 smallpox anti-viral, could generate revenues in one to three years. We believe the products directed toward this market are on schedule. We expect the future research and development cost of our biological warfare defense programs to increase as the potential products enter animal studies and safety testing, including human safety trials. Funds for future development will be partially paid for by NIH SBIR grants, the contract we have with the U.S. Army, additional government funding and future financing. If we are unable to obtain additional federal grants and contracts or funding in the required amounts, the development timeline for these products will slow or possibly be suspended. Delay or suspension of any of our programs could have an adverse impact on our ability to raise funds in the future, enter into collaborations with corporate partners or obtain additional federal funding from contracts or grants.

Six months ended June 30, 2006 and 2005

Revenues from grants and research and development contracts for the six months ended June 30, 2006 and 2005 were \$2.9 million and \$3.3 million, respectively. Revenues recorded for the six months

83

Table of Contents

ended June 30, 2006 declined approximately \$470,000 or 14% from the same period in the prior year. For the six months ended June 30, 2006 we recorded \$1.3 million from NIH SBIR grants and an agreement with Saint Louis University supporting two of our lead programs. Revenues from NIH SBIR grants supporting these programs during the same period in 2005 were \$3.0 million. The decline of \$1.7 million was partially offset by \$1.2 million of revenues recognized in connection with our \$3.2 million, one year contract with USAMRMC. The agreement, for the rapid identification and treatment of anti-viral diseases, was entered into on September 22, 2005 and is funded through the USAF. The decline was also offset by \$159,000 recorded in connection with a \$500,000, one year, Phase I SBIR grant from the NIH to support the development of our Bacterial Commensal Vector technology for the delivery of smallpox vaccine, ending on February 28, 2007.

Selling, general and administrative expenses (“SG&A”) for the six months ended June 30, 2006 and 2005 were \$2.4 million and \$1.7 million, respectively. The increase of \$780,000, or 47%, is mainly attributed to professional fees incurred in connection with of our potential merger with PHTN and a non-cash consulting charge recorded on June 30, 2006. During the six months ended June 30, 2006 we recorded legal, accounting and consulting expenses of \$451,000, \$102,000 and \$82,000, respectively, for due diligence services, a fairness opinion and legal advice related to the potential merger transaction. On June 30, 2006, we recorded approximately \$217,000 of a non-cash consulting charge reflecting our assessment that certain criteria for the issuance of 400,000 warrants under a February 2003 consulting agreement will be met during the third quarter of fiscal 2006. We also recorded \$184,000 non-cash charge for share based compensation following the adoption of FAS 123(R) on January 1, 2006. The increases were partially offset by a decline of \$88,000 in investor relations expense, a decline of \$67,000 in payroll expense and a decline of \$84,000 in amortization expense.

Research and development expenses were \$4.1 million for the six months ended June 30, 2006 and 2005. R&D expenditures related to two of our lead programs declined \$906,000 from the six months period in 2005. The decline was partially offset by an increase of \$341,000 in payroll expenses related to the expansion of the Company's research and development work force. In addition, on April 1, 2006, we completed the renovation of a new laboratory space in Corvallis, Oregon. Depreciation expense, lab supplies expenditures and rent expense for the six months ended June

30, 2006, increased by \$200,000, \$146,000, and \$92,000, respectively, from the same period in 2005.

During the six months ended June 30, 2006, and 2005 we spent approximately \$1.1 million and \$2.2 million, respectively, on the development of our lead drug candidate, SIGA-246, an orally administered anti-viral drug that targets the smallpox virus. For the six months ended June 30, 2006, we spent approximately \$313,000 on internal human resources and \$806,000 mainly on human clinical testing. For the six months ended June 30, 2005, we spent approximately \$317,000 on internal human resources and \$1.9 million on pre-clinical testing of SIGA-246. From inception of the SIGA-246 development program to-date, we expended a total of \$5.4 million related to the program, of which \$1.2 million and \$4.2 million were spent on internal human resources, and clinical and pre-clinical work, respectively.

\$442,000 and \$892,000 of our R&D expenses during the six months ended June 30, 2006 and 2005, respectively, were used to support the development of ST-294, a drug candidate which has demonstrated significant antiviral activity in cell culture assays against arenavirus pathogens. For the six months ended June 30, 2006, we spent approximately \$346,000 on internal human resources and \$96,000 mainly on pre-clinical testing. For the six months ended June 30, 2005, we spent approximately \$421,000 on internal human resources and \$471,000 on pre-clinical testing of ST-294. From inception of the ST-294 development program to-date, we spent a total of \$2.4 million related to the program, of which \$1.4 million and \$1.0 million were expended on internal human resources and pre-clinical work, respectively.

R&D expenses related to our USAF Agreement were approximately \$413,000 and \$294,000 for internal human resources and external R&D services, respectively, during the six months ended June 30, 2006. Costs related to our work on the USAF Agreement, during the term of the agreement to-date were approximately \$1.1 million, of which we spent \$544,000 and \$543,000 on internal human resources and external R&D services, respectively.

84

Table of Contents

The remainder of our R&D expenses in each of the six months ended June 30, 2006 and 2005 cannot be specifically attributed to any individual program. The table below provides a summary of our costs:

	Six Months Ended June 30,	
	2006	2005
R&D expenses related to SIGA-246	\$ 1,118,940	\$ 1,273,092
R&D expenses related to ST-294	441,991	891,929
R&D expenses related to the USAF Agreement	706,345	—
Amortization of identified intangible assets	548,698	548,698
Depreciation expense	267,997	67,340
R&D expenses not specifically attributed to an individual program	1,005,196	1,353,332
Total R&D expenses	\$ 4,089,167	\$ 4,134,391

Patent preparation expenses for the six months ended June 30, 2006 were \$222,000 compared to \$265,000 for the six months ended June 30, 2005. During the six months period in 2005 we incurred higher patent costs in connection with the Plexus Vaccine Inc. and ViroPharma Incorporated asset acquisitions.

A loss from the increase in fair market value of common stock rights and common stock warrants was recorded in connection with the sale of common stock, warrants and rights in November 2005. The warrants and rights to purchase common stock of SIGA were recorded at fair market value and classified as liabilities at the time of the transaction. A loss of \$1.1 million was recorded by us, reflecting the increase in the fair value of the warrants and the rights to acquire additional shares of our common stock, during the period December 31, 2005 to June 30, 2006.

Other loss of \$26,000 for the six months ended June 30, 2006 comprised of interest expense of \$50,000 related to our loans payable and interest income of \$24,000. Other loss of \$4,200 for the six months ended June 30, 2005 comprised of interest income of approximately \$10,800 and loss on impairment of our investment in Pecos' common stock of \$15,000.

Our product programs are in the early stage of development. At this stage of development, we cannot make reasonable estimates of the potential cost for most of our programs to be completed or the time it will take to complete the project. Our lead product, SIGA-246, is an orally administered anti-viral drug that targets the smallpox virus. In December 2005 the FDA accepted our IND application for SIGA-246 and granted it Fast-Track status. Fast Track programs of the FDA are designed to facilitate the development and expedite the review of new drugs that are intended to treat serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs.

We expect that costs to complete our SIGA-246 program will approximate \$15 million to \$20 million, and that the project could be completed in 12 months to 36 months. There is a high risk of non-completion of any program, including SIGA-246, because of the lead time to program completion and uncertainty of the costs. Net cash inflows from any products developed from our programs are at least one to three years away. However, we could receive additional grants, contracts or technology licenses in the short-term. The potential cash and timing is not known and we cannot be certain if they will ever occur.

The risk of failure to complete any program is high, as each, other than our smallpox program that entered phase I clinical trials in 2006, is in the relatively early stage of development. Products for the biological warfare defense market, such as the SIGA-246 smallpox anti-viral, could generate revenues in one to three years. We believe the products directed toward this market are on schedule. We expect the future research and development cost of our biological warfare defense programs to increase as the potential products enter animal studies and safety testing, including human safety trials. Funds for future development will be partially paid for by NIH SBIR grants, the contract we have with the U.S. Army, additional government funding and from future financing. If we are unable

85

Table of Contents

to obtain additional federal grants and contracts or funding in the required amounts, the development timeline for these products would slow or possibly be suspended. Delay or suspension of any of our programs could have an adverse impact on our ability to raise funds in the future, enter into collaborations with corporate partners or obtain additional federal funding from contracts or grants.

Liquidity and Capital Resources

As of June 30, 2006, we had approximately \$3.1 million in cash and cash equivalents. We believe that these funds and our anticipated cash flows, including receipt of funding from government contracts and grants, will be sufficient to support our operations beyond June 30, 2007.

On June 8, 2006, SIGA and PharmAthene entered into an Agreement and Plan of Merger (the “Merger Agreement”) pursuant to which SIGA and PharmAthene have agreed to combine their businesses through a merger. Subject to the terms of the Merger Agreement, stockholders of PharmAthene will receive an aggregate of approximately 68% of the capital stock of SIGA on a fully diluted basis. In addition, the Chief Executive Officer of PharmAthene will serve as President and Chief Executive Officer of the combined company and the Board of Directors for the new company will reflect the new proportionate ownership. The Merger Agreement contains representations, warranties, and covenants of PharmAthene and SIGA, including, among others, covenants (i) to conduct their business in the usual and ordinary course between the signing of and closing under the Merger Agreement, subject to usual and customary restrictions, and (ii) not to engage in certain kinds of transactions during such period. In addition, SIGA must seek the approval of its stockholders for the transactions contemplated by the Merger Agreement, and any and all other necessary approvals, consents and waivers must be obtained. The Merger Agreement also provides that SIGA shall, prior to the consummation of the Merger, enter into one or more agreements related to the sale, immediately following the Merger, of at least \$25 million worth of SIGA equity securities to investors, including the conversion by PharmAthene investors of not more than \$11.8 million of bridge loans. Consummation of the Merger is subject to various conditions, including, among others, conditions relating to (i) requisite approvals of the PharmAthene and SIGA stockholders, (ii) receipt of all necessary third party consents; (iii) the absence of any law or order prohibiting the closing; (iv) the accuracy of the representations and warranties of the other party, (v) compliance of the other party with its covenants in all material respects, (vi) the increase in the number of authorized shares of SIGA common stock to 300,000,000, (vii) certain stockholders of both SIGA and PharmAthene entering into “lock-up” agreements with respect to the shares of SIGA common stock held or to be held by such stockholders, and (viii) certain stockholders of both SIGA and PharmAthene entering into a stockholders agreement with respect to the shares of SIGA common stock held or to be held by such stockholders.

On March 20, 2006, in connection with the transaction, we entered into a Bridge Note Purchase Agreement (“Notes Purchase Agreement”) with PharmAthene for the sale of three 8% Notes by SIGA, for \$1,000,000 each. The first, second and third Notes were issued on March 20, 2006, April 19, 2006, and June 19, 2006, respectively. The proceeds of the Notes are used by the Company for (i) expenses directly related to the development of SIGA's lead product, SIGA-246, (ii) expenses related to the Company's planned merger with PharmAthene and (iii) corporate overhead. Pursuant to a Security Agreement between SIGA and PHTN, also entered into on March 20, 2006, the Notes are secured by a first priority security interest in the Company's assets (other than assets subject to the security interest granted to General Electric Capital Corporation).

We believe that our existing cash combined with anticipated cash flows, including receipt of future funding from government contracts and grants will be sufficient to support our operations beyond June 30, 2007, and that sufficient cash flows will be available to meet our business objectives. We have developed a plan to further reduce the Company's operating expenses in the event that sufficient funds are not available, or if we are not able to obtain funding from the anticipated government contracts and grants, which would be sufficient to enable us to operate beyond June 30, 2007. If we are not able to raise adequate capital or achieve profitability, future operations will need to be scaled back or discontinued.

86

Table of Contents

Operating activities

Net cash used in operations during the six months ended June 30, 2006 was \$1.5 million compared to \$1.0 million used during the six months ended June 30, 2005. The increase in cash used in operations is mainly due to professional

fees incurred in connection with of our potential merger with PharmAthene. During the six months ended June 30, 2006, cash generated from the collection of outstanding accounts receivable and receipt of payments from the USAF was approximately \$1.6 million higher than during the same period in 2005. This increase was partially offset by the use of \$567,000 to reduce our accounts payable balance during the six months ended June 30, 2006, as compared with an increase of \$860,000 in the accounts payable balance during the same period in 2005.

Investing activities

Capital expenditures during the six months ended June 30, 2006 and 2005 were approximately \$657,000 and \$614,000, respectively, and mainly supported the renovation of our research facility in Oregon.

Financing activities

Cash provided by financing activities was approximately \$3.5 million and \$268,000 during the six months ended June 30, 2006 and 2005, respectively. During the six months ended June 30, 2006 we received \$3.0 million from notes payable issued to PharmAthene, and \$512,000 net proceeds from the exercised of rights to purchase 500,000 shares of our common stock for \$1.10 per share. The notes issued to PharmAthene, for a principal amount of \$1,000,000 each, will be payable on the earliest of (x) March 20, 2008, April 19, 2008, and June 19, 2008, respectively, (the "Maturity Dates"), (y) the closing of a Qualified Financing (as defined in the Purchase Agreement) or (z) a Sale Event (as defined in the Purchase Agreement). In the event of default under the Notes, payment of the Notes will be accelerated such that the entire unpaid principal amount of the Notes and all accrued and unpaid interest shall become immediately due and payable in full. During the six months ended June 30, 2005 we received \$268,000, net, from the issuance of a promissory note payable to General Electric Capital Corporation. The note is payable in 36 monthly installments of principal and interest of 10.31% per annum.

Other

As of June 30, 2006, we do not expect receipt of up-front and milestone payments from any of our current collaborative agreements. Payments from current NIH SBIR grants are received upon recognition of the related revenue. As of June 30, 2006, we had received the entire amount of \$3.2 million from the USAF agreement, of which \$1.3 million was recorded as deferred revenue on June 30, 2006.

On July 19, 2006, the Company received notice from the Nasdaq Stock Market ("NASDAQ") that for the last 10 consecutive trading days, SIGA's market value of listed securities had been below the \$35,000,000 minimum required for continued inclusion on the Nasdaq Capital Market under Marketplace Rule 4310(c)(2)(B)(ii). In accordance with Marketplace Rule 4310(c)(8)(C), SIGA will be provided with 30 calendar days, until August 18, 2006, to regain compliance. If, at any time before August 18, 2006, the market value of listed securities of SIGA is \$35,000,000 or more for a minimum of 10 consecutive business days, NASDAQ will determine if the Company complies with Marketplace Rule 4310(c)(2)(B)(ii). If compliance with the rule cannot be demonstrated by August 18, 2006, the staff of the NASDAQ Stock Market will provide written notification to the Company that its securities will be delisted. At that time, SIGA may appeal such determination to a listing qualification panel.

In addition, the NASDAQ notice also stated that, based on the Company's Form 10-Q for the period ending March 31, 2006, SIGA no longer complies with Marketplace Rule 4310(c)(2)(B)(i) or (4310)(c)(2)(B)(iii), which require minimum stockholders' equity of \$2,500,000 or net income from continuing operations of \$500,000 in the most recently completed fiscal year or in two of the last three most recent completed fiscal years.

Table of Contents

The Company intends to monitor the market value of its listed securities between now and August 18, 2006, and consider available options if its common stock does not trade at a level likely to result in SIGA regaining compliance with the minimum market value requirement.

Contractual Obligations, Commercial Commitments and Purchase Obligations

As of June 30, 2006, our purchase obligations are not material. The Company leases certain facilities and office space under operating leases. Minimum future rental commitments under operating leases having non-cancelable lease terms in excess of one year and future minimum payments under notes payable are as follows:

Year ended December 31,	Lease obligations	Loans and related interest payable	Total commitments
Remainder of 2006	\$ 127,700	\$ 53,760	\$ 181,460
2007	261,800	107,521	369,321
2008	133,200	3,533,760	3,666,960
2009	135,900	—	135,900
2010	22,700	—	22,700
Total	\$ 681,300	\$ 3,695,041	\$ 4,376,341

Off-Balance Sheet Arrangements

SIGA does not have any off-balance sheet arrangements.

Disagreements with Accounting Firm

None.

Quantitative and Qualitative Disclosures About Market Risk

None.

88

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PHARMATHENE

The following discussion should be read in conjunction with the Consolidated Financial Statements for PharmAthene beginning on page F-2 of this proxy statement. These Consolidated Financial Statements present the results of operations for PharmAthene for the years ended December 31, 2005 ("2005"), December 31, 2004 ("2004") and December 31, 2003 ("2003") as well as the financial positions at December 31, 2005 and December 31, 2004. In

addition to historical information, the following discussion may contain forward looking information that involves risks and uncertainties. All amounts presented, except share data, are rounded to the nearest thousand dollar.

Overview

PharmAthene is a biotechnology company engaged in the research and development of new human therapeutics and prophylactics for the treatment and prevention of morbidity and mortality from exposure to chemical and biological weapons. Additionally, PharmAthene collaborates with other pharmaceutical companies to support clinical development of product candidates. PharmAthene has two product candidates under development, one of which is intended to provide protection from anthrax and the other of which is intended to provide protection from chemical threats. These product candidates are in various stages of preclinical and clinical development as described below.

PharmAthene's lead product candidate, Valortim™ is a fully human monoclonal antibody designed to protect against and treat inhalation anthrax, the most lethal form of the illness in humans. PharmAthene is co-developing Valortim™ with Medarex, Inc. ("Medarex") a biopharmaceutical company specializing in developing fully human monoclonal antibody-based therapeutic products. Valortim™ is currently in a Phase I open-label, dose escalation clinical trial with final results anticipated in the fourth quarter of fiscal year 2006.

PharmAthene's second product candidate is Protexia®, a recombinant form of human butyrylcholinesterase ("BChE") for use in the treatment of organophosphate chemical nerve agent poisoning. Protexia® is in the preclinical phase with preclinical trials on animal studies ongoing. Additionally, PharmAthene has begun the procurement process for the sale of Protexia® with the United States Department of Defense ("DoD"), the department responsible for purchasing biodefense countermeasures for military use. PharmAthene's bid was submitted in November 2005 and the contract is expected to be awarded in the third quarter of fiscal year 2006.

PharmAthene has financed its operations since inception in March 2001 primarily through the issuance of equity securities, convertible notes, and proceeds from loans or other borrowings. Any, or all, of these financing vehicles or others may be utilized to fund its future capital requirements.

Nexia Asset Acquisition

In March 2005, PharmAthene acquired substantially all of the assets and liabilities of Nexia Biotechnologies Inc. ("Nexia") that related to its Prote^{xia} compound for a purchase price of \$19,100,000. PharmAthene delivered to Nexia \$11,763,000 in cash, 7,465,501 shares of Series C Convertible Redeemable Preferred Stock and 2,239,650 warrants to acquire Series C Convertible Preferred Stock and 1,343,790 warrants to purchase common stock. In order to finance the cash portion of the acquisition, PharmAthene sold Series C Convertible Redeemable Preferred Stock, issued warrants to acquire Series C Convertible Preferred Stock and issued warrants to acquire common stock. The purchased assets and liabilities are held by PharmAthene Canada, Inc. ("PharmAthene Canada"), a variable interest entity established in connection with the acquisition to allow for the investment by certain Canadian shareholders and consolidated in PharmAthene's financial statements as of the date of its inception.

Revenue

In conjunction with the issuance of the Series C Preferred Stock, PharmAthene sold 2,951,654 shares of Class C Shares of PharmAthene Canada (the "Class C Shares") to one investor for net

Table of Contents

proceeds of \$2,364,000. The Class C Shares are, pursuant to the terms of a Put and Support Agreement, exchangeable for an equal number of shares of Series C Preferred Stock. The Class C Shares bear a cumulative dividend rate of 8% per annum.

The investor in the Class C Shares also received warrants to purchase 466,498 Class B Common Shares of PharmAthene Canada at an exercise price of \$0.01 per share, subject to reduction if certain milestones are met by PharmAthene. The investor in the Class C Shares also received warrants to purchase 777,496 Class C Shares at an exercise price of \$.91 per share.

Recent Events

In March 2006, PharmAthene entered into a Note Purchase Agreement with, among others, its three largest principal investors and its Chief Executive Officer, pursuant to which it has borrowed approximately \$9.8 million, which borrowing will convert into the securities sold in the PIPE at a 10% discount to the purchase price thereof.

On June 8, 2006, PharmAthene and SIGA executed the definitive Merger Agreement. Pursuant to the terms of this agreement, PharmAthene's stockholders will receive shares of SIGA common stock and warrants to purchase SIGA common stock options to purchase PharmAthene common stock of the combined company.

In July 2006, PharmAthene and PharmAthene Canada entered into a Note Purchase Agreement with PharmAthene Canada's sole preferred shareholder pursuant to which PharmAthene Canada has borrowed \$2 million, which borrowing will convert into the securities sold in the PIPE at a 10% discount to the purchase price thereof.

In connection with the agreement, PharmAthene loaned \$3,000,000 to SIGA pursuant to a Bridge Note Purchase Agreement dated March 20, 2006.

Results of Operations

Years Ended December 31, 2005, 2004 and 2003

Revenue

During 2005, 2004 and 2003, PharmAthene had revenue of \$1,098,400, \$1,038,000 and \$7,297,000, respectively. All revenue was derived from grant funding from the U.S. government for the development of pharmaceutical products for biodefense applications, except for \$53,000 of other revenue in fiscal year 2005.

Grant revenue

Grant revenues recognized in fiscal years 2005, 2004 and 2003 was derived from U.S. government funding as follows:

- The U.S. Army Medical Research and Material Command Center awarded PharmAthene a \$16,200,000 grant to fund development of its DNI program as related to therapeutic countermeasures for anthrax over a three year period beginning in September of 2002. Development activity for this grant included manufacturing, bioanalytical measurement, studies for preclinical assessment and initial human testing of DNI. From PharmAthene's inception through November 2004, its sole source of income was the cost reimbursement related to research and development of the DNI program under this grant.
-

With the March 2005 acquisition of Nexia, PharmAthene was assigned the rights to receive the fixed price grant with the U.S. Army Medical Research and Material Command Center to fund preclinical studies for the Protexia[®] compound. This grant was awarded for approximately \$2,700,000 for the period from April 2003 through September 2006. PharmAthene received \$787,000 of this grant during 2005.

In fiscal year 2005, PharmAthene received approximately \$787,000 of grant revenue related to preclinical development work for Protexia[®] and \$258,000 related to the DNI grant program. Revenue

90

Table of Contents

related to DNI represented the agreed upon final reimbursement by the U.S. government for development activities conducted in 2004 before the program was terminated in November 2004.

Revenue for fiscal year 2004 was derived from reimbursement of preclinical development activities, including animal studies, and the initiation of human testing, related to PharmAthene's DNI program. Revenue for fiscal year 2003 resulted from reimbursement for manufacturing and product development activities, research analysis activities and preclinical activities preparing for and initiating animal model trials under the DNI program.

Other revenue

In connection with the acquisition of the assets of Nexia, PharmAthene acquired property and equipment, including farm facilities. Other income in fiscal year 2005 includes the leasing of farm facilities that PharmAthene is currently not utilizing.

Research and Development Expenses

PharmAthene's research and development expenses were \$6,351,000, \$7,844,000 and \$11,325,000 for fiscal years 2005, 2004 and 2003, respectively. These expenses were incurred in connection with the PharmAthene research and development programs related to Valortim[™], Protexia[®] and DNI, the program for which was terminated in 2004.

Our research and development expenses in each of the periods ended December 31, 2005, 2004 and 2003 are attributable to our research programs as follows:

	Year Ended December 31,		
	2005	2004	2003
Valortim	\$ 1,135,000	\$ 2,793,000	\$ —
Protexia	5,070,000	—	—
DNI	146,000	5,051,000	11,000,000
Internal—other	—	—	325,000
Total R&D expenses	\$ 6,351,000	\$ 7,844,000	\$ 11,325,000

During the year ended December 31, 2005 PharmAthene spent approximately \$5.1 million on the development of Protexia[™], its drug candidate for countermeasure against nerve-gas bio-terrorist attacks acquired in March 2005. Of this total, PharmAthene spent approximately \$2.6 million on internal human resources and \$2.5 million mainly on

pre-clinical testing and manufacturing. From inception of the Protexia™ development program to-date, we have expended a total of \$5.1 million related to the program.

