SIGA TECHNOLOGIES INC
Form PREM14A
June 30, 2006
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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:

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[SIGA TECHNOLOGIES, INC. LETTERHEAD]

June , 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 $10 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 as early as 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. In addition, the implementation of the reverse stock split, if approved, will be in the discretion of the Board of Directors.

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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 the 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.

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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

approval of the issuance of SIGA securities in the PIPE to certain affiliates of SIGA, the approval of the amendment to our stock option plan, and the proposal to adjourn the Special Meeting to solicit additional proxies if necessary and appropriate, all require the affirmative vote of a majority of the votes cast at the Special Meeting, in person or by proxy.

Whether or not you expect to attend the Special Meeting in person, please complete, sign and promptly return the enclosed proxy card in the enclosed envelope. You may revoke your proxy at any time before it has been voted, and if you attend the meeting, you may vote in person even if you have previously returned your proxy card.

We are pleased to provide SIGA stockholders with information to evaluate the proposals. Included in this package are the following documents:

- Proxy statement
- Proxy card
- Statement A
- Merger Agreement (Annex A)
- Voting Agreement (Annex B)
- Fairness Opinion (Annex C)
- Form of Proposed Amendments to current SIGA Technologies, Inc. certificate of incorporation (Annex D)
- Form of Proposed Amendment to SIGA stock option plan (Annex E)
- Form of PIPE Purchase Agreement (Annex F)
- Form of Registration Rights Agreement (Annex G)
- Form of Lock-up Agreement (Annex H)

Stockholders are urged to review carefully the information contained in the accompanying proxy statement. Your interest and support in the affairs of SIGA are appreciated. We are very excited about this opportunity for SIGA, and we look forward to the meeting of our stockholders.

Sincerely,

Chairman of the Board

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SIGA TECHNOLOGIES, INC.
NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On [ ], 2006

NOTICE IS HEREBY GIVEN that a special meeting (the ‘‘Special Meeting’’) of stockholders of SIGA Technologies, Inc. (‘‘SIGA’’) will be held at the offices of Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, 29th Floor, New York, New York 10036, on [ ], 2006 at [ ] EDT, for the following purposes:

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 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 who 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

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SIGA TECHNOLOGIES, INC.

PROXY STATEMENT

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 27,000,648 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 who 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

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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. 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.

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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. You are receiving this proxy statement because the approval of SIGA's stockholders is required to effectuate the Merger and certain related actions and transactions, 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 $15 million of new proceeds (the ''PIPE''). Current PharmAthene stockholders will also convert approximately $10 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 $10 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. As 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 before such issuances. Further, NASDAQ rules require stockholder approval if shares are

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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 PharmaAthene 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 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). Since SIGA has outstanding options and warrants to purchase 47,112,809 shares of common stock, 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 stock options and warrants. The holders of SIGA capital stock immediately prior to the Merger will own the balance of the issued and outstanding shares of SIGA capital stock. 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.

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

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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. Holders of SIGA capital stock are urged to read the discussion of the Merger consideration included in this proxy statement for more detailed information concerning what they will receive in the Merger.

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: 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 $15 million of new proceeds. Current PharmAthene stockholders will also convert approximately $10 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 $10 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.

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

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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.

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.

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

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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: Does SIGA's Board of Directors recommend voting in favor of adoption of the amendments to the certificate of incorporation, the issuance of SIGA's securities in the Merger and in the PIPE (including the issuance of securities to affiliates), the amendment of the stock option plan and the adjournment of the Special Meeting, if necessary and appropriate, to solicit additional proxies?

A: Yes. After careful consideration, SIGA's Board of Directors unanimously determined that the Merger is advisable and is fair to, and in the best interests of, SIGA and its stockholders. SIGA's Board of Directors unanimously recommends that SIGA stockholders vote ''FOR'' adoption of the proposed amendments to SIGA's certificate of incorporation, ''FOR'' the approval of the issuance of securities in the PIPE, ''FOR'' the issuance of securities to certain affiliates in the PIPE, ''FOR'' the amendment of SIGA's stock option plan, and ''FOR'' the adjournment of the Special Meeting, if necessary and appropriate, to solicit additional proxies, so that the Merger and the transactions

contemplated by the Merger Agreement, including the PIPE and the conversion of options in the Merger, may be consummated.

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.

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

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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. If you do not provide voting instructions to your broker, your broker will not vote your shares and the failure to vote will have the same effect as a vote against each of the amendments to the certificate of incorporation, against the issuance of securities in the Merger and PIPE, against the issuance of securities in the PIPE to certain affiliates of SIGA, against the amendment of the stock option plan, and against adjournment of the Special Meeting, if necessary or appropriate, to solicit additional proxies.

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 proposal to be considered at the Special Meeting.

- If you 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.
- If you respond and abstain from voting, your proxy will have the same effect as a vote against the proposals to be considered at the Special 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.

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 111.

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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 PIPE Purchase Agreement attached as Annex F, the Registration Rights Agreement attached as Annex G, the Lock-Up Agreement attached as Annex H 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 [ ].

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 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 26)

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 who 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

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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. In addition, the implementation of the reverse stock split, if approved, will be in the discretion of the Board of Directors.

