

SIGA TECHNOLOGIES INC

Form PRER14A

September 06, 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]

September , 2006

To the Stockholders of SIGA Technologies, Inc.:

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

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

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

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

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

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

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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 such company. Consummation of the Merger will result in a change of control of SIGA. You will, therefore, be asked to consider and approve the issuance of our shares and warrants to purchase shares of common stock to the stockholders of PharmAthene in the Merger.

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

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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

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

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

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

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

By Order of the Board of Directors

Thomas N. Konatich
Secretary

[], 2006
New York, New York

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SIGA TECHNOLOGIES, INC.

PROXY STATEMENT

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

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

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

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

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

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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 (and approval of the stockholders of SIGA would not be resolicited). In addition, the implementation of the reverse stock split, if approved, will be in the discretion of the Board of Directors.

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

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

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

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

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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. While due to the structure of the Merger, the approval of SIGA’s stockholders is not required for the Merger itself, the approval of SIGA’s stockholders of actions to be taken in connection therewith is required by applicable state law and the rules and regulations of the NASDAQ Capital Market, all of which are as summarized below.

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

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

of the certificate of incorporation requires stockholder approval.

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

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

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

Q: Why are SIGA and PharmAthene pursuing the Merger?

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

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

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

Q: Are PharmAthene stockholders required to approve the Merger?

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

Q: What will happen in the Merger?

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

Q: What will PharmAthene stockholders receive in the Merger?

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

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

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

Q: Will fractional shares of SIGA be paid?

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