During the years ended December 31, 2005 and 2004, PharmAthene spent approximately \$1.1 million and \$2.8 million, respectively, on the development of Valortim®, its drug candidate for countermeasure against Anthrax associated bio-terrorist attacks. For the year ended December 31, 2005, PharmAthene spent approximately \$0.4 million on internal human resources and \$0.7 million mainly on clinical development. For the year ended December 31, 2004, PharmAthene spent approximately \$41,000 on internal human resources and \$2.8 million mainly on pre-clinical testing. From inception of the Valortim® development program to-date, we have expended a total of \$3.9 million related to the program. PharmAthene incurred no costs related to this program during the year ended December 31, 2003.

During the years ended December 31, 2005 and 2004, PharmAthene spent approximately \$0.1 million and \$5.1 million, respectively, on the development of DNI, a drug candidate for countermeasure against Anthrax associated bio-terrorist attacks. For the year ended December 31, 2005, PharmAthene spent approximately \$0.1 million on internal human resources. For the year ended December 31, 2004, PharmAthene spent approximately \$1.1 million on internal human resources and \$4.0 million mainly on pre-clinical testing. The DNI program was terminated in late 2004 and costs incurred in 2005 were primarily related to the termination of the DNI program efforts. During the year ended December 31, 2003, PharmAthene incurred \$11.0 million in costs related to this program and, from inception of the DNI development program through its termination, PharmAthene expended a total of \$16.2 million related to the program.

91

Table of Contents

Research and development expenses during fiscal year 2005 resulted entirely from activities related to the Valortim™ and Protexia® programs as compared to research and development expenses incurred in fiscal year 2004, which included the DNI program activities. Research and development expenses declined by \$1,493,000 from 2004 to 2005 because of different program focuses and study activity with decreased drug manufacturing of \$3,317,000 and lower preclinical costs of \$1,803,000, primarily related to the termination of the DNI program at the end of fiscal year 2004. Increased clinical costs of \$515,000 from 2004 to 2005 incurred in collaboration with Medarex on the Valortim™ program and development costs related to Protexia®, acquired in the first quarter of 2005, of \$2,897,000 partially offset these decreases.

Research and development expenses during 2003 and 2004 related solely to the DNI program. The decrease of \$3,481,000 in research and development expenses from 2003 to 2004 is primarily attributable to reduced contract research organization expenses of \$9,878,000 partially offset by increased product manufacturing costs of \$3,951,000, preclinical activities of \$1,599,000 and increased employee related costs of \$786,000. The contract organization costs incurred in fiscal year 2003 related to animal model studies and analysis and preparation for drug manufacturing. During fiscal year 2004, costs incurred were related to drug manufacture in preparation for clinical trials, internal expenses related to preclinical activities, and to the preparation and initiation of a human study clinical trial. In the fourth quarter of 2004, the DNI program was terminated.

General and Administrative Expenses

General and administrative functions for PharmAthene include the areas of executive management, finance and administration, government affairs and relations, corporate development, human resources, legal, and compliance. For

each function, PharmAthene may incur direct expenses such as salaries, supplies and third-party consulting and other external costs. Indirect costs such as facilities, utilities and other administrative overhead are also included in general and administrative expenses.

Expenses associated with general and administrative functions for PharmAthene were \$5,009,000, \$3,328,000 and \$2,510,000 for fiscal years 2005, 2004 and 2003, respectively. The increase in fiscal year 2005 expenses as compared to fiscal year 2004 expenses of \$1,681,000 resulted primarily from increased employee related costs of \$1,200,000 and increased Canadian operations costs of \$764,000, mostly related to headcount, facility operations and utilities expenses of PharmAthene Canada, Inc., the operations of which were acquired in the first quarter of 2005. Consultant and contractor services decreased \$505,000, as PharmAthene began hiring personnel throughout 2005 to perform administrative functions and proposal work.

The increase of \$818,000 from fiscal year 2003 to fiscal year 2004 resulted from increased employee related costs of \$821,000 and increased consultant and contractor services of approximately \$1,000,000 for administrative functions throughout the year and proposal review and analysis work related to the Medarex collaborative agreement for the Valortim™ program which was entered into in the fourth quarter of 2004. These increases were partially offset by reduced legal fees in 2004 as compared to 2003 because of the preparation and submission of the DNI program grant during 2003 which was awarded in the third quarter of 2003.

Depreciation and Intangible Amortization

Depreciation and intangible amortization expense was \$661,000 for fiscal year 2005 and represents a \$636,000 increase from fiscal year 2004. For fiscal years 2004 and 2003, depreciation expense was \$25,000 and \$3,000, respectively. Depreciation expense for fiscal year 2005 of \$560,000 results primarily from building and leasehold improvements acquired, additionally in fiscal year 2005, \$101,000 of amortization was recorded relating to the acquired patents. The increase in fiscal year 2005 from fiscal year 2004 results primarily from the Nexia asset acquisition in March of 2005 in which we acquired \$5,021,000 in property and equipment and \$1,407,000 of intangible assets related to patents.

92

Table of Contents

Acquired In-Process Research and Development

In connection with the March 2005 acquisition of the Nexia assets and liabilities related to Protexia®, PharmAthene engaged a third-party to appraise the value of the assets and liabilities acquired. Based upon this appraisal, PharmAthene allocated \$12,812,000 of the purchase price of the Nexia asset purchase to acquired in-process research and development. This allocation represented the estimated fair value based on projected cash flows that will be generated by the incomplete research and development of Protexia®. At the date of the acquisition, the development of Protexia® had not yet reached technological feasibility and had no known alternative future uses. Accordingly, the acquired in-process research and development was charged to expense as of the date of the acquisition.

Other Income and Expenses

Other income and expenses consists primarily of income on PharmAthene's investments and interest expense on our debt and other financial obligations. PharmAthene's interest income was \$382,000, \$72,000 and \$13,000 in fiscal years 2005, 2004 and 2003, respectively. The increases in interest income in fiscal years 2005 and 2004 result from higher

average investment balances maintained, attributable to the issuance of convertible preferred stock each year, as compared to fiscal years 2004 and 2003, respectively.

PharmAthene incurred interest expense of \$1,000, \$33,000 and \$20,000 in fiscal years 2005, 2004 and 2003, respectively. Interest expense for fiscal year 2004 results from a \$1.5 million 8% convertible note payable to one of PharmAthene's investors, issued in June 2004, which was subsequently converted into Series B Convertible Redeemable Preferred Stock in October 2004. Interest expense for fiscal year 2003 resulted from notes payable due to directors and scientific advisory board members. The outstanding notes and accrued interest related to these notes were paid in full in September 2003.

Three and Six Months Ended June 30, 2006 and 2005

Revenue

PharmAthene recorded no revenue for the quarter ended June 30, 2006, as compared to \$440,200 of revenue for the quarter ended June 30, 2005. Revenue for the six months ended June 30, 2006 and 2005 was \$178,700 and \$688,300, respectively, and represented a \$509,600, or 74%, decrease from the period ended June 30, 2005 compared to the period ended June 30, 2006. These revenues consist primarily of grant revenue funding for the development of pharmaceutical products for two different bio-defense applications.

During the first quarter of fiscal year 2006, PharmAthene recognized \$178,700 in grant revenue related to a firm fixed price grant with the U.S. Army Medical Research and Material Command Center to fund preclinical studies for the Protexia[®] compound. Work under this grant was completed in March 2006, with no additional grant funding for the first half of the year. The revenue recognized in the second quarter of 2005 resulted from preclinical studies for the Protexia compound related to this grant. For the six months ended June 30, 2005, PharmAthene's recognized grant revenue includes first quarter revenue of \$248,100 related to its Dominant Negative Inhibitor ("DNI") program and represented the agreed upon final reimbursement by the U.S. government for development activity as this program was terminated in the fourth quarter of fiscal year 2004.

In connection with the acquisition of the Nexia assets, PharmAthene acquired property and equipment, including farm facilities. Other revenue of \$7,700 and \$29,200 for the periods ended June 30, 2006 and 2005, respectively, resulted from the leasing of farm facilities which are currently not being utilized.

Research and Development Expenses

PharmAthene's research and development expenses were \$1,353,200 and \$1,395,800 for the quarters ended June 30, 2006 and 2005, respectively, representing a 3% decrease. For the six months ended June 30, 2006 and 2005, research and development expenses were \$3,103,800 and \$2,945,200.

93

Table of Contents

These expenses resulted from research and development activities related to programs for Valortim[™], development activity to protect and treat inhalation anthrax, and Protexia[®], development activity to fight nerve agent poisoning.

Our research and development expenses for the three and six month periods ended June 30, 2006 and 2005, respectively, are attributable to our research programs as follows:

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Valortim	\$ 135,200	\$ 295,900	\$ 656,900	\$ 365,400
Protexia	1,218,000	1,099,900	2,446,900	2,433,800
[DNI	—	—	—	146,000]
Total R&D expenses	\$ 1,353,200	\$ 1,395,800	\$ 3,103,800	\$ 2,945,200

For the three and six months ended June 30, 2006, PharmAthene spent approximately \$1.2 million and \$2.4 million, respectively, on the development of Protexia. Of the quarterly total, PharmAthene spent approximately \$0.9 million on internal human resources and \$0.3 million mainly on preclinical activities. During the six months ended June 30, 2006, spending on internal human resources and preclinical activities was approximately \$1.6 million and \$0.8 million, respectively. During the second quarter and six month period ended June 30, 2005, PharmAthene spent approximately \$1.1 million and \$2.4 million, respectively, on development of the Protexia program. Quarterly spending on internal resources was approximately \$0.6 million with the remaining expenditures on preclinical related activities. For the six months ended June 30, 2006, approximately \$1.0 million was spent on personnel costs with \$1.4 million spent mainly on manufacturing and preclinical activities.

For the three and six months ended June 30, 2006, PharmAthene spent approximately \$0.1 million and \$0.7 million, respectively, on the development of Valortim. For the quarter, PharmAthene spent approximately \$0.1 million on clinical development activities. During the six months ended June 30, 2006, spending on the Valortim program was primarily clinical development and trial related at approximately \$0.6 million. During the second quarter and six month period ended June 30, 2005, PharmAthene spent approximately \$0.3 million and \$0.4 million, respectively, on development of the Protexia program. Clinical development activities were \$0.3 million for the quarter and six months ended June 30, 2005. In addition, PharmAthene incurred approximately \$0.1 million on personnel expenses for the six months ended June 30, 2005.

The increase of \$158,600 in research and development expenses from the six months ended June 30, 2005 to the period ended June 30, 2006 resulted primarily from increased employee related expense of \$672,000 and increased clinical development costs of \$388,000 related to the clinical trial program for the Valortim™ program which was initiated in fiscal year 2005. These increases were partially offset by decreased preclinical activities of \$733,000 in the first half of fiscal year 2006 as compared to the first half of fiscal year 2005.

PharmAthene incurs both direct and indirect expenses. Direct expenses include salaries and other costs of personnel, raw materials and supplies. PharmAthene may also incur third-party costs related to these projects, such as contract research, consulting and clinical development costs for individual projects.

General and Administrative Expenses

General and administrative functions include the areas of executive management, finance and administration, government affairs and relations, corporate development, human resources, legal, and compliance. For each function, we may incur direct expenses such as salaries, supplies and third-party consulting and other external costs. Indirect costs such as facilities, utilities and other administrative overhead are also included in general and administrative expenses.

Expenses associated with general and administrative functions were \$1,490,700 and \$1,200,800 for the quarters ended June 30, 2006 and 2005, respectively. For the six months ended June 30, 2006 and

Table of Contents

2005, general and administrative costs were \$3,010,300 and \$2,228,200, respectively. The increase of \$289,900 quarter over quarter results primarily from employee related expenses, including stock compensation expense, of \$122,000 and increased legal and consulting fees of \$144,000 for transactional, proposal and compliance related activities. The increase of \$782,100 for the six months ended June 30, 2006 as compared to the six months ended June 30, 2005 is primarily attributable to increased legal and consulting fees of \$357,000 related to transactional, proposal and compliance work and increased stock compensation expense of \$177,000 as the Company adopted SFAS No. 123 (revised 2004), Share-Based Payment, (“SFAS 123(R)”) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options based on estimated fair values.

Depreciation and Intangible Amortization

Depreciation and intangible amortization expense was \$118,800 for the period ended June 30, 2006 as compared to \$191,500 for the period ended June 30, 2005. For the six months ended June 30, 2006 and 2005, depreciation and amortization expense was \$255,200 and \$255,500, respectively. Depreciation expense results primarily from building and leasehold improvements with amortization expense related to the acquired Protexia® product patents.

Acquired In-Process Research and Development

In connection with the March 2005 acquisition of the Nexia assets and liabilities related to Protexia®, PharmAthene engaged an independent third-party to appraise the value of the assets and liabilities acquired. Based upon this appraisal, PharmAthene allocated \$12,812,000 of the purchase price of the Nexia asset purchase to acquired in-process research and development. This allocation represented the estimated fair value based on projected cash flows that will be generated by the incomplete research and development of Protexia®. At the date of the acquisition, the development of Protexia® had not yet reached technological feasibility and had no known alternative future uses. Accordingly, the acquired in-process research and development was charged to expense as of the date of the acquisition.

Other Income and Expenses

Other income and expenses consists primarily of income on PharmAthene's investments and interest expense on PharmAthene's debt and other financial obligations. PharmAthene's interest income was \$34,500 and \$101,400 for the quarters ended June 30, 2006 and 2005, respectively, and was \$106,700 and \$209,900 for the six months ended June 30, 2006 and 2005, respectively. The decrease in interest income period over period results from lower average investment balances maintained. Interest expense for the quarter and six month periods ended June 30, 2006 and 2005 was minimal as PharmAthene had no significant debt or other financial obligations until June of 2006.

Liquidity and Capital Resources

Overview

PharmAthene's primary cash requirements are to fund its research and development programs and to fund general corporate overhead. Its cash requirements could change materially as a result of changes in its business and strategy. These changes could arise from PharmAthene's management team's evaluation of its business strategy, the progress of its research and development activities and clinical programs, licensing activities, acquisitions, divestitures or other corporate developments.

PharmAthene has financed its operations since inception in March 2001 primarily through the issuance of equity securities in addition to convertible notes, and proceeds from loans or other borrowings. Any combination of, or all of, these financing vehicles or others may be utilized to fund its future capital requirements. In evaluating alternative sources of financing PharmAthene considers, among other things, the dilutive impact, if any, on its stockholders, the ability to leverage stockholder returns through debt financing, the particular terms and conditions of each alternative financing arrangement and our ability to service our obligations under such financing arrangements.

PharmAthene's Consolidated Financial Statements have been prepared on a basis which assumes that it will continue as a going concern and which contemplates the realization of assets and the

95

Table of Contents

satisfaction of liabilities and commitments in the normal course of business. PharmAthene has incurred cumulative net losses and expects to incur additional losses to perform further research and development activities. PharmAthene does not have commercial products and has limited capital resources. Its plans with regard to these matters include continued development of its products as well as seeking additional research support funds and financial arrangements. Although PharmAthene continues to pursue these plans, there is no assurance that it will be successful in obtaining sufficient financing on commercial reasonable terms or that it will be able to secure financing from anticipated government contracts and grants.

PharmAthene has developed a plan to reduce its operating expenses in the event that sufficient funds are not available, or if it is not able to obtain the anticipated government contracts and grants. If PharmAthene is unable to raise adequate capital or achieve profitability, future operations will need to be scaled back or discontinued. Continuance of our going concern is dependent upon, among other things, the success of our research and development programs and our ability to obtain adequate financing. The financial statements do not include any adjustments relating to recoverability of the carrying amount of recorded assets and liabilities that might result from the outcome of these uncertainties.

Sources and Uses of Cash

Cash and cash equivalents for PharmAthene were \$8,330,800 and \$7,938,100 at June 30, 2006 and December 31, 2005, respectively. The \$392,700, increase in cash and cash equivalents from December 31, 2005 resulted primarily from an 8% convertible notes financing in June 2006 offset by the funding of operations and the funding of interim financing to SIGA in the form of a bridge note.

Operating Activities

Net cash used in operating activities was \$5,973,300 and \$5,250,300 for the periods ended June 30, 2006 and 2005, respectively. The increase in net cash used in operations is attributable to an increase in net loss after the effect of non-cash adjustments, an increase in other assets and accounts receivable partially offset by a decrease in prepaid assets. Non cash adjustments for the six months ended June 30, 2006 included \$177,900 of non-cash compensation expense which resulted from the Company's adoption of SFAS 123(R) which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their grant date fair values for interim or annual periods.

The increase in other assets of \$772,400 results from the capitalization of professional expenses related to ongoing activities related to the SIGA Merger transaction and the related private equity offering. Accounts receivable increased \$94,800 with the recording of estimated investment tax credits the Company is eligible to receive for research and development activities related to the Protexia® program. Prepaid expenses decreased \$556,900 as a result of the use of funds for development activity related to the PharmAthene collaboration with Medarex on the Valortim™ program. Prepaid expenses fluctuate from period to period depending on the timing and level of preparation and initiation of research and development activity and clinical trials.

Investing Activities

Net cash used in investing activities was \$424,800 and \$12,318,600 for the six months ended June 30, 2006 and 2005, respectively. In March 2005, we acquired substantially all of the assets and liabilities related to Protexia® from Nexia for a net cash outlay of \$12,277,000 including cash to Nexia, transaction costs and the assumption of liabilities. Remaining investing activities for the first half of 2005 and all activity in the first half of fiscal year 2006 related to the purchase of property and equipment. We fund capital expenditures primarily through direct purchases utilizing our existing cash.

Financing Activities

Net cash provided by financing activities was \$6,735,400 and \$8,858,800 for the periods ended June 30, 2006 and 2005, respectively. As discussed above, PharmAthene's financing activities resulted primarily from the issuance of convertible redeemable preferred stock and convertible notes.

From April 2006 through July 2006, PharmAthene and PharmAthene Canada, Inc. a subsidiary of PharmAthene, collectively borrowed an aggregate of \$11.8 million in the form of 8% convertible notes

96

Table of Contents

(the 2006 Bridge Notes’). The 2006 Bridge Notes are convertible upon the occurrence of a number of circumstances, including (i) the closing of the merger with SIGA and a financing of gross proceeds exceeding \$25.0 million (the ‘SIGA Financing’), and (ii) upon any financing with gross proceeds in excess of 10.0 million, other than as described in (i) above (an ‘Other Financing’). In the case of the SIGA Financing, the 2006 Bridge Notes are convertible, at a 10% discount, into the same SIGA securities sold in such financing. In the case of an Other Financing, the 2006 Bridge Notes are convertible, at a 25% discount, into common stock of PharmAthene as well as shares of the same securities sold in such financing.

In connection with the Merger, PharmAthene entered into a Bridge Note Purchase Agreement with SIGA providing SIGA with interim financing, subject to the execution of a definitive merger agreement through a bridge loan of \$3,000,000. Upon the closing of the Merger, the Bridge Loan will be eliminated by virtue of the business combination. As of June 30, 2006, PharmAthene had fully funded this financing.

In March 2005, PharmAthene sold 14,946,479 share of Series C Convertible Redeemable Preferred Stock (‘the Series C Preferred Stock’) at a price of approximately \$0.91 per share for net proceeds of \$13,305,000. The Series C Preferred Stock bears a cumulative dividend rate of 8.0% per annum. Each share of the Series C Preferred Stock is convertible into shares of common stock at the then-applicable conversion rate at any time and at the option of the holder. The Series C Preferred Stock will automatically convert to common stock at the then-applicable conversion

rate in the event of an initial public offering of our stock resulting in aggregate proceeds to us of \$50 million and a share price of at least \$2.74. Commencing in October 2009, the holders of the Series C Preferred stock may require us to redeem the Series C Preferred Stock then outstanding for an amount equal to the original purchase price plus any unpaid dividends. Proceeds from the equity issuance were used to partially fund the Nexia asset acquisition and to fund further research and development programs related to Valortim™ and Protexia®, working capital and general corporate purposes.

The investors in the Series C Preferred Stock also received warrants to purchase 2,690,420 shares of common stock at an exercise price of \$0.01 per share, subject to reduction if certain business milestones were met by us, which expire in October 2014. Additionally, the investors in the Series C Preferred Stock also received warrants to acquire 4,483,946 shares of Series C Preferred Stock at an exercise price of approximately \$0.91, which expire in March 2008.

In conjunction with the issuance of the Series C Preferred Stock, PharmAthene sold 2,951,654 shares of Class C Shares of PharmAthene Canada, Inc. (the “Class C Shares”) in March 2005 for net proceeds of \$2,364,000. The Class C Shares are, pursuant to the terms of a Put and Support Agreement, exchangeable for an equal number of shares of Series C Preferred Stock. The Class C Shares bear a cumulative dividend rate of 8% per annum.

The investors in the Class C Shares also received warrants to purchase 466,498 Class B Common Shares of PharmAthene Canada at an exercise price of \$0.01 per share, subject to reduction if certain milestones are met by PharmAthene. The investors in the Class C Shares also received warrants to purchase 777,496 Class C Shares at an exercise price of \$.91 per share.

In October 2004, PharmAthene sold 30,448,147 shares of Series B Convertible Redeemable Preferred Stock (“the Series B Preferred Stock”) at a price of approximately \$0.91 per share for net proceeds of \$27,570,000. The Series B Preferred Stock bears a cumulative dividend rate of 8.0% per annum. The Series B Preferred Stock will automatically convert to common stock at the then-applicable conversion rate in the event of an initial public offering of PharmAthene's stock resulting in aggregate proceeds to us of \$50 million and a share price of at least \$2.74. Commencing in October 2009, the holders of the Series B Preferred stock may require PharmAthene to redeem the Series B Preferred Stock then outstanding for an amount equal to the original purchase price plus any unpaid dividends. Proceeds from the equity issuance were used for further research and development of the DNI program and its clinical trial, for the initiation of corporate activities with both Medarex and with the acquisition of the Protexia® assets, as well as working capital and general corporate purposes. The DNI program was subsequently terminated in the fourth quarter of 2004.

97

Table of Contents

The investors in the Series B Preferred Stock also received warrants to purchase 15,400,000 shares of common stock at an exercise price of \$0.01 per share, subject to reduction if certain business milestones, which expire in October 2014, were met by us. In December 2004, PharmAthene met the milestone related to 1,540,000 shares of common stock underlying the warrants to purchase common stock thereby reducing the number of outstanding warrants to 13,860,000. Following the Nexia asset purchase in March 2005, an additional milestone related to 6,160,001 shares of common stock underlying the warrants was achieved and total warrants outstanding were further reduced to 7,699,999.

In June 2004, PharmAthene entered into an agreement to borrow up to \$3.0 million in the form of 8% convertible notes (“the Bridge Notes”). The Bridge Notes were repayable upon the earlier of (i) the closing of a financing with gross proceeds exceeding \$10.0 million or (ii) the sale of our company or (iii) December 31, 2004. The Bridge Notes bore an interest rate of 8% per year and were convertible at the investors' option during a future financing or on December 31, 2004 into Series A Convertible Redeemable Preferred Stock (“the Series A Preferred Stock”). In June 2004, PharmAthene borrowed \$1.5 million under the Bridge Notes. Upon the issuance of Series B Preferred Stock in October 2004, the Bridge Notes were converted into Series B Preferred Stock at approximately \$0.91 per share. As a result of this financing and in accordance with the terms of the Series A Preferred Stock, the conversion price of the Series A Preferred Stock was adjusted with an additional 2,672,770 shares of Series A Preferred Stock issued to the investors.