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. You can vote, or submit a proxy to vote, at the Special Meeting if you were a record holder of SIGA capital stock at the close of business on , 2006. If a broker holds your shares in ''street name,'' you can vote by following the instructions provided by your broker. If your shares are held in your name, you can vote your shares by attending the meeting and voting in person or you can mark the enclosed proxy card with your vote, sign it and mail it in the enclosed return envelope. You can revoke your proxy at any time before it has been voted.

Voting (page 27)

Approval of the amendments to the certificate of incorporation requires the affirmative vote of the majority of the outstanding voting capital stock of SIGA assuming a quorum is present at the Special Meeting in person or by proxy. The proposal to issue and sell shares of SIGA common stock and warrants to purchase shares of SIGA common stock in the Merger and the PIPE, the proposal to issue and sell securities in the PIPE to certain affiliates of SIGA and the proposal to amend the stock option plan each require the affirmative vote of a majority of the votes cast at the Special Meeting, in person or by proxy.

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

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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 21701
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 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 exerciseable for $2.00 or less and one-half of all options and warrants exercisable for greater than $2.00). 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 [ ]). 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.

Structure of the Merger (page 29)

The Merger Agreement provides that a wholly-owned subsidiary of SIGA formed for the purpose of consummating the Merger will merge with and into PharmAthene. PharmAthene will be the surviving corporation in the Merger, and will become our subsidiary as a result of the Merger. Upon

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consummation of the Merger, and assuming approval by the stockholders of the proposed amendments to the certificate of incorporation described in this proxy statement and of the issuance of our shares in the Merger, we will change our name to PharmAthene, Inc. We will also change the name of our subsidiary, PharmAthene, Inc., to PharmAthene Holding, Inc. When we complete the Merger, a number of PharmAthene directors and officers will become directors and members of management of SIGA. We hope to complete the Merger as soon as possible following the Special Meeting.

Why the Directors Believe that the Merger is Fair (page [ ])

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 38

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 [ ]. It is the legal document that governs the Merger and is incorporated herein by reference.

Conditions to Completion of the Merger (page 43)

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 $10 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 [ ]). 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 change of control of the combined company. (See ‘‘Pro Forma Capitalization’’ on page [ ]). 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.

Opinion of SIGA’s Financial Advisor (page 31)

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.

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Material U.S. Federal Income Tax Consequences of the Merger (page 35)

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.

Interests of Officers and Directors in the Merger and Private Placement (page 37)

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.

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 47)

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 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

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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.

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 49)

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 76.3% (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 (page 49)

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’’), upon such terms as the Board of Directors may deem to be in the best interests of SIGA, 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 $10 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 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

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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.

The purpose of the PIPE is to provide the combined company with necessary working capital. We believe that the additional capital is necessary for the combined company to be able to 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, 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 $15 million of new proceeds. Current PharmAthene stockholders will also convert approximately $10 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 shares issued in the PIPE could be as high as $40 million (inclusive of the $10 million of bridge financing). 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 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 49, and to the actual form of the Purchase Agreements (which includes the form of Warrant), which is attached as Annex F hereto. 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 [ ]

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 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 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.

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

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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 exchange ratio of ratio 2.1 options for each option to purchase one share of PharmAthene 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.

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.

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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 $83.3 million at March 31, 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

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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

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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:

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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. SIGA is paid as the work is performed and the agreement can be cancelled for non-performance. 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.

- 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.
- 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.
- 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 smallpox.
- 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.
- 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.
- Washington University. SIGA has licensed certain technology from Washington University under a non-exclusive license agreement. The term of SIGA's agreement with Washington

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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 definitively determine 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.

- 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.
- 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 commercialized products sales. 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.

PharmAthene has a material 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.

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. If adequate funds are not available, the combined company may be required to curtail significantly its development and commercialization activities.

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

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immune response. Because humans are not normally exposed to anthrax, nerve agents, smallpox or to other lethal biotoxins or chemical agents, statistically significant 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 they 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. 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 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, it 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 can not 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 or prevent the combined company for a set period of time from receiving new contracts or extending existing contracts based on violations or suspected violations of laws or regulations;
- terminate the combined company's contracts;
- reduce the scope and value of the combined company's contracts;
- 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

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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 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.

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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 companies, 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 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.

Political or social factors may delay or impair the combined company’s ability to market its products.

Products developed to treat diseases caused by, or to combat the threat of, bioterrorism will be subject to changing political and social environments. The political and social responses to bioterrorism have been unpredictable. Political or social pressures may delay or cause resistance to bringing the combined company’s products to market or limit pricing of its products, which would 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

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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.

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 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.

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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 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.

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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. 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.

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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 their 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.

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 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 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:

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- 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 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 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;

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- 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.

Moreover, following the Merger, but not including any shares issued in the PIPE, funds affiliated with MPM Capital, HealthCare Ventures VII, L.P. and funds affiliated with 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 $10 million bridge loan is converted into SIGA common stock in connection therewith, funds affiliated with MPM Capital, HealthCare Ventures VII, L.P. and funds affiliated with 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.

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.

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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.

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 wave 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 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;

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- 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.