In September 2003, PharmAthene sold 13,769,230 shares of Series A Preferred Stock at a price of approximately \$1.09 per share for net proceeds of \$14,894,000. The Series A Preferred Stock bears a cumulative dividend rate of 8.0% per annum. Each share of the Series A Preferred Stock is convertible into shares of common stock at the then-applicable conversion rate at any time and at the option of the holder. The Series A Preferred Stock will automatically convert to common stock at the then-applicable conversion rate in the event of an initial public offering of our stock resulting in aggregate proceeds to us of \$50 million and a share price of at least \$2.74. Commencing in October 2009, the holders of the Series A Preferred Stock may require PharmAthene to redeem the Series A Preferred Stock then outstanding for an amount equal to the original purchase price plus any unpaid dividends. Proceeds from the equity issuance were used for research and development of the DNI program, working capital and general corporate purposes.

From inception until August 2003, PharmAthene issued approximately \$492,000 in notes payable to directors and scientific advisory board members. These notes accrued interest at rates ranging from 4.74% to 8.0%. Subsequent to the issuance of the Series A Preferred Stock in September 2003, we paid off the outstanding balance and interest for approximately \$521,000.

Future Cash Needs

PharmAthene has financed its operations since inception in March 2001 primarily through the issuance of equity securities, convertible notes, and proceeds from loans or other borrowings. Any, or all, of these financing vehicles or others may be utilized to fund our future capital requirements.

PharmAthene's future capital requirements and liquidity will depend on many factors, including but not limited to: the progress of its research and development programs; the progress of pre-clinical and clinical testing; the time and cost involved in obtaining regulatory approval; the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights; the changes in its existing research relationships, competing technological and marketing developments; its ability to establish collaborative arrangements and to enter into licensing agreements and contractual arrangements with others; and any future change in its business strategy.

PharmAthene has incurred cumulative net losses and expects to incur additional losses to perform further research and development activities. It does not have commercial products and has limited capital resources. PharmAthene's plans with regard to these matters include continued development of its product candidates as well as seeking additional research support funds and financial arrangements through a combination of collaborative agreements, strategic alliances, research grants, equity and debt financing. Although PharmAthene continues to pursue these plans, there is no assurance that it

Table of Contents

will be successful in obtaining sufficient financing on commercially reasonable terms or that we will be able to secure financing from anticipated government contracts and grants. PharmAthene has developed a plan to reduce its operating expenses in the event that sufficient funds are not available, or if it is not able to obtain anticipated government contracts and grants. If PharmAthene is unable to raise adequate capital or achieve profitability, future operations will need to be scaled back or discontinued.

Off-Balance Sheet Arrangements

The only off-balance sheet arrangements we have entered into are our facility and equipment operating lease agreements. Our obligations under these agreements are presented in this section under “Contractual Obligations.”

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires PharmAthene to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. PharmAthene bases its estimates and assumptions on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from our estimates and assumptions. PharmAthene believes the following critical accounting policies, among others, affect our more significant estimates and assumptions and require the use of complex judgment in their application.

Adoption of FASB 123R regarding share-based payments

On December 13, 2004, the FASB issued SFAS 123(R), which requires that all share-based payments to employees, including grants of employee stock options, be recognized in the income statement based on their grant date fair values for interim or annual periods beginning after June 15, 2005. Costs of all Share-based payments will be recognized over the requisite service period that an employee must provide to earn the award (i.e. usually the vesting period) and charged to the operating expense associated with that employee. We adopted SFAS 123R on January 1, 2006 using the “modified prospective” method. Because we do not have history as a publicly held company, we have based such measurements as volatility on publicly held companies similar to PharmAthene.

Revenue Recognition

PharmAthene recognizes revenue when all terms and conditions of the agreements have been met including persuasive evidence of an arrangement, services have been rendered, price is fixed or determinable, and collectibility is reasonably assured. For reimbursable cost research grants, PharmAthene recognizes revenue as costs are incurred and appropriate regulatory approvals have been obtained or approval criteria are met for invoicing the related government agency. This approval criteria may be met or obtained on certain factors, such as the achievement of milestone objectives or the completion of certain tasks according to agreed upon activity terms.

PharmAthene currently is not engaged in any such reimbursable grants or contracts and all of the grant revenue PharmAthene recognized historically was received under a cost reimbursement grant from the U.S. government to fund the development of pharmaceutical products for biodefense applications. Uncertainties exist as to the approval of receipts pursuant to such cost reimbursement grants including the execution risks associated with the successful completion of related tasks and the funding risks caused by the modifications of contracts at any time by the granting agency to accommodate goals or budgetary funding changes. In addition, reimbursed costs are subject to review and adjustment by the granting agency. As PharmAthene develops experience with contracting authorities and as its incurred cost submissions are reviewed and approved by the responsible government authorities, estimates of the

assumptions related to these uncertainties will change. If the company completes these contracts and enters into procurement contracts with the government or with other customers, these revenue recognition criteria will be more easily determinable.

99

Table of Contents

Research and Development Expenses

Research and development costs are charged to expense as incurred.

Intangible Assets

When PharmAthene acquires development products, we classify the purchase price, including expenses and assumed liabilities, as tangible and intangible assets. The portion classified as intangible assets may be allocated to trademarks, patents and other intangibles using the assistance of valuation experts. PharmAthene estimates the useful lives of the assets by considering the remaining life of the patents, estimated future introductions of competing products, and other related factors.

Because of the nature of Pharmaceutical research, and particularly because of the difficulties associated with efficacy studies in humans related to the bioterrorist products with which we work and the government's related funding provisions, factors that drive the estimate of the life of the asset are often more uncertain than other non-bioterrorist pharmaceutical research. When events or circumstances warrant review, PharmAthene assesses recoverability of intangibles from future operations, using undiscounted future cash flows derived from the intangible assets.

Any impairment would be recognized in operating results to the extent the carrying value exceeds the fair value, which is determined based on the net present value of estimated future cash flows; in certain situations, where the carrying value is dependent upon the outcome of a single study and that study is unsuccessful, that impairment may be significant in amount and immediate in timing.

Consolidation of PharmAthene Canada, Inc.

The FASB has issued FASB Interpretation No. 46R, Consolidation of Variable Interest Entities, ("FIN 46R"), which expands consolidated financial statements to include variable interest entities. Variable interest entities are to be consolidated by the company which is considered to be the primary beneficiary of the entity, even if such company does not have majority control. Under FIN 46R, PharmAthene has been deemed the primary beneficiary of PharmAthene Canada, Inc., a variable interest entity. Accordingly, the financial results of PharmAthene Canada, Inc. have been consolidated with the PharmAthene 2005 financial statements as of its date of inception.

Contractual Obligations

The following are contractual commitments at December 31, 2005 associated with lease and collaborative development obligations:

Payments due by Period

Contractual Obligations(1)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 years
Capital lease obligations	\$ 1,300	\$ 1,300	\$ —	\$ —	\$ —
Operating facility leases	227,100	138,000	89,100	—	—
Medarex Inc. collaborative agreement (2)	698,600	130,000	568,600	—	—
Total contractual obligations	\$ 927,000	\$ 269,300	\$ 657,700	\$ —	\$ —

- (1) This table does not include any royalty payments of future sales of products subject to license agreements we have entered into in relation to our in-licensed technology, as the timing and likelihood of such payments are not known.
- (2) In November 2004, the Company entered into a collaboration agreement with Medarex, Inc. under which the companies plan to develop and commercialize MDX-1303, a fully monoclonal antibody, for use against human anthrax infection. In December 2004, the Company paid a \$2.0 million deposit to Medarex to be used for potential future development activities on MDX-1303. At December 31, 2005, approximately \$1.3 million of this deposit remains with current estimates forecasting depletion of this deposit by the fourth quarter of fiscal year 2006. The contractual obligations table includes the Company's estimated obligation for funding development activities under this collaboration agreement subsequent to depleting the original deposit.

Quantitative and Qualitative Disclosures About Market Risk

None.

100

Table of Contents

BUSINESS OF SIGA

SIGA is a biotechnology company incorporated in Delaware on December 9, 1996. We aim to discover, develop and commercialize novel anti-infectives, antibiotics and vaccines for serious infectious diseases, including products for use in defense against biological warfare agents such as smallpox and arenaviruses (hemorrhagic fevers). Our lead product under development, SIGA-246, is an orally administered anti-viral drug that targets the smallpox virus. In December 2005, the FDA accepted our IND application for SIGA-246 and granted the program "Fast-Track" status. Fast Track programs of the FDA are designed to facilitate the development and expedite the review of new drugs that are intended to treat serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs. Our anti-viral programs are designed to prevent or limit the replication of the viral pathogen. Our anti-infectives programs are aimed at the increasingly serious problem of drug resistance. We are also working to develop a technology for the mucosal delivery of our vaccines which may allow the vaccines to activate the immune system at the mucus lined surfaces of the body — the mouth, the nose, the lungs and the gastrointestinal and urogenital tracts — the sites of entry for most infectious agents.

Product Candidates and Market Potential

SIGA Biological Warfare Defense Product Portfolio

Anti-Smallpox Drug: Smallpox virus is classified as a Category A agent by the Center for Disease Control and Prevention (“CDC”) and is considered one of the most significant threats for use as a biowarfare agent. While deliberate introduction of any pathogenic agent would be devastating, we believe the one that has greatest potential to harm the general U.S. population is smallpox. At present there is no effective drug with which to treat or prevent smallpox infections. To address this serious risk, SIGA scientists have identified a lead drug candidate, SIGA-246, which inhibits vaccinia, cowpox, ectromelia (mousepox), monkeypox, camelpox, and variola replication in cell culture but not other unrelated viruses. There might be several uses for an effective smallpox antiviral drug: prophylactically, to protect the non-immune who are at risk to exposure; therapeutically, to prevent disease or death in those exposed to smallpox; and last, as an adjunct treatment to the immunocompromised. SIGA scientists are also working on several other smallpox drug targets, including the viral proteinases, to develop additional drug candidates for use in combination therapy if necessary. In December 2005, the FDA approved our IND application for SIGA-246. We initiated a Phase I clinical trial in the second quarter of 2006. The Phase I human trials were performed at Advance Biomedical Research, Inc.’s clinical unit in Hackensack, New Jersey. The primary objective of the initial study was to evaluate the safety and tolerability of single escalating doses of SIGA-246 in healthy volunteers. In 2005, the drug demonstrated antiviral activity in various animal models of poxvirus disease, including the complete protection of golden ground squirrels from lethal doses of monkeypox virus.

Anti-Arenavirus Drug: Arenaviruses are hemorrhagic fever viruses that have been classified as Category A agents by the CDC due to the great risk that they pose to public health and national safety. Among the Category A viruses recognized by the CDC, there are four New World hemorrhagic fever arenaviruses (Junin, Machupo, Guanarito and Sabia viruses) for which there are no FDA approved treatments available. In order to meet this threat, SIGA scientists have identified a lead drug candidate, ST-294, which has demonstrated antiviral activity in cell culture assays against arenavirus pathogens. SIGA also has earlier stage programs in development against other hemorrhagic fever viruses, including Lassa virus, Lymphocytic choriomeningitis virus (“LCMV”), and Ebola. We believe that the availability of hemorrhagic fever virus antiviral drugs could address national and global security needs by acting as a deterrent and defense against the use of arenaviruses as weapons of bioterrorism.

Bacterial Commensal Vectors: Our scientists have developed methods that allow essentially any gene sequence to be expressed in Generally Regarded As Safe (“GRAS”) gram-positive bacteria, with the foreign protein being displayed on the surface of the live recombinant organisms. Since these

101

Table of Contents

organisms are inexpensive to grow and are very stable, this technology affords the possibility of rapidly producing live recombinant vaccines against any variety of biological agents that might be encountered, such as Bacillus anthracis (“anthrax”) or smallpox. SIGA scientists are working to develop an alternative vaccine with improved safety for use in preventing human disease caused by pathogenic orthopoxviruses such as variola virus. To accomplish this goal we are utilizing our newly-developed BCV (bacterial commensal vector) technology. BCV utilizes gram-positive commensal bacteria, such as Streptococcus gordonii, (“S. Gordonii”) to express heterologous antigens of interest, either in secreted form or attached to its external surface. Phase I human clinical trials indicate that this S. Gordonii strain is safe and well-tolerated in humans. In several different animal model systems, S. Gordonii has been shown to efficiently express various antigens and elicit protective immune responses (cellular, humoral and mucosal). However, these trials are not a predictor of future success.

Surface Protein Expression (“SPEX/PLEX”) System: Our scientists have harnessed the protein expression pathways of gram-positive bacteria and turned them into protein production factories. Using our proprietary SPEX or PLEX

systems, we can produce foreign proteins at high levels in the laboratory for use in subunit vaccine formulations or other therapeutic applications. Furthermore, we can envision engineering these bacteria to colonize the mucosal surfaces of soldiers and/or civilians and secrete therapeutic molecules — e.g. anti-toxins that protect against aerosolized botulism toxin.

Antibiotics: To combat the problems associated with emerging antibiotic resistance, our scientists are developing drugs designed to address a new target — the bacterial adhesion organelles. Specifically, by using novel enzymes required for the transport and/or assembly of the proteins and structures that bacteria require for adhesion or colonization, we are developing new classes of broad spectrum antibiotics. This may prove useful in providing prompt treatment to individuals encountering an unknown bacterial pathogen in the air or food supply.

Market for Biological Defense Programs

The Department of Homeland Security (“DHS”) appropriation bill signed by President Bush on October 1, 2003 created a discretionary reserve of \$5.6 billion to fund Project BioShield for a period of 10 years (www.aamc.org/advocacy/library/laborhhs/labor0022.htm). \$3.4 billion may be obligated during the first 5 years of the bill, and was included in the United States government’s budgets for fiscal 2004 and 2005 (www.whitehouse.gov/omb/budget/fy2006/tables.html). The remainder is reserved for the last 5 years of the bill. Project BioShield was introduced to encourage pharmaceutical and biotechnology companies to develop bioterrorism countermeasures. One of the major concerns in the field of biological warfare agents is smallpox — although declared extinct in 1980 by the World Health Organization (“WHO”), there is a threat that a rogue nation or a terrorist group may have an illegal inventory of the virus that causes smallpox. It is generally believed that the only legal inventories of the virus are held under extremely tight security at the CDC in Atlanta, Georgia and at a laboratory in Russia. As a result of this threat, the U.S. government has announced its intent to allocate significant expenditures to find a way to counteract the virus if turned loose by terrorists or on a battlefield.

Although enough smallpox vaccine exists to vaccinate the entire U.S. population, a number of issues exist. There is no proven safe and effective treatment for smallpox. According to the Center for Disease Control, vaccination after exposure to the smallpox virus offers some benefit; however, after 7 days post exposure, the benefit is significantly limited. In addition, side effects can be serious in approximately 1,000 out of every million people receiving a smallpox vaccination. Up to 52 people out of every million vaccinated would be expected to experience life threatening reactions, with 1 to 2 people per million expected to die. Importantly, existing smallpox vaccines are contraindicated in immunosuppressed individuals and in individuals with immunosuppressed family members. This contraindication translates into approximately 30 percent of the U.S. population that cannot be vaccinated against smallpox without taking on significant health risks. There are two medications that may help persons who have adverse reactions to the vaccination: vaccinia immune globulin (VIG) and cidofovir. Although used extensively in the past, VIG has been shown in controlled studies to not be effective. The antiviral drug, cidofovir, licensed for treatment of CMV retinitis has demonstrated

102

Table of Contents

activity against pox viruses. It is currently available under treatment IND in the event of adverse reactions to smallpox vaccine where VIG is not efficacious.

The FDA amended its regulations, effective June 30, 2002, so that certain new drug and biological products used to reduce or prevent the toxicity of chemical, biological, radiological, or nuclear substances may be approved for use in

humans based on evidence of effectiveness derived only from appropriate animal studies and any additional supporting data. We believe that this change could make it possible for us to have our products which have been found to be effective in animal studies to be approved for sale within a relatively short time.

SIGA Antibiotics Product Portfolio

Our anti-infectives program is targeted principally at drug-resistant bacteria and hospital-acquired infections. According to estimates from the CDC, approximately two million hospital-acquired infections occur each year in the United States. Our anti-infectives approaches aim to block the ability of bacteria to attach to and colonize human tissue, thereby blocking infection at the first stage in the infection process. By comparison, antibiotics available today act by interfering with either the structure or the metabolism of a bacterial cell, affecting its ability to survive and to reproduce. No currently available antibiotics target the attachment of a bacterium to its target tissue. We believe that by preventing attachment, the bacteria should be readily cleared by the body's immune system. SIGA has Gram-positive, Gram-negative and broad spectrum antibiotic technologies.

SIGA Antivirals Product Portfolio

SIGA currently has the following antiviral programs which are in various stages of development, ranging from initial research and screening to initiation of Phase I human clinical trials: smallpox antiviral, New World Arenavirus antiviral, Old World Arenavirus antiviral, Filovirus (Ebola & Marburg) antivirals, Dengue Fever virus antiviral, and Bunyavirus antivirals. Currently there are no approved antivirals available against any of these viruses.

Market for Anti-infective Programs

There are currently approximately 83 million prescriptions written for antibiotics annually in the U.S (www.iatrogenic.org/library/antibioticlib.html) and it is estimated that the worldwide market for antibiotics was worth approximately \$23.7 billion in 2004 (www.pharmaprojectsplus.com). Although our products are too early in development to make accurate assessments of how well they might compete, if successfully developed and marketed against other products currently existing or in development at this time, the successful capture of even a relatively small global market share could lead to a large dollar volume of sales. Some of the antivirals that SIGA is developing are for biowarfare agents and the market for that area is currently unknown; however, there is funding available to purchase these drugs in Project Bioshield as well as through the DoD. Markets for the other antiviral programs at SIGA vary widely depending on the virus and where they are endemic. Each of these programs will be assessed on an individual basis as it approaches the New Drug Application stage.

Technology

Antiviral Technology—Two Approaches: SIGA has two approaches to the discovery and development of new antiviral compounds: rational drug design and high-throughput screening (“HTS”). For rational drug design, SIGA applies advanced receptor structure-based Virtual Ligand Screening technology for ligand/inhibitor discovery. The analysis of the structure reveals potentially “drugable” pockets. The technology allows us to utilize the three-dimensional structure of the target receptor to screen large virtual compound collections, as well as databases of commercially available compounds, and prioritize them for subsequent experimental validation. Rational drug design is also used to develop structure activity relationships and lead optimization.

For HTS, SIGA uses whole cell virus inhibition assays, pseudotype virus inhibition assays, as well as validated target biochemical assays. SIGA currently has an in-house compound library consisting of

Table of Contents

200,000 small molecules that is utilized for screening in these various assays. This strategy allows for both target specific and target neutral screening and identification of novel antiviral compounds. Compounds are also screened for toxicity in various cell lines to develop a therapeutic index (“TI”), which is the concentration that the compound is toxic to 50% of the cells (CC50) divided by the concentration of compound required to inhibit 50% of the virus (EC50) (TI=CC50/EC50). Once hits are identified with an acceptable TI, they are selected for chemical optimization and proceed in to the antiviral drug development pipeline.

Vaccine Technologies: Mucosal Immunity and Vaccine Delivery

Using proprietary technology licensed from Rockefeller University (Rockefeller), SIGA is developing specific commensal bacteria (“commensals”) as a means to deliver mucosal vaccines. Commensals are harmless bacteria that naturally occupy the body’s surfaces with different commensals inhabiting different surfaces, particularly the mucosal surfaces. Our vaccine candidates use genetically engineered commensals to deliver antigens for a variety of pathogens to the mucosal immune system. When administered, the genetically engineered commensals colonize the mucosal surface and replicate. By activating a local mucosal immune response, our vaccine candidates are designed to prevent infection and disease at the earliest possible stage, as opposed to most conventional vaccines which are designed to act after infection has already occurred.

By using an antigen unique to a given pathogen, the technology may potentially be applied to any infectious agent that enters the body through a mucosal surface. Our scientists have expressed and anchored a variety of viral and bacterial antigens on the outside of *S. Gordonii*, including the M6 protein from group A streptococcus, a group of organisms that causes a range of diseases, including strep throat, necrotizing fasciitis, impetigo and scarlet fever. In addition, proteins from other infectious agents, such as HIV and human papilloma virus, have also been expressed using this system. We believe this technology will enable the expression of most antigens regardless of size or shape. In animal studies, we have found that the administration of a genetically engineered *S. Gordonii* vaccine prototype induces both a local mucosal immune response and a systemic immune response.

Surface Protein Expression Systems (“SPEX” & “PLEX”)

The ability to overproduce many bacterial and human proteins has been made possible through the use of recombinant DNA technology. The introduction of DNA molecules into *Escherichia coli* (“*E. coli*”) has been the method of choice to express a variety of gene products, because of this bacterium’s rapid reproduction and well-understood genetics. Yet, despite the development of many efficient *E. coli*-based gene expression systems, the most important concern continues to be associated with subsequent purification of the product. Recombinant proteins produced in this manner do not readily cross *E. coli*’s outer membrane, and as a result, proteins must be purified from the bacterial cytoplasm or periplasmic space. Purification of proteins from these cellular compartments can be very difficult. Frequently encountered problems include low product yields, contamination with potentially toxic cellular material (i.e., endotoxin) and the formation of large amounts of partially folded polypeptide chains in non-active aggregates termed inclusion bodies.

To overcome these problems, we have taken advantage of our knowledge of Gram-positive bacterial protein expression and anchoring pathways. This pathway has evolved to handle the transport of surface proteins that vary widely in size, structure and function. Modifying the approach used to create bacterial commensal mucosal vaccines, we have developed methods which, instead of anchoring the foreign protein to the surface of the recombinant Gram-positive bacteria, result in it being secreted into the surrounding medium in a manner which is readily amenable to simple batch purification. We believe the advantages of this approach include the ease and lower cost of Gram-positive bacterial growth, the likelihood that secreted recombinant proteins will be folded properly, and the

ability to purify recombinant proteins from the culture medium without having to disrupt the bacterial cells and liberating cellular contaminants. Gram-positive bacteria may be grown simply in scales from those required for laboratory research up to commercial mass production. Recent developments in the construction of these recombinant bacteria have resulted in a plasmid-based expression system (“PLEX”), in which engineered genetic elements (plasmids) are

104

Table of Contents

cloned into commensal bacteria for protein production. This system allows for higher protein production levels than the original SPEX constructs. In addition, the PLEX and SPEX systems may be used in concert, enabling greater flexibility in protein secretion for purification or for surface expression of multiple proteins, e.g. for multi-component combination vaccines.

Collaborative Research and Licenses

We have entered into the following license agreements, collaborative research arrangements and contracts:

National Institutes of Health. In August 2006, SIGA was awarded a three year SBIR grant for approximately \$4.8 million for the on-going development of our lead drug candidate, SIGA-246, an orally administered anti-viral drug that targets the smallpox virus. In August 2004, we were awarded two Phase I and two Phase II SBIR grants totaling approximately \$11.1 million to support our work on smallpox and arenaviruses. The grants awarded in 2004 were acquired as part of our acquisition of certain assets from ViroPharma Incorporated (“Viropharma”). For the years ending December 31, 2005, 2004 and, 2003, we have recognized revenue from the SBIR grants of \$6,596,000, \$1,415,000, and \$388,000 respectively.

Prior to 2003, we received grants amounting to approximately \$1.1 million to support our antibiotic and vaccine development programs, including a Phase II SBIR grant for approximately \$865,000 that began in 2002 and was completed in May 2004.

SIGA receives cash payments from the NIH under these grants on a semi-monthly basis, as the work is performed and the related revenue is recognized. SIGA's current NIH SBIR grants do not include milestone payments. The agreements can be cancelled for non-performance and if cancelled, the Company will not receive additional funds under the agreements.

As part of our operational strategy we routinely submit grants to the NIH. However, there is no assurance that we will receive additional grants.

United States Army Medical Research and Material Command. In September 2005, we entered into a \$3.2 million, one-year contract with the United States Army Medical Research and Material Command. The agreement, for the rapid identification and treatment of anti-viral diseases, is funded through the United States Air Force (“USAF”). It is anticipated that our efforts will aid the USAF Special Operations Command in its use of computational biology to design and develop specific countermeasures against biological threat agents smallpox and adenovirus. As of June 30, 2006, SIGA received cash payments of \$3.2 million under this contract and recognized total revenue of approximately \$1.9 million. SIGA expects to complete its work under the contract and recognize the related revenue. If SIGA is unable to complete work under the contract it will be required to refund USAMRMC funds which remained classified as deferred revenue.

United States Army Medical Research Acquisition Activity. In December 2002, we entered into a four-year contract with the U.S. Army Medical Research Acquisition Activity to develop a drug to treat smallpox. The contract start date was January 1, 2003 for the total amount of \$1.6 million. Annual payments over the term of the agreement will be approximately \$400,000. In the years ended December 31, 2005, 2004 and 2003 we recognized revenue of \$427,000, \$425,000, and \$315,000 respectively. SIGA receives cash payments from USAMRAA under this contract on a monthly basis, as the work is performed and the related revenue is recognized. The agreement with USAMRAA does not include milestone payments. As of June 30, 2006, SIGA expects to complete its obligations under this agreement and receive all of the related funding.

Saint Louis University. On September 1, 2005, we entered into an agreement with Saint Louis University for the continued development of one of our smallpox drugs. The agreement is funded through the NIH. In 2005, we recognized revenues of \$775,000 from the agreement. Under the agreement, SIGA received approximately \$1.0 million during the term of September 1, 2005 to February 28, 2006 for work it performed under the agreement.

Oregon State University. Oregon State University (“OSU”) is also a party to our license agreement with Rockefeller (discussed below), whereby we have obtained the right and license to

105

Table of Contents

make, use and sell products for the therapy, prevention and diagnosis of diseases caused by streptococcus. Pursuant to a separate research support agreement with OSU, we provided funding for sponsored research through December 31, 1999, with exclusive license rights to all inventions and discoveries resulting from this research. At this time, no additional funding is contemplated under this agreement; however, we retain the exclusive licensing rights to the inventions and discoveries that may arise from this collaboration. The term of the agreement is for the duration of the patents licensed. As we do not currently know when any patents pending or future patents will expire, we cannot at this time determine the term of this agreement. The agreement can be terminated earlier if we are in breach of the provisions of the agreement and do not cure the breach within the allowed cure period. We are compliant with all of our obligations under the agreement.

In September 2000, we entered into a subcontract with OSU. The contract is for a project which is targeted at developing novel antiviral drugs capable of preventing disease and pathology for smallpox in the event this pathogen were to be used as an agent of bioterrorism. The project is being funded by a grant from the NIH. The basic virology aspects of the project will be conducted at OSU and the drug development will be performed by us under the subcontract. The budget for the subcontract work was negotiated on a year-by-year basis with OSU and depended on the progress of the program and funding available. In the year ended December 31, 2001 we recognized revenue of \$15,000. On October 5, 2001 the agreement was extended through August 31, 2002. For the period ended December 31, 2002, we recognized \$75,000 in revenue. The agreement was extended again through August 31, 2003 and is now subject to renewal on a year to year basis. Through December 31, 2003, we received a total of \$130,000 under the agreement. During the year ended December 31, 2003, work under the subcontract was completed. SIGA does not expect receipt or disbursement of funds under the agreements with OSU for the next three to five years.

Regents of the University of California. In December 2000, we entered into an exclusive license agreement and a sponsored research agreement with the Regents of the University of California (“Regents”). Under the license agreement, we obtained rights for the exclusive commercial development, use and sale of products related to certain inventions in exchange for a non-refundable license issuance fee of \$15,000 and an annual maintenance fee of \$10,000. As of December 31, 2005, we have made payments of approximately \$101,000 under the license. In the

event that we sub-license the license, we must pay Regents 15% of all royalty payments made to SIGA. We have currently met all our obligations under this agreement. SIGA does not expect receipt or disbursement of funds under the agreement with the Regents of the University of California for the next three to five years.

Rockefeller University. In accordance with an exclusive worldwide license agreement with Rockefeller, we have obtained the right and license to make, use and sell mucosal vaccines based on gram-positive organisms and products for the therapy, prevention and diagnosis of diseases caused by streptococcus, staphylococcus and other organisms. The license covers eight issued U.S. patents and three issued European patents, as well as one pending U.S. patent application and one pending European application. The issued United States patents expire in 2008, 2014 (4), 2015 (2), and 2016, respectively. The agreement generally requires us to pay royalties on sales of products developed from the licensed technologies, and fees on revenues from sub-licensees, where applicable, and we are responsible for the costs of filing and prosecuting patent applications. Under the agreement, we paid Rockefeller approximately \$850,000 to support research at Rockefeller. The agreement to fund research has ended and no payments have been made to the university since the year ended December 31, 1999. Under the agreement, we are obligated to pay Rockefeller a royalty on net sales by SIGA at rates between 2.5% and 5% depending on product and amount of sales. On sales by any sub-licensee, we will pay Rockefeller a royalty of 15% of anything we receive. The term of the agreement is for the duration of the patents licensed. As we do not currently know when any patents pending or future patents will expire, we cannot at this time determine the term of this agreement. At the end of that term of the agreement, we have the right to continue to practice the then existing technical information as a fully paid, perpetual license. The agreement can be terminated earlier if we are in breach of the provisions of the agreement and do not cure the breach within the allowed cure period. We are compliant with all our obligations under the agreement. SIGA does not expect receipt or disbursement of funds under the agreement with Rockefeller for the next three to five years.

106

Table of Contents

TransTech Pharma, Inc. In October 2002, we entered into a drug discovery collaboration agreement with TransTech Pharma, Inc., a related party (“TransTech Pharma”). Under the agreement, SIGA and TransTech Pharma collaborate on the discovery, optimization and development of lead compounds to certain therapeutic agents. The costs of development are shared. SIGA and TransTech Pharma would share revenues generated from licensing and profits from any commercial sales of products covered by the agreement. The agreement will be in effect until terminated by the parties or upon cessation of research or sales of all products developed under the agreement. If the agreement is terminated, relinquished or expires for any reason, certain rights and benefits will survive the termination. Obligations not expressly indicated to survive the agreement will terminate with the agreement. No revenues were recognized in 2005, 2004 and 2003 from this collaboration. SIGA does not expect receipt or disbursement of funds under the collaborative agreement with TransTech Pharma for the next three to five years.

Intellectual Property and Proprietary Rights

Our commercial success will depend in part on our and our collaborators’ ability to obtain and maintain patent protection for our proprietary technologies, drug targets and potential products and to effectively preserve our trade secrets. Because of the substantial length of time and expense associated with bringing potential products through the development and regulatory clearance processes to reach the marketplace, the pharmaceutical industry places considerable importance on obtaining patent and trade secret protection. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date. Accordingly, we cannot predict the type and breadth of claims allowed in these patents.

Edgar Filing: SIGA TECHNOLOGIES INC - Form PRER14A

We have licensed the rights to eight issued U.S. patents and three issued European patents. These patents have varying lives and they are related to the technology licensed from Rockefeller for the strep and Gram-positive products. We have one additional patent application in the U.S. and one application in Europe relating to this technology. We are joint owner with Washington University of seven issued patents in the U.S. and one in Europe. In addition, there are four co-owned U.S. patent applications. These patents are for the technology used for the Gram-negative product opportunities. We are also exclusive owner of one U.S. patent and three U.S. patent applications. One of these U.S. patent applications relates to our DegP product opportunities.

The following are our patent positions as of December 31, 2005:

	Number Exclusively Licensed from Rockefeller Univ.	Number Co-Exclusively Licensed with Washington Univ.	Number Exclusively Licensed from Oregon State University	Number Exclusively Licensed from UCLA	Number Owned by SIGA	Patent Expiration Dates
PATENTS U.S.	8	7	1		1	2008, 2013(2), 2014(6), 2015(2), 2016(2), 2017, 2019, 2020(2)
Australia	5	2	1			2009, 2013, 2014(2), 2015, 2016, 2019, 2020
Canada	2					2010, 2019
Europe	3	1	1			2009,2010,2013,2019, 2020
Hungary	1					2013
Japan	2					2010, 2012
Mexico	1					2016
New Zealand	1					2016
China	1					2016

107

Table of Contents

	Number Exclusively Licensed from Rockefeller Univ.	Number Co-Exclusively Licensed with Washington Univ.	Number Exclusively Licensed from Oregon State University	Number Exclusively Licensed from UCLA	Number Owned by SIGA
APPLICATIONS U.S. applications	1	4		2	3
U.S. provisionals					6

PCT					2
Australia			1	1	2
Canada	3	2	2	1	1
Europe	1	1	1	1	2
Finland	1				
Japan	3	2	1	1	2
Hungary	1				

We also rely upon trade secret protection for our confidential and proprietary information. No assurance can be given that other companies will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or that we can meaningfully protect our trade secrets.

Government Regulation

Regulation by governmental authorities in the United States and other countries will be a significant factor in the production and marketing of any biopharmaceutical products that we may develop. The nature and the extent to which such regulations may apply to us will vary depending on the nature of any such products. Virtually all of our potential biopharmaceutical products will require regulatory approval by governmental agencies prior to commercialization. In particular, human therapeutic products are subject to rigorous pre-clinical and clinical testing and other approval procedures by the FDA and similar health authorities in foreign countries. Various federal statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of such products. The process of obtaining these approvals and the subsequent compliance with appropriate federal and foreign statutes and regulations requires the expenditure of substantial resources.

In order to test clinically, produce and market products for diagnostic or therapeutic use, a company must comply with mandatory procedures and safety standards established by the FDA and comparable agencies in foreign countries. Before beginning human clinical testing of a potential new drug in the United States, a company must file an IND and receive clearance from the FDA. This application is a summary of the pre-clinical studies that were conducted to characterize the drug, including toxicity and safety studies, as well as an in-depth discussion of the human clinical studies that are being proposed.

The pre-marketing program required for approval by the FDA of a new drug typically involves a time-consuming and costly three-phase process. In Phase I, trials are conducted with a small number of healthy patients to determine the early safety profile, the pattern of drug distribution and metabolism. In Phase II, trials are conducted with small groups of patients afflicted with a target disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety. In Phase III, large scale, multi-center comparative trials are conducted with patients afflicted with a target disease in order to provide enough data for statistical proof of efficacy and safety required by the FDA and others.

The FDA amended its regulations, effective June 30, 2002, so that certain new drug and biological products used to reduce or prevent the toxicity of chemical, biological, radiological, or nuclear substances may be approved for use in humans based on evidence of effectiveness derived only from appropriate animal studies and any additional supporting data.

The FDA closely monitors the progress of each of the three phases of clinical testing and may, in its discretion, reevaluate, alter, suspend or terminate the testing based on the data that have been

Table of Contents

accumulated to that point and its assessment of the risk/benefit ratio to the patient. Estimates of the total time required for carrying out such clinical testing vary between two and ten years. Upon completion of such clinical testing, a company typically submits a New Drug Application (“NDA”) or Product License Application (“PLA”) to the FDA that summarizes the results and observations of the drug during the clinical testing. Based on its review of the NDA or PLA, the FDA will decide whether to approve the drug. This review process can be quite lengthy, and approval for the production and marketing of a new pharmaceutical product can require a number of years and substantial funding; there can be no assurance that any approvals will be granted on a timely basis, if at all.

Once the product is approved for sale, FDA regulations govern the production process and marketing activities, and a post-marketing testing and surveillance program may be required to monitor continuously a product’s usage and its effects. Product approvals may be withdrawn if compliance with regulatory standards is not maintained. Other countries in which any products developed by us may be marketed could impose a similar regulatory process.

Manufacturing

SIGA is involved in active discussions with a number of CMOs for the manufacture of SIGA-246.

Competition

The biotechnology and pharmaceutical industries are characterized by rapidly evolving technology and intense competition. Our competitors include most of the major pharmaceutical companies, which have financial, technical and marketing resources significantly greater than ours. Biotechnology and other pharmaceutical competitors include Acambis, Achillion Pharmaceuticals, Inc., Arrow Therapeutics Ltd., Avant Immuno-therapeutics, Inc., Bavarian Nordic AS, Chimerix Inc., Bioport Corporation. and Vaxgen, Inc. Academic institutions, governmental agencies and other public and private research organizations are also conducting research activities and seeking patent protection and may commercialize products on their own or through joint venture. There is a possibility that our competitors will succeed in developing products that are more effective or less costly than any which are being developed by us or which would render our technology and future products obsolete and noncompetitive.

Human Resources and Facilities

As of July 31, 2006 we had 38 full time employees. None of our employees are covered by a collective bargaining agreement and we consider our employee relations to be good.

SIGA’s headquarters are located in New York City and our research and development facilities are located in Corvallis, Oregon. In New York, we lease approximately 3,000 square feet under a lease that expires in November 2007. In Corvallis, we lease approximately 10,000 square feet under a lease that expires in December 2007.

Legal Proceedings

On or about February 28, 2006, Four Star Group, a Division of Executive Intelligence Network, LLC, filed suit in the Supreme Court of the State of New York naming as defendants SIGA Technologies, Inc., Bernard Kasten and “John Odgen [sic].” In 2004, SIGA renewed a contract with Four Star under which Four Star was to assist SIGA in identifying and obtaining contracts and grants. Plaintiff Four Star alleges that SIGA breached its contract by allegedly failing to compensate Four Star within the time set by the contract and that SIGA breached the contract, and tortiously interfered with Four Star’s contractual relationships, by allegedly soliciting and/or hiring certain affiliates of Four Star. Plaintiff asserts that it has not fully calculated its damages, but states that they are “believed to be” in excess of approximately \$700,000. Plaintiff also seeks relief preventing defendants from soliciting agents and employees of

plaintiff. SIGA believes the claims are without merit and intends to contest them vigorously.

109

Table of Contents

Availability of Reports and Other Information

We file annual, quarterly, and current reports, proxy statements, and other documents with the SEC under the Exchange Act. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at <http://www.sec.gov>.

In addition, our company website can be found on the Internet at www.siga.com. The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-KSB, Form 10-Q, Form 10-QSB and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. To view the reports, access www.siga.com/investor.html and click on "SEC Filing."

The following corporate governance related documents are also available on our website:

- Code of Ethics and Business Conduct
- Amended and Restated Audit Committee Charter
- Compensation Committee Charter
- Nominating and Corporate Governance Committee Charter
- Procedure for Sending Communications to the Board of Directors
- Procedures for Security Holder Submission of Nominating Recommendations
- 2004 Policy on Confidentiality of Information and Securities Trading

To review these documents, access www.siga.com/investor.html and click on "Corporate Governance."

Any of the above documents can also be obtained in print by any shareholder upon request to the Secretary, SIGA Technologies, Inc., 420 Lexington Avenue, Suite 408, New York, New York 10170.

110

Table of Contents

BUSINESS OF PHARMATHENE

Overview

PharmAthene is in the business of discovering and developing novel human therapeutics and prophylactics for the treatment and prevention of morbidity and mortality from exposure to biological and chemical weapons. PharmAthene has two products currently in development, Valortim™, a human monoclonal antibody for the prevention and treatment of anthrax infection, and Protexia®, a bioscavenger for the treatment of organophosphate nerve agent poisoning.

The U.S. government has identified certain indications as priorities for biodefense funding, including anthrax, nerve agent exposure, smallpox, botulinum toxin and radiation. PharmAthene is pursuing the development of products in the areas of anthrax and nerve agent exposure. Currently, the FDA has an expedited and simplified mechanism for regulatory approval of biodefense drugs. Phase I human clinical trials are required to show reasonable safety, but efficacy only needs to be demonstrated in two animal species acceptable to the FDA. In addition, the U.S. government has enacted laws and established processes to permit the sale of bioterrorism drugs to government organizations prior to obtaining regulatory approval.

PharmAthene's lead product candidate, Valortim, is a fully human monoclonal antibody designed to protect against and treat inhalation anthrax infection, the most lethal form of illness in humans caused by the *Bacillus anthracis* bacterium. PharmAthene is co-developing Valortim with Medarex, Inc., a biopharmaceutical company that specializes in developing fully human antibody-based therapeutic products and will share with Medarex any profits derived from sales of Valortim. Preclinical trials on animal models have demonstrated that Valortim is highly efficacious as both a prophylaxis and a therapeutic for inhalation anthrax infection in some animal models. PharmAthene and Medarex have completed dosing of healthy volunteers in a Phase I open-label, dose-escalation clinical trial to evaluate the safety, tolerability, immunogenicity, and pharmacokinetics of a single dose of Valortim administered intravenously or intramuscularly. No drug-related serious adverse events have been reported. Final results from the Phase I trial are anticipated in the third quarter of 2006. Valortim has been granted Fast Track Status by the FDA, which may permit PharmAthene to submit portions of a Biologics License Application ("BLA") or efficacy supplement before the complete BLA is submitted. This may expedite the review process but requires that the FDA have sufficient resources to allow early review of the portions submitted.

Protexia, PharmAthene's second product candidate, is a recombinant form of human butyrylcholinesterase ("BChE") for use in the treatment of organophosphate chemical nerve agent poisoning. Preclinical trials on animal models have demonstrated that Protexia is highly efficacious as both a prophylaxis and a therapeutic for chemical nerve agent poisoning. PharmAthene plans to continue preclinical animal studies of Protexia throughout 2006 and 2007 and file an Investigational New Drug application ("IND") with the FDA in 2008. The procurement process for the scale-up development and sale of Protexia is already underway with the DoD, the department tasked with purchasing biodefense countermeasures for military use. The DoD requested bids for a recombinant form of BChE drug for the treatment of chemical nerve agent poisoning, which PharmAthene submitted in November 2005.

Strategy

PharmAthene's goal is to become the premier company worldwide specializing in the discovery, development, and commercialization of therapeutic and prophylactic drugs for defense against bioterrorism and to eventually leverage its biodefense capabilities for non-biodefense products in broader commercial markets. PharmAthene's strategy to achieve this objective includes the following elements:

111

Table of Contents

- In-license or acquire development-stage product candidates that address other large biodefense markets. PharmAthene hopes to continue to build a portfolio of development-stage products

in the area of biodefense. PharmAthene intends to continue to identify development-stage product candidates, including therapeutics, diagnostics and vaccines, that address the bioterrorism threats given the highest priority by the U.S. government, such as smallpox and botulinum toxin.

- Maximize the value of its product candidates, Valortim and Protexia, by accessing the resources of PharmAthene's partners. PharmAthene intends to maximize the value of its product candidates by leveraging the substantial clinical, financial, regulatory, and commercial strengths of its partners. PharmAthene believes that Medarex provides manufacturing and monoclonal antibody development expertise and other resources needed to help successfully develop Valortim. In addition, PharmAthene actively co-developed Protexia with the U.S. Army under a cooperative research and development agreement. PharmAthene believes the U.S. Army is the leading institution in the area of chemical nerve agent testing and analysis, including modified, more toxic forms of organophosphate nerve agents which have not yet been, but may eventually be, used as weapons.
- Establish additional collaborations with pharmaceutical and biotechnology companies. PharmAthene will seek to enter into additional partnerships to support the development of existing and future pipeline products, or to more favorably position its products for government procurement.
- Market and apply PharmAthene's capabilities in the procurement of government contracts to sell other companies' products. PharmAthene personnel have significant experience in dealing with many aspects of government contract bidding and maintenance. PharmAthene believes that companies that are not focused on biodefense but that do have products that could be sold to the government could benefit from PharmAthene's capabilities. PharmAthene has been approached, and anticipates it will continue to be approached, by companies willing to enter into sales, marketing and distribution agreements for access to PharmAthene's government contracting expertise.
- Expand into commercial markets by leveraging PharmAthene's biodefense capabilities. To reduce its risk of dependence on government funding of biodefense products, PharmAthene intends to apply its drug development expertise and capabilities for the development of non-biodefense products for broader commercial markets. For example, PharmAthene believes that Protexia, its recombinant human BChE product, in addition to having utility as a broad-spectrum countermeasure against nerve agent chemical weapons, may have use in the treatment of cocaine and heroin addiction. PharmAthene believes that increasing endogenous levels of BChE can help reduce risks of complications due to cocaine and heroin abuse as well as help prevent and treat addiction.

Biodefense Industry

Market Overview

In recent years, the U.S. government has significantly increased spending for development of measures to counteract biowarfare agents and has established numerous programs with some budgets extending out for nearly a decade. U.S. government spending on military and civilian biodefense currently averages nearly \$7 billion annually, representing the vast majority of spending on biodefense countermeasures worldwide. The biodefense market can be divided into three segments: U.S. civilian, U.S. military, and non-U.S. markets.

• U.S. Civilian

The U.S. civilian market includes funds allocated to protecting the U.S. population from biowarfare agents. The market is largely funded by Project BioShield. The Project BioShield Act of 2004, the U.S. government's largest biodefense initiative, was signed into law for the

Table of Contents

procurement of biodefense countermeasures for the Strategic National Stockpile. Project BioShield provided for \$5.6 billion in biodefense spending for the period from July 2004 through 2013. Funding in 2004 and 2005 was \$0.9 billion and \$2.5 billion, respectively, and is intended to cover activities through 2008. The remaining \$2.2 billion is scheduled to become available in 2009.

According to the DoD, U.S. civilian biodefense spending outside of Project BioShield has been approximately \$5 billion per year since 2003. The Department of Health and Human Services and the Department of Homeland Security account for approximately 88% of civilian biodefense dollars.

- U.S. Military

The DoD is responsible for the development and procurement of countermeasures for the military segment which focuses on providing biowarfare protection for military personnel and civilians who are on active duty. The Chemical and Biological Program was funded with \$1.2 billion in 2005, while \$1.5 billion was requested for 2006, according to the DoD. Of such amounts, funds dedicated to the development and procurement of medical technologies, therapeutics, and vaccines are approximately \$300 million for 2005, while nearly \$400 million has been requested for 2006. Total funding for the Chemical and Biological Program between 2006 and 2011 is expected to be \$9.9 billion.

- Non-U.S. Markets

Non-U.S. markets address protection against biowarfare agents for both civilians and military in foreign countries. PharmAthene believes the recognition by foreign governments of a need for biodefense programs has been increasing recently. Foreign biodefense programs would help support a larger market and also further diversify PharmAthene's potential sources of funding.

Project BioShield

Project BioShield is focused on biodefense products with low technology risk that will be available for purchase in the near term. The U.S. government has identified the following indications as a priority: anthrax; smallpox; botulinum toxin; radiation; and nerve agent exposure. To identify the best products for these indications, HHS has issued a Request for Information ("RFI") followed by a Request for Proposal ("RFP") for numerous programs. The RFP details requirements including treatment types, number of doses and delivery timeframe. To qualify for Project BioShield funding, a company is required to demonstrate product efficacy in an animal model, initial product safety in Phase I clinical trials and sufficient manufacturing capabilities. To date, three awards have been made under Project BioShield, including two for anthrax vaccines and one for a radiation exposure therapeutic. The following table sets forth the amount of funds allocated and the products desired for the Strategic National Stockpile for each of the five priority pathogens identified by Project Bioshield.

Pathogens with Allocations Specified Under the Project BioShield Act of 2004		
Pathogen	Funds Allocated	Products Desired
Smallpox	\$1.9 billion	<ul style="list-style-type: none"> • Vaccine and novel therapeutic to alleviate vaccine side effects

Anthrax	\$1.8 billion	• Vaccines and therapeutics
Botulinum Toxin	\$1.4 billion	• Antidote (antibody)
Ebola	\$260 million	• Vaccine

Development Cycle

The U.S. government has acted to facilitate expeditious development of biodefense countermeasures by shortening the development and approval process relative to traditional pharmaceutical products. Development of biodefense products may be cheaper and less risky compared to traditional therapeutics and vaccines because human efficacy trials are not required.

113

Table of Contents

Immediate Biodefense Focus: Anthrax and Nerve Agent Exposure

Under Project BioShield, the government has identified certain indications as priorities for biodefense funding including anthrax, smallpox, botulinum toxin, radiation, and nerve agent exposure. PharmAthene is pursuing the development of products in the areas of anthrax and nerve agent exposure.

Anthrax

The three general modes of infection by *Bacillus anthracis*, which we refer to herein as “B. anthracis,” the bacterium which causes anthrax, are by inhalation, ingestion, and skin contact. Inhalation is the most lethal form of infection. Inhalational anthrax occurs when the anthrax bacterium becomes airborne and enters a person’s body through the lungs. Persons suffering from inhalation anthrax will experience a prodrome consisting of fever, muscle aches, fatigue, and cough, which lasts an average of four days. Following this period, there is rapid onset of severe respiratory distress, low blood oxygen and low blood pressure, which generally culminates in death. Inhalation anthrax has a 95% to 100% mortality rate if left untreated, and at least a 50% mortality rate in patients treated aggressively with antibiotics. Persons infected by B. anthracis that is ingested will suffer from gastrointestinal anthrax. Those whose skin comes into contact with the anthrax bacteria will suffer from cutaneous anthrax. Gastrointestinal anthrax often presents those exposed with serious gastrointestinal difficulty, vomiting of blood, severe diarrhea, acute inflammation of the intestinal tract, and loss of appetite. Gastrointestinal anthrax has a 25% to 65% mortality rate if left untreated. Cutaneous anthrax generally causes skin infections within a week or two after exposure. Cutaneous anthrax is the least fatal. Without treatment, approximately 20% of all skin infection cases are fatal. Treated cutaneous anthrax is rarely fatal.

B. anthracis is a spore forming bacterium that has potential use as a weapon of bioterror, especially when delivered in an aerosolized form. Following germination of the spores, the bacteria replicates and produces three toxins. The first of these toxins, Anthrax Protective Antigen initiates the onset of illness by attaching to the outside of the healthy cells of the infected person, and then facilitates the entry of the two additional destructive toxins, referred to as Lethal Factor and Edema Factor, into those cells.

The DoD estimates that up to ten countries may possess anthrax weapons and an undetermined number of individuals and terrorist groups could have access to anthrax. Anthrax is an effective bioterrorism agent because the spore-forming bacteria are very stable, can be milled to a very fine powder, and may be dispersed widely with readily available instruments and machinery. The World Health Organization estimates that 50 kilograms of B. anthracis

released upwind of a city of 500,000 people could result in up to 95,000 fatalities, with an additional 125,000 persons being incapacitated.

PharmAthene believes that currently available treatments for inhalation anthrax are limited and suboptimal. Following exposure, but prior to the onset of symptoms, antibiotics like ciprofloxacin, doxycycline, or penicillin can be used as post-exposure prophylaxis with the goal of preventing progression of the disease. In order to be fully effective when used in this way, the recommended antibiotic treatment must be continued for sixty days. PharmAthene believes that both compliance and side effects are problematic for anyone asked to take antibiotics for such an extended period of time. A product like Valortim, with a prolonged half-life, might allow for less frequent dosing to achieve adequate post-exposure prophylaxis.

Once symptoms have developed following exposure, interventions are aimed at improving mortality. Use of existing approved antibiotics for treating anthrax infection has been shown to have limited effectiveness in preventing morbidity and mortality, especially in the case of inhalational anthrax.

Chemical Weapons and Nerve Agents

Chemical weapons use the toxic properties, as opposed to the explosive properties, of chemical substances to produce physiological effects on an enemy. Classic chemical weapons, such as chlorine and phosgene, were employed during World War I and consisted primarily of commercial chemicals

114

Table of Contents

used as choking and blood agents, which caused respiratory damage and asphyxiation. Nerve agents, one of the most lethal forms of chemical weapons, were discovered by German researchers in the 1930s.

Nerve agents function by binding to acetylcholinesterase, an enzyme that normally causes the neurotransmitter acetylcholine to relax. By blocking the activity of acetylcholinesterase, nerve agents cause nerve impulses to be continually transmitted, resulting in muscle contractions that do not stop. This effect is referred to as a “cholinergic crisis” and consists of a loss of muscle control, respiratory failure, paralysis and convulsions. When nerve agent exposure does not cause death after a short period, it can lead to permanent brain damage. Nerve agents are a class of organophosphates, a term which refers to organic chemicals that contain the element phosphorous.

Nerve agents, which are all liquids at room temperature, are generally lethal far more quickly and in far lower quantities than are classic chemical weapons, and are effective both when inhaled and when absorbed through the skin. Common nerve agents include sarin, soman, tabun and VX). Such agents can be delivered through explosive devices, spray tanks or most any other liquid or gas dispersion devices and machinery.

The current standard of care for post-exposure treatment involves repeated doses of a cocktail of drugs, including atropine, oxime reactivators, and anti-convulsants. PharmAthene believes available treatment options are inadequate and there is a need for more efficacious countermeasures, especially as evidence mounts that modified, more toxic forms of organophosphates, VX and G agents may be used in future attacks.

There is currently only one FDA approved product, Pyridostigmine bromide (“BP”), which is used as a “pre-treatment adjunct” against nerve agent poisoning, and it is only usable to counteract poisoning by one nerve agent, soman. It confers no protection on its own but enhances the protection conferred by post-exposure treatment. The current

standard of care for post-exposure treatment involves repeated doses of a cocktail of drugs including atropine, oxime reactivators (“2-PAM”) and anti-convulsants. However, this standard of care acts primarily on the symptoms of nerve agents, not their underlying cause. PharmAthene believes available pre-and post-treatment options are inadequate and that there is a need for more efficacious countermeasures.

PharmAthene’s Solutions

Based on its preclinical and clinical trials to date, PharmAthene believes its two product candidates will offer tangible benefits over existing treatments for inhalation anthrax and chemical nerve agent poisoning.

PharmAthene’s Product Pipeline

Product Candidate	Type	Disease	Status		FDA Submission	Next Milestone	Partner
			Pre-clinical	Phase I			
Valortim	Monoclonal Antibody	Inhalation anthrax				Phase I results during third quarter 2006	Medarex
Protexia	Recombinant butyrylcholin esterase protein	Toxicity caused by nerve agents				DoD Award of RFP for scale up, development and procurement	None

Valortim: Anthrax Monoclonal Antibody

Valortim is a fully human antibody designed to protect against or treat inhalation anthrax, the most lethal form of illness in humans caused by B. anthracis. Valortim functions by targeting Anthrax Protective Antigen, a protein component of the lethal toxins produced by the bacterium. Anthrax Protective Antigen (“Anthrax PA”) initiates the onset of the illness by attaching to and facilitating the

115

Table of Contents

entry of the destructive toxins Lethal Factor (“LF”) and Edema Factor (“EF”) into healthy cells in the infected person. Valortim is designed to bind to Anthrax PA and protect the cells from damage by the anthrax toxins. In preclinical studies, Valortim both protected against infection, and when administered some time after exposure, facilitated recovery and survival in animals exposed to lethal inhalation doses of anthrax spores.

Anthrax spore challenge studies in animals have demonstrated protection by Valortim both when given early following challenge (post-exposure prophylaxis) as well as when given up to 48 hours after challenge (therapeutic intervention). Valortim binds to a novel site of Anthrax PA, permitting protection after toxins have already attached to the cell. We believe Valortim’s potency and unique mechanism of action differentiate it from competing products, and may provide superior activity in the toxin neutralization assay. In the initial Phase I clinical trial in health human

volunteers, PharmAthene believes Valortim was well-tolerated with no drug-related serious adverse events reported.

Development Timeline

Currently, PharmAthene and Medarex have completed dosing in a Phase I open-label, dose-escalation clinical trial to evaluate the safety, tolerability, immunogenicity, and pharmacokinetics of a single dose of Valortim administered intravenously or intramuscularly in healthy volunteers. Final results from the Phase I study are anticipated in the third quarter of 2006.

Recently, Valortim received Fast Track designation from the FDA, which generally indicates that the FDA will facilitate the development and expedite the regulatory review of the product. However, PharmAthene can provide no assurance that the review will be successful. Valortim has also been granted Orphan Drug status, a designation for drugs developed for diseases which affect less than 200,000 persons in the United States and provides for reduced fees to the FDA, market exclusivity for seven years and other FDA-related privileges.

Clinical and Preclinical Studies

Valortim is being developed for two indications: (i) as a post-exposure prophylaxis; and (ii) as a post-exposure therapy.

Clinical Phase I Studies

Valortim has been tested in a Phase I, single-dose, dose-escalation trial in healthy human volunteers. PharmAthene found that subjects tolerated Valortim without drug-related serious adverse events. Minor adverse events reported included pain at the intramuscular injection site, headache, muscle aches, and occasionally bruising at the site of the intravenous catheter inserted for drug dosing and blood draws. Pharmacokinetic data are currently being analyzed.

Recently, Valortim received Fast Track designation from the FDA, which generally indicates that the FDA will facilitate the development and expedite the regulatory review of the product. However, PharmAthene can provide no assurance that the review will be positive. Valortim has also been granted Orphan Drug status, a designation for drugs developed for diseases which affect less than 200,000 persons in the United States and which provides for reduced fees to the FDA, market exclusivity for seven years and other FDA-related privileges.

Preclinical Studies: Post-exposure Prophylaxis Indication

PharmAthene has conducted two studies in animals to evaluate the use of Valortim as a post-exposure prophylaxis, or, in other words, to protect exposed patients from developing the symptoms and from dying of inhalational anthrax. Eighty-five percent of rabbits treated intravenously with doses of Valortim survived following inhalational exposure to anthrax spores. One hundred percent of cynomolgus monkeys treated intramuscularly with doses of Valortim were protected from death following exposure to inhalational anthrax spores. Treatment of both of these animal models was initiated within one hour following exposure to the anthrax spores.

PharmAthene has also conducted a study in animals to evaluate the use of Valortim as a post-exposure therapeutic. This indication for Valortim would be intended to treat those patients who

have already developed symptoms of inhalational anthrax. In this study, 89% of the animals treated with Valortim intravenously twenty-four hours following inhalational exposure to anthrax spores survived. A second group of animals was not treated with Valortim until forty-eight hours following exposure; 42% of the animals treated at this timepoint survived. Lower doses have not yet been tested and plans are currently underway to test Valortim in an animal model for its effectiveness when given at extended timepoints following inhalational anthrax spore exposure.

Protexia: Recombinant Human Butyrylcholinesterase

Protexia is a recombinant version of human butyrylcholinesterase (“rBChE”), a naturally occurring protein found in minute quantities in blood. In its natural form, butyrylcholinesterase, or “BChE” functions as a natural bioscavenger, like a sponge, to absorb and degrade organophosphate poisons (e.g. nerve agents) before they cause neurological damage. Protexia is being developed as a pre-exposure and post-exposure therapy for military and civilian targets of a nerve agent attack.

PharmAthene is collaborating with the Institute for Chemical Defense (“ICD”), a U.S. military organization where the testing of Protexia against traditional and non-traditional agents is performed. PharmAthene has screened for neutralizing activity by rBChE against a number of these classified agents. rBChE continues to be assayed against such non-traditional agents as they become available. In addition, newer more potent forms of rBChE will be screened. These second-generation rBChE molecules are expected to have higher affinity binding characteristics and enhanced catalytic activity. Because ICD is a U.S. military organization, which treats the results of its studies as classified national security information, the results of these tests are not available to PharmAthene or to the public.

Development Timeline

We plan to continue preclinical animal studies of Protexia throughout 2006 and 2007. The procurement process for the scale-up development and sale of Protexia is already underway with the DoD, the department tasked with purchasing biodefense countermeasures for military use. The DoD requested bids for a recombinant form of BChE for the treatment of chemical nerve agent poisoning, which we submitted in November 2005.

Protexia’s capability as a medical countermeasure has been demonstrated in vivo by its ability to protect animals from multiple lethal doses of nerve agent chemical weapons. Protexia has also been demonstrated to bind a broad spectrum of agents, including sarin, soman, tabun and VX. Protexia has several likely advantages, including providing protection both pre-exposure and post-exposure, detoxification of organophosphate nerve agents with full spectrum protection and an acceptable safety profile.

Protexia Proof of Concept Studies

Protexia is being developed for two indications: (i) as a pre-exposure prophylaxis; and (ii) as a post-exposure therapy.

Pre-Exposure Prophylaxis Indication:

Pre-treatment with Protexia not only provided 100% survival against multiple lethal doses of the nerve agents VX and soman in animal models but surviving animals also displayed no nerve agent side effects. In these experiments, one group of animals was pre-treated with Protexia or a negative control. Eighteen hours later, they were exposed to multiple lethal doses of nerve agent (VX or soman). Another group of animals was exposed to approximately 75% less nerve agent and then treated immediately with the current standard therapy, a three-drug cocktail of atropine, 2-PAM and diazepam. Animals were videotaped post-exposure and evaluated for toxic signs by observers blinded to the treatment groups. In addition, a number of neurological tests (including balance and memory tests) were performed six hours after exposure.

Results: None of the control animals exposed to nerve agents alone survived while 100% of animals pretreated with Protexia survived with no visible nerve agent side effects and no loss of balance or memory relative to negative control animals. In contrast, the animals exposed to much

117

Table of Contents

lower levels of nerve agents followed by treatment with the current standard therapy did not respond as well. Survival in these animals was mixed with 100% survival in animals exposed to VX but only 50% survival in animals exposed to soman. However, all survivors had significant side effects including a pronounced loss of balance and loss of memory.

Post-Exposure Therapeutic Indication:

Based on the demonstration of protection when Protexia was administered before nerve agent exposure, a series of experiments were conducted to determine whether Protexia was effective as a therapy when administered after exposure to nerve agent.

The therapeutic efficacy of Protexia was first evaluated in a domestic pig model with rapid (intravenous) exposure to nerve agent (VX) followed by treatment with Protexia 15 minutes later. All of the control animals receiving nerve agent alone died, with an average time to death of 1.5 hours, while 50% of animals receiving Protexia survived, with a prolonged time to death (average of 5.4 hours) in the control group.

A second study was then conducted to evaluate the therapeutic efficacy of Protexia in a guinea pig animal model and to increase the time before treatment with Protexia to one hour. In this study, 90% of the animals exposed to VX on the skin and then treated with Protexia survived as compared to no survivors among the group that was not treated.

U.S. Government Regulatory Pathway for Biodefense Products

General

Regulation by governmental authorities in the United States and other countries will be a significant factor in the production and marketing of any biopharmaceutical products that PharmAthene may develop. The nature and the extent to which such regulations may apply to PharmAthene will vary depending on the nature of any such products. Virtually all of PharmAthene's potential biopharmaceutical products will require regulatory approval by governmental agencies prior to commercialization. In particular, human therapeutic products are subject to rigorous pre-clinical and clinical testing and other approval procedures by the FDA and similar health authorities in foreign countries. Various federal statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of such products. The process of obtaining these approvals and the subsequent compliance with appropriate federal and foreign statutes and regulations requires the expenditure of substantial resources.

In order to test clinically, produce and market products for diagnostic or therapeutic use, a company must comply with mandatory procedures and safety standards established by the FDA and comparable agencies in foreign countries. Before beginning human clinical testing of a potential new drug in the United States, a company must file an IND and receive clearance from the FDA. This application is a summary of the pre-clinical studies that were conducted to characterize the drug, including toxicity and safety studies, as well as an in-depth discussion of the human clinical studies that are being proposed.

The pre-marketing program required for approval by the FDA of a new drug typically involves a time-consuming and costly three-phase process. In Phase I, trials are conducted with a small number of healthy patients to determine the early safety profile, the pattern of drug distribution and metabolism. In Phase II, trials are conducted with small groups of patients afflicted with a target disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety. In Phase III, large scale, multi-center comparative trials are conducted with patients afflicted with a target disease in order to provide enough data for statistical proof of efficacy and safety required by the FDA and others.

The FDA closely monitors the progress of each of the three phases of clinical testing and may, in its discretion, reevaluate, alter, suspend or terminate the testing based on the data that have been accumulated to that point and its assessment of the risk/benefit ratio to the patient. Estimates of the

118

Table of Contents

total time required for carrying out such clinical testing vary between two and ten years. Upon completion of such clinical testing, a company typically submits a New Drug Application (“NDA”) or Product License Application (“PLA”) to the FDA that summarizes the results and observations of the drug during the clinical testing. Based on its review of the NDA or PLA, the FDA will decide whether to approve the drug. This review process can be quite lengthy, and approval for the production and marketing of a new pharmaceutical product can require a number of years and substantial funding; there can be no assurance that any approvals will be granted on a timely basis, if at all.

Once the product is approved for sale, FDA regulations govern the production process and marketing activities, and a post-marketing testing and surveillance program may be required to monitor continuously a product’s usage and its effects. Product approvals may be withdrawn if compliance with regulatory standards is not maintained. Other countries in which any products developed by PharmAthene may be marketed could impose a similar regulatory process.

Biodefense

The FDA’s Center for Drug Evaluation and Research, the Center for Devices and Radiological Health, and the Center for Biologics Evaluation and Research are responsible for ensuring that safe and effective medical products are available for diagnosing, treating, and preventing illness due to terrorist agents. The FDA works with other agencies such as the NIH, CDC, DoD and foreign governments and manufacturers to identify promising research and to encourage the development of new products. The FDA supports clinical research to find out whether products approved for one indication could be used for an indication related to counterterrorism. In some cases, the FDA conducts research on its own.

Under a new regulation known as “the animal efficacy rule,” the FDA can approve medical treatments against terrorist agents based on effectiveness data from well-controlled animal studies when human studies are unethical and not feasible. Safety must be demonstrated and the results of the animal studies must establish that the product is reasonably likely to provide clinical benefit in humans. The effects must be independently substantiated in more than one animal species (with some exceptions), including species expected to react with a response predictive for humans.

To qualify for this rule, drugs and biologicals must: (1) reduce or prevent serious or life threatening conditions caused by exposure to lethal or permanently disabling toxic chemical, biological, radiological, or nuclear substances; (2) be expected to provide meaningful therapeutic benefit over existing therapies; (3) present formability or ethical problems

which prevent the ability to conduct human efficacy trials; and (4) create a scenario where the use of animal efficacy data is scientifically appropriate.

The animal endpoint must be clearly related to desired benefit in humans. Selection of an effective dose in humans will be based on kinetics, pharmacodynamics and/or other relevant data in humans and animals. Clinical studies demonstrating the safety of the new product in humans are still required, while potential limitations to this rule apply when (1) there is no valid animal model of disease, (2) confidence may be an issue, even in valid models and (3) the mechanism of toxicity of the agent or how the product prevents toxicity is not well understood.

Approval is generally subject to three requirements: (1) postmarketing studies to verify and describe the product's clinical benefit when feasible and ethical (may not be feasible until an exigency arises); (2) postmarketing restrictions as needed to assure safe use, commensurate with product specific safety concerns (e.g., distribution restricted to certain facilities or health care providers with special training or experience, if needed); and (3) labeling restrictions.

PharmAthene believes that the FDA places high priority on Category A agents, a designation the CDC gives to the greatest threats to public health. Category A agents include the organisms that cause anthrax, plague, smallpox, tularemia and viral hemorrhagic fevers, as well as botulinum toxin.

Government Procurement

The U.S. Government awarded Medarex, PharmAthene's partner in the development of Valortim, two separate grants of up to \$7.2 million over the next three years for the further development of

119

Table of Contents

Valortim. In addition, the DoD Appropriations bill for fiscal year 2006 included \$2.05 million to support Medarex in ongoing development of Valortim, although there can be no assurances that any additional funds will be allocated to this program.

Prior to PharmAthene's acquisition of the recombinant butyrylcholinesterase program, Nexia, the predecessor of PharmAthene Canada, was awarded a \$2.6 million contract by the DoD to support the expression of rBChE in the milk of transgenic goats and to provide proof of concept data that the product can be produced in kilogram quantities. This contract has been transferred to PharmAthene Canada. PharmAthene believes the work under the contract has been successful, as over one kilogram of rBChE has been produced in goat milk.

Collaborations

PharmAthene entered into a collaboration and development agreement with Medarex in November 2004 to co-develop Valortim for the treatment of anthrax infection. Under the terms of the agreement, Medarex and PharmAthene have agreed jointly to continue to investigate the potential for Valortim to be used as a therapeutic for individuals with active disease as well as a prophylactic treatment for individuals exposed to anthrax. Medarex received an initial payment from PharmAthene of \$2,000,000 used to fund development activities already underway for Valortim. PharmAthene will be solely responsible for funding all future research and development activities that are not supported by government funds. The companies will share profits according to a predetermined allocation percentage. The percentage of profits that PharmAthene will be entitled to receive will depend in part upon the amount of funding that it provides. Additionally, PharmAthene will be responsible for marketing, selling and

distribution of the product in connection with the collaboration. The U.S. government awarded Medarex two separate grants of up to \$7.2 million over the next three years for the further development of Valortim. In addition, the DoD appropriations bill for fiscal year 2006 included \$2.05 million to support Medarex in ongoing development of Valortim.

PharmAthene has actively co-developed Protexia with the U.S. Army Medical Research Institute of Chemical Defense under a cooperative research and development agreement.

Non-Biodefense Products in Development

In addition to its utility as a broad-spectrum countermeasure against nerve agent chemical weapons, PharmAthene is evaluating the use of BChE as a potential clinical candidate for the treatment of cocaine and heroin addiction and the treatment of initial toxicity from overdose of cocaine and heroin. This is due to the ability of BChE to selectively break down a variety of chemicals in addition to binding up organophosphate nerve agents.

Intellectual Property

PharmAthene's success depends in part on its ability to obtain patents, to protect trade secrets, and to operate without infringing upon the proprietary rights of others. PharmAthene seeks to protect its proprietary position by, among other methods, filing U.S. and foreign patent applications related to the proprietary technology, inventions and improvements that are important to the development of its business. Further, all of PharmAthene's employees have executed agreements assigning to PharmAthene all rights to any inventions and processes they develop while they are employed by PharmAthene.

In addition, PharmAthene intends to use license agreements to access external products and technologies, as well as to convey its own intellectual property to others. PharmAthene will be able to protect its proprietary rights from unauthorized use by third parties only to the extent that its proprietary rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. Protection of PharmAthene's intellectual property rights is subject to a number of risks.

Manufacturing

PharmAthene has limited manufacturing capabilities and believes that acceptable alternatives are available through Contract Manufacturing Organizations ("CMOs"). These CMOs have experience in operating under the current Good Manufacturing Practices established by the FDA.

120

Table of Contents

For Protexia, PharmAthene owns and operates a transgenic goat farm for the production of BChE in Quebec, Canada. PharmAthene is currently producing this protein in the milk of transgenic goats at commercially feasible concentrations. This farm will be used for the commercial production of the crude material. The large-scale recovery and purification process is currently under development at PharmAthene's research center in Montreal and at a CMO. For commercial manufacturing, the initial production will be performed at PharmAthene's farm and the final purification of the bulk drug substance will be performed at a CMO. Final formulation and delivery are still being developed.

For Valortim, the cell culture process was developed by PharmAthene's partner, Medarex, and results in a commercially feasible and high purity product that would be manufactured commercially by a CMO. PharmAthene has determined that the capital investment and high operating costs of a manufacturing operation are not justified at this time and several acceptable CMOs are available to produce this product.

Competition

Anthrax Therapeutics and Vaccines:

Monoclonal antibodies ("MAbs") directed against anthrax PA are being developed for post-exposure prophylaxis and as symptomatic therapy for anthrax infection. There are currently a limited number of companies of which PharmAthene is aware with anti-anthrax MAbs in development. These include: Human Genome Sciences, Inc., Elusys Therapeutics, Inc., Avanir Pharmaceuticals Inc. and IQ Corporation BV. In September of 2005, Human Genome Sciences, Inc. received \$1.8 million under Project BioShield and in June 2006, it received a contract valued at \$165 million for delivery of 20,000 doses of an anthrax treatment.

Passive immunization occurs when a patient is supplied with antibodies derived from the plasma of donors. Passive immunotherapy can provide ongoing protection and treatment to patients with immune deficiencies by providing them with the spectrum of antibodies normally present in healthy adult human plasma. When an infection is already present, hyperimmune products, which contain high levels of antibodies specific to the pathogen causing that infection, can be used. Hyperimmunoglobulin products to treat anthrax are under development by Cangene Corporation and Emergent Biosolutions, Inc. These immunoglobulin products are typically obtained from donors who have been vaccinated with the existing anthrax vaccine.

There are a number of orally available small molecule drugs approved and/or under development for the treatment of anthrax. These include both broad spectrum antibiotics as well as anthrax specific products. Bayer Corporation produces Ciprofloxacin, or "Cipro," which has been approved for the post-exposure prophylaxis of inhalation anthrax. In late 2004, a number of generic versions of Cipro were also approved by the FDA. Cipro is one of several antibiotics that have been approved for the post-exposure prophylaxis of inhalation anthrax, including penicillin and doxycyclin. In addition, Merck & Co., Inc. is believed to have a small molecule program targeting the inhibition of the anthrax LF toxin in preclinical development.

In addition to anthrax therapeutics, anthrax vaccines are currently available or in development. At present, PharmAthene is aware of only one vaccine licensed for use by the FDA for anthrax which is AVA/BioThrax made by BioPort Corporation, a subsidiary of Emergent Biosolutions Inc. AVA/BioThrax is a cell-filtrate vaccine that requires administration of six doses over an eighteen-month period to confer protection. Second generation vaccines are being developed by a number of companies, including: VaxGen Inc., Avecia Biotechnology/Baxter Healthcare Corporation, Avant Immunotherapeutics Inc., BioSante Pharmaceuticals, Cerus Corporation Inc., Dynavax Technologies Inc., Dynport Vaccine Company, Vical and LigoCyte Pharmaceuticals Inc.

Organophosphorous Nerve Agent Therapeutics:

Nerve agents are considered to be among the most lethal biowarfare agents, yet there are few antidotes available. Symptoms of intoxication develop within seconds, and death can result within minutes after exposure by inhalation, absorption through the skin, or by oral consumption.

Table of Contents

The current medical regimen for organophosphate intoxication includes pretreatment with carbamates (i.e. pyridostigmine) to protect acetylcholinesterase (AChE) from irreversible inhibition, followed by anticholinergic drugs (i.e. atropine) to counteract the effects of excess acetylcholine, quaternary ammonium oximes (i.e. 2-PAM) to reactivate AChE that was inhibited by organophosphate binding, and anticonvulsant drugs (i.e. diazepam) to minimize convulsions and permanent brain damage.

However, these medical countermeasures against nerve agents are not sufficiently effective, particularly at protecting the central nervous system. PharmAthene is aware of several antidotes being developed by pharmaceutical companies, including Meridian Medical Technologies, a subsidiary of King Pharmaceuticals Inc., and DVC (formerly Dynport Vaccine Co.), a division of Computer Sciences Corp., in collaboration with Baxter Healthcare Corporation.

PharmAthene's Subsidiary: PharmAthene Canada, Inc.

PharmAthene's efforts with respect to Protexia are conducted primarily through its facility in Canada and through its Canadian subsidiary, PharmAthene Canada, Inc. ("PharmAthene Canada") through which it develops and manufactures complex recombinant proteins in the milk of transgenic goats for medical and industrial applications. PharmAthene Canada's strength is producing proteins that cannot be made commercially using other recombinant systems.

Legal Proceedings

PharmAthene is not a party to any material legal proceedings.

Facilities

PharmAthene's corporate headquarters are in the Chesapeake Innovation Center ("CIC") in Annapolis, Maryland. The CIC is an incubator facility focusing on companies and programs for homeland security co-sponsored by the State of Maryland and the National Security Agency.

Employees

As of July 31, 2006, PharmAthene had 78 full-time employees. PharmAthene believes its relations with its employees are good.

122

Table of Contents

MARKET PRICE AND DIVIDEND INFORMATION

SIGA

SIGA common stock is traded on the NASDAQ Capital Market and traded under the symbol "SIGA." The table below sets forth for the periods indicated the high and low sale prices per share of SIGA common stock. No assurance can be given as to future prices of, or markets for, shares of SIGA common stock.

2004		
First quarter	\$ 2.34	\$ 1.85
Second quarter	\$ 1.93	\$ 1.29
Third quarter	\$ 1.63	\$ 1.23
Fourth quarter	\$ 1.75	\$ 1.35

2005		
First quarter	\$ 1.69	\$ 1.28
Second quarter	\$ 1.44	\$ 0.99
Third quarter	\$ 1.10	\$ 0.70
Fourth quarter	\$ 1.35	\$ 0.87

2006		
First quarter	\$ 1.56	\$ 0.90
Second quarter	\$ 1.65	\$ 1.10

On [], 2006, the last reported sales price of SIGA common stock was \$[] per share. On [], 2006, there were approximately [] record holders of SIGA common stock. We believe that the number of beneficial owners of SIGA common stock is substantially greater than the number of record holders, because a large portion of SIGA common stock is held in broker "street names."

You are advised to obtain current market quotations for SIGA common stock. No assurance can be given as to the market prices of SIGA common stock before or after the Merger. The exchange ratios in the Merger will not be adjusted to compensate SIGA's stockholders for decreases in the market price of SIGA common stock, whether they occur before or after the Merger.

To date, SIGA has not paid cash dividends on its common stock and does not intend to pay any cash dividends in the foreseeable future.

PharmAthene

Historical market price information regarding the PharmAthene stock is not provided because there is no public market for PharmAthene stock. On July 31, 2006, there were approximately 18 record holders of PharmAthene common stock, 1 record holder of PharmAthene Series A Preferred Stock, 13 record holders of PharmAthene Series B Preferred Stock, and 15 record holders of PharmAthene Series C Preferred Stock.

To date, PharmAthene has not paid cash dividends on its stock and does not intend to pay any cash dividends in the foreseeable future.

123

Table of Contents

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

SIGA

Security Ownership of Certain Beneficial Owners and Management
and Related Stockholder Matters

The following tables set forth certain information regarding the beneficial ownership of SIGA's voting securities as of August 8, 2006 of (i) each person known to SIGA to beneficially own more than 5% of the applicable class of voting securities, (ii) each director of SIGA, (iii) each Named Officer, and (iv) all directors and officers of SIGA as a group. As of August 8, 2006, a total of 27,500,648 shares of common stock and a total of 68,038 shares of Series A preferred stock were outstanding. Each share of common stock and Series A preferred stock is entitled to one vote on matters on which common stockholders are eligible to vote. The column entitled "Percentage of Total Voting Stock Outstanding" shows the percentage of total voting stock beneficially owned by each listed party. The column entitled "Percentage of Total Stock Outstanding after Merger and \$25 Million PIPE" shows, on a pro forma basis, the percentage of total voting stock that would be beneficially owned by each listed party following the consummation of both of these transactions.

The number of shares beneficially owned is determined under rules promulgated by the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under those rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days of August 8, 2006, through the exercise or conversion of any stock option, convertible security, warrant or other right. Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power (or shares that power with that person's spouse) with respect to all shares of capital stock listed as owned by that person or entity.

Ownership of Common Stock

Name and Address of Beneficial Owner ⁽¹⁾	Amount of Beneficial Ownership ⁽²⁾	Percentage of Common Stock Outstanding	Percentage of Total Voting Stock Outstanding	Percentage of Total Voting Stock Outstanding after Merger and \$25 Million PIPE
Beneficial Holders				
McAndrews & Forbes ⁽³⁾ 35 East 62 nd Street New York, New York 10021	5,620,771 ⁽⁴⁾	19.5%	19.5%	4.1%
TransTech Pharma, Inc. 4170 Mendenhall Oaks Parkway High Point, NC 27265	5,296,634 ⁽⁵⁾	18.4%	18.3%	3.8%
Eliot Rose Asset Management, LLC 10 Weybosset Street Suite 401 Providence, RI 02903	1,665,000	6.25%	6.28%	1.2%
Tapestry Investment Partners, LP 10 Weybosset Street Suite 401	1,325,000	5.0%	5.0%	1.0%

Providence, RI 02903

124

Table of Contents

Name and Address of Beneficial Owner ⁽¹⁾	Amount of Beneficial Ownership ⁽²⁾	Percentage of Common Stock Outstanding	Percentage of Total Voting Stock Outstanding	Percentage of Total Voting Stock Outstanding after Merger and \$25 Million PIPE
Officers and Directors				
Donald G. Drapkin ⁽⁶⁾ 35 East 62 nd Street New York, New York 10021	1,808,326 ⁽⁷⁾	6.3%	6.3%	1.3%
James J. Antal 30952 Steeplechase Drive San Juan, Capistrano, CA 94704	46,154 ⁽⁸⁾	*	*	0.0%
Judy S. Slotkin ⁽²¹⁾ 888 Park Avenue New York, New York 10021	35,000 ⁽⁹⁾	*	*	0.0%
Thomas E. Constance 1177 Avenue of the Americas New York, New York 10036	263,467 ⁽¹⁰⁾	*	*	0.2%
Bernard L. Kasten, Jr., M.D. ⁽¹¹⁾ Adnan M. Mjalli, Ph.D 4170 Mendenhall Oaks Parkway Suite 110 High Point, NC 27265	1,462,360 ⁽¹²⁾	5.2%	5.2%	1.1%
Mehmet C. Oz, M.D. 177 Fort Washington Avenue New York, New York 10032	35,000 ⁽¹³⁾	*	—	0.0%
Eric A. Rose, M.D. ⁽¹⁵⁾ 122 East 78 th Street New York, NY 10021	135,000 ⁽¹⁴⁾	*	*	0.1%
Paul G. Savas 35 East 62 nd Street New York, New York 10021	800,090 ⁽¹⁶⁾	2.9%	2.9%	0.6%
Michael A. Weiner, M.D. 161 Fort Washington Avenue New York, New York 10032	61,664 ⁽¹⁷⁾	*	*	0.0%
Thomas N. Konatich Dennis E. Hruby, Ph.D	121,500 ⁽¹⁴⁾	*	*	0.1%
	545,000 ⁽¹⁸⁾	2.0%	2.0%	0.4%
	550,000 ⁽¹⁸⁾	2.0%	2.0%	0.4%
All Executive Officers and Directors as a group (twelve persons)	5,864,561 ⁽²⁰⁾	18.3%	18.3%	4.1%

* Less than 1%

- (1) Unless otherwise indicated the address of each beneficial owner identified is 420 Lexington Avenue, Suite 408, New York, NY 10170.
- (2) Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated. For purposes of this table, a person or group of persons is deemed to have “beneficial ownership” of any shares as of a given date which such person has the right to acquire within 60 days after such date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date is deemed to be outstanding for

125

Table of Contents

the purpose of computing the percentage ownership of such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

- (3) MacAndrews & Forbes Inc. is a direct wholly-owned subsidiary of MacAndrews & Forbes Holdings Inc., a holding company whose sole stockholder is Ronald O. Perelman.
- (4) Includes 1,764,206 shares of common stock issuable upon exercise of warrants.
- (5) Includes 1,824,412 shares of common stock issuable upon exercise of warrants.
- (6) Mr. Drapkin is a director and Vice Chairman of MacAndrews & Forbes Holdings Inc. and MacAndrews & Forbes Inc. and a director of TransTech Pharma.
- (7) Includes 1,135,000 shares of common stock issuable upon exercise of options, shares of common stock underlying a warrant to purchase up to 347,826 shares of common stock and shares of common stock underlying a warrant to purchase up to 30,500 shares of common stock (the “Drapkin September 2001 Investor Warrant”). However, the Drapkin September 2001 Investor Warrant provides that, with certain limited exceptions, such warrant is not exercisable if, as a result of such exercise, the number of shares of common stock beneficially owned by Mr. Drapkin and his affiliates (other than shares of common stock which may be deemed beneficially owned through the ownership of the unexercised portion of the Drapkin September 2001 Investor Warrant) would exceed 9.99% of the outstanding shares of common stock. Does not include shares of common stock that Mr. Drapkin, as a director and Vice Chairman of Mafco Holdings Inc. and MacAndrews & Forbes or as director of TransTech Pharma, may be deemed to beneficially own and as to which Mr. Drapkin disclaims beneficial ownership.
- (8) Includes 35,000 shares of common stock issuable upon exercise of options.
- (9) Includes 35,000 shares of common stock issuable upon exercise of options.
- (10) Includes 12,200 shares issuable upon exercise of warrants and 235,000 shares of common stock issuable upon exercise of options.
- (11) Dr. Kasten became our Chief Executive Officer in the third quarter of 2004 and resigned as Chief Executive Officer effective as of April 30, 2006.
- (12) Includes 1,350 shares of common stock issuable upon exercise of warrants and 1,100,000 shares of common stock issuable upon exercise of options.
- (13) Includes 35,000 shares of common stock issuable upon exercise of options. Does not include shares of common stock that Dr. Mjalli, as a director of TransTech Pharma, may be deemed to beneficially own and as to which Dr. Mjalli disclaims beneficial ownership.
- (14) Includes 12,500 shares issuable upon exercise of warrants and 110,000 shares issuable upon exercise of options.
- (15) Dr. Rose is a director of TransTech Pharma.
- (16)

Includes 88,610 shares of common stock issuable upon exercise of warrants and 610,000 shares of common stock issuable upon exercise of options. Does not include shares of common stock that Dr. Rose, as a director of TransTech Pharma, may be deemed to beneficially own and as to which Dr. Rose disclaims beneficial ownership.

(17)Includes 9,303 shares of common stock issuable upon exercise of warrants and 35,000 shares issuable upon exercise of options.

(18)Neither of Messrs. Konatich and Hruby own shares of common stock. All shares listed as beneficially owned by each of Messrs. Konatich and Hruby are shares issuable upon exercise of stock options.

(19)Does not include 35,605 shares of common stock owned by Ms. Slotkin's spouse to which she disclaims beneficial ownership.

(20)See footnotes (6)-(19).

Ownership of Series A Preferred Stock

Name and Address of Beneficial Owner ⁽¹⁾	Amount of Beneficial Ownership	Percentage of Series A Preferred Shares Outstanding ⁽²⁾
Frank J. and Mary Ann Loccisano	68,038	100%

(1)Unless otherwise indicated the address of each beneficial owner identified is 420 Lexington Avenue, Suite 408, New York, NY 10170.

(2)Percentage of beneficial ownership of Series A Preferred Stock is calculated based on the assumption that there were 68,038 shares of Series A Preferred Stock outstanding on March 31, 2005.

PharmAthene

Significant Shareholders

As of May 31, 2006, the only persons, firms or corporations who beneficially own, directly or indirectly, or exercise control or direction over voting securities of PharmAthene carrying more than 5% of the voting rights attached to voting securities of PharmAthene are set out in the table below.

126

Table of Contents

Name	Number and Class of PharmAthene Shares	Percentage of Voting Rights Attached to Voting Securities of PharmAthene
HealthCare Ventures VII, L.P. ⁽¹⁾	16,442,000 Series A Shares 6,089,630 Series B Shares	39.1%
MPM Capital ^{(1) (2)}	15,796,500 Series B Shares	27.4%
Bear Stearns Health Innoventures ⁽¹⁾⁽³⁾	6,089,628 Series B Shares	10.6%

(1)Does not include Bridge Notes convertible into either the securities to be offered in the PIPE or, if the Merger is not completed, Series B Shares.

(2)

Edgar Filing: SIGA TECHNOLOGIES INC - Form PRER14A

For the purposes of this table, MPM Capital means MPM Bioventures III, L.P., MPM Bioventures III-QP, L.P., MPM Bioventures III Parallel Fund, L.P., MPM Bioventures III GMBH & Co. Beteiligungs KG and MPM Asset Management Investors 2004 BVIII LLC.

(3) For the purposes of this table, Bear Stearns Health Innoventures means Bear Stearns Health Innoventures, L.P., Bear Stearns Health Innoventures Offshore, L.P., BSHI Members, L.L.C., Bear Stearns Health Innoventures Employee Fund, L.P. and BX, L.P.

MANAGEMENT OF SIGA

Officers

The following table sets forth certain information with respect to the executive officers of SIGA:

Name	Age	Position
Bernard L. Kasten Jr. M.D. ⁽¹⁾	60	Director, Chief Executive Officer
Thomas N. Konatich ⁽²⁾	60	Acting Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer
Dennis E. Hruby, Ph.D	54	Chief Scientific Officer
John R. Odden ⁽³⁾	52	Vice President — Business Development

(1) Dr. Kasten became Chief Executive Officer in the third quarter of 2004. Dr. Kasten resigned as Chief Executive Officer of SIGA effective as of April 30, 2006.

(2) Mr. Konatich was appointed to serve in an additional capacity as Acting Chief Executive Officer effective as of May 1, 2006.

(3) Mr. Odden became Vice President — Business Development in the third quarter of 2004. He resigned as Vice President Business Development in September, 2005.

Bernard L. Kasten, Jr., M.D. has been a director of SIGA since May 23, 2003 and was Chief Executive Officer from the third quarter of 2004 through April 30, 2006. Prior to becoming Chief Executive Officer of SIGA and since February 2002, Dr. Kasten has been Vice President, Medical Affairs of medPlus Inc., a healthcare information technology company and a wholly-owned subsidiary of Quest Diagnostics, Inc., a diagnostic testing, information and services company. Since 1975, Dr. Kasten has been a Diplomat of the American Board of Pathology with a sub-specialty certification 1976 in Medical Microbiology. Dr. Kasten's staff appointments have included service in the Division of Laboratory Services at The Cleveland Clinic; Associate of Pathology and Laboratory Services at the Bethesda Hospital Systems in Cincinnati, Ohio and Chief Laboratory Officer at Quest Diagnostics Incorporated. Dr. Kasten was a founder of Plexus Vaccine Inc., a vaccine company of which SIGA acquired substantially all of the assets in May 2003. Dr. Kasten is an author of "Infectious Disease Handbookth Edition, 2003, Lexi-Comp Inc.

Thomas N. Konatich has served as Vice President, Chief Financial Officer and Treasurer since April 1, 1998. He was named Secretary of SIGA on June 29, 2001 and from October 5, 2001 until July 2, 2004 was our Acting Chief Executive Officer. Mr. Konatich resumed the position of Acting Chief Executive Officer on May 1, 2006. From November 1996 through March 1998, Mr. Konatich served as Chief Financial Officer and a director of Innapharma, Inc., a privately held pharmaceutical development company. From 1993 through November 1996, Mr. Konatich served as Vice President and Chief Financial Officer of Seragen, Inc., a publicly traded biopharmaceutical development company. Mr. Konatich has an MBA from the Columbia Graduate School of Business.

Dennis E. Hruby, Ph.D. has served as Vice President — Chief Scientific Officer since June 2000. From April 1, 1997 through June 2000, Dr. Hruby was our Vice President of Research. From

Table of Contents

January 1996 through March 1997, Dr. Hruby served as a senior scientific advisor to SIGA. Dr. Hruby is a Professor of Microbiology at Oregon State University, and from 1990 to 1993 was Director of the Molecular and Cellular Biology Program and Associate Director of the Center for Gene Research and Biotechnology. Dr. Hruby specializes in virology and cell biology research, and the use of viral and bacterial vectors to produce recombinant vaccines. He is a member of the American Society of Virology, the American Society for Microbiology and a fellow of the American Academy of Microbiology. Dr. Hruby received a Ph.D. in microbiology from the University of Colorado Medical Center and a B.S. in microbiology from Oregon State University.

John R. Odden had served as Vice President — Business Development of SIGA from the third quarter of 2004 until September, 2005. From October 2002 until he became Vice President — Business Development of SIGA in the third quarter of 2004, he was Vice President, Business Development for Quest Diagnostics, Inc. and its MedPlus, Inc. division, the nation's leading provider of diagnostics testing, information and services, where he was responsible for launching a national biosurveillance solution for homeland security and managing relationships with major healthcare information technology companies. From 1996 through October 2002, he held a series of progressive leadership roles at First Consulting Group, a leading provider of consulting and systems integration services for life sciences, healthcare and government health services businesses. Mr. Odden has a B.S. in mathematics from the California Institute of Technology.

MANAGEMENT OF PHARMATHENE

Management

The following table sets forth the name, position with PharmAthene and principal occupation of PharmAthene's executive officers, key employees, directors, and members of PharmAthene's scientific advisory board.

Name	Position	Principal Occupation
David P. Wright	President, Chief Executive Officer and Director	President, Chief Executive Officer and Director
Ronald W. Kaiser	Chief Financial Officer, Treasurer and Vice President	Chief Financial Officer
Solomon Langermann, Ph.D.	Vice President, Chief Scientific Officer	Vice President, Chief Scientific Officer
Wayne Morges, Ph.D.	Vice President, Regulatory Affairs and Quality	Vice President, Regulatory Affairs and Quality
Richard Schoenfeld	Vice President of Operations	Vice President of Operations
Valerie Riddle, MD	Vice President, Medical Director	Vice President, Medical Director
Eric I. Richman	Vice President, Business Development and Strategic Planning	Vice President, Business Development and Strategic Planning
Francesca Cook	Vice President, Policy and Government Affairs	Vice President, Policy and Government Affairs
Joel McCleary	Chairman of the Board	Chairman of the Board Private Investor
James Cavanaugh, Ph.D.	Director	

President of HealthCare Ventures
LLC

128

Table of Contents

Name	Position	Principal Occupation
Elizabeth Czerepak	Director	Member, Bear Stearns Health Innoventures Management LLC
Ansbert Gadicke, MD	Director	General Partner of MPM Capital
John Gill	Director	President, Chief Executive Officer and Director of Gentara Corporation
John Mekalanos, Ph.D.	Director	Professor and Chairman of the Department of Microbiology and Molecular Genetics, Harvard Medical School
Steven St. Peter, MD	Director	General Partner of MPM Capital
Mrs. William McCormick Blair	Advisor to the Scientific Advisory Board	Vice President and Director Emeritus of The Albert and Marcy Lasker Foundation
Stephen Calderwood, MD	Member Scientific Advisory Board	Chief, Division of Infectious Diseases, and Professor of Medicine (Microbiology and Molecular Genetics) at Harvard Medical School
John Collier, Ph.D.	Member Scientific Advisory Board	Professor of Microbiology and Molecular Genetics at Harvard Medical School
R. Gordon Douglas, MD	Member Scientific Advisory Board	Consultant to the Vaccine Research Center at the National Institute of Health
Stephen Lory, Ph.D.	Member Scientific Advisory Board	Professor of Microbiology and Molecular Genetics at Harvard Medical School
Jerald C. Sadoff, MD	Member Scientific Advisory Board	President and Chief Executive Officer of the Aeras Global TB Vaccine Foundation
John A.T. Young, Ph.D	Member Scientific Advisory Board	Professor, The Salk Institute for Biological Studies in LaJolla, CA

129

Table of Contents

MANAGEMENT OF COMBINED COMPANY
FOLLOWING MERGER

Following the Merger, it is anticipated that the directors and executive officers of the combined company will be the individuals indicated below.

Name	Age	Position
Joel McCleary	58	Chairman of the Board
David P. Wright	58	Chief Executive Officer, Director
James H. Cavanaugh, Ph.D.	69	Director
Elizabeth Czerepak	50	Director
Mathew Drapkin	34	Director
Steven St. Peter, M.D.	39	Director
Paul Savas	43	Director
Ronald Kaiser	52	Chief Financial Officer
Eric Richman	45	Vice President
Valerie Riddle	46	Vice President
Solomon Langermann	46	Vice President
Richard Schonfeld	57	Vice President
Dennis Hruby	54	Vice President
Wayne Morges, Ph.D.	60	Vice President

Joel McCleary has served as Chairman of the Board of PharmAthene since its inception. He has previously served as a White House Aide, Treasurer of the Democratic Party, and President of the Sawyer — Miller Group International and President of the Institute for Asian Democracy. He has served as a consultant to the Department of State. He is a co-founder and board member of Raydiance Inc. and is also a co-founder of Drinks that Work Inc. He serves on the Harvard Medical School's board of advisors and is an advisor to the Center for Biosecurity of the University of Pittsburgh Medical Center. Mr. McCleary is founding partner of Four Seasons Ventures LLC. Mr. McCleary will serve as Chairman of the Board of the combined company.

David P. Wright joined PharmAthene as President and Chief Executive Officer in July 2003. Prior to joining PharmAthene, and during 2003, he served as President and Chief Operating Officer of GenVec Inc, and previously, from 2001 to 2003, President and Chief Business Officer of Guilford Pharmaceuticals. Mr. Wright served as Executive Vice President for MedImmune, Inc. from 1990 to 2000 where he was responsible for building MedImmune's commercial operation and growing product sales from \$0 to over \$400 million per year. Prior to serving at MedImmune, he has held various marketing and sales positions at pharmaceutical companies including Smith-Kline & French, G.D. Searle, and Glaxo.

James H. Cavanaugh has been the President of HealthCare Ventures LLC since 1989. Prior thereto, Dr. Cavanaugh served as President of SmithKline and French Laboratories U.S., Inc., from March 1985 to February 1989 and as President of SmithKline Clinical Laboratories from 1981 to 1985. Prior thereto, Dr. Cavanaugh was the President of Allergan International, a specialty eye care company. Dr. Cavanaugh also serves as a member of the Board of Directors of MedImmune, Inc., Shire Pharmaceuticals Group PLC, Diversa Corp., Advancis Pharmaceutical Corporation and Vicuron, Inc. Prior to his industry experience, Dr. Cavanaugh was Deputy Assistant to the President for Domestic Affairs and Deputy Chief of the White House Staff. Before his White House tour, he served as Deputy Assistant Secretary for Health and Scientific Affairs in the U.S. Department of Health, Education and Welfare and as Special Assistant to the Surgeon General of the U.S. Public Health Service. In addition to serving on the boards of directors of several health care and biotechnology companies, Dr. Cavanaugh currently serves on the Board of Directors of the National Venture Capital Association and as Trustee Emeritus of the California College of Medicine.

He has served on the Board of Directors of the Pharmaceutical Research and Manufacturers Association, Unihealth America, the Proprietary Association and on the Board of Trustees of the National Center for Genome Resources. He was a Founding Director of the Marine National Bank in Santa Ana,

130

Table of Contents

California. Dr. Cavanaugh holds a doctorate and a master's degree from the University of Iowa and a bachelor of science degree from Fairleigh Dickinson University.

Elizabeth Czerepak was a founder of Bear Stearns Health Innoventures and has been a member of Bear Stearns Health Innoventures Management L.L.C., the general partner of the funds comprising the Bear Stearns Health Innoventures group since its inception in April 2001. She is an employee of Bear Stearns Asset Management Inc., the managing member of Bear Stearns Health Innoventures Management LLC. Prior to joining Bear Stearns Health Innoventures, Ms. Czerepak was vice president of business development and a member of the executive board at BASF Pharma/Knoll Pharmaceutical Co. from 1987 to 1995, Ms. Czerepak served in various senior positions at Hoffmann-La Roche, responsible for licensing, acquisitions, financial analysis and strategic planning. Ms. Czerepak also established an internal venture vehicle for Hoffmann-La Roche to facilitate start-up companies. Ms. Czerepak currently serves on the board of directors of Affymax, Inc., Agensys, Inc. and is a board observer of Corus Pharmaceutical, Inc.

Matthew Drapkin is a Senior Vice President — Corporate Development at MacAndrews & Forbes Holdings, Inc. where he sources, executes, and monitors investments. Prior to joining MacAndrews & Forbes in 2003, he spent three years working at Conde Net where he was responsible for internet investments and business development.

Steven St. Peter, M.D. has served as a member of PharmAthene's Board of Directors since October 2004. He joined MPM Capital L.P. as a principal in 2004 and became a general partner in 2005. Prior to joining MPM, from 2001 to 2003, he was a principal at Apax Partners and from 1999 to 2001, he was a senior associate at The Carlyle Group. His investment scope has included both venture and buyout transactions across the medical technology and biopharmaceutical industries. Dr. St. Peter is board certified in internal medicine and was previously an assistant clinical professor of Medicine at Columbia University. He completed his Doctor of Medicine at Washington University. Prior to his medical training, he was an investment banker at Merrill Lynch. He is also a director of Omrix Biopharmaceuticals (Nasdaq: OMRI), Helicos BioSciences Corporation, and Xanodyne Pharmaceuticals Inc.

Paul G. Savas has served as a director of SIGA since January 2004. Mr. Savas has been an Executive Vice President of Finance at MacAndrews & Forbes Holdings, Inc. and its affiliates since May 2006. Prior to that he served in various positions at MacAndrews & Forbes and its affiliates, including as Senior Vice President of Finance from October 2002 until May 2006, Vice President from 1998 until 2002, and Director of Corporate Finance from 1994 until 1998.

Following the Merger, as the respective businesses of PharmAthene and SIGA are merged, the officers of the combined company may be subject to change.

131

Table of Contents

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation Table

The following table sets forth the total compensation paid or accrued for the years ended December 31, 2005, 2004 and 2003, for each person who acted as SIGA's Chief Executive Officer at any time during the year ended December 31, 2005, and its most highly compensated executive officers, other than its Chief Executive Officer, whose salary and bonus for the fiscal year ended December 31, 2005 were in excess of \$100,000.

Annual Compensation

Name and Principal Position	Year	Salary (\$)	Other Annual Compensation (\$)	Bonus (\$)	Long-Term Compensation Securities Underlying Options (#)
Bernard L. Kasten, M.D. Chief Executive Officer ⁽¹⁾	2005	250,000	—	—	—
	2004	113,636	—	—	2,500,000
	2003	—	—	—	—
Thomas N. Konatich Chief Financial Officer ⁽²⁾	2005	230,000	—	35,000	—
	2004	218,485	—	50,000	150,000
	2003	210,000	—	—	—
Dennis E. Hruby, Ph.D. Chief Scientific Officer	2005	225,000	—	112,500	—
	2004	213,363	—	63,000	150,000
	2003	210,000	—	—	—
John R. Odden Vice President Business Development ⁽³⁾	2005	175,070	—	—	—
	2004	82,257	—	—	200,000
	2003	—	—	—	—

(1)Dr. Kasten became Chief Executive Officer in the third quarter of 2004. Dr. Kasten resigned as Chief Executive Officer of SIGA effective as of April 30, 2006.

(2)Mr. Konatich was appointed to serve in an additional capacity as Acting Chief Executive Officer effective as of May 1, 2006.

(3)Mr. Odden became Vice President – Business Development in the third quarter of 2004. His annual salary was \$230,000. He resigned as Vice President – Business Development in September 2005.

Option Grants for the Year Ended December 31, 2005

No options were granted during the year ended December 31, 2005 to anyone who served as Chief Executive Officer and its three most highly paid executive officers.

Table of Contents

Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table provides certain summary information concerning stock options held as of December 31, 2005 by SIGA's Chief Executive Officer and its two most highly compensated executive officers, other than its Chief Executive Officer. No options were exercised during fiscal 2005 by any of the officers.

	Number of Securities Underlying Unexercised Options #		Value of Unexercised In-The-Money Options At Fiscal Year-End (\$) (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Bernard L. Kasten M.D.	933,332	1,666,668	—	—
Thomas N. Konatich	545,000	—	—	—
Dennis E. Hruby, Ph.D.	550,000	75,000	—	—

(1)Based upon the closing price on December 31, 2005, as reported on the NASDAQ Capital Market and the exercise price per option.

Long-Term Incentive Plans — Awards in Last Fiscal Year

During the fiscal year ending December 31, 2005, the named officers of SIGA received no long-term incentive compensation under the SIGA Option Plan.

Directors' Compensation

Directors who are not currently receiving compensation as officers or employees of the Company or any of its affiliates receive \$1,000 per meeting for board meetings and will be reimbursed for expenses incurred by them in connection with serving on our Board of Directors. The chairman of the Audit Committee will receive \$1,000 per meeting for meetings of the Audit Committee and all other members of the Audit Committee will receive \$500 per meeting for meetings of the Audit Committee. Members of Compensation Committee and Nominating and Corporate Governance Committee will receive \$500 per meeting for meetings of the Compensation Committee and Nominating and Corporate Governance Committee.

Non-employee directors will receive an initial grant of 25,000 options, upon such non-employee director's first election to the Board of Directors, which such options will be granted under the SIGA Option Plan. In addition, non-employee directors will receive an annual grant of 10,000 options under the SIGA Option Plan, made at each Annual Meeting and commencing with the 2005 Annual Meeting. All such options have an exercise price equal to the fair market value of the underlying SIGA shares on the date of grant.

Employment Contracts

Dr. Bernard L. Kasten, SIGA's Chief Executive Officer, was employed by SIGA under an employment agreement dated July 2, 2004. Dr. Kasten received an annual base salary of \$250,000 and his employment agreement also provided for additional bonus payments at the discretion of the Board of Directors. On July 2, 2004, he received options to purchase 2,500,000 shares of common stock with an exercise price of \$1.30 per share, of which 500,000 shares vested on the date of grant; with respect to the next 1,000,000 shares, an additional 166,666 shares vested on the end of each six (6) month period after date of grant until the end of the sixth six (6) month period at which time 166,667 shares were to vest. In anticipation of the closing of the proposed merger with Pharmathene, Inc., SIGA and Dr. Kasten reached an agreement for Dr. Kasten's resignation effective April 30, 2006. In connection with such agreed upon resignation, SIGA and Dr. Kasten entered into a Separation Agreement dated March 31, 2006 (the "Separation Agreement"). Under the provisions of the Separation Agreement, Dr. Kasten will receive his salary on the existing terms and conditions as set forth in his Employment Agreement with SIGA, dated July 2, 2004 (the "Employment Agreement") in lieu of any other

133

Table of Contents

severance or payment, through September 16, 2006 (the "Separation Period"). Concurrently with the execution of the Separation Agreement, SIGA and Dr. Kasten are also amending Dr. Kasten's Incentive Stock Option Agreement such that Dr. Kasten's "Milestone Options" (as such term is defined in the Employment Agreement) are cancelled and Dr. Kasten's "Time Vested Options" (as such term is defined in the Employment Agreement) are amended such that with respect to the Time Vested Options which have not vested as of the date of the Separation Agreement, such options will vest as follows: with respect to 166,666 shares as of July 2, 2006 and with respect to the remaining 83,334 shares, as of January 2, 2007. Time Vested Options granted to Dr. Kasten which have vested prior to the date of the Separation Agreement shall remain unchanged. Dr. Kasten will also be permitted to continue to receive medical and/or dental insurance benefits under the relevant SIGA plans until (i) the end of the Remaining Tenure, (ii) he becomes entitled to Medicare or (iii) he becomes eligible for coverage under medical and/or dental insurance benefit plans, as the case may be, of another employer through his future employment, whichever occurs first. The Separation Agreement also contains mutual non-disparagement and release terms, requires that Dr. Kasten remain available to SIGA on a reasonable basis for transitional purposes during the Separation Period and requires SIGA to indemnify Dr. Kasten under the terms of its certificate of incorporation and bylaws for acts relating to his employment.

Thomas N. Konatich, SIGA's Acting Chief Executive Officer, Vice President, Chief Financial Officer, Secretary and Treasurer, is employed by SIGA under an employment agreement dated April 1, 1998, as amended on January 19, 2000, as amended and restated on October 6, 2000, as amended as of January 31, 2002, as amended on November 5, 2002, as amended on July 29, 2004 and as amended on February 1, 2006. This employment agreement expires on June 30, 2007. Mr. Konatich has previously also served as SIGA's Acting Chief Executive Officer, which duties concluded on July 2, 2004. Mr. Konatich receives an annual base salary of \$230,000 and received a one-time payment of \$50,000 for his initial service as Acting Chief Executive Officer. His employment agreement also provides for an additional bonus payment at the discretion of the Board of Directors and not to exceed 25% of his annual base salary amount. He received options to purchase 95,000 shares of common stock, at \$4.44 on April 1, 1998. The options vested on a pro rata basis on the first, second, third and fourth anniversaries of the agreement. On January 19, 2000, he received an additional grant to purchase 100,000 shares at an exercise price of \$2.00 per share. These options vest on a pro rata basis each quarter through January 19, 2002. On January 31, 2002, Mr. Konatich was granted an "Incentive Stock Option" to purchase 50,000 shares at an exercise price of \$3.94 per share. Such options vest in eight equal quarterly installments beginning on April 20, 2002. On November 5, 2002, Mr. Konatich was granted an Incentive Stock Option to purchase 150,000 shares at an exercise price of \$2.50 per share. 75,000 of these options vested immediately and 75,000 options vested on September 1, 2003. On July 29, 2004, Mr. Konatich was granted an

Incentive Stock Option to purchase 150,000 shares at an exercise price of \$1.40 per share. 75,000 of these options vested immediately and with the remaining 75,000 options vesting on a pro rata basis from January 1, 2005 through December 31, 2005 with no provision for acceleration under any circumstances. Mr. Konatich is also eligible to receive additional stock options and bonuses at the discretion of the Board of Directors. SIGA may terminate the employment agreement with or without cause (as such term is defined in the employment agreement), provided that upon any termination without cause, SIGA will be obligated to continue to pay Mr. Konatich's salary and all other amounts due under the employment agreement for the remainder of the term. If Mr. Konatich is terminated due to a change of control (as such term is defined in the employment agreement), SIGA is required to pay Mr. Konatich a change in control amount (as such term is defined in the employment agreement) plus his accrued and unpaid base salary, and, upon the first event constituting a change of control, all stock options and other stock-based grants to Mr. Konatich shall immediately and irrevocably vest and become exercisable upon the date of such event.

Dr. Dennis E. Hruby, Chief Scientific Officer, is employed by SIGA under an employment agreement dated January, 1, 1998, as amended on June 16, 2000, as amended on January 31, 2002, as amended on October 3, 2002 and as amended on July 29, 2004. This employment agreement expires on December 31, 2007. Dr. Hruby receives a base salary of \$225,000 per year and his employment

134

Table of Contents

agreement also provides for additional bonus payments at the discretion of the Board of Directors and not to exceed 50% of his base salary amount. Dr. Hruby received options to purchase 10,000 shares of common stock at an exercise price of \$5.00 per share on April 1, 1997 and 40,000 shares of common stock at an exercise price of \$4.63 per share on April 1, 1998. The options became exercisable on a pro rata basis on the first, second, third and fourth anniversaries of the agreement. Under the June 16, 2000 amendment, Dr. Hruby was granted options to purchase 125,000 shares of SIGA's common stock at \$2.00 per share. The options vest ratably over the remaining term of the amendment. The January 31, 2002 amendment changed the terms of the lock-up agreed to in the June 16, 2000 amendment to the employment agreement limiting Hruby's ability to sell SIGA stock. On January 31, 2002, Dr. Hruby was granted an "Incentive Stock Option" to purchase 50,000 shares at an exercise price of \$3.94 per share. Such options vest in four equal annual installments beginning on August 15, 2002. As part of the October 3, 2002 amendment, Dr. Hruby was granted an option to purchase 300,000 shares of common stock. Options with respect to 75,000 shares vested upon the signing of the amendment and an additional 75,000 shares shall vest on a pro rata basis on September 1 of each 2003, 2004 and 2005. The options have an exercise price of \$2.50 per share. Dr. Hruby surrendered his option to purchase up to 50,000 shares of common stock of SIGA at an exercise price of \$3.94 that he was granted under an earlier amendment. On July 29, 2004, Dr. Hruby was granted an Incentive Stock Option to purchase 150,000 shares at an exercise price of \$1.40 per share, which options shall vest in 75,000 share increments on December 31 of each year, commencing December 31, 2005. Dr. Hruby is eligible to receive additional stock options and bonuses at the discretion of the Board of Directors. SIGA may terminate the employment agreement with or without cause (as such term is defined in the employment agreement), provided that upon any termination without cause SIGA will be obligated to continue to pay Dr. Hruby's salary for the remainder of the term. In addition, SIGA shall have the right to terminate Dr. Hruby's employment upon one (1) year written notice with such termination being treated as a termination for cause. If Dr. Hruby is terminated due to a change of control (as such term is defined in the employment agreement), SIGA shall pay Dr. Hruby a change in control amount (as such term is defined in the employment agreement) plus his accrued and unpaid base salary, and, upon the first event constituting a change of control, all stock options and other stock-based grants to Dr. Hruby shall immediately and irrevocably vest and become exercisable upon the date of such event.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

During the year ended December 31, 2005, the Compensation Committee was comprised of Donald G. Drapkin, Paul G. Savas and Mehmet C. Oz. The Compensation Committee's duties include determination of the Company's compensation and benefit policies and practices for executive officers and key managerial employees. In accordance with rules established by the SEC, the Company is required to provide certain data and information in regard to the compensation provided to the Company's Chief Executive Officer and the four other most highly compensated executive officers.

Compensation Policies

The overall objectives of the Company's compensation program are to attract and retain the best possible executive talent, to motivate these executives to achieve the goals inherent in the Company's business strategy, to maximize the link between executive and stockholder interests through a stock option plan and to recognize individual contributions as well as overall business results. To achieve these objectives, the Company has developed an overall compensation strategy and specific compensation plans that tie a substantial portion of an executive's compensation to performance.

The key elements of the Company's compensation program consist of fixed compensation in the form of base salary, and the discretion to award variable compensation in the forms of annual incentive compensation and stock option awards. The Compensation Committee's policies with respect to each of these elements are discussed below. In addition, while the elements of compensation described below are considered separately, the Compensation Committee takes into account the full compensation package afforded by the Company to the individual, including pension benefits, insurance and other benefits, as well as the programs described below.

135

Table of Contents

Base Salaries

Base salaries for executive officers are determined based upon the Compensation Committee's evaluation of the responsibilities of the position held and the experience of the individual, and by reference to historical levels of salary paid by the Company.

Salary adjustments are based on a periodic evaluation of the performance of the Company and each executive officer, as well as financial results of the business. The Compensation Committee takes into account the effect of any corporate transactions that have been consummated during the relevant year and, where appropriate, also considers non-financial performance measures. These include the Company's market share, scientific developments and improvements in relations with employees.

Annual Incentive Compensation Awards

Annual incentive compensation is payable pursuant to contractual provisions with certain executives which provide eligibility to receive performance based bonuses and/or discretionary bonuses. The annual incentive compensation earned by the executives with respect to 2004 was discretionary and determined by the Compensation Committee.

Other Incentive Compensation Awards

The principal component of executive compensation is the granting of stock options, which are intended as a tool to attract, provide incentive to and retain those executives who make the greatest contribution to the business, and who can have the greatest effect on the Company's long-term profitability. The exercise price of stock options is set at a price equal to the market price of the Common Stock at the time of the grant. The options therefore do not have any value to the executive unless the market price of the Common Stock rises.

Chief Executive Officer Compensation

Dr. Kasten began service as Chief Executive Officer on July 2, 2004 and resigned his position effective April 30, 2006. The compensation of Dr. Kasten had been governed by the terms of his Employment Agreement dated as of July 2, 2004, which terms were modified as of his resignation, all as described below under the heading "Employment Contracts."

Tax Deductibility Of Executive Compensation

The Compensation Committee attempts to ensure full deductibility of compensation notwithstanding the limitation on the deductibility of certain compensation in excess of one million dollars under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Company's stock options are designed so as to cause stock options and bonuses granted thereunder to be exempt from the limitations contained in Section 162(m) of the Code.

Respectfully submitted by the Compensation
Committee,
Donald G. Drapkin
Paul G. Savas
Mehmet C. Oz

136

Table of Contents

COMMON STOCK PERFORMANCE

The following line graph compares the cumulative total stockholder return through December 31, 2005, assuming reinvestment of dividends, by an investor who invested \$100 on December 31, 2000 in each of (i) the Common Stock, (ii) the NASDAQ National Market-US, and (iii) the NASDAQ Pharmaceutical Index.

Value of Initial Investment	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
SIGA Technologies, Inc.	\$100.00	\$91.77	\$45.25	\$72.47	\$52.53	\$30.06
NASDAQ Composite Index	\$100.00	\$83.80	\$45.81	\$66.77	\$70.86	\$72.87
NASDAQ Biotech Composite Index	\$100.00	\$78.95	\$54.06	\$81.09	\$88.06	\$89.27

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Thomas E. Constance, a director of SIGA, is Chairman of Kramer Levin Naftalis & Frankel LLP, a law firm in New York City, which SIGA has retained to provide legal services.

Adnan M. Mjalli, a director of SIGA, is also President and Chief Executive Officer of TransTech Pharma.

DESCRIPTION OF SIGA'S CAPITAL STOCK

SIGA is authorized to issue 50,000,000 shares of common stock, par value \$.0001 per share, and 10,000,000 shares of preferred stock, par value \$.0001 per share. As of the date of this proxy statement there are 27,500,648 shares of common stock outstanding and 68,038 shares of preferred stock outstanding.

The following summary description of the SIGA's common stock and preferred stock is qualified in its entirety by reference to the Articles of Incorporation and Bylaws of SIGA which have been filed with the SEC.

Common Stock

Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available therefor, subject to any

137

Table of Contents

preferential dividend rights of any outstanding preferred stock. Upon the liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to receive ratably the net assets of the Company available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock.

Preferred Stock

The Board of Directors has the authority, without further action of the stockholders of the Company, to issue up to an aggregate of 10,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each such series thereof, including the dividend rights, dividend rates, conversion rights, voting rights, terms of redemption (including sinking fund provisions), redemption price or prices, liquidation preferences and the number of shares constituting any series or the designation of such series. The Board of Directors, without stockholder approval, can issue preferred stock with voting and conversion rights that could adversely affect the voting power of holders of common stock. Currently, the Board of Directors has issued one series of Preferred Stock, Series A Preferred Stock.

Holders of Series A Preferred Stock are entitled to (i) cumulative dividends at the annual rate of 6% payable when and if declared by the Board of Directors; (ii) in the event of liquidation of SIGA, receive \$1.4375 per share (subject to certain adjustments) plus all accrued but unpaid dividends; (iii) convert each share of Series A Preferred Stock to a number of fully paid and non-assessable shares of Common Stock as calculated by dividing \$1.4375 by the conversion price of \$1.4375 per share (subject to certain adjustments); and (iv) vote with the holders of other classes of shares on an as converted basis.

Warrants

There are currently warrants to purchase an aggregate of 9,655,396 shares of SIGA common stock outstanding held by approximately 106 persons. The exercise prices of such warrants range from \$1.10 per share to \$3.60 per share. These warrants expire from December 31, 2007 until November 2, 2012. Certain of these warrants contain anti-dilution protection entitling the holders thereof to adjustments to either the exercise price or the number of shares issuable thereunder upon the occurrence of specified dilutive issuances.

Upon the consummation of the PIPE, anti-dilution rights held by certain holders of certain warrants to purchase shares of SIGA common stock will vest thus giving rise to an adjustment to the total number shares of SIGA common stock issuable upon the exercise of such warrants. Upon the closing of the Merger, the holders of PharmAthene securities shall receive, in the aggregate, warrants to purchase a number of shares of SIGA common stock equal to 2.1 multiplied by the increase in the number of shares of SIGA common stock issuable upon the exercise of such warrants, resulting from the application of such anti-dilution rights. The warrants to be received by holders of PharmAthene securities shall be subject to the same terms and conditions, including without limitation, exercise price, as the corresponding warrants giving rise to their issuance.

138

Table of Contents

MISCELLANEOUS MATTERS

Stockholder Proposals

SIGA plans to hold its 2006 Annual Meeting of Stockholders on or around _____, 2006. Stockholder proposals that were intended to be presented at the 2006 Annual Meeting of Stockholders, for inclusion in SIGA's proxy statement and form of proxy relating to that meeting, were to have been received by SIGA at its offices in New York, New York, addressed to the Secretary, not later than January 2, 2006. Such proposals must comply with SIGA's By-Laws and the requirements of Regulation 14A of the Exchange Act.

In addition, Rule 14a-4 of the Exchange Act governs SIGA's use of its discretionary proxy voting authority with respect to a stockholder proposal that is not addressed in the proxy statement. With respect to SIGA's 2006 Annual Meeting of Stockholders, if SIGA was not provided notice of a stockholder proposal prior to March 17, 2006, SIGA will be allowed to use its discretionary voting authority when the proposal is raised at the meeting, without any discussion of the matter in the proxy statement.

Information on SIGA's Website

Information on the SIGA Internet website is not part of this document and you should not rely on that information in deciding whether to approve the proposals, unless that information is also in this document.

Information on PharmAthene's Website

Information on PharmAthene's Internet website or the website of any subsidiary of PharmAthene is not part of this document and you should not rely on that information in deciding how to vote on the proposals described in this proxy statement, unless that information is also in this document.

139

Table of Contents

Annex A

MERGER AGREEMENT

Annex B

VOTING AGREEMENT

Annex C

FAIRNESS OPINION

Annex D

FORM OF PROPOSED AMENDMENTS TO SIGA'S CERTIFICATE OF INCORPORATION

Annex E

FORM OF AMENDMENT TO SIGA STOCK OPTION PLAN

Annex F

REGISTRATION RIGHTS AGREEMENT

Annex G

LOCK-UP AGREEMENT

Table of Contents

HISTORICAL FINANCIAL STATEMENTS OF PHARMATHENE AND SIGA

F-1

Table of Contents

PHARMATHENE, INC.

Consolidated Financial Statements

Years ended December 31, 2005, 2004 and 2003
with Report of Independent Auditors

F-2

Table of Contents

PharmAthene, Inc.
Consolidated Financial Statements
Years ended December 31, 2005, 2004 and 2003

Contents

	Page
Report of Independent Auditors	F-4
Consolidated Financial Statements	
Consolidated Balance Sheets	F-5
Consolidated Statements of Operations	F-6
Consolidated Statements of Convertible Redeemable Preferred Stock and Stockholders' Deficit	F-7
Consolidated Statements of Cash Flows	F-8
Notes to Consolidated Financial Statements	F-9

F-3

Table of Contents

Report of Independent Auditors

Board of Directors
PharmAthene, Inc.

We have audited the accompanying consolidated balance sheets of PharmAthene, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, convertible redeemable preferred stock and stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 PharmAthene, Inc. at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 4 to the financial statements, the Company's recurring losses from operations and net capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans as to these matters are also described in Note 4. The 2005 financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 2, the accompanying consolidated financial statements as of December 31, 2005 and 2004 have been restated.

/s/ ERNST & YOUNG LLP

McLean, VA
April 19, 2006

F-4

Table of Contents

PharmAthene, Inc.

Consolidated Balance Sheets
(as restated, see Note 2)

	Assets	December 31	
		2005	2004
Current Assets			
Cash and cash equivalents		\$ 7,938,116	\$ 21,662,117
Accounts receivable		494,652	—
Prepaid expenses		1,549,711	2,287,023
Other current assets		8,657	3,150
Total current assets		9,991,136	23,952,023
Property and equipment, net		4,906,467	64,593
Patents, net		1,382,631	—
Total assets		\$ 16,280,234	\$ 24,016,883
Liabilities, convertible redeemable preferred stock, and stockholders' deficit			

Current liabilities:		
Accounts payable	\$ 783,070	\$ 601,286
Accrued expenses and other liabilities	658,257	1,038,403
Total current liabilities	\$ 1,441,327	\$ 1,639,689
Commitments and contingencies	—	—
Minority interest — Series C convertible redeemable preferred stock of PharmAthene Canada, Inc., \$0.001 par value; unlimited shares authorized; 2,591,654 issued and outstanding; liquidation preference in the aggregate of \$2,517,758	2,281,360	—
Series A convertible redeemable preferred stock, \$0.001 par value; 16,442,000 shares authorized, issued and outstanding; liquidation preference in the aggregate of \$17,921,922	18,301,506	16,952,608
Series B convertible redeemable preferred stock, \$0.001 par value; 65,768,001 shares authorized; 30,448,147 issued and outstanding; liquidation preference in the aggregate of \$30,564,879	28,886,718	26,171,829
Series C convertible redeemable preferred stock, \$0.001 par value; 22,799,574 shares authorized; 14,946,479 issued and outstanding; liquidation preference in the aggregate of \$14,520,308	12,891,164	—
Warrants to purchase Series C convertible redeemable preferred stock, exercisable at approximately \$0.91 per share	1,323,051	—
Stockholders' deficit:		
Common stock, \$0.001 par value; 147,089,104 shares authorized; 10,942,906 at December 31, 2005 and 10,740,000 at December 31, 2004 shares issued and outstanding	10,943	10,740
Additional paid-in capital	—	—
Accumulated other comprehensive income	115,160	—
Accumulated deficit	(48,970,995)	(20,757,983)
Total stockholders' deficit	(48,844,892)	(20,747,243)
Total liabilities, convertible redeemable preferred stock, and stockholders' deficit	\$ 16,280,234	\$ 24,016,883

See accompanying notes.

F-5

Table of Contents

PharmAthene, Inc.

Consolidated Statements of Operations
(as restated, See Note 2)

	Year ended December 31		
	2005	2004	2003
Grant revenue	\$ 1,045,751	\$ 1,037,979	\$ 7,297,332
Other revenue	52,649	—	—

Edgar Filing: SIGA TECHNOLOGIES INC - Form PRER14A

	1,098,400	1,037,979	7,297,332
Operating expenses:			
Research and development	6,351,157	7,843,863	11,324,559
General and administrative	5,009,267	3,327,571	2,510,112
Acquired in-process research and development	12,812,000	—	—
Depreciation and amortization	660,567	25,198	3,074
Total operating expenses	24,832,991	11,196,632	13,837,745
Loss from operations	(23,734,591)	(10,158,653)	(6,540,413)
Other income (expense):			
Interest income	381,840	72,374	12,718
Interest expense	(988)	(32,666)	(20,349)
Total other income (expense)	380,852	39,708	(7,631)
Net loss	(23,353,739)	(10,118,945)	(6,548,044)
Accretion of redeemable convertible preferred stock to redemptive value	(5,698,630)	(2,322,699)	(371,085)
Net loss attributable to common shareholders	\$ (29,052,369)	\$ (12,441,644)	\$ (6,919,129)
Basic and diluted net loss per share	\$ (2.69)	(1.16)	(2.03)
Weighted average shares used in calculation of basic and diluted net loss per share	10,817,949	10,740,000	3,401,212

See accompanying notes.

F-6

Table of Contents

PharmAthene, Inc.

Consolidated Statements of Convertible Redeemable Preferred Stock and Stockholders' Deficit
(as restated, See Note 2)

	Convertible Redeemable Preferred Stock							
	Series A		Series B		Series C		Series D	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance at 12/31/2002	—	\$ —	—	\$ —	—	\$ —	—	\$ —
Net loss	—	—	—	—	—	—	—	—
Exercise of common stock options	—	—	—	—	—	—	—	—
Issuance of Series A convertible redeemable preferred stock and warrants at approximately \$1.09 per share, net of issuance costs of \$105,502	13,769,230	14,894,498	—	—	—	—	—	—

Dividends to common stockholders	—	—	—	—	—	—
Stock compensation	—	—	—	—	—	—
Accrual of Series A dividends	—	364,931	—	—	—	—
Accretion of Series A issuance costs	—	6,154	—	—	—	—
Balance as of 12/31/2003	13,769,230	15,265,583	—	—	—	—
Net loss	—	—	—	—	—	—
Accrual of Series A dividends	—	1,229,194	—	—	—	—
Accretion of Series A issuance costs	—	21,100	—	—	—	—
Issuance of Series B convertible redeemable preferred stock and warrants at approximately \$0.9123 per share, net of issuance costs of \$207,288	—	—	28,801,951	24,237,901	—	—
Conversion of bridge loan	—	—	1,644,196	1,298,254	—	—
Issuance of Series A Convertible Redeemable Preferred Stock as deemed dividend	2,672,770	436,731	—	—	—	—
Accrual of Series B dividends	—	—	—	523,592	—	—
Accretion of Series B issuance costs	—	—	—	10,364	—	—
Accretion of common stock purchase warrants	—	—	—	101,718	—	—
Stock compensation	—	—	—	—	—	—
Balance as of 12/31/2004	16,442,000	16,952,608	30,448,147	26,171,829	—	—
Net loss	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—
Comprehensive loss	—	—	—	—	—	—
Exercise of common stock options	—	—	—	—	—	—
Accrual of Series A dividends	—	1,327,798	—	—	—	—
Accretion of Series A issuance costs	—	21,100	—	—	—	—
Accrual of Series B dividends	—	—	—	2,263,509	—	—
Accretion of Series B issuance costs	—	—	—	44,508	—	—
Accretion of common stock purchase warrants	—	—	—	406,872	—	—
Issuance of Series C convertible redeemable preferred stock and warrants	—	—	—	—	14,946,479	11,488,346
						1,79

at approximately \$0.9123
per share, net of issuance
costs of \$330,495

Accrual of Series C dividends	—	—	—	—	—	884,635	
Accretion of Series C issuance costs	—	—	—	—	—	64,697	
Accretion of common stock purchase warrants	—	—	—	—	—	49,774	
Accretion of preferred stock purchase warrants	—	—	—	—	—	403,712	(47)
Stock compensation	—	—	—	—	—	—	—
Balance as of 12/31/2005	16,442,000	\$ 18,301,506	30,448,147	28,886,718	14,946,479	12,891,164	\$ 1,32

See accompanying notes.

F-7

Table of Contents

PharmAthene, Inc.

Consolidated Statements of Cash Flows

	Year ended December 31		
	2005	2004	2003
Operating activities			
Net loss	\$ (23,353,739)	\$ (10,118,945)	\$ (6,548,044)
Adjustments to reconcile net loss to net cash used in operating activities:			
Write-off of acquired in-process research and development	12,812,000	—	—
Depreciation and amortization	660,567	25,198	3,074
Compensatory option expense	3,517	2,448	4,000
Non-cash rent expense	—	—	10,683
Changes in operating assets and liabilities:			
Accounts receivable	(494,652)	355,355	363,719
Prepaid expenses and other current assets	979,805	(2,037,023)	(253,150)
Accounts payable	(218,216)	(2,076,181)	2,125,058
Accrued expenses	(380,146)	1,016,056	(19,854)
Net cash used in operating activities	(9,990,864)	(12,833,092)	(4,314,514)
Investing activities			
Purchase of property and equipment	(329,594)	(46,574)	(46,291)
Purchase of Nexia assets	(12,277,005)	—	—
Net cash used in investing activities	(12,606,599)	(46,574)	(46,291)
Financing activities			
	8,858,766	26,070,490	14,894,498

Net proceeds from the issuance of redeemable preferred stock			
Proceeds from stock options exercised	27,270	—	—
Proceeds from issuance of bridge loan	—	1,500,000	—
Proceeds from the issuance of common stock	—	—	57,929
Dividends paid to common stockholders	—	—	(3,299,999)
Proceeds from issuance of notes payable to directors	—	—	45,000
Payments on notes payable to directors	—	—	(491,858)
Net cash provided by financing activities	8,886,036	27,570,049	11,205,570
Effects of exchange rates on cash	(12,574)	—	—
(Decrease) Increase in cash and cash equivalents	(13,724,001)	14,690,824	6,844,765
Cash and cash equivalents at beginning of year	21,662,117	6,971,293	126,528
Cash and cash equivalents at end of year	\$ 7,938,116	\$ 21,662,117	\$ 6,971,293
Non-cash financing activities			
Issuance of Series C redeemable preferred stock and warrants for assets	\$ (1,212,622)	\$ —	\$ —

See accompanying notes.

F-8

Table of Contents

PharmAthene, Inc.
Notes to Consolidated Financial Statements

December 31, 2005, 2004 and 2003

1. Organization and Business

PharmAthene, Inc. (the Company) was incorporated on March 13, 2001 (inception), under the laws of the State of Delaware. The Company is a biopharmaceutical company focused on developing anti-infectives for biodefense applications. The Company has generated an accumulated deficit of \$48,970,995 since inception. The Company anticipates incurring additional losses until such time, if ever, as it can generate significant sales of its products currently in development. Substantial additional financing will be needed by the Company to fund its operations and to commercially develop its products. There is no assurance that such financing will be available when needed.

The Company is subject to those risks associated with any biopharmaceutical company that has substantial expenditures for research and development. There can be no assurance that the Company's research and development projects will be successful, that products developed will obtain necessary regulatory approval, or that any approved product will be commercially viable. In addition, the Company operates in an environment of rapid technological change and is largely dependent on the services of its employees and consultants.

2. Restatement of Financial Statements

For the years ended December 31, 2004 and 2005, the Company has restated its consolidated financial statements. The Company determined that an accounting error was made in 2004 related to the calculation of a beneficial conversion feature on its Series B Preferred Stock. As a result of the error, Series B Preferred Stock and accumulated deficit were

each understated by \$2,886,569. The accretion of redeemable convertible preferred stock to redemptive value was overstated by \$408,160, which caused basic and diluted loss per share to be overstated by \$0.04.

The Company determined that an accounting error was made in 2005 related to the calculation of a beneficial conversion feature on its Series C Preferred Stock. Additionally, the error from the 2004 financial statements related to Series B Preferred Stock also caused an error in 2005. As a result of the errors, Series B Preferred Stock was understated by \$589,441, Series C Preferred Stock was understated by \$2,065,151 and accumulated deficit was understated by \$2,654,592. The accretion of redeemable convertible preferred stock to redemptive value was overstated by \$2,485,469, which caused basic and diluted loss per share to be overstated by \$0.23.

3. Nexia Asset Purchase

On March 10, 2005, the Company acquired substantially all of the assets and liabilities of Nexia Biotechnologies Inc. (Nexia) that relate to its Protexia[®] (recombinant human butyrylcholinesterase) compound. The Company paid approximately \$19.1 million in cash, Series C Convertible Redeemable Preferred Stock (the Series C Preferred Stock), and warrants. Specifically, the Company delivered to Nexia (i) 7,465,501 shares of Series C Preferred Stock valued at approximately \$0.91 per share; (ii) warrants to acquire 2,239,650 shares of Series C Preferred Stock, which are exercisable at approximately \$0.91 per share and which expire on March 10, 2008; and (iii) warrants to acquire 1,343,790 common shares, which are exercisable at \$0.01 per share, subject to reduction if certain business milestones are met by the Company, as specified in the warrants and which expire in October 2014. In addition, the Company delivered to Nexia \$11,763,176 in cash. The purchased assets and liabilities are held by PharmAthene Canada Inc., a variable interest entity consolidated by the Company, which was established by PharmAthene in connection with the purchase to allow for the holding of the assets and the investment of certain shareholders as further described in Note 9.

The purchase price of the Nexia assets was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The results of Nexia's operations have been included in the financial statement since the acquisition date.

F-9

Table of Contents

PharmAthene, Inc.
Notes to Consolidated Financial Statements (Continued)

The following table summarizes the purchase price allocation to estimated fair values of the assets acquired and liabilities assumed as of the acquisition date:

Prepaid expenses and other current assets	\$ 248,000
Property and equipment, net	5,021,000
In-process research and development	12,812,000
Acquired identifiable intangibles	1,407,000
Accounts payable	(371,000)
Total assets acquired	\$ 19,117,000

In connection with the acquisition and as calculated by a third party appraiser, the Company recorded \$12.8 million of the purchase price of the Nexia Asset Purchase as acquired in-process research and development. The fair value was determined utilizing a present value technique involving a discounted cash flow analysis. Under this approach, fair value reflects the present value of the projected free cash flow that will be generated by the in-process research and development.

At the date of the acquisition, the development of Protexia[®] was not complete, had not reached technological feasibility and had no known alternative uses. Consequently, there is considerable uncertainty as to the technological feasibility of this product at the date of the acquisition. The Company does not foresee any alternative future benefit from the acquired in-process research and development. Significant technological and regulatory approval risks are associated with the development of the product. Development of a product will require significant amounts of future time, effort, and substantial development costs, which will be incurred by the Company. The efforts required to develop the acquired in-process research and development into commercially viable products include the development of the compound for use in intended subjects and the reformulation of an alternate purification process for the compound, as well as the conducting of applicable clinical-trial testing, regulatory approval and the development of a product suitable for commercialization. The principal risks relating to achieving an indication under development are the outcomes of clinical studies of the alternatively purified compound and receiving positive results regulatory filings and approval. Since pharmaceutical products cannot be marketed without regulatory approvals, the Company will not receive any benefits unless regulatory approval is obtained. Accordingly, the portion of the purchase price related to these products under development was allocated to acquired in-process research and development and was expensed at the date of acquisition.

4. Management's Plans as to Continuing as a Going Concern

The Consolidated Financial Statements have been prepared on a basis which assumed that the Company will continue as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred cumulative net losses and expects to incur additional losses to perform further research and development activities. The Company does not have commercial products and has limited capital resources. Management's plans with regard to these matters include continued development of its products as well as seeking additional research support funds and financial arrangements. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient financing on commercial reasonable terms or that the Company will be able to secure financing from anticipated government contracts and grants.

Management has developed a plan to reduce the Company's operating expenses in the event that sufficient funds are not available, or if the Company is not able to obtain the anticipated government contracts and grants. If the company is unable to raise adequate capital or achieve profitability, future operations will need to be scaled back or discontinued. Continuance of the Company's going concern is dependent upon, among other things, the success of the Company's research and development programs and the Company's ability to obtain adequate financing. The financial statements do not

F-10

Table of Contents

PharmAthene, Inc.
Notes to Consolidated Financial Statements (Continued)

include any adjustments relating to recoverability of the carrying amount of recorded assets and liabilities that might result from the outcome of these uncertainties.

5. Summary of Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiary, PharmAthene Canada Inc., which was formed in March of 2005. All significant intercompany transactions and balances have been eliminated.

The FASB has issued FASB Interpretation (FIN) No. 46 (revised December 2003), Consolidation of Variable Interest Entities, (FIN 46R). FIN 46R expands consolidated financial statements to include certain variable interest entities (VIEs). VIEs are to be consolidated by the company which is considered to be the primary beneficiary of that entity, even if the company does not have majority control. FIN 46R is immediately effective for VIEs created after January 31, 2003, and is effective for the Company in 2005 for VIEs created prior to February 1, 2003. The Company's subsidiary, PharmAthene Canada, Inc., is a VIE and the Company is the primary beneficiary. Therefore, the Company has consolidated PharmAthene, Canada Inc. as of its date of inception.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Actual results could differ from those estimates.

Comprehensive Loss and Foreign Currency Translation

The financial statements of subsidiaries located outside of the United States are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. The resultant translation adjustments are included in accumulated other comprehensive income (loss), a separate component of stockholders' equity. Income and expense items are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of these subsidiaries are included in net earnings.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash equivalents consist of a short-term money market account with a bank.

Accounts Receivable

Through its inception to date, substantially all of PharmAthene's accounts receivable have been associated with US Government contracts and grants or with the receipt of Quebec provincial or Canadian Federal credits for internally and externally generated research and development expenditures. Amounts invoiced or recorded as billed under these programs but not yet collected are reported as outstanding accounts receivable. While the Company has a policy to provide an allowance for any amount of accounts receivable which it determines to be uncollectible and the Company will write off any uncollectible account when the likelihood of that account's collection is determined to be not probable, the Company has not historically found it necessary to record any write-offs of accounts receivable or to record an allowance for uncollectible accounts.

Property and Equipment

Property and equipment consist of land, building and leasehold improvements, laboratory, computer, farm and office equipment and furniture and are recorded at cost. Property and equipment

F-11

Table of Contents

PharmAthene, Inc.
Notes to Consolidated Financial Statements (Continued)

are depreciated using the straight-line method over the estimated useful lives of the respective assets as follows:

Asset Category	Estimated Useful Life (in years)
Building and leasehold improvements	4-20
Laboratory equipment	7
Furniture, farm and office equipment	5-7
Computer equipment	3

Intangible Assets

Intangible assets consist of patents and are being amortized using the straight-line method over an 11 year period. The intangible assets are reviewed for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is considered to have occurred if expected future undiscounted cash flows are insufficient to recover the carrying value of the asset. If impaired, the asset's carrying value is reduced to fair value.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, then an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheets and reported at the lower of the carrying amount or fair value, less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the balance sheets. As of December 31, 2005, management believes that no revision of the remaining useful lives or write-down of long-lived assets is required.

Revenue Recognition

Grant Revenue

The Company recognizes revenue when all terms and conditions of the agreements have been met including persuasive evidence of an arrangement, services have been rendered, price is fixed or determinable, and collectibility is reasonably assured. For reimbursable cost research grants, the Company recognizes revenue as costs are incurred and appropriate regulatory approvals have been obtained or approval criteria are met for invoicing the related government agency.

All of the grant revenue the Company recognized was received under a cost reimbursement grant from the U.S. government to fund the development of pharmaceutical products for biodefense applications. Receipts pursuant to such cost reimbursement grants are contingent upon the successful completion of related tasks, the granting agency may modify the contract at any time, and reimbursed costs are subject to review and adjustment by the granting agency.

Research and Development and In-Process Research and Development

Research and development costs are charged to expense as incurred.

Stock Compensation

The Company accounts for stock-based employee compensation arrangements using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock

F-12

Table of Contents

PharmAthene, Inc.

Notes to Consolidated Financial Statements (Continued)

Issued to Employees (APB 25), and related interpretations and complies with the disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). Under APB 25, compensation expense is based on the difference, if any, on the date of the grant between the fair value of the Company's stock and the exercise price of the option.

The Company accounts for equity instruments issued to non-employees in accordance with SFAS 123 and Emerging Issues Task Force (EITF) 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. Accordingly, the estimated fair value of the equity instrument is recorded on the earlier of the performance commitment date or the date the services required are completed.

In accordance with SFAS No. 148, Accounting for Stock-Based Compensation — Transition and Disclosure (SFAS 148), the effect on net loss if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation is as follows:

Year ended December 31		
2005	2004	2003
\$ (29,052,369)	\$ (12,441,644)	\$ (6,919,129)

Net loss attributable to common shareholders, as reported			
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards	\$ (242,340)	\$ (81,413)	\$ (45,999)
Pro forma net loss attributable to common shareholders	\$ (29,294,709)	\$ (12,523,057)	\$ (6,965,128)
Basic and diluted net loss per share:			
As reported	(2.69)	(1.16)	(2.03)
Pro forma	(2.71)	(1.17)	(2.05)

The fair value for the 2005 awards was estimated at the date of grant using the Black-Scholes option-pricing model assuming a weighted-average volatility of approximately 60%, a risk-free interest rate of 3.9%, a dividend yield of 0%, and a weighted-average expected life of the option of 8.7 years.

The fair value for the 2004 awards was estimated at the date of grant using the Black-Scholes option-pricing model assuming a weighted-average volatility of approximately 60%, a risk-free interest rate of 4.1%, a dividend yield of 0%, and a weighted-average expected life of the option of 7 years.

The fair value for the 2003 awards was estimated at the date of grant using the Black-Scholes option-pricing model assuming a weighted-average volatility of approximately 56%, a risk-free interest rate of 3.2%, a dividend yield of 0%, and a weighted-average expected life of the option of 7 years.

These pro forma amounts are not necessarily indicative of future effects of applying the fair value-based method because of, among other things, the vesting period of the stock options and the fair value of the additional stock options issued in future years.

Basic and Diluted Net Loss Per Share

Basic net loss per share of common stock excludes dilution for potential common stock issuances and is computed by dividing net loss by the weighted-average number of shares outstanding for the period. Diluted net loss per share reflects the potential dilution that could occur if securities were exercised into common stock. However, for all periods presented, diluted net loss per share is the same as basic net loss attributable to common shareholders per share as the inclusion of weighted average shares of common stock issuable upon the exercise of stock options and warrants would be anti-dilutive. Securities outstanding in the amount of 118,374,000, 31,964,000 and 6,478,000 shares for the years ended December 31, 2005, 2004 and 2003, respectively, were excluded from the calculation of diluted net loss per share since their inclusion would be anti-dilutive.

F-13

Table of Contents

PharmAthene, Inc.
Notes to Consolidated Financial Statements (Continued)

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net loss per share:

