

SIGA TECHNOLOGIES INC  
Form 10-K  
March 04, 2016  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

(Mark One)

- ☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2015  
Or  
☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-23047

SIGA Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

13-3864870

(State or other jurisdiction of  
incorporation or organization)

(IRS Employer Identification. No.)

660 Madison Avenue, Suite 1700

10065

New York, NY

(zip code)

(Address of principal executive offices)

Registrant's telephone number, including area code: (212) 672-9100

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

Title of each class

Name of each exchange on which registered

common stock, \$.0001 par value

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes ☐ No ☒.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act Yes ☐

No ☒.

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

Edgar Filing: SIGA TECHNOLOGIES INC - Form 10-K

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one): Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐ Smaller Reporting Company ☐.

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

---

Table of Contents

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on June 30, 2015 as reported on the Over-the-Counter Market was approximately \$69,457,527.

As of February 17, 2016 the registrant had outstanding 54,114,296 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The following document is incorporated herein by reference:

Document	Parts Into Which Incorporated
Proxy Statement for the Company's 2016 Annual Meeting of Stockholders	Part III

Table of Contents

SIGA TECHNOLOGIES, INC.  
FORM 10-K

Table of Contents

	Page No.
<u>PART I</u>	
<u>Item 1.</u> <u>Business</u>	<u>2</u>
<u>Item 1A.</u> <u>Risk Factors</u>	<u>17</u>
<u>Item 1B.</u> <u>Unresolved Staff Comments</u>	<u>34</u>
<u>Item 2.</u> <u>Properties</u>	<u>34</u>
<u>Item 3.</u> <u>Legal Proceedings</u>	<u>34</u>
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	<u>35</u>
<u>PART II</u>	
<u>Item 5.</u> <u>Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>36</u>
<u>Item 6.</u> <u>Selected Financial Data</u>	<u>37</u>
<u>Item 7.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
<u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>46</u>
<u>Item 8.</u> <u>Financial Statements and Supplementary Data</u>	<u>47</u>
<u>Item 9.</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>73</u>
<u>Item 9A.</u> <u>Controls and Procedures</u>	<u>73</u>
<u>Item 9B.</u> <u>Other Information</u>	<u>73</u>
<u>PART III</u>	
<u>Item 10.</u> <u>Directors, Executive Officers and Corporate Governance</u>	<u>74</u>
<u>Item 11.</u> <u>Executive Compensation</u>	<u>74</u>
<u>Item 12.</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>74</u>
<u>Item 13.</u> <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>74</u>
<u>Item 14.</u> <u>Principal Accountant Fees and Services</u>	<u>74</u>
<u>PART IV</u>	
<u>Item 15.</u> <u>Exhibits, Financial Statements and Schedules</u>	<u>75</u>
<u>SIGNATURES</u>	<u>79</u>

## Table of Contents

### Item 1. Business

Certain statements in this Annual Report on Form 10-K, including certain statements contained in “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements relating to the progress of SIGA's development programs and time lines for bringing products to market, the enforceability of SIGA's contract (the “BARDA Contract”) with the U.S. Biomedical Advanced Research and Development Authority (“BARDA”), proposed actions or plans related to or arising from the loss of SIGA's litigation with PharmAthene, Inc. (“PharmAthene”) and the administration of SIGA's chapter 11 case. The words or phrases “can be,” “expects,” “may affect,” “may depend,” “believes,” “estimate,” “pr” and similar words and phrases are intended to identify such forward-looking statements. Such forward-looking statements are subject to various known and unknown risks and uncertainties and SIGA cautions you that any forward-looking information provided by or on behalf of SIGA is not a guarantee of future performance. SIGA’s actual results could differ materially from those anticipated by such forward-looking statements due to a number of factors, some of which are beyond SIGA’s control, including, but not limited to, (i) the risk that potential products that appear promising to SIGA or its collaborators cannot be shown to be efficacious or safe in subsequent pre-clinical or clinical trials, (ii) the risk that SIGA or its collaborators will not obtain appropriate or necessary governmental approvals to market these or other potential products, (iii) the risk that SIGA may not be able to obtain anticipated funding for its development projects or other needed funding, including from anticipated governmental contracts and grants (iv) the risk that SIGA may not complete performance under the BARDA Contract on schedule or in accordance with contractual terms, (v) the risk that SIGA may not be able to secure or enforce sufficient legal rights in its products, including intellectual property protection, (viii) the risk that any challenge to SIGA’s patent and other property rights, if adversely determined, could affect SIGA’s business and, even if determined favorably, could be costly, (ix) the risk that regulatory requirements applicable to SIGA’s products may result in the need for further or additional testing or documentation that will delay or prevent seeking or obtaining needed approvals to market these products, (x) the risk that one or more protests could be filed and upheld in whole or in part or other governmental action taken, in either case leading to a delay of performance under the BARDA Contract or other governmental contracts, (xi) the risk that the BARDA Contract is modified or canceled at the request or requirement of the U.S. government, (xii) the risk that the volatile and competitive nature of the biotechnology industry may hamper SIGA’s efforts to develop or market its products, (xiii) the risk that changes in domestic and foreign economic and market conditions may affect SIGA’s ability to advance its research or may affect its products adversely, (xiv) the effect of federal, state, and foreign regulation, including drug regulation and international trade regulation, on SIGA’s businesses, (xv) the risk that the chapter 11 case may make it more difficult to obtain additional financing, (xvi) the risk that some amounts received and recorded as deferred revenue ultimately may not be recognized as revenue, (xvii) the risk that we may be unable to satisfy the judgment in favor of PharmAthene other than by giving PharmAthene all the equity in SIGA, and (xviii) the costs and expenses and other inherent uncertainty attendant to a chapter 11 case, including if and when a plan of reorganization will be confirmed and consummated and the provisions of any such plan or reorganization. All such forward-looking statements are current only as of the date on which such statements were made. SIGA does not undertake any obligation to update publicly any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of anticipated events.

### Overview

SIGA Technologies, Inc. is referred to throughout this report as “SIGA,” “the Company,” “we” or “us.”

We are a company specializing in the development and commercialization of solutions for serious unmet medical needs and biothreats. Our lead product is Tecovirimat, also known as ST-246®, an orally administered antiviral drug that targets orthopoxviruses. While Tecovirimat is not yet licensed as safe or effective by the U.S. Food & Drug

Administration, it is a novel small-molecule drug that is being delivered to the Strategic National Stockpile under Project BioShield.

BARDA Contract - Tecovirimat also known as ST-246®

On May 13, 2011, SIGA signed a contract with the U.S. Biomedical Advanced Research and Development Authority (the “BARDA Contract”) pursuant to which SIGA agreed to deliver two million courses of Tecovirimat to the U.S. Strategic National Stockpile (“Strategic Stockpile”). The BARDA Contract is worth approximately \$466 million, including \$409.8 million for the manufacture and delivery of 1.7 million courses of Tecovirimat and \$56 million of potential reimbursements related to development and supportive activities (the “Base Contract”). In addition to the Base Contract, the BARDA Contract also contains various options that are exercisable at BARDA’s discretion. The BARDA Contract expires in September 2020.

## Table of Contents

Under the Base Contract with the U.S. Biomedical Advanced Research and Development Authority (“BARDA”), BARDA has agreed to buy from SIGA 1.7 million courses of Tecovirimat. Additionally, SIGA expects to contribute to BARDA 300,000 courses of Tecovirimat at no additional cost to BARDA

For courses of Tecovirimat that are physically delivered to the Strategic Stockpile, the Company has replacement obligations, at no cost to BARDA, in the event that the final version of Tecovirimat approved by the U.S. Food and Drug Administration (the “FDA”) is different from any course of Tecovirimat that has been delivered to the Strategic Stockpile or if Tecovirimat does not meet any specified label claims, fails release testing or does not meet 38 month expiry period (from time of delivery to the Strategic Stockpile), or if Tecovirimat is recalled or deemed to be recalled for any reason.

The Company is eligible for a \$102.5 million hold back payment from BARDA if the FDA approves Tecovirimat, either in the currently delivered form or in a different form. The hold back payment is part of the \$409.8 million of payments that can be received by the Company for the manufacture and delivery of 1.7 million courses of Tecovirimat. If the approved version of Tecovirimat is different from those delivered to the Strategic Stockpile, then the Company is obligated to replace the previously delivered courses, at no additional cost, to BARDA. If the final approved version of Tecovirimat differs from those delivered, the hold back payment would not be paid until the obligation to replace the previously delivered product at no additional cost is satisfied.

The Base Contract with BARDA includes \$409.8 million of payments, inclusive of upfront payments and milestone payments, that can be received by the Company for the manufacture and delivery of 1.7 million courses of Tecovirimat that are to be purchased by BARDA and physically delivered to the Strategic Stockpile. The timing and amount of specific payments to the Company are based on sub-payment tranches provided for in the Base Contract. As of December 31, 2015, the Company has received \$249.2 million under the Base Contract related to the manufacture and physical delivery of courses of Tecovirimat. Included in this amount are a \$41 million advance payment in 2011 for the completion of certain planning and preparatory activities related to the Base Contract, a \$12.3 million milestone payment in 2012 for the completion of the product labeling strategy for Tecovirimat, a \$8.2 million milestone payment in 2013 for the completion of the commercial validation campaign for Tecovirimat, and \$187.7 million of payments for physical deliveries of 1.4 million courses of Tecovirimat to the Strategic Stockpile beginning in 2013 (an additional 259,200 courses were delivered at no cost to BARDA). Product deliveries of 1.3 million of those courses in 2013 and 2014 (including 259,200 courses delivered at no cost to BARDA) were at a provisional dosage of 600 mg administered once daily. Product deliveries of 383,754 courses in 2015 were at a provisional dosage of 600 mg administered twice per day (1,200 mg per day).

The Company is eligible to receive an additional \$160.6 million under the Base Contract for the manufacture, delivery and purchase by BARDA of courses of Tecovirimat. Included in this amount are: \$37.6 million of payments following additional future physical deliveries of Tecovirimat to the Strategic Stockpile; a \$20.5 million milestone payment for successful submission to the FDA of a complete application for Tecovirimat regulatory approval; and a \$102.5 million hold back payment, which represents a 25% hold back on the \$409.8 million of total payments tied to the manufacture and delivery of 1.7 million courses of Tecovirimat that are to be purchased by BARDA. The \$102.5 million hold back payment would be triggered by FDA approval of Tecovirimat, as long as the Company does not have, as described above, a continuing product replacement obligation to BARDA. The \$37.6 million of payments for product deliveries is currently targeted by the Company to be fully received by the first or second quarter of 2017.

Product deliveries of Tecovirimat in 2015, and in the future, are expected to be at a provisional dosage of 600 mg administered twice per day (1,200 mg per day). This is a change from the provisional dosage that was in effect when product deliveries were made in 2013 and 2014 (600 mg per day). In 2013 and 2014, the provisional dosage of courses delivered to the Strategic Stockpile was 600 mg administered once a day. The change in the provisional dosage is based on FDA guidance received by the Company in 2014, subsequent to the delivery of 1.3 million courses

of Tecovirimat. Based on the current provisional dosage of 600 mg administered twice per day (1,200 mg per day), the Company currently expects to supplement previously delivered courses of Tecovirimat, at no additional cost to BARDA, with additional dosages so that all of the courses previously delivered to BARDA will be at the new provisional dosage. The Company and BARDA agreed to an amendment (the "BARDA Amendment") of the BARDA Contract to reflect the foregoing, which modification was approved by the Bankruptcy Court in April 2015 (see below "Administration of Chapter 11 Case" for additional detail).

The Company expects to incur significant incremental costs with the production of additional dosage. The provisional dosage for Tecovirimat may be subject to additional changes based on possible additional FDA guidance. At the current provisional dosage of 600 mg administered twice per day (1,200 mg per day), the Company expects that total manufacturing costs, as a percentage of the \$409.8 million that can be received by the Company for the manufacture and delivery of 1.7 million courses of



## Table of Contents

Tecovirimat, will be less than 25%. This percentage estimate is subject to material change if, among other things, the provisional dosage changes or if \$409.8 million is not received by the Company from BARDA.

The Base Contract with BARDA includes \$56 million of potential reimbursement for development and supportive activities. These activities are reimbursed primarily on a cost-plus basis after each individual activity is authorized by BARDA and after costs are incurred. As of December 31, 2015, the Company has received, or invoiced, \$15.3 million of reimbursement payments under the Base Contract for development and supportive activities.

The BARDA Contract also separately contains \$122.7 million of options that, if exercised by BARDA: would result in a \$50 million payment to the Company in the event of FDA approval for extension to 84-month expiry for Tecovirimat (from 38 month expiry as required in the Base Contract); would fund up to \$58.3 million of development and supportive activities such as work on a smallpox prophylaxis indication for Tecovirimat; and/or would fund \$14.4 million of production-related activities related to warm-base manufacturing. In 2015, BARDA exercised two options related to extending the indication of the drug to the geriatric and pediatric populations. The stated value of these exercises was minimal. BARDA may not exercise additional options in the future. Options are exercisable by BARDA at its sole discretion. BARDA has indicated that it will evaluate, after the FDA's review and evaluation of stability data, the Company's request that BARDA exercise the option for the \$50 million payment to the Company in the event of FDA approval of 84-month expiry for Tecovirimat.

The Company has been actively pursuing FDA approval of Tecovirimat for purposes of receiving the \$102.5 million hold back payment (discussed above) as well as for strategic purposes. The Company is pursuing FDA approval under the "animal rule." As such, the Company has completed multiple monkeypox and variola efficacy studies in non-human primates and has also completed a series of rabbitpox efficacy studies in rabbits. At this point in time, the Company does not expect additional substantive efficacy studies to be required prior to the filing of a New Drug Application ("NDA"). In the second quarter of 2015, the Company launched an expanded clinical human safety trial with first patient dosing. This clinical trial is expected to provide essential human safety data and to represent the last major step in support of an NDA filing with the FDA. SIGA is targeting the second or third quarter of 2017 for completion of testing and analysis of data for the expanded clinical human safety trial. An NDA filing is targeted for late 2017.

Notwithstanding the above, there can be no assurance that the FDA will approve an NDA for Tecovirimat. Upon FDA approval of an NDA for Tecovirimat, the Company would be able to address replacement obligations, if any, relating to courses of Tecovirimat that have been delivered to the Strategic National Stockpile.

Lead Product - Tecovirimat™ also known as St-246®

SIGA believes that Tecovirimat is among the first new small-molecule drugs delivered to the Strategic Stockpile under the Project BioShield Act of 2004 ("Project BioShield"). Tecovirimat is an investigational product that is not currently approved by the FDA as a treatment of smallpox or any other indication. Nevertheless, the FDA has designated Tecovirimat for "fast-track" status, creating a path for expedited FDA review and eventual regulatory approval. Tecovirimat is a novel, patented drug that is easy to store, transport and administer. There could be several uses for an effective smallpox antiviral drug: to reduce mortality and morbidity in those infected with the smallpox virus, to protect the non-immune who risk developing smallpox following virus exposure, and as an adjunct to the smallpox vaccine in order to reduce the frequency of serious adverse events due to the live virus used for vaccination.

Tecovirimat's regulatory path, and SIGA's development activities related to Tecovirimat, are materially guided by the results of an FDA Advisory Committee meeting that was convened in December 2011 (the "Advisory Committee"). The Advisory Committee was convened to consider proposals for using a surrogate orthopoxvirus model and to determine what elements of the "animal rule" constitute "enough" evidence for approval of a drug for the treatment of smallpox. The Advisory Committee's recommendation confirmed that the monkeypox, rabbitpox and ectromelia models, especially in

combination, could suitably provide appropriate evidence of efficacy for treatment of smallpox. Subsequent to the Advisory Committee, SIGA has had substantive meetings and communications with the FDA regarding the regulatory path of Tecovirimat. Development activities for Tecovirimat are based on the Advisory Committee's recommendation, and take into account meetings and communications with the FDA.

Tecovirimat has Orphan Drug designation for both the treatment and prevention of smallpox, and in late 2010, Tecovirimat received Orphan Drug designation for the broader indication of treatment of orthopoxvirus infections (vaccinia, variola, monkeypox and cowpox). An Investigational New Drug ("IND") application for an intravenous (IV) formulation of Tecovirimat was filed with FDA in September 2012 and SIGA received a safe to proceed letter from FDA in November 2012 along with a letter granting fast-track status. SIGA expects to initiate a phase 1 single ascending dose safety and pharmacokinetic study for the IV formulation in 2016.

## Table of Contents

### Chapter 11 Filing

On September 16, 2014 (the “Petition Date”), the Company filed a voluntary petition for relief under chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) chapter 11 Case Number 14-12623 (SHL). The Company is continuing to operate its business as a “debtor-in-possession” in accordance with the applicable provisions of the Bankruptcy Code.

The Company commenced the chapter 11 case to preserve and to ensure its ability to satisfy its commitments under the BARDA Contract (as defined in Note 3 to the financial statements) and to preserve its operations, which likely would have been jeopardized by the enforcement of a judgment stemming from the litigation with PharmAthene, Inc. (“PharmAthene”) (see below “PharmAthene Litigation”). While operating as a debtor-in-possession under chapter 11, the Company pursued an appeal of the Delaware Court of Chancery Final Order and Judgment (as defined below), without having to post a bond. On December 23, 2015, the Delaware Supreme Court affirmed the Delaware Court of Chancery Final Order and Judgment.

On December 15, 2015, the Company filed a Plan of Reorganization. Subsequent to the initial filing, amendments have been made to the Plan of Reorganization (as amended, the “POR”). The POR is supported by the official committee of unsecured creditors appointed in the Company's chapter 11 case. Please see the section titled Plan of Reorganization for details regarding the POR. The implementation of the POR is subject to confirmation thereof by the Bankruptcy Court in accordance with the provisions of the Bankruptcy Code and the occurrence of the effective date under the POR.

### PharmAthene Litigation

On August 8, 2014, the Delaware Court of Chancery issued its Remand Opinion and related order in the litigation initiated against the Company in 2006 by PharmAthene. In the Remand Opinion, the Court of Chancery determined, among other things, that PharmAthene is entitled to a lump sum damages award for its lost profits related to Tecovirimat, with interest and fees, based on United States government purchases of the Company's smallpox drug allegedly anticipated as of December 2006. On January 15, 2015, the Delaware Court of Chancery entered its Final Order and Judgment awarding PharmAthene approximately \$195 million, including pre-judgment interest up to January 15, 2015 (the “Outstanding Judgment”). On January 16, 2015, the Company filed a notice of appeal of the Outstanding Judgment with the Delaware Supreme Court and, on January 30, 2015, PharmAthene filed a notice of cross appeal. On October 7, 2015, the Delaware Supreme Court heard oral argument, en banc. On December 23, 2015 the Delaware Supreme Court affirmed the Outstanding Judgment (the “Delaware Supreme Court Affirmation”). As of December 31, 2015, the accrued obligation under the Delaware Court of Chancery Final Order and Judgment, including post-judgment interest, is estimated to be \$205 million. The Company's pending chapter 11 case prevents PharmAthene from taking any enforcement action with respect to the Outstanding Judgment. The Outstanding Judgment is to be treated and satisfied under the POR.

### Administration of Chapter 11 Case

On September 17, 2014, the Company received Bankruptcy Court approval of certain “first-day” motions, which preserved the Company's ability to continue operations without interruption in chapter 11. As part of the “first-day” motions, the Company received approval to pay or otherwise honor certain pre-petition obligations generally designed to support the Company's operations. Additionally, the Bankruptcy Court confirmed the Company's authority to pay for goods and services received post-petition in the ordinary course of business.

In October 2014, the U.S. Trustee for the Southern District of New York (the “U.S. Trustee”) appointed an official committee of unsecured creditors (the “UCC”). The UCC has a right to be heard on any issue in the Company’s chapter 11 case. There can be no assurance that the UCC will support the Company’s positions on matters to be presented to the Bankruptcy Court.

As part of the chapter 11 case, the Company has retained, pursuant to Bankruptcy Court authorization, legal and other professionals to advise the Company in connection with the administration of its chapter 11 case and its litigation with PharmAthene, and certain other professionals to provide services and advice in the ordinary course of business. From time to time, the Company may seek Bankruptcy Court approval to retain additional professionals.

Pursuant to an order of the Bankruptcy Court, dated October 28, 2014, the Company was authorized to pay pre-petition obligations to certain service providers that are fully reimbursable by BARDA pursuant to the BARDA Contract (as defined in Note 4). Pursuant to an order of the Bankruptcy Court, dated January 14, 2015, the Company was authorized to satisfy a fully-

## Table of Contents

secured term loan provided by General Electric Capital Corporation in the approximate amount of \$1.8 million. Such amount, and related fees, was paid by the Company on January 16, 2015 and all liens securing the credit facility were released.

Pursuant to orders entered by the Bankruptcy Court in April 2015, the Company was authorized to consummate the following transactions: assumption of the BARDA Contract, as amended by the BARDA Amendment (as defined in Note 4 to the financial statements); assumption of the Company's commercial manufacturing agreement (the "Commercial Manufacturing Agreement") with Albemarle Corporation ("Albemarle"), as amended by a 2015 amendment (the "2015 Amendment"); and assumption of the Company's lease with Research Way Investments, as amended by the Tenth Addendum to Commercial Lease, for the Company's research and development facility located at 4575 S.W. Research Way, Corvallis, Oregon. The 2015 Amendment to the Commercial Manufacturing Agreement with Albemarle provides the Company with improved pricing on future purchases of active pharmaceutical ingredient ("API") for Tecovirimat. As part of the assumption of the Commercial Manufacturing Agreement, as amended, on April 30, 2015, the Company paid Albemarle's prepetition claim under the Commercial Manufacturing Agreement of approximately \$2.7 million. The Tenth Addendum to the Commercial Lease with Research Way Investments reduced the Company's rent costs for the research and development facility by approximately \$35,000 per month, starting May 1, 2015. Additionally, as part of the Tenth Addendum, Research Way Investments withdrew its proof of claim for \$971,451 filed in the Bankruptcy Court.

## Plan of Reorganization

On December 15, 2015, the Company filed a Plan of Reorganization. Subsequent to the initial filing, amendments have been made to the Plan of Reorganization (as amended, the "POR"). Implementation of the POR is subject to confirmation thereof by the Bankruptcy Court in accordance with the provisions of the United States Bankruptcy Code and the occurrence of the effective date under the POR. The POR is supported by the UCC. There can be no assurance that the POR will be confirmed by the Bankruptcy Court. The POR, as more fully described below, addresses, among other things, how the Company will treat and satisfy its liabilities relating to the period prior to the commencement of its chapter 11 case, including all claims held by PharmAthene.

By the order dated February 16, 2016, the Bankruptcy Court approved the Company's Disclosure Statement for the POR (the "Disclosure Statement"), thereby enabling the Company to solicit acceptances or rejections of the POR from those creditors entitled to vote on the POR. The Bankruptcy Court has scheduled a hearing to consider confirmation of the POR for April 5, 2016.

The POR provides for, among other things:

- Prepetition unsecured claims (other than PharmAthene's claim) will be paid in cash in full.
- Upon the effective date of the POR, ownership of existing shares of the Company's common stock shall remain unaltered by the POR; however, existing shares will be subject to potential future cancellation (without receipt of any consideration) in the event that PharmAthene's claim is satisfied through the issuance of newly issued shares of SIGA stock (option (ii) described below).
- Once the Delaware Supreme Court enters final judgment on the December 23 ruling (which is expected to occur on or about March 22, 2016), the Company will have 120 days (subject to a possible 90 day extension) to select one of the following options to satisfy PharmAthene's claim under the POR: (i) payment in full in cash of the Company's obligation under the Delaware Court of Chancery Final Order and Judgment, which is estimated to be approximately \$205 million as of December 31, 2015; (ii) delivery to PharmAthene of 100% of newly-issued stock of SIGA, with all existing shares of the Company's common stock being cancelled with no distribution to existing shareholders on

account thereof; or (iii) such other treatment as is mutually agreed upon by the Company and PharmAthene.

\*The 120 day period can be extended for a maximum of 90 additional days in exchange for payment by the Company of \$20 million to PharmAthene to be applied to payments to be made under option (i) set forth above (if selected), and otherwise nonrefundable.

\*In addition, PharmAthene shall be paid \$5 million on the effective date of the POR to be applied to payments to be made under option (i) set forth above (if selected), and otherwise nonrefundable.

## Table of Contents

- The POR requires the Company to comply with certain affirmative and negative covenants from the date the POR becomes effective until the covenants are terminated as provided under the POR, and if the Company breaches any covenant, PharmAthene is entitled to exercise certain remedies provided in the POR.

### Pre-Petition Claims

As a result of the chapter 11 filing, the payment of pre-petition liabilities is generally subject to compromise pursuant to a plan of reorganization. Generally, under the Bankruptcy Code, actions to enforce or otherwise effect payment of pre-bankruptcy filing liabilities are stayed. Although payment of pre-petition claims generally is not permitted, the Bankruptcy Court granted the Company authority to pay certain pre-petition claims in designated categories and subject to certain terms and conditions. Among other things, the Bankruptcy Court authorized the Company to pay certain pre-petition claims relating to employees, critical vendors, a fully-secured pre-petition term loan, and services for which the Company receives reimbursement from the government.

On October 30, 2014, the Company filed its schedules of assets and liabilities and statement of financial affairs (the “Schedules”) with the Bankruptcy Court. The Bankruptcy Court entered an order setting March 30, 2015 as the deadline for filing proofs of claim (the “Bar Date”). The Bar Date is the date by which claims against the Company relating to the period prior to the commencement of the Company's chapter 11 case must be filed if such claims are not listed in liquidated, non-contingent and undisputed amounts in the Schedules, or if the claimant disagrees with the amount, characterization or classification of its claim as reflected in the Schedules. Claims that are subject to the Bar Date and which are not filed on or prior to the Bar Date may be barred from participating in any distribution that may be made under a plan of reorganization in the Company's chapter 11 case.

As of February 15, 2016 approximately 126 proofs of claim were outstanding (including claims that were previously identified on the Schedules), a portion of which assert, in part or in whole, unliquidated claims. Prior to the Bar Date, PharmAthene asserted a claim in the amount of \$194,649,042, which reflects pre-judgment interest up to January 15, 2015 on the Delaware Court of Chancery Final Order and Judgment. It is estimated that, as of December 31, 2015, the accrued obligation to PharmAthene under the Delaware Court of Chancery Final Order and Judgment, including post-judgment interest, is \$205 million. Excluding the PharmAthene claim, all other liquidated proofs of claim amount to \$3,037,125.

Separately, a contingent and unliquidated claim was filed by BARDA prior to the Bar Date in the amount of \$109,339,609 in connection with amounts BARDA identified as subject to repayment in the event that the Company fails to perform under the terms of the BARDA Contract. As a result of the assumption of the BARDA Contract, as described above, BARDA withdrew the claim on August 4, 2015.

Certain proof of claims that have been filed relate to amounts which have been paid by the Company as of December 31, 2015.

The Company will ask the Bankruptcy Court to disallow claims that the Company believes are duplicative, have been later amended or superseded, are without merit, are overstated, have already been paid, or should be disallowed for other reasons. In addition, as a result of this process, the Company may identify additional liabilities that will need to be recorded or reclassified to Liabilities Subject to Compromise. The resolution of such claims could result in material adjustments to the Company's financial statements. The determination of how liabilities will ultimately be treated cannot be made until the Bankruptcy Court confirms a plan of reorganization and such plan becomes effective. Accordingly, the ultimate amount or treatment of such liabilities is not determinable at this time.

### Other Matters Related to the Chapter 11 Case

By motion filed with the Bankruptcy Court on April 8, 2015 (the “UCC 2004 Motion”), the UCC sought authority to take discovery under Federal Rule of Bankruptcy Procedure 2004 (“Rule 2004”) with respect to certain discrete matters. Rule 2004 permits a creditors’ committee appointed in a chapter 11 case or other party in interest, subject to Bankruptcy Court approval, to conduct broad discovery relating to the acts, conduct, property and liabilities of a debtor or with respect to any matter that may affect the administration of the debtor’s bankruptcy case. The UCC 2004 Motion was filed for the purpose of determining whether the Company's estate has claims against certain officers and directors in connection with the matters sought to be investigated pursuant to the UCC 2004 Motion. Pursuant to an order of the Bankruptcy Court, dated June 16, 2015 (the “2004 Order”), the UCC 2004 Motion was granted, in part, with regard to certain discovery requests specifically listed in the UCC 2004 Motion.



## Table of Contents

By a motion filed with the Bankruptcy Court on September 1, 2015, the UCC sought further discovery under Rule 2004 from PharmAthene and certain third parties with respect to one of the matters set forth in the UCC 2004 Motion. By order of the Bankruptcy Court dated October 2, 2015, the terms of which were agreed to by the Company and the UCC, the UCC was authorized to obtain certain additional discovery from PharmAthene related to the PharmAthene litigation.

As of the date hereof, the Company, pursuant to the 2004 Order, has provided to the attorneys for the UCC the discovery already produced by the Company to PharmAthene in the PharmAthene litigation. No document requests or deposition subpoenas have been served by the UCC on the Company.

The POR provides that, subject to confirmation and upon the effective date of the POR, all claims sought to be investigated by the UCC in connection with the UCC 2004 Motion will be released.

## NASDAQ/OTC Markets

On September 16, 2014, the Company received a letter from the NASDAQ Stock Market LLC asserting that, based on the Company's chapter 11 filing, the Company no longer met the continuing listing requirements necessary to maintain its listing on the NASDAQ Stock Market and would be promptly delisted. On March 18, 2015, after the expiration of an extension of time granted pursuant to a Company appeal, the Company received a letter from the NASDAQ hearings panel stating that the Company's securities would be delisted from the NASDAQ Stock Market. On March 20, 2015, the Company's common shares were suspended from trading on the NASDAQ Global Market at the opening of business and the Company's shares began trading on the OTC Markets under the "SIGAQ" symbol.

## Manufacturing

SIGA does not have a manufacturing infrastructure and does not intend to develop one for the manufacture of Tecovirimat. SIGA relies on and uses third parties known as Contract Manufacturing Organizations ("CMOs") to procure commercial raw materials and supplies, and to manufacture Tecovirimat. SIGA's CMOs apply methods and controls in facilities that are used for manufacturing, processing, packaging, testing, analyzing and holding pharmaceuticals which conform to current good manufacturing practices ("cGMP"), the standard set by FDA for manufacture of pharmaceuticals intended for human use.

For the manufacture of Tecovirimat, the Company uses the following CMOs: Albemarle Corporation ("Albemarle"); Powdersize, Inc. ("Powdersize"), and Catalent Pharma Solutions LLC ("Catalent").

In August, 2011, SIGA entered into an agreement with Albemarle. The agreement was amended in April, 2015. Albemarle manufactures, tests and supplies active pharmaceutical ingredient ("API") for use in Tecovirimat. SIGA agreed that, during the term of the agreement, SIGA will purchase 75% of its internal and external API requirements from Albemarle at a fixed price per kilogram. There is no minimum amount of API kilograms that must be used or acquired by SIGA. The following events are excluded from the "75% API" requirement: (i) if a contract entered into by SIGA for the sale of final drug product ("FDP") requires that the product used as the API for such FDP be manufactured outside the U.S. and Albemarle is unwilling or unable to subcontract such manufacture to a party or parties that meet the terms of the agreement, (ii) if a contract entered into by SIGA for the sale of FDP in an intravenous formulation requires different specifications than those provided for under the agreement and the parties are not able to reach agreement on the necessary changes to the specifications or on pricing, or (iii) if Albemarle fails to perform any of its obligations under the agreement and does not cure such failure within 30 days of written notice from SIGA. SIGA is required to pay Albemarle within 45 days of their invoice date. Albemarle is required to deliver API that conforms with specifications outlined in the agreement; the Company is not required to pay for API that does not meet specifications. The Company has 120 days to reject any shipments that do not meet specifications or are damaged. In addition to receiving payments for API deliveries, Albemarle is also paid for related services, such as stability testing. The Company's agreement with Albemarle continues for an initial term that shall continue until December 31,

2017. The Company has an option to extend the term up to an additional twelve months, if necessary, to fulfill its obligations under the BARDA Contract. Commencing ninety days prior to the termination date, the parties will negotiate in good faith in an effort to agree upon revised product pricing to be applicable during a renewal term of the agreement. In the event the parties are unable to agree to revised pricing during the ninety day negotiation period, then the agreement shall continue for a sixteen week period utilizing pricing in effect at the conclusion of the term; the agreement shall terminate at the end of such sixteen week period.

Powdersize micronizes and tests API for use in Tecovirimat. The Company's agreement with Powdersize continues for an initial term that is the longer of the period ending on (i) August 15, 2014 or (ii) the date the Company has fulfilled its delivery obligations under the BARDA Contract. Thereafter, this agreement may be renewed as provided for in such agreement.

## Table of Contents

Catalent granulates, encapsulates, tests and packages Tecovirimat. Catalent sub-contracts the packaging services to Packaging Coordinators, Inc., a CMO that purchased Catalent's packaging business. In addition, Catalent provides services related to commercial stability testing of drug product and preparation for tabulated stability and trend analysis for each time point. The Company's agreement with Catalent continues for an initial term that is the longer of the period ending December 15, 2014 or the date the Company has fulfilled its delivery obligations under the BARDA Contract. Thereafter, this agreement may be renewed as provided for in such agreement.

Any manufacturing failures or delays by SIGA's CMOs could cause delays in delivery of Tecovirimat into the Strategic Stockpile.

### Market for Biological Defense Programs

The market for biodefense countermeasures reflects continued awareness of the threat of global terror and biowarfare activity. The U.S. government is the largest source of development and procurement funding for academic institutions and biopharmaceutical companies conducting biodefense research or developing vaccines, anti-infectives and immunotherapies directed at potential agents of bioterror or biowarfare. U.S. government spending on biodefense programs includes development funding awarded by the National Institute of Allergy and Infectious Diseases, BARDA and Department of Defense ("DoD"), and procurement of countermeasures by BARDA, the Centers for Disease Control and Prevention ("CDC") and DoD.

Project BioShield, which became law in 2004, authorizes the procurement of countermeasures for biological, chemical, radiological and nuclear attacks for the Strategic Stockpile, which is a national repository of medical assets and countermeasures designed to provide federal, state and local public health agencies with medical supplies needed to treat and protect those affected by terrorist attacks, natural disasters, industrial accidents and other public health emergencies. Project BioShield initially provided appropriations of \$5.6 billion to be expended over ten years. The initial \$5.6 billion appropriation expired on September 30, 2013. In 2013, Congress reauthorized Project BioShield as part of the Pandemic and All-Hazards Preparedness Reauthorization Act of 2013. The Consolidated Appropriations Act of 2016 (also known as the 2016 omnibus spending bill) includes an annual appropriation of \$1.02 billion for activities related to medical countermeasures for biological and other threats to civilian populations. Of this, \$510 million has been set aside for procurement (reflecting an approximate doubling from Fiscal Year 2015), and \$511 million has been set aside for advanced development and administrative expenses.

In addition to the U.S. government, we believe that other potential additional markets for the sale of biodefense countermeasures include:

- foreign governments, including both defense and public health agencies;
- state and local governments, which may be interested in these products to protect, among others, emergency responders, such as police, fire and emergency medical personnel;
- healthcare providers, including hospitals and clinics; and
- non-governmental organizations and multinational companies, including transportation and security companies.

### Other Product Candidate

Dengue fever, an acute febrile disease characterized by a sudden onset of fever and an abnormally high internal body temperature, is caused by one of four serotypes of dengue virus of the genus *Flavivirus*. Dengue fever can be classified as classical dengue fever, severe dengue (which includes the life threatening dengue hemorrhagic fever

syndrome), or dengue shock syndrome. Dengue virus may be transmitted via the bite of an infected *Aedes aegypti* mosquito, which is found in tropical and sub-tropical regions around the world.

Each year, regional epidemics of dengue fever cause significant morbidity and mortality. Regional epidemics also cause social disruption and substantial economic burden in affected areas, in part due to increased hospitalization rates and necessary mosquito control. The World Health Organization estimates that forty percent of the world's population is at risk with an estimated 50-100 million people infected with the virus each year. There is currently no approved antiviral or vaccine for the treatment or prevention of dengue-mediated disease. We have identified a lead pre-clinical drug candidate with activity against all four serotypes of virus and which has shown efficacy in a murine model of disease.

We are seeking partners for our Dengue Antiviral drug candidate to support further development activity.

## Table of Contents

### Research Agreements

We obtain funding in the form of grants or contracts from various agencies of the U.S. government to support our research and development activities. Currently, in addition to the BARDA Contract, we have one contract and one grant with varying expiration dates through February 2018 that provide for potential future aggregate research and development funding for specific projects of approximately \$7.2 million. This amount includes, among other things, options that may or may not be exercised at the U.S. government's discretion. We may not utilize all available funds under the grant covering the pre-clinical drug candidate. Moreover, the contracts and grants contain customary terms and conditions and include the U.S. government's right to terminate or restructure a grant for convenience at any time. We have entered into the following collaborative research arrangements and contracts:

#### Smallpox Antiviral Drug Development

In 2006, we were awarded a contract from the National Institute of Health ("NIH") totaling approximately \$21 million for the continued development of ST-246, now also known as Tecovirimat. In 2008, we were awarded a \$55.1 million contract from NIH to support the development of additional formulations and orthopox-related indications for ST-246. In 2008, NIH increased an existing \$16.5 million contract to \$20.0 million. In August 2011, these contracts were restructured and transferred to BARDA so that \$14.0 million was eligible to cover performance through February 2013. Subsequently, the period of performance for a portion of the remaining funds available under the contract was extended to February 2018. As of December 31, 2015, \$5.8 million remains available to us under the restructured contract.

In September 2009, we received a three-year, \$3.0 million Phase II grant from NIH to fund the continued development of ST-246 for the treatment of smallpox vaccine-related adverse events. This grant concluded in February 2013.

#### Dengue Antiviral Drug Development

In May 2011, we received a 5-year grant of \$6.5 million from NIH to continue funding for the development of antiviral drugs for dengue. The grant has been extended to April 2017. As of December 31, 2015, there is \$1.4 million available under this grant.

### General

We receive cash payments from NIH and BARDA on a monthly basis, as services are performed or goods are purchased. Our current contract and grant, other than the BARDA Contract, do not include milestone payments. Amounts under contract and grant agreements, including the BARDA Contract, are not guaranteed and can be canceled at any time for reasons such as non-performance or convenience of the U.S. government and, if canceled, we will not receive funds for additional work under the agreements.

For a discussion of research and development expenses, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### Competition

The biotechnology and pharmaceutical industries are characterized by rapidly evolving technology and intense competition. Our competitors include most of the major pharmaceutical companies, each of which has financial, technical and marketing resources significantly greater than ours. Biotechnology and other pharmaceutical competitors in the biodefense space include, but are not limited to, Bavarian Nordic AS, Chimerix Inc., and Emergent BioSolutions. Academic institutions, governmental agencies and other public and private research organizations are

also conducting research activities and seeking patent protection and may commercialize products on their own or through joint ventures.

Tecovirimat faces significant competition for U.S. government funding for both development and procurement of medical countermeasures for biological, chemical, radiological and nuclear threats, diagnostic testing systems, and other emergency preparedness countermeasures.

Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer side effects, are more convenient or are less expensive than products that we may develop. In addition, we may not be able to compete effectively if our product candidates do not satisfy governmental procurement requirements, particularly requirements of the U.S. government with respect to biodefense products.

Table of Contents

Human Resources and Research Facilities

As of February 29, 2016, we had 29 full-time employees. None of our employees are covered by a collective bargaining agreement, and we consider our employee relations to be satisfactory. Our research and development facilities are located in Corvallis, Oregon, where we lease approximately 9,237 square feet under a lease agreement signed in January 2007, as amended in May 2011, and in April 2015, which expires in December 2017.

Intellectual Property and Proprietary Rights

SIGA's commercial success will depend in part on its ability to obtain and maintain patent protection for its proprietary technologies, drug targets, and potential products and to preserve its trade secrets. Because of the substantial length of time and expense associated with bringing potential products through the development and regulatory clearance processes to reach the marketplace, the pharmaceutical industry places considerable importance on obtaining patent and trade secret protection. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date. Accordingly, SIGA cannot predict the type and extent of claims allowed in these patents.

SIGA also relies upon trade secret protection for its confidential and proprietary information. No assurance can be given that other companies will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to SIGA's trade secrets or that SIGA can meaningfully protect its trade secrets.

SIGA exclusively owns its key patent portfolio, which relates to its leading drug candidate ST-246 (Tecovirimat). SIGA's key patent portfolio currently consists of nine U.S. utility patents, thirteen issued foreign patents, five U.S. utility patent applications, one international PCT patent applications and sixty two foreign patent applications.

Table of Contents

The principal and material issued patents covering Tecovirimat are described in the table below.

Patent Number	Country	Protection Conferred	Issue Date	Expiration Date
US 7737168	United States	Method of treating orthopoxvirus infection with ST-246	June 15, 2010	May 3, 2027
US 8039504	United States	Pharmaceutical compositions and unit dosage forms containing ST-246	October 18, 2011	July 23, 2027
US 7687641	United States	Method of manufacturing ST-246	March 30, 2010	September 27, 2024
US 8124643	United States	Composition of matter for the ST-246 compound and Pharmaceutical compositions containing ST-246	February 28, 2012	June 18, 2024
US 7956197	United States	Method of manufacturing ST-246	June 7, 2011	June 18, 2024
US 8530509	United States	Pharmaceutical compositions containing a mixture of compounds including ST-246	September 10, 2013	June 18, 2024
US 8802714	United States	Method of treating orthopoxvirus infection with a mixture of compounds including ST-246	August 12, 2014	June 18, 2024
US 9045418	United States	Method of manufacturing ST-246	June 2, 2015	June 18, 2024
US 9233097	United States	Liquid Pharmaceutical formulations containing ST-246	January 12, 2016	August 2, 2031
SI 184201	Singapore	Certain polymorphs of ST-246, method of preparation of the polymorphs and pharmaceutical compositions containing the polymorphs	June 22, 2015	March 23, 2031
NZ 602578	New Zealand	Certain polymorphs of ST-246, method of preparation of the polymorphs and their use in treating orthopoxvirus	December 2, 2014	March 23, 2031
MX 326231	Mexico	Pharmaceutical compositions containing ST-246 and one or more additional ingredients and dosage unit forms containing ST-246	December 11, 2014	April 23, 2027
JP 4884216	Japan	Therapeutic agent for treating orthopoxvirus including ST-246, pharmaceutical composition of matter for the ST-246 compound and method of manufacturing ST-246	December 16, 2011	June 18, 2024
JP 5657489	Japan	Method of manufacturing ST-246	December 5, 2014	June 18, 2024
CH 2011800245893	China	Certain polymorphs of ST-246, method of preparation of the polymorphs and pharmaceutical compositions containing the polymorphs	August 26, 2015	March 23, 2031
CA 2529761	Canada	Use of ST-246 to treat orthopoxvirus infection, pharmaceutical compositions containing ST-246 and composition of matter for the ST-246 compound	August 13, 2013	June 18, 2024
CA 2685153	Canada	Pharmaceutical compositions containing ST-246 and one or more additional ingredients and dosage unit forms containing ST-246	December 16, 2014	April 23, 2027
AU 2004249250	Australia	Method of treating orthopoxvirus infection, pharmaceutical composition containing ST-246	March 29, 2012	June 18, 2024



		and composition of matter for the ST-246 compound		
AU 2007351866	Australia	Pharmaceutical compositions containing ST-246 and one or more additional ingredients and dosage unit forms containing ST-246	January 10, 2013	June 18, 2024
AU 2011232551	Australia	Certain polymorphs of ST-246, method of preparation of the polymorphs and their use in treating orthopoxvirus	February 26, 2015	March 23, 2031
AU 2011285871	Australia	Liquid Pharmaceutical formulations containing ST-246	August 6, 2015	August 2, 2031
AP 3221	ARIPO*/Africa	Certain polymorphs of ST-246, method of preparation of the polymorphs and their use in treating orthopoxvirus	April 3, 2015	March 23, 2031

\* ARIPO has 19 member African States as follows: Botswana, The Gambia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Sierra Leone, Liberia, Rwanda, Sao Tome and Principe, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

## Table of Contents

The principal and material patent applications covering Tecovirimat include patent filings in multiple jurisdictions, including the United States, Europe, Asia, Africa, Australia, and other commercially significant markets. We hold 67 patent applications currently pending with respect to various compositions of Tecovirimat, methods of manufacturing, methods of treatment, and dosage forms. Expiration dates for pending patents, if granted, will fall between 2024 and 2034.

Tecovirimat is currently SIGA's sole clinical-stage drug candidate. In addition to the Tecovirimat patent portfolio, SIGA also has patents covering pre-clinical drug candidates. Substantially all of the pre-clinical patent portfolio is for Dengue Antiviral drug candidate. SIGA is currently seeking partners for its Dengue Antiviral drug candidate to support further development activity.

FDA regulations require that patented drugs be sold under brand names that comply with various regulations. SIGA must develop and make efforts to protect these brand names for each of its products in order to avoid product piracy and to secure exclusive rights to these brand names. SIGA may expend substantial funds in developing and securing rights to adequate brand names for our products. SIGA currently have proprietary trademark rights in SIGA®, ST-246® and other brands used by us in the United States and certain foreign countries, but we may have to develop additional trademark rights in order to comply with regulatory requirements. SIGA consider securing adequate trademark rights to be important to its business.

## Government Regulation

### Regulatory Approval Process

Regulation by governmental authorities in the United States and other countries is a significant factor in the production and marketing of any biopharmaceutical product that we may develop. The nature and the extent to which such regulations may apply to us will vary depending on the nature of any such product. Virtually all of our potential biopharmaceutical products will require regulatory approval by governmental agencies prior to non-governmental commercialization. In particular, human therapeutic products are subject to rigorous pre-clinical and clinical testing and other approval procedures by FDA and similar health authorities in foreign countries. Various federal statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of such products. The process of obtaining these approvals and the subsequent compliance with appropriate federal and foreign statutes and regulations requires the expenditure of substantial resources.

In order to test clinically, and to produce and market products for diagnostic or therapeutic use, a company must comply with mandatory procedures and safety standards established by FDA and comparable agencies in foreign countries. Before beginning human clinical testing of a potential new drug in the United States, a company must file an IND application and receive clearance from FDA. An IND application is a summary of the pre-clinical studies that were conducted to characterize the drug, including toxicity and safety studies, information on the drug's composition and the manufacturing and quality control procedures used to produce the drug, as well as a discussion of the human clinical studies that are being proposed.

The pre-marketing clinical program required for approval by FDA for a new drug typically involves a time-consuming and costly three-phase process. In Phase I, trials are conducted with a small number of healthy subjects to determine the early safety profile, the pattern of drug distribution, metabolism and elimination. In Phase II, trials are conducted with small groups of patients afflicted with a target disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety. In Phase III, large scale, multi-center comparative trials, which may include both controlled and uncontrolled studies, are conducted with patients afflicted with a target disease in order to provide enough data for statistical proof of efficacy and safety required by FDA and other authorities.

FDA closely monitors the progress of each of the three phases of clinical testing and may, in its discretion, reevaluate, alter, suspend or terminate the testing based on the data that has been accumulated to that point and its assessment of the risk/benefit ratio to the patients involved in the testing. Estimates of the total time typically required for carrying out such clinical testing vary between two and ten years. Upon completion of such clinical testing, a company typically submits an NDA to FDA that summarizes the results and observations of the drug during the clinical testing. Based on its review of the NDA, FDA will decide whether to approve the drug. This review process can be quite lengthy, and approval for the production and marketing of a new pharmaceutical product can require a number of years and substantial funding. There can be no assurance that any approval will be granted on a timely basis, if at all.

FDA amended its regulations, effective June 30, 2002, to include the “animal rule” in circumstances that would permit the typical clinical testing regime to approve certain new drug and biological products used to reduce or prevent the toxicity of chemical, biological, radiological, or nuclear agents not otherwise naturally present for use in humans based on evidence of safety

## Table of Contents

in healthy subjects and evidence of effectiveness derived only from appropriate animal studies and any additional supporting data. FDA has indicated that approval for therapeutic use of Tecovirimat will be determined under the “animal rule.”

Once the product is approved for sale, FDA regulations govern the production process and marketing activities, and a post-marketing testing and surveillance program may be required to monitor a product’s usage and effects. Product approvals may be withdrawn if compliance with regulatory standards is not maintained. Many other countries in which products developed by us may be marketed impose similar regulatory processes.

FDA regulations also make available an alternative regulatory mechanism that may lead to use of the product under limited circumstances. The Emergency Use Authorization (“EUA”) authority allows the FDA Commissioner to strengthen the public health protections against biological, chemical, radiological and nuclear agents that may be used to attack the American people or the U.S. armed forces. Under this authority, the FDA Commissioner may allow medical countermeasures to be used in an emergency to diagnose, treat or prevent serious or life-threatening diseases or conditions caused by such agents when appropriate findings are made concerning the nature of the emergency, the availability of adequate and approved alternatives, and the quality of available data concerning the drug candidate under consideration for emergency use. We have provided data to FDA to support an EUA for Tecovirimat in the event of a smallpox attack. In November 2012, CDC filed an IND application for use of Tecovirimat in emergency situations until an EUA is in place. In December 2012, CDC received a “safe to proceed” letter from FDA for this IND. In August 2013, CDC filed a pre-EUA request for which FDA currently holds an open file.

## Legislation and Regulation Related to Bioterrorism Counteragents and Pandemic Preparedness

Because some of our drug candidates are intended for the treatment of diseases that may result from acts of bioterrorism or biowarfare or for pandemic preparedness, they may be subject to the specific legislation and regulation described below and elsewhere in this Annual Report on Form 10-K.

### Project BioShield

Project BioShield and related 2006 federal legislation provide procedures for biodefense-related procurement and awarding of research grants, making it easier for HHS to commit funds to countermeasure projects. Project BioShield provides alternative procedures under the Federal Acquisition Regulation, the general rubric for acquisition of goods and services by the U.S. government, for procuring property or services used in performing, administering or supporting biomedical countermeasure research and development. In addition, if the Secretary of HHS deems that there is a pressing need, Project BioShield authorizes the Secretary of HHS to use an expedited award process, rather than the normal peer review process, for grants, contracts and cooperative agreements related to biomedical countermeasure research and development activity.

Under Project BioShield, the Secretary of HHS, with the concurrence of the Secretary of the Department of Homeland Security and upon the approval of the President, can contract to purchase unapproved countermeasures for the Strategic Stockpile in specified circumstances. Congress is notified of a recommendation for a Strategic Stockpile purchase after Presidential approval. Project BioShield specifies that a company supplying the countermeasure to the Strategic Stockpile is paid on delivery of a substantial portion of the countermeasure. To be eligible for purchase under these provisions, the Secretary of HHS must determine that there are sufficient and satisfactory clinical results or research data, including data, if available, from pre-clinical and clinical trials, to support a reasonable conclusion that the countermeasure will qualify for approval or licensing within eight years. Project BioShield also allows the Secretary of HHS to authorize the emergency use of medical products that have not yet been approved by FDA. To exercise this authority, the Secretary of HHS must conclude that:

- the agent for which the countermeasure is designed can cause serious or life-threatening disease;
- the product may reasonably be believed to be effective in detecting, diagnosing, treating or preventing the disease;
- the known and potential benefits of the product outweigh its known and potential risks;
- and
- there is no adequate alternative to a product that is approved and available.

Although this provision permits the Secretary of HHS to circumvent FDA approval (entirely, or in part) for marketing, its use in this manner would likely be limited to rare circumstances. Prior to the award of the BARDA Contract in May 2011, the Secretary of HHS concluded that ST-246 would qualify within eight years for approval by the FDA for therapeutic use against smallpox.

## Table of Contents

### Public Readiness and Emergency Preparedness Act

The Public Readiness and Emergency Preparedness Act, or PREP Act, provides immunity for manufacturers from claims under state or federal law for “loss” arising out of the administration or use of a “covered countermeasure.” However, injured persons may still bring a suit for “willful misconduct” against the manufacturer under some circumstances. “Covered countermeasures” include security countermeasures and “qualified pandemic or epidemic products”, including products intended to diagnose or treat pandemic or epidemic disease, as well as treatments intended to address conditions caused by such products. For these immunities to apply, the Secretary of HHS must issue a declaration in cases of public health emergency or “credible risk” of a future public health emergency. Since 2007, the Secretary of HHS has issued 8 declarations under the PREP Act to protect from liability countermeasures that are necessary to prepare the nation for potential pandemics or epidemics, including a declaration on October 10, 2008 that provides immunity from tort liability as it relates to smallpox. The PREP Act was Amended in 2015 to extend protection for smallpox and other countermeasures from December 31, 2015 to December 31, 2022.

### Foreign Regulation

As noted above, in addition to regulations in the United States, we might be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our drug candidates. Whether or not we obtain FDA approval for a product, we may have to obtain approval of a product by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The actual time required to obtain clearance to market a product in a particular foreign jurisdiction varies substantially, based upon the type, complexity and novelty of the pharmaceutical drug candidate, the specific requirements of that jurisdiction, and in some countries whether FDA has previously approved the drug for marketing. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary from country to country. Certain foreign jurisdictions, including the European Union, have adopted biodefense-specific regulation akin to that available in the United States such as a procedure similar to the “animal rule” promulgated by FDA.

### Regulations Regarding Government Contracting

The status of an organization as a government contractor in the United States and elsewhere means that the organization is also subject to various statutes and regulations, including the Federal Acquisition Regulation, which governs the procurement of goods and services by agencies of the United States. These governing statutes and regulations can impose stricter penalties than those normally applicable to commercial contracts, such as criminal and civil damages liability and suspension and debarment from future government contracting. In addition, pursuant to various statutes and regulations, government contracts can be subject to unilateral termination or modification by the government for convenience in the United States and elsewhere, detailed auditing requirements, statutorily controlled pricing, sourcing and subcontracting restrictions and statutorily mandated processes for adjudicating contract disputes.

### Availability of Reports and Other Information

We file annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 (the “Exchange Act”). The public may read and copy any material that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any document that we file with or furnish to the SEC at [www.sec.gov](http://www.sec.gov).

## Edgar Filing: SIGA TECHNOLOGIES INC - Form 10-K

In addition, our website can be found on the internet at [www.siga.com](http://www.siga.com). The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q, and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. To view the reports, access [www.siga.com](http://www.siga.com), click on “Investor Relations” and “Financial Information.”

The following corporate governance related documents are also available on our website:

- Audit Committee Charter;

- Compensation Committee Charter;

Table of Contents

• Nominating and Corporate Governance Committee Charter;

• Code of Ethics and Business Conduct;

• Procedure for Sending Communications to the Board of Directors;

• Procedures for Security Holder Submission of Nominating Recommendations;

• Policy on Confidentiality of Information and Securities Trading; and

• Conflict of Interest Policy.

To review these documents, access [www.siga.com](http://www.siga.com) and click on “Investor Relations” and “Corporate Governance.”

Any of the above documents can also be obtained in print by any shareholder upon request to the Secretary, SIGA Technologies, Inc., 660 Madison Avenue, Suite 1700, New York, New York 10065.



## Table of Contents

### Item 1A. Risk Factors

This report contains forward-looking statements and other prospective information relating to future events. These forward-looking statements and other information are subject to risks and uncertainties that could cause our actual results to differ materially from our historical results or currently anticipated results including the following:

#### Risks Related to Our Chapter 11 Filing

Under the Plan of Reorganization, equity investors could incur a total loss of their investment if the Company does not pay the PharmAthene claim within an allotted time period.

Under the Plan of Reorganization, the Company will have 120 days (subject to a possible 90 day extension) from approximately March 22, 2016 to satisfy the PharmAthene claim. If the PharmAthene claim is not satisfied within the allotted time period, and provided that an alternative mechanism is not agreed-upon by the Company and PharmAthene, then the Company would be required to deliver to PharmAthene 100% of newly-issued stock of SIGA and all existing shares of the Company's common stock would be cancelled with no distribution to existing shareholders on account thereof.

Even though we have submitted a Plan of Reorganization, there is no assurance it will be approved.

We submitted a plan of reorganization ("Plan of Reorganization") that is supported by the official committee of unsecured creditors and which would allow us to emerge from chapter 11 pursuant to the terms and conditions of the Plan of Reorganization (as described in "Business Chapter 11 Filing"). No assurance can be given that the Plan of Reorganization will be approved substantially in the form in which we submitted it or at all. If our Plan of Reorganization is not approved, we may not be able to emerge from chapter 11 until the PharmAthene claim is satisfied or we may emerge and be subject to terms and conditions more onerous than those terms and conditions contained in our Plan of Reorganization.

If our Plan of Reorganization is approved, we will emerge from chapter 11 but we will be subject to various restrictive covenants which may impede our operations until the PharmAthene claim is satisfied.

The Plan of Reorganization requires that we comply with certain restrictive covenants regarding our operations until the PharmAthene claim (as described below) is satisfied under the Plan of Reorganization. Compliance with these requirements may have a material adverse effect on our ability to operate our business.

If we default on the restrictive covenants contained in our Plan of Reorganization, the composition of the Board of Directors would be significantly altered and the Company's use of cash resources would be highly restricted

Under certain circumstances, as provided for in our Plan of Reorganization, a breach of the covenants contained therein could lead to an event of default. If an event of a default were to occur, the composition of the Board would be altered, with PharmAthene designees constituting a majority of the Board. Additionally, the Company's usage of cash on hand would be subject to supervision by PharmAthene and could be restricted. These changes could have a significant adverse effect on the operations and financial condition of the Company.

Risks and uncertainties associated with our restructuring process under chapter 11 of the United States Bankruptcy Code, may lead to potential adverse effects on our liquidity, results of operations or business prospects.

We are subject to a number of risks and uncertainties associated with the filing of a voluntary petition for relief under chapter 11 of the U.S. Bankruptcy Code, which may lead to potential adverse effects on our liquidity, results of

operations or business prospects. We cannot assure you of the outcome of our chapter 11 case. Risks associated with the chapter 11 filing may include an adverse impact on the following:

- the ability of the Company to continue as a going concern;
  - our ability to obtain Bankruptcy Court approval with respect to motions we file in the chapter 11 case and the impact of Bankruptcy Court rulings on the case in general;
- the length of time we will operate in chapter 11 and our ability to successfully emerge from chapter 11;
- our ability to consummate and implement a plan of reorganization with respect to our chapter 11 case;
- risks associated with third party motions and other relief sought in the chapter 11 case, and their potential impact on our operations and ability to emerge from chapter 11;

## Table of Contents

- the ability to maintain sufficient liquidity throughout the chapter 11 case;
- increased costs related to the chapter 11 filing and other litigation;
- our ability to manage contracts that are critical to our operations and, to obtain and maintain appropriate terms with customers, suppliers and service providers;
- the resolution of all pre-petition claims against us; and
- our ability to maintain existing customers, vendor relationships and expand sales to new customers.

### Risks Related to Our Dependence on U.S. Government Contracts and Grants

We currently expect to derive substantially all of our foreseeable future revenue from sales of Tecovirimat under the BARDA Contracts in addition to contracts and grants from various agencies of the U.S. government. If BARDA demand for Tecovirimat is reduced, our business, financial condition and operating results could be materially harmed.

Our BARDA Contract does not necessarily increase the likelihood that we will secure future comparable contracts with the U.S. government. The success of our business and our operating results for the foreseeable future are substantially dependent on the terms of the Tecovirimat sales to the U.S. government, including price per course, the number and size of doses in a course and the timing of deliveries.

Furthermore, substantially all of our revenues for the years ended December 31, 2015, 2014 and 2013, respectively, were derived from contracts and grants other than the BARDA Contract.] Our current revenue is primarily derived from contract work being performed for NIH under grants and one BARDA development contract scheduled to substantially conclude in February 2018. There can be no assurance that we will recognize the revenue from the BARDA Contract in the time periods we anticipate or at all, or that we will be able to secure future contracts or grants. Failure to recognize such revenue or secure such contracts or grants could have an adverse effect on our results of operations.

The pricing under our fixed-price government contracts and grants is based on estimates of the time, resources and expenses required to perform these contracts and grants. If our estimates are not accurate, we may not be able to earn an adequate return or may incur a loss under these arrangements.

Our existing contract with BARDA for Tecovirimat includes fixed-price components. We expect that our future contracts and grants with the U.S. government for Tecovirimat as well as contracts and grants for biodefense product candidates that we successfully develop also may be fixed-price arrangements. Under a fixed-price contract or grant, we are required to deliver our products at a fixed price regardless of the actual costs we incur and to absorb any cost in excess of the fixed price. Estimating costs that are related to performance in accordance with contract or grant specifications is difficult, particularly where the period of performance is over several years. Our failure to anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract or grant could reduce the profitability of a fixed-price contract or grant or cause a loss, which could in turn harm our operating results.

Product deliveries of Tecovirimat since December 31, 2014 have been at a provisional dosage of 600 mg administered twice per day (1,200 mg per day). This is a change from the provisional dosage that was in effect when product deliveries were made in 2013 and 2014 (600 mg per day). In 2013 and 2014, the provisional dosage of courses delivered to the Strategic Stockpile was 600 mg administered once per day. The change in the provisional dosage is based on FDA guidance received by the Company in 2014, subsequent to the deliveries of 1.3 million courses of Tecovirimat. Based on the provisional dosage of 600 mg administered twice per day, SIGA currently expects to supplement previously delivered courses of Tecovirimat, at no additional cost to BARDA, with additional capsules so that all of the courses previously delivered to BARDA will be at the new provisional dosage. The Company expects to

incur significant incremental costs when previously delivered courses are supplemented. The provisional dosage for Tecovirimat may be subject to additional changes in the future based on FDA guidance.

## Table of Contents

Our U.S. government contracts and grants require ongoing funding decisions by the government. Reduced or discontinued funding of these contracts and grants could cause our financial condition and operating results to suffer materially.

Our principal customer for Tecovirimat at the present time is the U.S. government. We anticipate that the U.S. government will also be the principal customer for any other biodefense product that we successfully develop. A U.S. government program, such as Project BioShield, may be implemented through the award of many different individual grants, contracts and subcontracts. The funding of government programs is subject to Congressional appropriations, generally made on a fiscal year basis even though a program may continue for several years. Our government customers are subject to political considerations and stringent budgetary constraints. Our government customers are also subject to uncertainties as to continued funding of their budgets. Additionally, government-funded development grants and contracts typically consist of a base period of performance followed by successive option periods for performance of certain future activities. The value of the goods and services provided during such option periods, which are exercisable in the sole discretion of the government, may constitute the majority of the total value of the underlying contract. If levels of government expenditures and authorizations for biodefense decrease or shift to programs in areas where we do not offer products or are not developing product candidates, our business, revenues and operating results may suffer.

Our future business may be harmed as a result of the government contracting process, which can be a competitive bidding process that may involve risks not present in the commercial contracting process.

We expect that a significant portion of the business that we will seek in the near future will be under government grants, contracts or subcontracts, which may be awarded through competitive bidding. Competitive bidding for government contracts and grants presents a number of risks that are not typically present in the commercial contracting process, which may include:

- the need to devote substantial time and attention of management and key employees to the preparation of bids and proposals for contracts and grants that may not be awarded to us;

- the need to estimate the resources and cost structure that will be required to perform any contract or grant that we might be awarded;

- the risk that the government will issue a request for proposal to which we would not be eligible to respond;

- the risk that third parties may submit protests to our responses to requests for proposal that could result in delays or withdrawals of those requests for proposal; and

- the expenses that we might incur and the delays that we might suffer if our competitors protest or challenge contract awards made to us pursuant to competitive bidding, and the risk that any such protest or challenge could result in the resubmission of bids based on modified specifications, or in termination, reduction or modification of the awarded contract or grant.

The U.S. government may choose to award future contracts and grants for the supply of smallpox antivirus and other biodefense product candidates that we are developing to our competitors instead of to us. If we are unable to win particular contracts and grants, we may not be able to operate in the market for products that are provided under those contracts and grants for a number of years. If we are unable to obtain new contracts and grants over an extended period, or if we fail to anticipate all of the costs and resources that will be required to secure such contracts and grants, our growth strategy and our business, financial condition, and operating results could be materially adversely affected.

The success of our business with the U.S. government depends on our compliance with regulations and obligations under our U.S. government contracts and grants and various federal statutes and regulations.

Our business with the U.S. government is subject to specific procurement regulations and a variety of other legal compliance obligations. These laws and rules include those related to:

- procurement integrity;

- export control;

- government security regulations;

- employment practices;

Table of Contents

protection of the environment;

accuracy of records and the recording of costs; and

foreign corrupt practices.

In addition, before awarding us any contract or grant, the U.S. government could require that we respond satisfactorily to a request to substantiate our commercial viability and industrial capabilities. Compliance with these obligations increases our performance and compliance costs. Failure to comply with these regulations and requirements could lead to suspension or debarment, for cause, from government contracting or subcontracting for a period of time. The termination of a government contract or grant or relationship as a result of our failure to satisfy any of these obligations would have a negative impact on our operations and harm our reputation and ability to procure other government contracts or grants in the future.

Unfavorable provisions in government contracts and grants, some of which may be customary, may harm our future business, financial condition and potential operating results.

Government contracts and grants customarily contain provisions that give the government substantial rights and remedies, many of which are not typically found in commercial contracts, including (but not limited to) provisions that allow the government to:

terminate existing contracts or grants, in whole or in part, for any reason or no reason;

unilaterally reduce or modify grants, contracts or subcontracts, including through the use of equitable price adjustments;

cancel multi-year contracts or grants and related orders if funds for performance for any subsequent year become unavailable;

decline to exercise an option to renew a contract or grant;

exercise an option to purchase only the minimum amount specified in a contract or grant;

decline to exercise an option to purchase the maximum amount specified in a contract or grant;

claim rights to products, including intellectual property, developed under a contract or grant;

take actions that result in a longer development timeline than expected;

direct the course of a development program in a manner not chosen by the government contractor;

suspend or debar the contractor from doing business with the government or a specific government agency;

pursue criminal or civil remedies under the False Claims Act and False Statements Act; and

control or prohibit the export of products.

Generally, government contracts and grants contain provisions permitting unilateral termination or modification, in whole or in part, at the government's convenience. Under general principles of government contracting law, if the

government terminates a contract or grant for convenience, the terminated company may recover only its incurred or committed costs, settlement expenses and profit on work completed prior to the termination.

If the government terminates a contract or grant for default, the defaulting company is entitled to recover costs incurred and associated profits on accepted items only and may be liable for excess costs incurred by the government in procuring undelivered items from another source. Our government contracts and grants, including the BARDA Contract, could be terminated under these circumstances. Some government contracts and grants permit the government the right to use, for or on behalf of the U.S. government, any technologies developed by the contractor under a government contract or grant. If we were to develop technology under a contract or grant with such a provision, we might not be able to prohibit third parties, including our competitors, from using that technology in providing products and services to the government.



## Table of Contents

Political or social factors, including related litigation, may delay or impair our ability to market Tecovirimat and our biodefense product candidates and may require us to spend time and money to address these issues.

Products developed to treat diseases caused by or to combat the threat of bioterrorism or biowarfare will be subject to changing political and social environments. The political and social responses to bioterrorism and biowarfare have been highly charged and unpredictable. Political or social pressures or changes in the perception of the risk that military personnel or civilians could be exposed to biological agents as weapons of bioterrorism or biowarfare may delay or cause resistance to bringing our products to market or limit pricing or purchases of our products, any of which would harm our business.

In addition, substantial delays or cancellations of purchases could result from protests or challenges from third parties. Furthermore, lawsuits brought against us by third parties such as activists, even if not successful, require us to spend time and money defending the related litigation. The need to address political and social issues may divert our management's time and attention from other business concerns.

Additional lawsuits, publicity campaigns or other negative publicity may adversely affect the degree of market acceptance of, and thereby limit the demand for, Tecovirimat and our biodefense product candidates. In such event, our ability to market and sell such products may be hindered and the commercial success of Tecovirimat and other products we develop will be harmed, thereby reducing our revenues.

### Risks Related to Product Development

Our business depends significantly on our success in completing development and commercialization of drug candidates that are still under development. If we are unable to commercialize these drug candidates, or experience significant delays in doing so, our business will be materially harmed.

We have invested a substantial majority of our efforts and financial resources in the development of our drug candidates. Our ability to generate near-term cash-flows is primarily dependent on the success of our smallpox antiviral drug candidate Tecovirimat. The commercial success of our drug candidates will depend on many factors, including:

- successful development, formulation and cGMP scale-up of drug manufacturing that meets FDA requirements;
- successful development of animal models;
- successful completion of non-clinical development, including studies in approved animal models;
- our ability to pay the expense of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights;
- successful completion of clinical trials;
- receipt of marketing approvals from FDA and similar foreign regulatory authorities;
- establishing commercial manufacturing processes of our own or arrangements on reasonable terms with contract manufacturers;
- manufacturing stable commercial supplies of drug candidates, including availability of raw materials;

launching commercial sales of the product, whether alone or in collaboration with others; and

acceptance of the product by potential government customers, physicians, patients, healthcare payors and others in the medical community.

We expect to rely on FDA regulations known as the “animal rule” to obtain approval for certain of our biodefense drug candidates. The animal rule permits the use of animal efficacy studies together with human clinical safety trials to support an application for marketing approval. These regulations are relatively new, and both we and the government have limited experience in the application of these rules to the drug candidates that we are developing. It is possible that results from these animal efficacy studies may not be predictive of the actual efficacy of our drug candidates in humans. If we are not successful in completing the development and commercialization of our drug candidates, whether due to our efforts or due to concerns raised by our governmental regulators or customers, our business could be harmed.

## Table of Contents

We will not be able to commercialize our drug candidates if our pre-clinical development efforts are not successful, our clinical trials do not demonstrate safety or our clinical trials or animal studies do not demonstrate efficacy.

Before obtaining regulatory approval for the sale of our drug candidates, we must conduct extensive pre-clinical development, trials to demonstrate the safety of our drug candidates and clinical or animal trials to demonstrate the efficacy of our drug candidates. Pre-clinical and clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. Success in pre-clinical testing and early clinical trials does not ensure that later clinical trials or animal efficacy studies will be successful, and interim results of a clinical trial or animal efficacy study do not necessarily predict final results.

A failure of one or more of our clinical trials or animal efficacy studies can occur at any stage of testing. We may experience numerous unforeseen events during, or as a result of, pre-clinical testing and the clinical trial or animal efficacy study process that could delay or prevent our ability to receive regulatory approval or commercialize our drug candidates, including:

- regulators or institutional review boards may not authorize us to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- we may decide, or regulators may require us, to conduct additional pre-clinical testing or clinical trials, or we may abandon projects that we expect to be promising, if our pre-clinical tests, clinical trials or animal efficacy studies produce negative or inconclusive results;

- we might have to suspend or terminate our clinical trials if the participants are being exposed to unacceptable health risks;

- regulators or institutional review boards may require that we hold, suspend or terminate clinical development for various reasons, including noncompliance with regulatory requirements;

- the cost of our clinical trials could escalate and become cost prohibitive;

- our governmental regulators may impose requirements on clinical trials, pre-clinical trials or animal efficacy studies that we cannot meet or that may prohibit or limit our ability to perform or complete the necessary testing in order to obtain regulatory approval;

- any regulatory approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the product not commercially viable;

- we may not be successful in recruiting a sufficient number of qualifying subjects for our clinical trials; and

- the effects of our drug candidates may not be the desired effects or may include undesirable side effects or the drug candidates may have other unexpected characteristics.

We are in various stages of product development and there can be no assurance of successful commercialization.

In general, our research and development programs are at an early stage of development. To obtain FDA approval for our biodefense products, we will be required to obtain adequate proof of efficacy from at least one animal model and provide animal and human safety data. Our other products will be subject to the usual FDA regulatory requirements, which include a number of phases of testing in humans.

FDA has not approved any of our biopharmaceutical product candidates. Any drug candidate we develop will require significant additional research and development efforts, including extensive pre-clinical and clinical testing and regulatory approval, prior to commercial sale. We cannot be sure our approach to drug discovery will be effective or will result in the successful commercialization of any drug. We cannot predict with certainty whether any drug resulting from our research and development efforts will be commercially available within the next several years, or if they will be available at all.

Even if we receive initially positive pre-clinical or clinical results, such results do not mean that similar results will be obtained in later stages of drug development, such as additional pre-clinical testing or human clinical trials. Our potential drug candidates are prone to the risks of failure inherent in pharmaceutical product development, including the possibility that none of our drug candidates will or can:

## Table of Contents

- be safe, non-toxic and effective;
- otherwise meet applicable regulatory standards;
- receive the necessary regulatory approvals;
- develop into commercially viable drugs;
- be manufactured or produced economically and on a large scale;
- be successfully marketed;
- be paid for by governmental procurers or be reimbursed by governmental or private insurers; and
- achieve customer acceptance.

In addition, third parties may preclude us from marketing our drugs through enforcement of their proprietary rights that we are not aware of, or third parties may succeed in marketing equivalent or superior drug products. Our failure to develop safe, commercially viable drugs would have a material adverse effect on our business, financial condition and results of operations.

### Risks Related to Commercialization

Our ability to grow our business depends significantly on our ability to achieve sales of Tecovirimat to customers other than the U.S. government.

An element of our business strategy is to sell Tecovirimat to customers other than the U.S. government. These potential customers include foreign governments and state and local governments, as well as non-governmental organizations focused on global health like the World Health Organization, health care institutions like hospitals (domestic and foreign) and certain large business organizations interested in protecting their employees against global threats.

The market for sales of Tecovirimat to customers other than the U.S. government is undeveloped, and we may not be successful in generating meaningful sales of Tecovirimat, if any, to these potential customers.

Governmental regulations may make it difficult for us to achieve significant sales of Tecovirimat to customers other than the U.S. government. For example, federal and foreign regulations usually require approval of the drug under generally applicable food and drug laws or waivers of such approval before these customers may procure the drug. Additionally, federal laws place various restrictions on the export of drugs that are not FDA-approved or that have potential biodefense-related uses. These restrictions are subject to change as global conditions change. These restrictions and other regulations on drug sales could limit our sales of Tecovirimat to foreign governments and other foreign customers. In addition, U.S. government demand for Tecovirimat may limit supplies of Tecovirimat available for sale to non-U.S. government customers.

If we fail to increase our sales of Tecovirimat to customers other than the U.S. government, our business and opportunities for growth could be materially limited.

Because we must obtain regulatory clearance or otherwise operate under strict legal requirements in order to test and market our products in the U.S., we cannot predict whether or when we will be permitted to commercialize our products other than through the BARDA Contract.

Except with respect to sales to BARDA under Project BioShield, pharmaceutical products cannot generally be marketed in the U.S. until they have completed rigorous pre-clinical testing and clinical trials and an extensive regulatory clearance process implemented by FDA. Pharmaceutical products typically take many years to satisfy regulatory requirements and require the expenditure of substantial resources depending on the type, complexity and novelty of the product and its intended use.

Before commencing clinical trials in humans, we must submit and receive clearance from FDA through a process begun by an IND application. Institutional review boards and FDA oversee clinical trials. Such trials:

- must be conducted in conformance with FDA regulations;

## Table of Contents

- must meet requirements for institutional review board oversight;

- must meet requirements for informed consent;

- must meet requirements for good clinical and manufacturing practices;

- are subject to continuing FDA oversight;

- may require large numbers of test subjects; and

- may be suspended by us or FDA at any time if it is believed that the subjects participating in these trials are being exposed to unacceptable health risks or if FDA finds deficiencies in our IND application or the conduct of these trials.

Before receiving FDA clearance to market a product in the absence of a medical or public health emergency, we must demonstrate that the product is safe and effective on the patient population that will be treated. Data we obtain from pre-clinical and clinical activities and from animal models are susceptible to varying interpretations that could delay, limit or prevent regulatory clearances. Additionally, we have limited experience in conducting and managing the pre-clinical and clinical trials and animal efficacy studies and manufacturing processes necessary to obtain regulatory clearance.

If full regulatory clearance of a product is granted, this clearance will be limited only to those conditions for which the product is demonstrated through clinical trials to be safe and efficacious. We cannot ensure that any compound developed by us, alone or with others, will prove to be safe and efficacious in pre-clinical or clinical trials or animal efficacy studies and will meet all of the applicable regulatory requirements needed to receive full marketing clearance.

The biopharmaceutical market in which we compete and will compete is highly competitive.

The biopharmaceutical industry is characterized by rapid and significant technological change. Our success will depend on our ability to develop and apply our technologies in the design and development of our product candidates and to establish and maintain a market for our product candidates. In addition, there 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 resources, and human resources than us. Competitors may develop products or other technologies that are more effective than any that are being developed by us or may obtain FDA approval for products more rapidly than us. If we commence commercial sales of products, we still must compete in the manufacturing and marketing of such products, areas in which we have no 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.

Our potential products may not be acceptable in the market or eligible for third-party reimbursement resulting in a negative impact on our future financial results.

Any product we develop may not achieve market acceptance. The degree of market acceptance of any of our products will depend on a number of factors, including:

- the establishment and demonstration in the medical community of the efficacy and safety of such products;

- the potential advantage of such products over existing approaches to combating the problem intended to be addressed;

the cost of our products relative to their perceived benefits; and

payment or reimbursement policies of government and third-party payors.

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



## Table of Contents

Product liability lawsuits could cause us to incur substantial liabilities and require us to limit commercialization of any products that we may develop.

We face an inherent business risk related to the sale of Tecovirimat and any other products that we successfully develop and the testing of our product candidates in clinical trials.

Tecovirimat is currently identified as a covered countermeasure under a PREP Act declaration issued in October 2008, which provides us with substantial immunity with respect to the manufacture, administration or use of Tecovirimat. Under our BARDA Contract, the U.S. government should indemnify us against claims by third parties for death, personal injury and other damages related to Tecovirimat, including reasonable litigation and settlement costs, to the extent that the claim or loss results from specified risks not covered by insurance or caused by our grossly negligent or criminal behavior. The collection process can be lengthy and complicated, and there is no guarantee that we will be able to recover these amounts from the U.S. government.

If we cannot successfully defend ourselves against future claims that our product or product candidates caused injuries and we are not entitled to or able to obtain indemnity by the U.S. government with respect to such claims, or if the U.S. government does not honor its indemnification obligations, we may incur substantial liabilities. Regardless of merit or eventual outcome, product liability claims may result in:

- decreased demand for any product candidate or product that we may develop;

- injury to our reputation;

- withdrawal of a product from the market;

- withdrawal of clinical trial participants;

- costs to defend the related litigation;

- substantial monetary awards to trial participants or patients;

- loss of revenue; and

- the inability to commercialize any products that we may develop.

We currently have product liability insurance with coverage up to a \$10 million annual aggregate limit and up to \$10 million per occurrence. The amount of insurance that we currently hold may not be adequate to cover all liabilities that may occur. Product liability insurance is difficult to obtain and increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost and we may not be able to maintain or obtain insurance coverage that will be adequate to satisfy any liability that may arise.

Additionally, a successful product liability claim or series of claims brought against us could cause our stock price to fall and could decrease our financial resources and materially and adversely affect our business.

We may be required to perform additional clinical trials or change the labeling of our products if we or others identify side effects after our products are on the market, which could harm sales of the affected products.

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

- regulatory approval may be withdrawn;

- reformulation of our products, additional clinical trials or other testing or changes in labeling of our products may be required;

- changes to or re-approvals of our manufacturing facilities may be required;

- sales of the affected products may drop significantly;

## Table of Contents

our reputation in the marketplace may suffer; and

lawsuits, including class action suits, may be brought against us.

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.

Healthcare reform and controls on healthcare spending may limit the price we charge for our products and the amounts that we can sell.

There have been a number of legislative and regulatory proposals in the United States to change the health care system in ways that could affect our ability to sell our products profitably. One enacted proposal, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the “Healthcare Reform Act”), substantially changes the way healthcare is financed by both governmental and private insurers and will have a substantial effect on the pharmaceutical industry. The Healthcare Reform Act contains a number of provisions, including those governing enrollment in federal healthcare programs like Medicare, reimbursement changes and rules protecting against fraud and abuse, that will change existing healthcare programs and will result in the development of new programs, including Medicare payment for performance initiatives and improvements to the physician quality reporting system and feedback program. We anticipate that, if we obtain marketing approval for our products, some of our revenue may be derived from governmental healthcare programs, including Medicare. Furthermore, beginning in 2011, the Healthcare Reform Act imposed a non-deductible excise tax on pharmaceutical manufacturers or importers who sell “branded prescription drugs,” which includes innovator drugs and biologics (excluding orphan drugs or generics) to U.S. government programs. The Healthcare Reform Act and other healthcare reform measures that may be adopted in the future could have an adverse effect on our industry generally and potential future sales and profitability of our products specifically.

Laws and regulations governing international operations may preclude us from developing, manufacturing and selling certain product candidates outside of the United States and require us to develop and implement costly compliance programs.

If we expand our operations outside of the United States, we must comply with numerous laws and regulations relating to our business operations in each jurisdiction in which we plan to operate. The creation and implementation of international business practices compliance programs is costly and such programs are difficult to enforce, particularly where reliance on third parties is required.

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations. The anti-bribery provisions of the FCPA are enforced primarily by the U.S. Department of Justice. The SEC is involved with enforcement of the books and records provisions of the FCPA.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical studies and other work have been deemed to be

improper payments to government officials and have led to FCPA enforcement actions. In addition, biodefense companies like SIGA often sell their products directly to foreign governments.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. Our expanding presence outside of the United States will require us to dedicate additional resources to compliance with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

The failure to comply with laws governing international business practices may result in substantial penalties, including suspension or debarment from government contracting. Violation of the FCPA can result in significant civil and criminal penalties.

## Table of Contents

Indictment alone under the FCPA can lead to suspension of the right to do business with the U.S. government until the pending claims are resolved. Conviction of a violation of the FCPA can result in long-term disqualification as a government contractor. The termination of a government contract or relationship as a result of our failure to satisfy any of our obligations under laws governing international business practices would have a negative impact on our operations and harm our reputation and ability to procure government contracts. The SEC also may suspend or bar issuers from trading securities on United States exchanges for violations of the FCPA's accounting provisions.

Other countries have laws similar to the FCPA which may be applicable to our operations.

If we are unable to expand our internal sales and marketing capabilities or enter into agreements with third parties, we may be unable to generate cash flows from product sales to customers other than the U.S. government.

To achieve commercial success for any approved product, we may need to enhance our own sales and marketing capabilities, enter into collaborations with third parties able to perform these services or outsource these functions to third parties.

We currently market and sell Tecovirimat through a small, targeted sales and marketing group. We plan to continue to do so and expect that we will use a similar approach for sales to the U.S. government of any other biodefense product candidates that we successfully develop. If we are unable to do this, we may be unable to expand our sales of Tecovirimat, which could have an adverse effect on our growth.

### Risks Related to Manufacturing and Manufacturing Facilities

Problems related to large-scale commercial manufacturing could cause us to delay product launches or experience shortages of products.

Manufacturing drug products, especially in large quantities, is complex. Our drug candidates require several manufacturing steps, and may involve complex techniques to assure quality and sufficient quantity, especially as the manufacturing scale increases. Our products must be made consistently and in compliance with a clearly defined manufacturing process. Accordingly, it is essential to be able to validate and control the manufacturing process to assure that it is reproducible. Slight deviations anywhere in the manufacturing process, including obtaining materials, filling, labeling, packaging, storage, shipping, quality control and testing, some of which all pharmaceutical companies, including SIGA, experience from time to time, may result in lot failures, delay in the release of lots, product recalls or spoilage. Success rates can vary dramatically at different stages of the manufacturing process, which can lower yields and increase costs. We may experience deviations in the manufacturing process that may take significant time and resources to resolve and, if unresolved, may affect manufacturing output and/or cause us to fail to satisfy customer orders or contractual commitments, lead to delays in our clinical trials or result in litigation or regulatory action.

If third parties do not manufacture our drug candidates or products in sufficient quantities and at an acceptable cost or in compliance with regulatory requirements and specifications, the development and commercialization of our drug candidates could be delayed, prevented or impaired.

We currently rely on third parties to manufacture drug candidates that we require for pre-clinical and clinical development, including Tecovirimat. Any significant delay in obtaining adequate supplies of our drug candidates could adversely affect our ability to develop or commercialize these drug candidates. We expect that we will rely on third parties for a portion of the manufacturing process for commercial supplies of drug candidates that we successfully develop. If our contract manufacturers are unable to scale-up production to generate enough materials for commercial launch, the success of those products may be jeopardized. Our current and anticipated future dependence

upon others for the manufacture of our drug candidates may adversely affect our ability to develop drug candidates and commercialize any product that receives regulatory approval on a timely and competitive basis. If our third party manufacturers' production processes malfunction or contaminate our drug supplies during manufacturing, we may incur significant inventory loss.

We currently rely on third parties to demonstrate regulatory compliance and for quality assurance with respect to the drug candidates manufactured for us. We intend to continue to rely on these third parties for these purposes with respect to production of commercial supplies of drugs that we successfully develop. Manufacturers are subject to ongoing, periodic, unannounced inspection by FDA and corresponding state and foreign agencies or their designees to ensure strict compliance with applicable regulations.

We cannot be certain that our present or future manufacturers will be able to comply with these regulations and other FDA regulatory requirements or similar regulatory requirements outside the U.S. While our contracts and grants call for compliance with all applicable regulatory requirements, we do not control compliance by these manufacturers with these regulations and

## Table of Contents

standards. If we or these third parties fail to comply with applicable regulations, sanctions could be imposed on us, which could significantly and adversely affect supplies of our drug candidates.

Our activities may involve hazardous materials, use of which may subject us to environmental regulatory liabilities.

Our biopharmaceutical research and development sometimes involves the use of hazardous and radioactive materials and generation of biological waste. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. Although we believe that our safety procedures for handling and disposing of these materials comply with legally prescribed standards, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of an accident, we could be held liable for damages, and this liability could exceed our resources. We use, for example, small amounts of radioactive isotopes commonly used in pharmaceutical research, which are stored, used and disposed of in accordance with Nuclear Regulatory Commission regulations. Our general liability policy provides coverage up to annual aggregate limits of \$2 million and coverage of \$2 million per occurrence.

We believe that we are in compliance in all material respects with applicable environmental laws and regulations and currently do not expect to make material additional capital expenditures for environmental control facilities in the near term. However, we may have to incur significant costs to comply with current or future environmental laws and regulations.

### Risks Related to Sales of Biodefense Products to the U.S. Government

Our business could be adversely affected by a negative audit by the U.S. government.

U.S. government agencies such as the Defense Contract Audit Agency (the “DCAA”), routinely audit and investigate government contractors. These agencies review a contractor’s performance under its contracts and grants, cost structure, and compliance with applicable laws, regulations and standards.

The DCAA also reviews the adequacy of, and a contractor’s compliance with, its internal control systems and policies, including the contractor’s purchasing, property, estimating, compensation and management information systems. Any cost found to be improperly allocated to a specific contract will not be reimbursed, while such costs already reimbursed must be refunded. If an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including:

- termination of contracts;
- forfeiture of profits;
- suspension of payments;
- fines; and
- suspension or prohibition from doing business with the U.S. government.

Laws and regulations affecting government contracts and grants might make it more costly and difficult for us to conduct our business.

We must comply with numerous laws and regulations relating to the formation, administration and performance of government contracts and grants, which can make it more difficult for us to retain our rights under these contracts.

These laws and regulations affect how we do business with federal, state and local governmental agencies. Among the most significant government contracting regulations that affect our business are:

the Federal Acquisition Regulation and other agency-specific regulations supplemental to the Federal Acquisition Regulation, which comprehensively regulate the procurement, formation, administration and performance of government contracts;

the business ethics and public integrity obligations, which govern conflicts of interest and the hiring of former government employees, restrict the granting of gratuities and funding of lobbying activities and incorporate other requirements such as the Anti-Kickback Act and Foreign Corrupt Practices Act;



## Table of Contents

• export and import control laws and regulations; and

• laws, regulations and executive orders restricting the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

### Risks Related to Regulatory Approvals

If we are not able to obtain required regulatory approvals, we will not be able to commercialize our drug candidates in the United States other than through sales to BARDA, and our ability to generate revenue will be materially impaired.

Our drug candidates and the activities associated with their development and commercialization, including their testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Failure to obtain regulatory approval for a drug candidate will prevent us from commercializing the drug candidate in the United States other than through sales to BARDA under Project BioShield. We have limited experience in preparing, filing and prosecuting the applications necessary to gain regulatory approvals and expect to rely on third-party contract research organizations and consultants to assist us in this process. Securing FDA approval requires the submission to FDA of extensive pre-clinical and clinical data and, potentially, animal efficacy studies, information about product manufacturing processes and inspection of facilities and supporting information in order to establish the drug candidate's safety and efficacy. Our future products may not be effective, may be only moderately effective, or may prove to have significant side effects, toxicities, or other characteristics that may preclude our obtaining regulatory approval or prevent or limit commercial use.

Failure to obtain regulatory approval in international jurisdictions could prevent us from marketing our products abroad.

We intend to have our products marketed outside the United States. To market our products in the European Union and many other foreign jurisdictions, we may need to obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ from that required to obtain FDA approval.

The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval. We may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or jurisdictions or by FDA. We and our potential future collaborators may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our products in any market.

The Fast Track designation for Tecovirimat may not actually lead to a faster development or regulatory review or approval process.

We have obtained a "Fast Track" designation from FDA for Tecovirimat. However, we may not experience a faster development process, review or approval compared to conventional FDA procedures. FDA may withdraw our Fast Track designation if it believes that the designation is no longer supported by data from our clinical development program. Our Fast Track designation does not guarantee that we will qualify for or be able to take advantage of FDA's expedited review procedures or that any application that we may submit to FDA for regulatory approval will be accepted for filing or ultimately approved.

### Risks Related to Our Dependence on Third Parties

If third parties on whom we rely for clinical trials or certain animal trials do not perform as contractually required or as we expect, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business may suffer.

We do not have the ability independently to conduct the clinical trials, and certain animal trials, required to obtain regulatory approval for our products. We depend on independent investigators, contract research organizations and other third-party service providers to conduct trials of our drug candidates and expect to continue to do so. We rely heavily on these third parties for successful execution of our trials, but do not exercise day-to-day control over their activities. We are responsible for ensuring that each of our trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, FDA requires us to comply with standards, commonly referred to as Good Clinical Practices, for conducting and recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Similarly, animal trials may have to comply with Good Laboratory Practices.

## Table of Contents

We also currently rely on third-party manufacturers and service providers to produce Tecovirimat. Under the BARDA Contract, we are responsible for the performance of these third-party contracts, and our contracts with these third parties give us certain supervisory and quality control rights, but we do not exercise complete day-to-day control over their activities.

Our reliance on third parties that we do not control does not relieve us of the responsibilities and requirements imposed by the BARDA Contract. Third parties may not complete activities on schedule, or may not conduct our trials in accordance with regulatory requirements or our stated protocols. The failure of these third parties to carry out their obligations could delay or prevent the development, approval and commercialization of our drug candidates.

### Risks Related to Our Intellectual Property

Our ability to compete may decrease if we do not adequately protect our intellectual property rights.

Our commercial success will depend in part on our ability to obtain and maintain patent protection for our proprietary technologies, drug targets and potential products and to preserve our trade secrets and trademark rights. Because of the substantial length of time and expense associated with bringing potential products through the development and regulatory clearance processes to reach the marketplace, the pharmaceutical industry places considerable importance on obtaining patent and trade secret protection. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date. Accordingly, we cannot predict the type and breadth of claims allowed in these patents.

As of December 31, 2015, we exclusively own nine U.S. utility patents, two U.S. provisional patent applications, five U.S. utility patent applications, thirteen issued foreign patents, one international PCT patent application and sixty two foreign patent applications. We have included a summary of our patent position as of December 31, 2015 in Part I, Item 1 of this Annual Report on Form 10-K.

We also rely on trade secrets, know-how, continuing technological innovation and licensing opportunities. In an effort to maintain the confidentiality and ownership of trade secrets and proprietary information, we require our employees, consultants and some collaborators to execute confidentiality and invention assignment agreements upon commencement of a relationship with us. These agreements may not provide meaningful protection for our trade secrets, confidential information or inventions in the event of unauthorized use or disclosure of such information, and adequate remedies may not exist in the event of such unauthorized use or disclosure.

If our technologies are alleged or found to infringe the patents or proprietary rights of others, we may be sued, we may have to pay damages or be barred from pursuing a technology, or we may have to license those rights to or from others on unfavorable terms. Even if we prevail, such litigation may be costly.

Our commercial success will depend significantly on our ability to operate without infringing the patents or proprietary rights of third parties. Our technologies, or the technologies of third parties on which we may depend, may infringe the patents or proprietary rights of others. If there is an adverse outcome in any dispute concerning rights to these technologies, then we could be subject to significant liability, required to license disputed rights from or to other parties and/or required to cease using a technology necessary to carry out our research, development and commercialization activities.

The costs to establish or defend against claims of infringement or interference with patents or other proprietary rights can be expensive and time-consuming, even if the outcome is favorable. An outcome of any patent or proprietary rights administrative proceeding or litigation that is unfavorable to us may have a material adverse effect on us. We

could incur substantial costs if we are required to defend ourselves in suits brought by third parties or if we initiate such suits. We may not have sufficient funds or resources in the event of litigation. Additionally, we may not prevail in any such action.

Any dispute resulting from claims based on patents and proprietary rights could result in a significant reduction in the coverage of the patents or proprietary rights owned, optioned by or licensed to us and limit our ability to obtain meaningful protection for our rights. If patents are issued to third parties that contain competitive or conflicting claims, we 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. We may be legally prohibited from using technology owned by others, may not be able to obtain any license to the patents or technologies of third parties on acceptable terms, if at all, or may not be able to obtain or develop alternative technologies.

In addition, from time to time, the Company is involved in disputes or legal proceedings arising in the ordinary course of business.

## Table of Contents

Furthermore, like many biopharmaceutical companies, we may from time to time hire scientific personnel formerly employed by other companies involved in one or more areas similar to the activities conducted by us. It is possible that we and/or these individuals may be subject to allegations of trade secret misappropriation or other similar claims as a result of their prior affiliations.

### Risks Related to Our Financial Position and Need for Additional Financing

Our common stock has been delisted by NASDAQ, and such delisting has limited the liquidity of our common stock, increased its volatility and could hinder our ability to raise capital.

On March 20, 2015, the Company's common shares were suspended from trading on the NASDAQ Global Market at the opening of business and the Company's shares began trading on the OTC Markets under the "SIGAQ" symbol. This delisting has limited the liquidity of our common stock, and could increase its volatility and hinder our ability to raise capital.

We have incurred operating losses since our inception and expect to incur net losses for the foreseeable future.

We incurred net operating losses of approximately \$31.0 million and \$209.7 million for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015, 2014 and 2013, our accumulated deficit was approximately \$461.4 million, \$442.0 million and \$156.5 million, respectively. We expect to continue to have significant operating expenses and will need to generate significant revenues to achieve and maintain profitability.

Our ability to fund operations is substantially dependent on cash flows from the BARDA Contract. If we do not achieve positive cash flows, we cannot guarantee that we can sustain or enhance our current level of operations. We expect that cash flows will fluctuate significantly and could be delayed from one quarter to another based on several factors. If cash flows grow slower than we anticipate, or if operating expenses or other expenses exceeds our expectations or cannot be adjusted accordingly, then our business, results of operations, financial conditions and cash flows will be materially and adversely affected.

Future acquisitions, strategic investments, partnerships or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our operating results and financial condition.

We may in the future seek to acquire or invest in businesses, products or technologies that we believe could complement or expand our services, enhance our technical capabilities or otherwise offer growth opportunities, though we do not expect to seek such acquisitions or investments during the pendency of our restructuring process under chapter 11. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing businesses, we may not be able to find and identify desirable acquisition targets or be successful in entering into an agreement with any particular target or consummating any such agreement. We may not be able to integrate successfully the acquired personnel, operations and technologies, or effectively manage the combined business following the acquisitions. All of these potential difficulties might be compounded by uncertainty surrounding our ability to pay the PharmAthene Award. Acquisitions could also result in dilutive issuances of equity securities or the issuance of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial condition may suffer.

We may need additional funding, which may not be available to us, and which may force us to delay, reduce or eliminate any of our product development programs or commercial efforts.

While we have raised funds through credit facilities and the issuance of new equity or the exercise of options or warrants in the past, there is no guarantee that we will continue to be successful in raising such funds. If we are unable to raise additional funds, we could be forced to discontinue, cease or limit certain operations and equity investors could experience significant or total losses of their investments. Our cash flows may fall short of our projections or be delayed, or our expenses may increase, which could result in our capital being consumed significantly faster than anticipated. Our annual operating needs vary from year to year depending upon the amount of cash generated through the BARDA Contract, contracts, grants, licenses, the amount of projects we undertake, and the amount of resources we expend in connection with acquisitions, all of which may materially differ from year to year and may adversely affect our business.

We may require additional financing and we may not be able to raise additional funds. If we are able to obtain additional financing through the sale of equity or convertible debt securities, such sales may contain terms, such as liquidation and other preferences that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing

## Table of Contents

arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies or product candidates or grant licenses on terms that may not be favorable to us. Debt financing arrangements, if available, may require us to pledge certain assets or enter into covenants that would restrict our business activities or our ability to incur further indebtedness and may be at interest rates and contain other terms that are not favorable to our shareholders.

### Risks Related to Our Common Stock

If we are unable to raise financing in a manner that provides us with enough proceeds to pay PharmAthene the full amount of its claims against us, you may lose your entire investment.

We owe PharmAthene approximately \$205 million and post-judgment interest continues to accrue on the expectation damages amount. If we are unable to satisfy this claim in full, in cash, PharmAthene may be entitled to all the equity of the Company. If PharmAthene receives all the equity of the Company, you will no longer have any equity interest in the Company and will suffer a complete loss of your equity investment in the Company,

The substantial loss from the PharmAthene litigation, combined with the costs and uncertainty attendant to the administration and resolution of the Company's chapter 11 case, raises substantial doubt about the Company's ability to continue as a going concern. If we are forced to liquidate or are otherwise unable to continue as a going concern, investors will likely lose all of their investment in our Company,

Our stock price is, and we expect 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 investments, 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 or animal test results relating to products under development by our competitors or us;

- initiating, completing or analyzing, or a delay or failure in initiating, completing or analyzing, pre-clinical or clinical trials or animal trials or the design or results of these trials;

- achievement or rejection of regulatory approvals by our competitors or us;

- announcements of technological innovations or new commercial products by our competitors or us;

- 
- developments relating to our ability to satisfy the PharmAthene Award;

- 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;

• publicity or activity involving possible future acquisitions, strategic investments, partnerships or alliances;

• matters relating to our chapter 11 case.

Additionally, because the volume of trading in our stock fluctuates significantly at times, any information about us 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.



## Table of Contents

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

If securities or industry analysts publish inaccurate or unfavorable research about our business, our stock price could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline.

A future issuance of preferred stock may adversely affect the rights of the holders of our common stock.

Our certificate of incorporation allows our Board of Directors to issue up to 10,000,000 shares of preferred stock and to fix the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of these shares without any further vote or action by the stockholders. The rights of the holders of common stock will be subject to, and could be adversely affected by, the rights of the holders of any preferred stock that we may issue in the future. The issuance of preferred stock, while providing desirable flexibility in connection with our future activities, could also have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock, thereby delaying, deferring or preventing a change in control.

Concentration of ownership of our capital stock could delay or prevent a change of control.

Our directors, executive officers and principal stockholders beneficially own a significant percentage of our common stock. They also have, through the exercise or conversion of certain securities, the right to acquire additional common stock. As a result, these stockholders, if acting together, have the ability to influence the outcome of corporate actions requiring shareholder approval. Additionally, this concentration of ownership may have the effect of delaying or preventing a change in control of SIGA. As of the most recent available information, directors, executive officers and principal stockholders beneficially owned approximately 30% of our outstanding stock.

## Risks Related to Our Business

The loss of key personnel or our ability to recruit or retain qualified personnel could adversely affect our results of operations.

We rely upon the ability, expertise, judgment, discretion, integrity and good faith of our senior management team. Our success is dependent upon our personnel and our ability to recruit and train high quality employees. We must continue to recruit, retain and motivate management and other employees sufficient to maintain our current business and support our projected growth. The loss of services of any of our key management could have a material adverse effect on our business.

Our future success depends on our ability to retain our chief executive officer and other key executives and to attract, retain and motivate qualified personnel. The loss of the services of any key executive might impede the achievement of our research, development and commercialization objectives. Replacing key employees may be difficult and time-consuming because of the limited number of individuals in our industry with the skills and experiences required to develop, gain regulatory approval of and commercialize our product candidates successfully. We generally do not maintain key person life insurance to cover the loss of any of our employees. Recruiting and retaining qualified

scientific personnel, clinical personnel and sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms, if at all, given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from other companies, universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development, regulatory and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

We may have difficulty managing our growth.

Potential future growth could place a significant strain on our management and operations. Our ability to manage any future growth will depend upon our ability to broaden our management team and our ability to attract, hire and retain skilled employees. Our success will also depend on the ability of our officers and key employees to continue to implement and improve our operational and other systems and to hire, train and manage our employees.

## Table of Contents

Our ability to use our net operating loss carryforwards may be limited.

As of December 31, 2015, we had federal net operating loss carryforwards, or NOLs, of \$64.6 million to offset future taxable income. The remaining NOLs expire in various years between 2023 and 2034, if not utilized. Under the provisions of the Internal Revenue Code, substantial changes in our ownership, in certain circumstances, will limit the amount of NOLs that can be utilized annually in the future to offset taxable income. In particular, section 382 of the Internal Revenue Code imposes a limitation on a company's ability to use NOLs if a company experiences a more-than-50% ownership change over a three-year period. If we are limited in our ability to use our NOLs in future years in which we have taxable income, we will pay more taxes than if we were able to utilize our NOLs fully. For example, as a result of a previous change in stock ownership, the annual utilization of the net operating carryforwards generated in tax years prior to 2004 are subject to limitation.

### Item 1B. Unresolved Staff Comments

None.

### Item 2. Properties

Our headquarters are located in New York, NY and our research and development facilities are located in Corvallis, Oregon. In January 2013, we entered into a sublease with an affiliate to sublet expanded office space in a New York, NY location to serve as our corporate headquarters. The sublease commenced in April 2013 and expires in 2020.

In Corvallis, we lease approximately 9,237 square feet under an amended lease agreement signed in January 2007, as amended in May 2011 and most recently changed through an addendum in April 2015, and which expires in December 2017.

### Item 3. Legal Proceedings

In December 2006, PharmAthene filed an action against us in the Delaware Court of Chancery captioned PharmAthene, Inc. v. SIGA Technologies, Inc., C.A. No. 2627-VCP. In its amended complaint, PharmAthene asked the Court to order us to enter into a license agreement with PharmAthene with respect to ST-246, also known as Tecovirimat, to declare that we are obliged to execute such a license agreement, and to award damages resulting from our alleged breach of that obligation. PharmAthene also alleged that we breached an obligation to negotiate such a license agreement in good faith, and sought damages for promissory estoppel and unjust enrichment based on information, capital, and assistance that PharmAthene allegedly provided to us during the negotiation process.

In September 2011, the Court of Chancery issued its post-trial opinion. The Court denied PharmAthene's requests for specific performance and expectation damages measured by present value of estimated future profits. Nevertheless, the Court held that we breached our duty to negotiate in good faith and were liable under the doctrine of promissory estoppel. The Court consequently awarded to PharmAthene what the Court described as an equitable payment stream or equitable lien consisting of fifty percent of the net profits that we achieve from sales of ST-246 after we secure \$40 million in net profits, for ten years following the first commercial sale. In addition, the Court awarded PharmAthene one-third of its reasonable attorneys' fees and expert witness expenses of \$2.4 million.

In May 2012, the Court entered its final order and judgment in this matter, implementing its post-trial opinion.

In June 2012, the Company appealed to the Delaware Supreme Court the final order and judgment and certain earlier rulings of the Court of Chancery. Shortly thereafter, PharmAthene filed its cross-appeal. The Company obtained a stay

of enforcement of the fee and expense portion of the judgment by filing a surety bond for the amount of the judgment plus post-judgment interest. We posted \$1.3 million of cash as approximately 50% collateral for a \$2.7 million surety bond. The \$1.3 million of cash collateral is recorded in other assets as of December 31, 2015.

On May 24, 2013, the Supreme Court of Delaware issued its decision, affirming the Delaware Court of Chancery's judgment in part, reversing it in part, and remanding to Court of Chancery.

On August 8, 2014, the Court of Chancery issued its Remand Opinion. In its Remand Opinion, the Court of Chancery reversed its earlier conclusions and held that PharmAthene had carried its burden of demonstrating its entitlement to lump sum expectation damages for lost profits related to Tecovirimat by a preponderance of the evidence.

## Table of Contents

On September 16, 2014, as a consequence of SIGA's chapter 11 filing, the legal proceedings with PharmAthene were stayed (see Note 1 to the financial statements). On October 8, 2014, the Bankruptcy Court approved a Stipulation between the Company and PharmAthene partially lifting the stay to permit the litigation before the Delaware Chancery Court to proceed, including all appeals. The Stipulation, however, provides that the stay shall remain in effect with respect to the enforcement of any judgment that may be entered.

On January 15, 2015, the Delaware Court of Chancery entered its Final Order and Judgment, awarding to PharmAthene \$113,116,985 in contract expectation damages, plus pre-judgment interest up to January 15, 2015, and certain permitted legal fees, costs, and expenses, for a judgment of \$194,649,042. Pursuant to the Final Order and Judgment, SIGA also is liable to PharmAthene for post-judgment interest, which was specified in the Final Order and Judgment to be \$30,663.89 per diem, such per diem amount to be periodically adjusted to reflect the applicable Delaware legal rate.

On January 16, 2015, the Company appealed from certain portions of the Delaware Court of Chancery's rulings on remand, including but not limited to the Final Order and Judgment, to the Delaware Supreme Court.

On December 23, 2015, the Delaware Supreme Court affirmed the Final Order and Judgment.

With the affirmation of the Delaware Court of Chancery's Final Order and Judgment by the Delaware Supreme Court on December 23, 2015 ("Delaware Supreme Court Affirmation"), and taking into account the plan of reorganization that was filed by the Company with the Bankruptcy Court on December 15, 2015 (as such plan has been amended), SIGA has recorded a litigation loss accrual of approximately \$205 million as of December 31, 2015. This amount is classified as a liability subject to compromise. The loss accrual of \$205 million includes pre and post-judgment interest up to December 31, 2015, and also includes a \$3.2 million reimbursement obligation to PharmAthene for attorneys' fees and expert expenses related to the case. Interest for the period subsequent to September 16, 2014 (the Petition Date) has been included in the loss accrual because management believes that it is probable that post-petition interest will be allowed as part of PharmAthene's claim. Such treatment is specified in the plan of reorganization that was filed by the Company in Bankruptcy Court on December 15, 2015 (as such plan has been amended), and that is supported by the UCC.

Separate from the PharmAthene litigation, from time to time, we may be involved in a variety of claims, suits, investigations and proceedings arising from the ordinary course of our business, collections claims, breach of contract claims, labor and employment claims, tax and other matters. Although such claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of such current pending matters will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flow. Regardless of the outcome, litigation can have an adverse impact on us because of legal costs, diversion of management resources and other factors.

## Item 4. Mine Safety Disclosures

No disclosure is required pursuant to this item.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Since March 20, 2015, the Company's common stock has traded in the over-the-counter securities market ("OTC"), under the symbol "SIGAQ". Prior to March 20, 2015, the Company's common stock was traded on the Nasdaq Global Market under the symbol "SIGA" since September 3, 2009 and, prior to such date, had been traded on the Nasdaq Capital Market since September 9, 1997. Prior to that time there was no public market for our common stock.

Due to the Company's chapter 11 filing, the Company no longer met the continuing listing requirements necessary to maintain its listing on the Nasdaq Marketplace Rules and Nasdaq suspended from trading the Company's common stock at the open of business on March 20, 2015.

The following table sets forth, for the periods indicated, the high and low sales prices for the common stock, as reported on the Nasdaq Global Market and OTC:

2015	High	Low
First Quarter	\$2.68	\$1.35
Second Quarter	2.06	1.28
Third Quarter	1.49	1.01
Fourth Quarter	1.53	0.20
2014	High	Low
First Quarter	\$3.87	\$2.94
Second Quarter	3.23	2.49
Third Quarter	2.91	0.99
Fourth Quarter	1.79	1.32

As of February 16, 2016, the closing sale price of our common stock was \$0.44 per share. There were 33 holders of record as of February 16, 2016. We believe that the number of beneficial owners of our common stock is substantially greater than the number of record holders, because a large portion of common stock is held in broker "street names."

We have paid no dividends on our common stock and do not expect to pay cash dividends in the foreseeable future. We currently intend to retain any future earnings to finance the growth and development of our business and to satisfy the creditor claims under the chapter 11 filing.



Table of Contents

## Performance Graph

The following line graph compares the cumulative total stockholder return through December 31, 2015, assuming reinvestment of dividends, by an investor who invested \$100 on December 31, 2010 in each of (i) our common stock; (ii) the Nasdaq National Market-US; and (iii) the Nasdaq Pharmaceutical Index.

	December 31,					
	2010	2011	2012	2013	2014	2015
SIGA Technologies, Inc.	\$100	\$18	\$19	\$23	\$10	\$3
NASDAQ Composite Index	\$100	\$98	\$114	\$157	\$179	\$189
NASDAQ Biotech Composite Index	\$100	\$112	\$147	\$244	\$328	\$365

## Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item concerning securities authorized for issuance under equity compensation plans is set forth in Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

## Item 6. Selected Financial Data

The selected financial data for the years ended December 31, 2015, 2014 and 2013 and the consolidated balance sheet data as of December 31, 2015 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected financial data for the years ended December 31, 2012 and 2011 and the consolidated balance sheet data as of December 31, 2013, 2012 and 2011 have been derived from applicable audited consolidated financial statements not included in this annual report. The following table should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the consolidated financial statements and related notes to those statements included elsewhere in this annual report.



Table of Contents

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except share and per share data)				
Revenues	\$8,176	\$3,140	\$5,519	\$8,971	\$12,726
Selling, general and administrative	10,582	12,647	13,119	10,967	21,882
Research and development	13,131	10,707	13,785	18,213	18,367
Patent preparation fees	1,009	988	1,421	1,883	1,808
Litigation accrual	14,407	188,465	197	443	2,050
Restructuring charges	—	—	513	—	—
Loss from operations	(30,953 )	(209,667 )	(23,516 )	(22,536 )	(31,381 )
Decrease (increase) in fair value of common stock warrants	—	313	(74 )	805	24,436
Interest expense	(267 )	(456 )	(1,207 )	(173 )	—
Other income, net	42	1	1	1	13
Reorganization items, net	(7,811 )	(2,127 )	—	—	—
Loss before income taxes	(38,989 )	(211,935 )	(24,796 )	(21,904 )	(6,932 )
Benefit from (provision for) income taxes	(462 )	(53,528 )	7,618	7,844	36,032
Net income (loss)	\$(39,451 )	\$(265,463 )	\$(17,177 )	\$(14,060 )	\$29,100
Basic earnings (loss) per share	\$(0.73 )	\$(4.97 )	\$(0.33 )	\$(0.27 )	\$0.57
Diluted earnings (loss) per share	\$(0.73 )	\$(4.97 )	\$(0.33 )	\$(0.27 )	\$0.09
Weighted average shares outstanding: basic	53,777,687	53,419,686	52,368,842	51,639,622	50,929,491
Weighted average shares outstanding: diluted	53,777,687	53,419,686	52,368,842	51,639,622	54,061,650
Cash and cash equivalents and short-term investments	\$112,711	\$99,714	\$91,310	\$32,017	\$49,257
Total assets	\$185,733	\$160,729	\$193,824	\$105,836	\$90,380
Long-term obligations	\$332	\$405	\$2,438	\$4,779	\$1,560
Stockholders' equity (deficit)	\$(284,429 )	\$(246,502 )	\$16,975	\$28,243	\$40,771
Net cash provided by (used in) operating activities	\$11,109	\$14,177	\$58,437	\$(20,223 )	\$25,574

## Table of Contents

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

The following discussion should be read in conjunction with our consolidated financial statements and notes to those statements and other financial information appearing elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion and other parts of this Annual Report contain forward-looking information that involves risks and uncertainties.

#### Overview

We are a company specializing in the development and commercialization of solutions for serious unmet medical needs and biothreats. Our lead product is Tecovirimat, also known as ST-246, an orally administered antiviral drug that targets orthopoxviruses, including smallpox. While Tecovirimat is not yet licensed as safe or effective by the U.S. Food & Drug Administration, it is a novel small-molecule drug that is being delivered to the Strategic National Stockpile under Project Bioshield.

#### Chapter 11 Filing

On September 16, 2014, the Company filed a voluntary petition for relief under chapter 11 of Title 11 of the Bankruptcy Code in the Bankruptcy Court, chapter 11 Case Number 14-12623 (SHL). The Company is continuing to operate its business as a "debtor-in-possession" in accordance with the applicable provisions of the Bankruptcy Code.

The Company commenced the chapter 11 case to preserve and to ensure its ability to satisfy its commitments under the BARDA Contract (as defined in Note 3 to the financial statements) and to preserve its operations, which likely would have been jeopardized by the enforcement of a judgment stemming from the litigation with PharmAthene, Inc. ("PharmAthene") (see Note 14 to the financial statements). While operating as a debtor-in-possession under chapter 11, the Company pursued an appeal of the Delaware Court of Chancery Final Order and Judgment (as defined below), without having to post a bond. On December 23, 2015, the Delaware Supreme Court affirmed the Delaware Court of Chancery Final Order and Judgment.

On December 15, 2015, the Company filed a Plan of Reorganization. Subsequent to the initial filing, amendments have been made to the Plan of Reorganization (as amended, the "POR"). The POR is supported by the official committee of unsecured creditors appointed in the Company's chapter 11 case.

#### PharmAthene Litigation

On August 8, 2014, the Delaware Court of Chancery issued its Remand Opinion and related order in the litigation initiated against the Company in 2006 by PharmAthene. In the Remand Opinion, the Court of Chancery determined, among other things, that PharmAthene is entitled to a lump sum damages award for its lost profits related to Tecovirimat, with interest and fees, based on United States government purchases of the Company's smallpox drug allegedly anticipated as of December 2006. On January 15, 2015, the Delaware Court of Chancery entered its Final Order and Judgment awarding PharmAthene approximately \$195 million, including pre-judgment interest up to January 15, 2015 (the "Outstanding Judgment"). On January 16, 2015, the Company filed a notice of appeal of the Outstanding Judgment with the Delaware Supreme Court and, on January 30, 2015, PharmAthene filed a notice of cross appeal. On October 7, 2015, the Delaware Supreme Court heard oral argument, en banc. On December 23, 2015 the Delaware Supreme Court affirmed the Outstanding Judgment (the "Delaware Supreme Court Affirmation"). As of December 31, 2015, the accrued obligation under the Delaware Court of Chancery Final Order and Judgment, including post-judgment interest, is estimated to be \$205 million. The Company's pending chapter 11 case prevents PharmAthene from taking any enforcement action with respect to the Outstanding Judgment. The Outstanding Judgment is to be treated and satisfied under the POR.

#### Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's ability to continue as a going concern will be impacted by the Delaware Supreme Court Affirmation, as well as the resolution of the Company's chapter 11 case. As of December 31, 2015, the accrued obligation under the Delaware Court of Chancery Final Order and Judgment, including post-judgment interest, is estimated to be \$205 million (see below, for the Company's "Plan of Reorganization" for additional information). In addition, as of December 31, 2015, the Company has a net capital deficiency of \$284 million. These factors raise substantial doubt about the Company's ability to continue as a going concern. As such, the realization of assets and the satisfaction of liabilities are subject to uncertainties. The accompanying financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

## Table of Contents

### Lead Product - Tecovirimat

On May 13, 2011, we signed the BARDA Contract pursuant to which we agreed to deliver two million courses of Tecovirimat to the Strategic Stockpile. The BARDA Contract is worth approximately \$466 million, including \$409.8 million for manufacture and delivery of 1.7 million courses of Tecovirimat and \$56 million of potential reimbursements related to development and supportive activities (the “Base Contract”). In addition to the Base Contract, the BARDA Contract also contains various options that, if exercised by BARDA: would result in a \$50 million payment to the Company in the event of FDA approval for extension to 84-month expiry for Tecovirimat (from 38 month expiry as required in the Base Contract); would fund up to \$58.3 million of development and supportive activities such as work on a smallpox prophylaxis indication for Tecovirimat; and/or would fund \$14.4 million of production-related activities related to warm-base manufacturing. In 2015, BARDA exercised two options related to extending the indication of the drug to the geriatric and pediatric populations. The stated value of these exercises was minimal. BARDA may not exercise additional options in the future. Options are exercisable by BARDA at its sole discretion. BARDA has indicated that it will evaluate, after the FDA’s review and evaluation of stability data, the Company’s request that BARDA exercise the option for the \$50 million payment to the Company in the event of FDA approval of 84-month expiry for Tecovirimat.

The BARDA Contract expires in September 2020.

Under the Base Contract, BARDA has agreed to buy from SIGA 1.7 million courses of Tecovirimat. Additionally, SIGA expects to contribute to BARDA 300,000 courses at no additional cost to BARDA.

For courses of Tecovirimat that are physically delivered to the Strategic Stockpile, the Company has replacement obligations, at no cost to BARDA, in the event that the final version of Tecovirimat approved by the U.S. Food and Drug Administration (the “FDA”) is different from any course of Tecovirimat that has been delivered to the Strategic Stockpile or if Tecovirimat does not meet any specified label claims, fails release testing or does not meet 38 month expiry period (from time of delivery to the Strategic Stockpile), or if Tecovirimat is recalled or deemed to be recalled for any reason.

We believe Tecovirimat is among the first new small-molecule drugs delivered to the Strategic Stockpile under Project BioShield. Tecovirimat is an investigational product that is not currently approved by FDA as a treatment of smallpox or any other indication. FDA has designated Tecovirimat for “fast-track” status, creating a path for expedited FDA review and eventual regulatory approval.

### Critical Accounting Estimates

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our consolidated financial statements, which we discuss under the heading “Results of Operations” following this section of our Management’s Discussion and Analysis of Financial Condition and Results of Operations. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates include the valuation of stock-based awards including options, revenue recognition, income taxes and contingencies. For a detailed discussion of the application of these and other accounting policies, see Note 2 to our consolidated financial statements.

### Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, collectability is reasonably assured, title and risk of loss have been transferred to the customer and there are no further contractual obligations.

Certain arrangements may provide for multiple deliverables, in which there may be a combination of: up-front licenses; research, development, regulatory or other services; and delivery of product. Multiple deliverable arrangements can be divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (i) the delivered item(s) have value to the customer on a standalone basis and (ii) in circumstances in which an arrangement includes a general right of return with respect to delivered items, then performance of the remaining deliverables must be considered probable and substantially in control of the Company. If multiple deliverables cannot be divided into separate units of accounting then the deliverables must be combined into a single unit of accounting.

Total consideration in a multiple deliverable arrangement is allocated to units of accounting on a relative fair value of selling price basis. Consideration allocated to a delivered item or unit of accounting is limited to the amount that is not contingent upon delivery of additional items.

## Table of Contents

The BARDA Contract is a multiple deliverable arrangement comprising delivery of courses and covered research and development activities. The BARDA Contract contains certain product replacement rights with respect to delivered courses. For this reason, recognition of revenue that might otherwise occur upon delivery of courses is expected to be deferred until our obligations related to potential replacement of delivered courses are satisfied. Accordingly we have deferred revenue for all amounts received to date under the BARDA Contract except for revenue recognized for amounts received with respect to BARDA's obligation to reimburse the cost of covered research and development services.

Subject to the above, payments for development activities are recognized as revenue when earned, over the period of effort. Funding for the acquisition of capital assets under cost-plus-fee contracts and grants is evaluated for appropriate recognition as a reduction to the cost of the acquired asset, a financing arrangement, or revenue, based on the specific terms of the related grant or contract.

### Income Taxes

Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid. We are subject to US federal income tax and state income tax in numerous jurisdictions. Significant judgments and estimates are required in the determination of our income tax expense.

Deferred income taxes arise from temporary differences between the tax basis of assets and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence including reversal of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. Significant weight is given to positive and negative evidence that is objectively verifiable. Based on historical operating results which includes a loss accrual for expectation damages of approximately \$205 million related to the PharmAthene litigation, our voluntary petition for relief under chapter 11 of Title 11 of the United States Bankruptcy Code (see Note 1 to the financial statements) and substantial doubt about the Company's ability to continue as a going concern, the Company concluded that it could not realize its deferred tax assets on a more likely than not basis. As such, the Company recorded a non-cash charge of approximately \$53.5 million in 2014 to establish a valuation allowance against its net deferred tax assets.

The amount of deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the net operating loss carryforward period change and/or if significant objective negative evidence is no longer present. Such changes could lead to a change in judgment related to the realization of the net deferred tax asset. Future changes in the estimated amount of deferred taxes expected to be realized will be reflected in our financial statements in the period the estimate is changed with a corresponding adjustment to operating results.

Income tax benefits are recognized for a tax position when, in management's judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, the tax benefit is measured as the largest amount that is judged to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. As of December 31, 2015 and 2014, the Company has no material uncertain tax positions. In the event that the Company concludes that it is subject to interest and/or penalties arising from uncertain tax positions, the Company will present interest and penalties as a component of income taxes.

### Contingencies

We have been involved in a litigation with PharmAthene, Inc. (see Note 13 to the financial statements). On January 15, 2015, the Delaware Court of Chancery awarded PharmAthene approximately \$195 million in combined expectation damages, pre-judgment interest and legal fees, costs and expenses. On January 16, 2015, the Company

appealed the Delaware Court of Chancery's ruling to the Delaware Supreme Court. On December 23, 2015, the Delaware Supreme Court affirmed the ruling by the Delaware Court of Chancery ("Delaware Supreme Court Affirmation"). If the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Accruals are based on our best estimates based on available information. Based on the Delaware Supreme Court Affirmation, and taking into account the plan of reorganization that was filed by the Company with the Bankruptcy Court on December 15, 2015, SIGA believes an amount of loss is probable and has recorded a loss accrual of approximately \$205 million related to the PharmAthene litigation, including a \$3.2 million liability for reimbursement of attorney's fees and other costs. On a periodic basis, as additional information becomes available, or based on specific events such as the settlement of claims, we may reassess the potential liability, if any, related to these matters and may revise this estimate, which could result in a material adjustment to our operating results.

#### Recent Accounting Pronouncements

On November 20, 2015, the FASB issued Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes. Current GAAP requires the deferred taxes to be presented as a net current asset or liability and net noncurrent asset or

## Table of Contents

liability. This requires a jurisdiction-by-jurisdiction analysis based on the classification of the assets and liabilities to which the underlying temporary differences relate, or, in the case of loss or credit carryforwards, based on the period in which the attribute is expected to be realized. Any valuation allowance is then required to be allocated on a pro rata basis, by jurisdiction, between current and noncurrent deferred tax assets. To simplify presentation, the new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance does not change the existing requirement that only permits offsetting within a jurisdiction – that is, companies are still prohibited from offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. The new guidance will be effective for public business entities in fiscal years beginning after December 15, 2016, including interim periods within those years (i.e., in the first quarter of 2017 for calendar year-end companies). Early adoption is permitted, including for December 31, 2015. The guidance may be applied either prospectively, for all deferred tax assets and liabilities, or retrospectively (i.e., by reclassifying the comparative balance sheet). If applied prospectively, entities are required to include a statement that prior periods were not retrospectively adjusted. If applied retrospectively, entities are also required to include quantitative information about the effects of the change on prior periods. The Company early adopted this guidance retrospectively as of December 31, 2015. The impact of adoption of the guidance on the Company's consolidated financial statements as of December 31, 2014 was a \$5.7 million reclassification of current deferred tax assets to noncurrent deferred tax liabilities.

In July 2015, the FASB issued Accounting Standards Update (“ASU”) No. 2015-11, Simplifying the Measurement of Inventory, which changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. Inventory measured using last-in, first-out (LIFO) and the retail inventory method (RIM) are not impacted by the new guidance. The ASU only addresses the measurement of the inventory if its value declines or is impaired. Prior to the issuance of the standard, inventory was measured at the lower of cost or market (where market was defined as replacement cost, with a ceiling of net realizable value and floor of net realizable value less a normal profit margin). This necessitated obtaining three data points to determine market value. Replacing the concept of market with the single measurement of net realizable value is intended to create efficiencies. The ASU defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU is effective prospectively for annual periods beginning after December 15, 2016. Adoption of the ASU by the Company will not have an impact on its consolidated financial statements.

In August 2014, the FASB issued Accounting Standard Update (“ASU”) No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This ASU requires management to assess whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, disclose that fact. Management will also be required to evaluate and disclose whether its plans alleviate that doubt. This ASU states that, when making this assessment, management should consider relevant conditions or events that are known or reasonably knowable on the date the financial statements are issued or available to be issued. This ASU is effective for annual periods ending after December 15, 2017 and interim periods thereafter, and early adoption is permitted. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. Additionally, this update supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It is effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is



permitted for the first interim periods beginning after December 15, 2016. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

#### Results of Operations for the Years ended December 31, 2015, 2014, and 2013

Revenues from research and development contracts and grants for the years ended December 31, 2015 and 2014, were \$8.2 million and \$3.1 million, respectively. The increase in revenue of \$5.1 million, or 160%, reflects a \$4.3 million increase in revenues from our federal contracts supporting the development of Tecovirimat and a \$771,000 increase in grant revenues related to dengue fever. The increase in revenues related to the Tecovirimat program is primarily due to the commencement of an expanded human safety study in 2015, as well as the performance of multiple animal studies.

Revenues from research and development contracts and grants for the years ended December 31, 2014 and 2013, were \$3.1 million and \$5.5 million, respectively. The decrease in revenue of \$2.4 million, or 43%, reflects a \$0.6 million decrease in

Table of Contents

revenues from our federal contracts supporting the development of Tecovirimat and a \$1.8 million decrease in grant revenues related to dengue fever and Lassa fever, of which \$1.2 million relates to the Lassa fever program. In connection with the Optimization Program the Company entered into an asset purchase agreement in August 2014 to sell and transfer its pre-clinical Lassa fever assets to Kineta Four, LLC.

Selling, general and administrative expenses (“SG&A”) for the years ended December 31, 2015 and 2014 were \$10.6 million and \$12.6 million, respectively, reflecting a decrease of approximately \$1.9 million, or 15.5%. The decrease is primarily related to a decrease of \$888,000 in professional service fees in connection with business development and strategic initiatives; a \$536,000 decrease in employee compensation expense primarily due to a decrease in stock-based compensation expense; a decrease of \$254,000 in investor relation and other consulting services; and a \$96,000 decrease in travel-related expense..

SG&A for the years ended December 31, 2014 and 2013 were \$12.6 million and \$13.1 million, respectively, reflecting a decrease of approximately \$0.5 million or 4%. The net decrease primarily relates to: a decrease of \$0.5 million in employee compensation which is mostly due to a reduction in accrued employee bonuses and a decrease of \$0.7 million in professional service fees in connection with general corporate activities and litigation. The net decrease was partially offset by an increase of \$0.7 million of professional services fees in connection with business development and strategic initiatives.

Research and development (“R&D”) expenses were \$13.1 million for the year ended December 31, 2015, an increase of approximately \$2.4 million, or 22.6% from the \$10.7 million incurred during the year ended December 31, 2014. An increase of \$3.5 million in direct vendor-related expenses supporting the development of Tecovirimat and the Company's pre-clinical programs, in combination with a \$244,000 write-off of leasehold improvements, was partially offset by a \$717,000 decrease in inventory write-downs; inventory adjustments were \$60,000 for 2015 whereas there was a net \$777,000 inventory write-down for 2014, and a \$491,000 decrease in employee compensation mostly due to a decrease in stock-based compensation expense and lower bonus expense.

Research and development (“R&D”) expenses were \$10.7 million for the year ended December 31, 2014, a decrease of approximately \$3.1 million or 22% from the \$13.8 million incurred during the year ended December 31, 2013. The decrease is primarily attributable to a decline of approximately \$2.7 million in employee compensation, due to the Optimization Program, and a \$0.7 million decrease in direct vendor-related expenses supporting the development of Tecovirimat and the Company's pre-clinical programs. The decreases in employee compensation and vendor expenses were partially offset by a net inventory write-off of \$0.8 million.

Patent expenses for the years ended December 31, 2015, 2014 and 2013 were \$1.0 million, \$1.0 million and \$1.4 million, respectively. These expenses reflect our ongoing efforts to protect our lead drug candidates in varied geographic territories.

For the year ended December 31, 2015, the Company recorded approximately \$14.4 million of litigation loss accrual in connection with the PharmAthene litigation. The accrual primarily relates to post-judgment interest on the Delaware Court of Chancery Final Order and Judgment . See Note 13 to the financial statements for additional information.

During the year ended December 31, 2013 the Company incurred restructuring expenses of \$513,000. In the fourth quarter of 2013, the Company began an Optimization Program to increase efficiencies within its operations. The program, which included a reduction in employee headcount, was intended to align the Company's resources, staff and efforts with the most promising growth opportunities. A substantial portion of the Optimization Program was implemented as of December 31, 2013.

Changes in the fair value of liability classified warrants to acquire common stock were recorded as gains or losses. For the years ended December 31, 2015 and 2014, we recorded a gain of \$0 and \$313,000, respectively, reflecting changes in fair market value of liability classified warrants outstanding during respective periods. The warrants and rights to purchase our common stock were recorded at fair market value and classified as liabilities. At December 31, 2015 and 2014, there were no liability classified warrants outstanding.

Interest expense for the year ended December 31, 2015 of \$267,000 primarily reflects fees incurred in connection with the termination of the General Electric Corporation term loan in January 2015. Interest expense for the year ended December 31, 2014 was \$456,000 consisting of interest on outstanding debt.

For the year ended December 31, 2015, the Company incurred approximately \$7.8 million in reorganization expenses in connection with the chapter 11 filing. See Note 1 to the financial statements for additional information.

For the year ended December 31, 2015, we incurred a tax provision of \$462,000 on pre-tax losses of \$39.5 million. Our effective tax rate for the year ended December 31, 2015 was (1.2)%. Our effective tax rate was impacted by recurring items such

## Table of Contents

as current operating losses with no tax benefit, federal alternative minimum tax, state taxes, and the change in the valuation allowance for deferred tax liabilities associated with indefinite lived intangible assets. Such deferred tax liabilities generally cannot be used as a source of taxable income to realize deferred tax assets with a definitive loss carryforward period.

For the year ended 2014, we incurred a tax provision of \$53.5 million on pre-tax net losses of \$211.9 million. The tax provision primarily relates to the Company's conclusion that it could no longer realize its deferred tax assets on a more likely than not basis because of the PharmAthene litigation, the chapter 11 filing and the substantial doubt about the Company's ability to continue as a going concern. The effective tax rate as of December 31, 2014 was 25.3%. Our effective tax rate was impacted by recurring items such as state and local taxes, valuation of deferred tax assets, non-deductible expenses and changes in tax laws

As of December 31, 2015 and 2014, we have a net deferred tax liability of \$266,000 and \$245,000, respectively as there is a full valuation allowance recorded against the net deferred tax assets. We do not amortize goodwill for book purposes but have amortized goodwill with tax basis for tax purposes. The deferred tax liability recorded at December 31, 2015 and 2014 relates to the tax effect of differences between the book and tax basis of goodwill that is not expected to reverse until some indefinite future period.

## Liquidity and Capital Resources

As of December 31, 2015, we had \$112.7 million in cash and cash equivalents compared with \$99.7 million at December 31, 2014. Additionally, as of December 31, 2014, the Company had \$4.0 million in restricted cash as collateral for obligation under the General Electric Corporation term loan ("GE term loan"). In January 2015, the Company paid the GE term loan in full and the cash restrictions were lifted.

There can be no assurance that cash on hand, cash generated from the BARDA contract and other operations, cash generated from asset sales or financings, and other available funds will be sufficient to satisfy the Delaware Court of Chancery Final Order and Judgment, which represents a liability of \$205 million as of December 31, 2015. The Delaware Supreme Court Affirmation of the Outstanding Judgment, combined with the costs and uncertainty attendant to the administration and resolution of the Company's chapter 11 case, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustment relating to the recoverability of the carrying amount of recorded assets and liabilities that might result from the outcome of these uncertainties.

Pursuant to the POR (if confirmed and implemented), the Company has a specified period of time to either pay the Outstanding Judgment in full or otherwise agree with PharmAthene as to how the Outstanding Judgment will be satisfied. If neither of these events occur, then under the POR the Company must deliver to PharmAthene new shares of stock representing 100% of the stock of the Company, with all existing shares being cancelled and the holders thereby receiving no consideration.

## Plan of Reorganization

On December 15, 2015, the Company filed a Plan of Reorganization. Subsequent to the initial filing, amendments have been made to the Plan of Reorganization (as amended, the "POR"). Implementation of the POR is subject to confirmation thereof by the Bankruptcy Court in accordance with the provisions of the United States Bankruptcy Code and the occurrence of the effective date under the POR. The POR is supported by the UCC. There can be no assurance that the POR will be confirmed by the Bankruptcy Court. The POR, as more fully described below, addresses, among other things, how the Company will treat and satisfy its liabilities relating to the period prior to the commencement of its chapter 11 case, including all claims held by PharmAthene.

By order dated February 16, 2016, the Bankruptcy Court approved the Company's Disclosure Statement for the POR (the "Disclosure Statement"), thereby enabling the Company to solicit acceptances or rejections of the POR from those creditors entitled to vote on the POR. The Bankruptcy Court has scheduled a hearing to consider confirmation of the POR for April 5, 2016.

The POR provides for, among other things:

- Prepetition unsecured claims (other than PharmAthene's claim) will be paid in cash in full.
- Upon the effective date of the POR, ownership of existing shares of the Company's common stock shall remain unaltered by the POR; however, existing shares will be subject to potential future cancellation (without receipt of any consideration) in the event that PharmAthene's claim is satisfied through the issuance of newly issued shares of SIGA stock (option (ii) described below).

## Table of Contents

•Once the Delaware Supreme Court enters final judgment on the December 23 ruling (which is expected to occur on or about March 22, 2016), the Company will have 120 days (subject to a possible 90 day extension) to select one of the following options to treat PharmAthene's claim under the POR: (i) payment in full in cash of the Company's obligation under the Delaware Court of Chancery Final Order and Judgment, which is estimated to be approximately \$205 million as of December 31, 2015; (ii) delivery to PharmAthene of 100% of newly-issued stock of SIGA, with all existing shares of the Company's common stock being cancelled with no distribution to existing shareholders on account thereof; or (iii) such other treatment as is mutually agreed upon by the Company and PharmAthene.

\*The 120 day period can be extended for a maximum of 90 additional days in exchange for payment by the Company of \$20 million to PharmAthene to be applied to payments to be made under option (i) set forth above (if selected), and otherwise nonrefundable.

\*In addition, PharmAthene shall be paid \$5 million on the effective date of the POR to be applied to payments to be made under option (i) set forth above (if selected), and otherwise nonrefundable.

•The POR requires the Company to comply with certain affirmative and negative covenants from the date the POR becomes effective until the covenants are terminated as provided under the POR, and if the Company breaches any covenant, PharmAthene is entitled to exercise certain remedies provided in the POR.

## Change in Provisional Dosage of Tecovirimat

On December 24, 2014, the Company announced that based on discussions with representatives of the FDA and BARDA, product deliveries of Tecovirimat subsequent to December 31, 2014 are expected to be at a provisional dosage of 600 mg administered twice per day (1,200 mg per day). This is a change from the provisional dosage that was in effect when product deliveries were made in 2013 and 2014 (600 mg per day). In 2013 and 2014, the provisional dosage of courses delivered to the Strategic Stockpile was 600 mg administered once per day. The change in the provisional dosage is based on FDA guidance received by the Company in 2014, subsequent to the delivery of 1.3 million courses of Tecovirimat. Based on the current provisional dosage of 600 mg administered twice per day (1,200 mg per day), the Company currently expects to supplement previously delivered courses of Tecovirimat, at no additional cost to BARDA, with additional dosages so that all of the courses previously delivered to BARDA will be at the new provisional dosage. The Company and BARDA have agreed to an amendment of (the "BARDA Amendment") of the BARDA Contract to reflect the foregoing, which modification was approved by the Bankruptcy Court in April 2015. The Company expects to incur significant incremental costs with the production of additional dosage of Tecovirimat. The provisional dosage for Tecovirimat may be subject to additional changes in the future based on FDA guidance.

## Prior Year Activity

In December 2012, we entered into a loan agreement with a lender to provide the Company a term loan of \$5.0 million and a revolving line of credit of \$7.0 million. Borrowings under the revolving line of credit were based on eligible outstanding accounts receivable. The term of the loan had a term of three years. As of December 31, 2014, approximately \$2.0 million of the term loan was outstanding and no amounts were outstanding against the revolving line of credit. In connection with the chapter 11 case, the revolving line of credit was terminated and the term loan was considered fully secured and was not reported as liabilities subject to compromise. The Company had set aside, in a separate account, \$4.0 million as collateral for obligations under the loan agreement. In January 2015, the Company paid the term loan in full.

## Operating Activities

Net cash provided by operations for the year ended December 31, 2015, 2014, and 2013 was \$11.1 million, \$14.2 million, and \$58.4 million, respectively. In 2015, the Company received approximately \$50.9 million from BARDA for the product delivery of Tecovirimat. Cash usage is related to recurring operating costs and is elevated in comparison to the prior year primarily due to costs attendant to the administration of the Company's chapter 11 case and expenses related to the PharmAthene litigation. Additionally, \$14.0 million of payments were made to contract manufacturing organizations ("CMOs") for the manufacturing and related support of Tecovirimat.

In 2014, the Company received approximately \$43.8 million from BARDA, partially offset by \$7.8 million of cash payments to CMOs for the manufacture and related support of Tecovirimat.

On December 31, 2015 and 2014, our accounts receivable balance was approximately \$3.7 million and \$500,000, respectively. Our account receivable balances primarily reflect work performed during December 31, 2015 and 2014 in connection

Table of Contents

with Tecovirimat and dengue fever antiviral development contracts. This increase is primarily attributed to increased development activity in 2015 related to Tecovirimat.

Our accounts payable, accrued expenses and other current liabilities balance were \$7.3 million and \$5.5 million on December 31, 2015 and 2014, respectively. These liabilities increased mainly due to accruals for certain employee bonuses and professional services fees which have not been authorized for payment by the Bankruptcy Court. As of December 31, 2015, approximately \$1.6 million of accounts payable, accrued expenses and other current liabilities were subject to compromise.

**Investing Activities**

Net cash provided by investing activities for the year ended December 31, 2015 was \$3.9 million and net cash used in investing activities for the year ended December 31, 2014 was \$3.5 million. During the third quarter of 2014, the Company set aside, in a separate account, \$4 million as collateral for obligations under the GE term loan and classified this amount as restricted cash. During the first quarter of 2015, the Company paid the GE term loan in full, the collateral on the \$4 million restricted cash was lifted and the restricted cash was reclassified to cash and cash equivalent. During the second quarter of 2014, certain laboratory equipment was sold for a gross proceeds of \$569,607. Capital expenditures for the years ended December 31, 2015 and 2014 were \$108,953 and \$28,046, respectively, reflecting purchases of fixed assets in the ordinary course of business.

**Financing Activities**

Net cash used by financing activities for the year ended December 31, 2015 and 2014 was \$2 million and \$2.3 million, respectively. During the first quarter of 2015, the Company repaid the GE term loan in full. During 2014, the Company repaid \$2 million of the GE term loan in accordance with the loan repayment schedule and repurchased \$415,938 of common stock to meet minimum statutory tax withholding requirements. The cash outlay was offset by proceeds of \$102,035 from exercises of options and warrants to purchase common stock.

**Contractual Obligations, Commercial Commitments and Purchase Obligations**

Future contractual obligations and commercial commitments as of December 31, 2015 are expected to be as follows:

	Total	Less than 1 year	1 to 3 years	3 to 5 years
Operating lease obligations (1)	4,473,137	1,232,952	1,971,745	1,268,440
Purchase obligations (2)	34,767,528	32,237,316	2,170,432	359,780
Total contractual obligations	\$39,240,665	\$33,470,268	\$4,142,177	\$1,628,220

Additionally, the Company also has a litigation obligation of approximately \$205 million recorded on its balance sheet.

(1) Includes facilities and office space under two operating leases expiring in 2017 and 2020, respectively. These obligations assume non-termination of agreements and represent expected payments, which are subject to change.

(2) Includes purchase orders for manufacturing and R&D activities.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Our investment portfolio includes cash and cash equivalents. Our main investment objectives are the preservation of investment capital and the maximization of after-tax returns on our investment portfolio. We believe that our



investment policy is conservative, both in the duration of our investments and the credit quality of the investments we hold. We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions to manage exposure to interest rate changes. Accordingly, we believe that, while the securities we hold are subject to changes in the financial standing of the issuer of such securities and our interest income is sensitive to changes in the general level of U.S. interest rates, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

Table of Contents

Item 8. Financial Statements and Supplementary Data

Index to the Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm 48

Consolidated Balance Sheets 49

Consolidated Statements of Operations and Comprehensive Income/Loss 50

Consolidated Statements of Changes in Stockholders' Equity (Deficit) 51

Consolidated Statements of Cash Flows 52

Notes to Consolidated Financial Statements 53

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of SIGA Technologies, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income(loss), of changes in stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of SIGA Technologies, Inc. and its subsidiary at December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

The accompanying financial statements have prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 1 to the consolidated financial statements, the Company has a net capital deficiency and is currently operating under chapter 11 of the United States Bankruptcy Code. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York  
March 4, 2016

Table of Contents

SIGA TECHNOLOGIES, INC.  
(DEBTOR-IN-POSSESSION)  
CONSOLIDATED BALANCE SHEETS

As of

	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$112,711,028	\$99,713,929
Restricted cash	—	4,000,000
Accounts receivable	3,676,730	491,632
Inventory	12,447,088	19,044,477
Prepaid expenses and other current assets	623,983	898,705
Total current assets	129,458,829	124,148,743
Property, plant and equipment, net	449,825	831,936
Deferred costs	52,936,428	32,860,874
Goodwill	898,334	898,334
Other assets	1,989,520	1,989,520
Total assets	\$185,732,936	\$160,729,407
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities		
Accounts payable	\$3,944,476	\$3,384,310
Accrued expenses and other current liabilities	3,388,608	2,085,995
Current portion of long term debt	—	1,989,948
Total current liabilities	7,333,084	7,460,253
Deferred revenue	255,258,371	81,799
Deferred income tax liability, net	265,643	244,540
Other liabilities	332,218	405,325
Liabilities subject to compromise	206,972,170	399,039,967
Total liabilities	470,161,486	407,231,884
Commitments and Contingencies (Note 13)		
Stockholders' equity (Deficit)		
Common stock (\$.0001 par value, 100,000,000 shares authorized, 54,114,296 and 53,504,296 issued and outstanding at December 31, 2015, and December 31, 2014, 5,411 respectively)		5,351
Additional paid-in capital	177,008,371	175,483,180
Accumulated deficit	(461,442,332 )	(421,991,008 )
Total stockholders' equity (deficit)	(284,428,550 )	(246,502,477 )
Total liabilities and stockholders' equity (deficit)	\$185,732,936	\$160,729,407

The accompanying notes are an integral part of these financial statements.

Table of Contents

## SIGA TECHNOLOGIES, INC.

(DEBTOR-IN-POSSESSION)

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME(LOSS)

For the Years Ended December 31

	2015	2014	2013
Revenues			
Research and development	\$8,175,878	\$3,139,835	\$5,519,300
Operating expenses			
Selling, general and administrative	10,582,068	12,646,653	13,119,029
Research and development	13,130,529	10,707,354	13,785,083
Patent preparation fees	1,009,053	987,777	1,421,218
Litigation accrual expense	14,407,494	188,465,065	197,207
Restructuring charges	—	—	512,944
Total operating expenses	39,129,144	212,806,849	29,035,481
Operating loss	(30,953,266 )	(209,667,014 )	(23,516,181 )
Decrease (increase) in fair value of common stock warrants	—	313,425	(73,756 )
Interest expense	(266,726 )	(455,810 )	(1,207,332 )
Other income, net	42,202	1,065	1,497
Reorganization items, net	(7,811,551 )	(2,126,536 )	—
Loss before income taxes	(38,989,341 )	(211,934,870 )	(24,795,772 )
Benefit from (provision for) income taxes	(461,983 )	(53,528,268 )	7,618,439
Net and comprehensive income (loss)	\$(39,451,324)	\$(265,463,138)	\$(17,177,333)
Basic earnings (loss) per share	\$(0.73 )	\$(4.97 )	\$(0.33 )
Diluted earnings (loss) per share	\$(0.73 )	\$(4.97 )	\$(0.33 )
Weighted average shares outstanding: basic	53,777,687	53,419,686	52,368,842
Weighted average shares outstanding: diluted	53,777,687	53,419,686	52,368,842

The accompanying notes are an integral part of these financial statements.

Table of Contents

## SIGA TECHNOLOGIES, INC.

(DEBTOR-IN-POSSESSION)

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For the Years Ended December 31, 2015, 2014 and 2013

	Common Stock		Additional		Accumulated	Accumulated	Total
	Shares	Amount	Paid - In	Accumulated	Other	Comprehensive	Stockholders'
			Capital	Deficit	Income	(Loss)	Equity
Balances, December 31, 2012	51,642,520	5,164	167,588,375	(139,350,537 )	—		28,243,002
Net loss				(17,177,333 )			(17,177,333 )
Issuance of common stock upon exercise of stock options and warrants	1,508,148	150	2,868,237				2,868,387
Stock-based compensation			2,172,597				2,172,597
Payment of common stock tendered for employee stock-based compensation tax obligations	(41,824 )	(4 )	(178,948 )				(178,952 )
Warrants issued in exchange for services recorded as other assets			272,729				272,729
Fair value of exercised common stock warrants			751,370				751,370
Change in excess tax benefit from stock-based compensation			23,668				23,668
Balances, December 31, 2013	53,108,844	\$5,310	\$173,498,028	\$(156,527,870)	\$ —		\$16,975,468
Net loss				(265,463,138 )			(265,463,138 )
Issuance of common stock upon exercise of stock options	521,327	54	101,981				102,035
Stock-based compensation			2,299,098				2,299,098
Payment of common stock tendered for employee stock-based compensation tax obligations	(125,875 )	(13 )	(415,927 )				(415,940 )
Balances, December 31, 2014	53,504,296	\$5,351	\$175,483,180	\$(421,991,008)	\$ —		\$(246,502,477)
Net loss				(39,451,324 )			(39,451,324 )
Issuance of common stock upon exercise of stock options	610,000	60	12,140				12,200
Stock-based compensation			1,528,582				1,528,582
Change in excess tax benefit from stock-based compensation			(15,531 )				(15,531 )
Balances, December 31, 2015	54,114,296	\$5,411	\$177,008,371	\$(461,442,332)	\$ —		\$(284,428,550)

The accompanying notes are an integral part of these financial statements.





Table of Contents

SIGA TECHNOLOGIES, INC.  
(DEBTOR-IN-POSSESSION)  
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31

	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	\$(39,451,324 )	\$(265,463,138)	\$(17,177,333)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and other amortization	247,357	351,561	463,137
Increase (decrease) in fair value of warrants	—	(313,425 )	73,756
Stock-based compensation	1,574,038	2,435,462	2,263,506
Gain on sale of assets	—	(345,658 )	—
Loss on disposal of assets	243,707	—	—
Non-cash interest expense	10,052	31,175	48,774
Changes in assets and liabilities:			
Accounts receivable	(3,185,098 )	490,391	3,759,484
Inventory	6,597,389	1,470,872	(2,873,427 )
Deferred costs	(20,075,554 )	(10,277,672 )	(19,741,668 )
Prepaid expenses and other current assets	229,266	(236,134 )	188,101
Other assets	—	43,186	147,621
Deferred income taxes, net	21,103	53,569,071	(9,599,927 )
Accounts payable, accrued expenses and other current liabilities	1,862,779	(4,436,468 )	(4,566,993 )
Liabilities subject to compromise	(192,067,797 )	399,039,967	—
Deferred revenue	255,176,572	(162,140,390 )	105,170,169
Other liabilities	(73,107 )	(42,280 )	281,302
Net cash provided by operating activities	11,109,383	14,176,520	58,436,502
Cash flows from investing activities:			
Capital expenditures	(108,953 )	(28,046 )	(857,341 )
Proceeds from sale of assets	—	569,607	—
Restricted cash	4,000,000	(4,000,000 )	—
Net cash provided by (used in) investing activities	3,891,047	(3,458,439 )	(857,341 )
Cash flows from financing activities:			
Net proceeds from exercise of warrants and options	12,200	102,035	2,868,387
Payment of common stock tendered for employee tax obligations	—	(415,940 )	(178,952 )
Proceeds from the issuance of long-term debt	—	—	7,000,000
Repayment of long-term debt	(2,000,000 )	(2,000,001 )	(8,000,000 )
Change in excess tax benefit from stock-based compensation	(15,531 )	—	23,668
Net cash provided by (used in) financing activities	(2,003,331 )	(2,313,906 )	1,713,103
Net increase (decrease) in cash and cash equivalents	12,997,099	8,404,175	59,292,264
Cash and cash equivalents at beginning of period	99,713,929	91,309,754	32,017,490
Cash and cash equivalents at end of period	\$112,711,028	\$99,713,929	\$91,309,754
Supplemental disclosure of non-cash financing activities:			
Reclass of common stock warrant liability to additional paid-in capital upon warrant exercise	\$—	\$—	\$751,370

The accompanying notes are an integral part of these financial statements

SIGA TECHNOLOGIES, INC.  
(DEBTOR-IN-POSSESSION)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Description of Business

SIGA Technologies, Inc. (“SIGA” or the “Company”) is a company specializing in the development and commercialization of solutions for serious unmet medical needs and biothreats. The Company's lead product is Tecovirimat, also known as ST-246®, an orally administered antiviral drug that targets orthopoxviruses. While Tecovirimat is not yet licensed as safe or effective by the U.S. Food & Drug Administration, it is a novel small-molecule drug that is being delivered to the Strategic National Stockpile under Project Bioshield.

Chapter 11 Filing

On September 16, 2014 (the “Petition Date”), the Company filed a voluntary petition for relief under chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) chapter 11 Case Number 14-12623 (SHL). The Company is continuing to operate its business as a “debtor-in-possession” in accordance with the applicable provisions of the Bankruptcy Code.

The Company commenced the chapter 11 case to preserve and to ensure its ability to satisfy its commitments under the BARDA Contract (as defined in Note 3 to the financial statements) and to preserve its operations, which likely would have been jeopardized by the enforcement of a judgment stemming from the litigation with PharmAthene, Inc. (“PharmAthene”) (see below “PharmAthene Litigation”). While operating as a debtor-in-possession under chapter 11, the Company pursued an appeal of the Delaware Court of Chancery Final Order and Judgment (as defined below), without having to post a bond. On December 23, 2015, the Delaware Supreme Court affirmed the Delaware Court of Chancery Final Order and Judgment.

On December 15, 2015, the Company filed a Plan of Reorganization. Subsequent to the initial filing, amendments have been made to the Plan of Reorganization (as amended (the “POR”). The POR is supported by the official committee of unsecured creditors appointed in the Company's chapter 11 case. Please see the section titled Plan of Reorganization for details regarding the POR. The implementation of the POR is subject to confirmation thereof by the Bankruptcy Court in accordance with the provisions of the Bankruptcy Code and the occurrence of the effective date under the POR.

PharmAthene Litigation

On August 8, 2014, the Delaware Court of Chancery issued its Remand Opinion and related order in the litigation initiated against the Company in 2006 by PharmAthene. In the Remand Opinion, the Court of Chancery determined, among other things, that PharmAthene is entitled to a lump sum damages award for its lost profits related to Tecovirimat, with interest and fees, based on United States government purchases of the Company's smallpox drug allegedly anticipated as of December 2006. On January 15, 2015, the Delaware Court of Chancery entered its Final Order and Judgment awarding PharmAthene approximately \$195 million, including pre-judgment interest up to January 15, 2015 (the “Outstanding Judgment”). On January 16, 2015, the Company filed a notice of appeal of the Outstanding Judgment with the Delaware Supreme Court and, on January 30, 2015, PharmAthene filed a notice of cross appeal. On October 7, 2015, the Delaware Supreme Court heard oral argument, en banc. On December 23, 2015 the Delaware Supreme Court affirmed the Outstanding Judgment (the “Delaware Supreme Court Affirmation”). As of December 31, 2015, the accrued obligation under the Delaware Court of Chancery Final Order and Judgment, including post-judgment interest, is estimated to be \$205 million. The Company's pending chapter 11 case prevents PharmAthene from taking any enforcement action with respect to the Outstanding Judgment.

#### Administration of Chapter 11 Case

On September 17, 2014, the Company received Bankruptcy Court approval of certain “first-day” motions, which preserved the Company's ability to continue operations without interruption in chapter 11. As part of the “first-day” motions, the Company received approval to pay or otherwise honor certain pre-petition obligations generally designed to support the Company's operations. Additionally, the Bankruptcy Court confirmed the Company's authority to pay for goods and services received post-petition in the ordinary course of business.

In October 2014, the U.S. Trustee for the Southern District of New York (the “U.S. Trustee”) appointed an official committee of unsecured creditors (the “UCC”). The UCC has a right to be heard on any issue in the Company's chapter 11 case. There can be no assurance that the UCC will support the Company's positions on matters to be presented to the Bankruptcy Court.

## Table of Contents

As part of the chapter 11 case, the Company has retained, pursuant to Bankruptcy Court authorization, legal and other professionals to advise the Company in connection with the administration of its chapter 11 case and its litigation with PharmAthene, and certain other professionals to provide services and advice in the ordinary course of business. From time to time, the Company may seek Bankruptcy Court approval to retain additional professionals.

Pursuant to an order of the Bankruptcy Court, dated October 28, 2014, the Company was authorized to pay pre-petition obligations to certain service providers that are fully reimbursable by the U.S. Biomedical Advanced Research and Development Authority ("BARDA") pursuant to the BARDA Contract (as defined in Note 4). Pursuant to an order of the Bankruptcy Court, dated January 14, 2015, the Company was authorized to satisfy a fully-secured term loan provided by General Electric Capital Corporation in the approximate amount of \$1.8 million. Such amount, and related fees, was paid by the Company on January 16, 2015 and all liens securing the credit facility were released.

Pursuant to orders entered by the Bankruptcy Court in April 2015, the Company was authorized to consummate the following transactions: assumption of the BARDA Contract, as amended by the BARDA Amendment (as defined in Note 4 to the financial statements); assumption of the Company's commercial manufacturing agreement (the "Commercial Manufacturing Agreement") with Albemarle Corporation ("Albemarle"), as amended by a 2015 amendment (the "2015 Amendment"); and assumption of the Company's lease with Research Way Investments, as amended by the Tenth Addendum to Commercial Lease, for the Company's research and development facility located at 4575 S.W. Research Way, Corvallis, Oregon. The 2015 Amendment to the Commercial Manufacturing Agreement with Albemarle provides the Company with improved pricing on future purchases of active pharmaceutical ingredient ("API") for Tecovirimat. As part of the assumption of the Commercial Manufacturing Agreement, as amended, on April 30, 2015, the Company paid Albemarle's prepetition claim under the Commercial Manufacturing Agreement of approximately \$2.7 million. The Tenth Addendum to the Commercial Lease with Research Way Investments reduced the Company's rent costs for the research and development facility by approximately \$35,000 per month, starting May 1, 2015. Additionally, as part of the Tenth Addendum, Research Way Investments withdrew its proof of claim for \$971,451 filed in the Bankruptcy Court.

### Plan of Reorganization

On December 15, 2015, the Company filed a Plan of Reorganization. Subsequent to the initial filing, amendments have been made to the Plan of Reorganization (as amended the "POR"). Implementation of the POR is subject to confirmation thereof by the Bankruptcy Court in accordance with the provisions of the United States Bankruptcy Code and the occurrence of the effective date under the POR. The POR is supported by the UCC. There can be no assurance that the POR will be confirmed by the Bankruptcy Court. The POR, as more fully described below, addresses, among other things, how the Company will treat and satisfy its liabilities relating to the period prior to the commencement of its chapter 11 case, including all claims held by PharmAthene.

By the order dated February 16, 2016, the Bankruptcy Court approved the Company's Disclosure Statement for the POR (the "Disclosure Statement"), thereby enabling the Company to solicit acceptances or rejections of the POR from those creditors entitled to vote on the POR. The Bankruptcy Court has scheduled a hearing to consider confirmation of the POR for April 5, 2016.

The POR provides for, among other things:

- Prepetition unsecured claims (other than PharmAthene's claim) will be paid in cash in full.
- Upon the effective date of the POR, ownership of existing shares of the Company's common stock shall remain unaltered by the POR; however, existing shares will be subject to potential future cancellation (without receipt of any consideration) in the event that PharmAthene's claim is satisfied through the issuance of newly issued shares of SIGA stock (option (ii) described below).

•Once the Delaware Supreme Court enters final judgment on the December 23 ruling (which is expected to occur on or about March 22, 2016), the Company will have 120 days (subject to a possible 90 day extension) to select one of the following options to satisfy PharmAthene's claim under the POR: (i) payment in full in cash of the Company's obligation under the Delaware Court of Chancery Final Order and Judgment, which is estimated to be approximately \$205 million as of December 31, 2015; (ii) delivery to PharmAthene of 100% of newly-issued stock of SIGA, with all existing shares of the Company's common stock being cancelled with no distribution to existing shareholders on account thereof; or (iii) such other treatment as is mutually agreed upon by the Company and PharmAthene.

## Table of Contents

\*The 120 day period can be extended for a maximum of 90 additional days in exchange for payment by the Company of \$20 million to PharmAthene to be applied to payments to be made under option (i) set forth above (if selected), and otherwise nonrefundable.

\*In addition, PharmAthene shall be paid \$5 million on the effective date of the POR to be applied to payments to be made under option (i) set forth above (if selected), and otherwise nonrefundable.

•The POR requires the Company to comply with certain affirmative and negative covenants from the date the POR becomes effective until the covenants are terminated as provided under the POR, and if the Company breaches any covenant, PharmAthene is entitled to exercise certain remedies provided in the POR.

### Pre-Petition Claims

As a result of the chapter 11 filing, the payment of pre-petition liabilities is generally subject to compromise pursuant to a plan of reorganization. Generally, under the Bankruptcy Code, actions to enforce or otherwise effect payment of pre-bankruptcy filing liabilities are stayed. Although payment of pre-petition claims generally is not permitted, the Bankruptcy Court granted the Company authority to pay certain pre-petition claims in designated categories and subject to certain terms and conditions. Among other things, the Bankruptcy Court authorized the Company to pay certain pre-petition claims relating to employees, critical vendors, a fully-secured pre-petition term loan, and services for which the Company receives reimbursement from the government.

On October 30, 2014, the Company filed its schedules of assets and liabilities and statement of financial affairs (the “Schedules”) with the Bankruptcy Court. The Bankruptcy Court entered an order setting March 30, 2015 as the deadline for filing proofs of claim (the “Bar Date”). The Bar Date is the date by which claims against the Company relating to the period prior to the commencement of the Company's chapter 11 case must be filed if such claims are not listed in liquidated, non-contingent and undisputed amounts in the Schedules, or if the claimant disagrees with the amount, characterization or classification of its claim as reflected in the Schedules. Claims that are subject to the Bar Date and which are not filed on or prior to the Bar Date may be barred from participating in any distribution that may be made under a plan of reorganization in the Company's chapter 11 case.

As of February 15, 2016 approximately 126 proofs of claim were outstanding (including claims that were previously identified on the Schedules), a portion of which assert, in part or in whole, unliquidated claims. Prior to the Bar Date, PharmAthene asserted a claim in the amount of \$194,649,042, which reflects pre-judgment interest up to January 15, 2015 on the Delaware Court of Chancery Final Order and Judgment. It is estimated that, as of December 31, 2015, the accrued obligation to PharmAthene under the Delaware Court of Chancery Final Order and Judgment, including post-judgment interest, is \$205 million. Excluding the PharmAthene claim, all other liquidated proofs of claim amount to \$3,037,125.

Separately, a contingent and unliquidated claim was filed by BARDA prior to the Bar Date in the amount of \$109,339,609 in connection with amounts BARDA identified as subject to repayment in the event that the Company fails to perform under the terms of the BARDA Contract. As a result of the assumption of the BARDA Contract, as described above, BARDA withdrew the claim on August 4, 2015.

Certain proof of claims that have been filed relate to amounts which have been paid by the Company as of December 31, 2015.

The Company will ask the Bankruptcy Court to disallow claims that the Company believes are duplicative, have been later amended or superseded, are without merit, are overstated, have already been paid, or should be disallowed for other reasons. In addition, as a result of this process, the Company may identify additional liabilities that will need to be recorded or reclassified to Liabilities Subject to Compromise. The resolution of such claims could result in material

adjustments to the Company's financial statements. The determination of how liabilities will ultimately be treated cannot be made until the Bankruptcy Court confirms a plan of reorganization and such plan becomes effective. Accordingly, the ultimate amount or treatment of such liabilities is not determinable at this time.

#### Financial Reporting in Reorganization

The Company applied Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, Reorganizations effective on September 16, 2014, which is applicable to companies under bankruptcy protection, and requires amendments to the presentation of key financial statement line items. It requires that the financial statements for periods subsequent to the chapter 11 filing distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, realized gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business must be reported separately as reorganization items in the consolidated statements of operations. The balance sheet must distinguish pre-petition Liabilities Subject to Compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities that may be subject to a plan of



## Table of Contents

reorganization must be reported at the amounts expected to be allowed in the Company's chapter 11 case, even if they may be settled for lesser amounts as a result of the plan of reorganization or negotiations with creditors. In addition, cash used by reorganization items are disclosed separately in the consolidated statements of cash flow.

### Other Matters Related to the Chapter 11 Case

By motion filed with the Bankruptcy Court on April 8, 2015 (the "UCC 2004 Motion"), the UCC sought authority to take discovery under Federal Rule of Bankruptcy Procedure 2004 ("Rule 2004") with respect to certain discrete matters. Rule 2004 permits a creditors' committee appointed in a chapter 11 case or other party in interest, subject to Bankruptcy Court approval, to conduct broad discovery relating to the acts, conduct, property and liabilities of a debtor or with respect to any matter that may affect the administration of the debtor's bankruptcy case. The UCC 2004 Motion was filed for the purpose of determining whether the Company's estate has claims against certain officers and directors in connection with the matters sought to be investigated pursuant to the UCC 2004 Motion.

Pursuant to an order of the Bankruptcy Court, dated June 16, 2015 (the "2004 Order"), the UCC 2004 Motion was granted, in part, with regard to certain discovery requests specifically listed in the UCC 2004 Motion.

By a motion filed with the Bankruptcy Court on September 1, 2015, the UCC sought further discovery under Rule 2004 from PharmAthene and certain third parties with respect to one of the matters set forth in the UCC 2004 Motion. By order of the Bankruptcy Court dated October 2, 2015, the terms of which were agreed to by the Company and the UCC, the UCC was authorized to obtain certain additional discovery from PharmAthene related to the PharmAthene litigation.

As of the date hereof, the Company, pursuant to the 2004 Order, has provided to the attorneys for the UCC the discovery already produced by the Company to PharmAthene in the PharmAthene litigation. No document requests or deposition subpoenas have been served by the UCC on the Company.

The POR provides that, subject to confirmation and upon the effective date of the POR, all claims sought to be investigated by the UCC in connection with the UCC 2004 Motion will be released.

### NASDAQ/OTC Markets

On September 16, 2014, the Company received a letter from the NASDAQ Stock Market LLC asserting that, based on the Company's chapter 11 filing, the Company no longer met the continuing listing requirements necessary to maintain its listing on the NASDAQ Stock Market and would be promptly delisted. On March 18, 2015, after the expiration of an extension of time granted pursuant to a Company appeal, the Company received a letter from the NASDAQ hearings panel stating that the Company's securities would be delisted from the NASDAQ Stock Market. On March 20, 2015, the Company's common shares were suspended from trading on the NASDAQ Global Market at the opening of business and the Company's shares began trading on the OTC Markets under the "SIGAQ" symbol.

### Basis of presentation

The consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and reflect the consolidated financial position, results of operations and cash flows for all periods presented.

Certain prior period amounts have been reclassified to the current period presentation, primarily related to human resources and recruiting activities from research and development to selling, general and administrative.

### Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's ability to continue as a going concern will be impacted by the Delaware Supreme Court Affirmation, as well as the resolution of the Company's chapter 11 case. As of December 31, 2015, the accrued obligation under the Delaware Court of Chancery Final Order and Judgment, including post-judgment interest, is estimated to be \$205 million (see above, for the Company's "Plan of Reorganization" for additional information). In

addition, as of December 31, 2015, the Company has a net capital deficiency of \$284 million. These factors raise substantial doubt about the Company's ability to continue as a going concern. As such, the realization of assets and the satisfaction of liabilities are subject to uncertainties. The accompanying financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

## Table of Contents

### 2. Summary of Significant Accounting Policies

#### Use of Estimates

The consolidated financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. The most significant estimates include the variables used in the calculation of fair value of stock-based awards including options and warrants granted or issued by the Company; reported amounts of revenue; calculation of contingencies including estimating litigation accrual; and the realization of deferred tax assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from these estimates.

#### Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

#### Concentration of Credit Risk

The Company has cash in bank accounts that exceed the Federal Deposit Insurance Corporation insured limits. The Company has not experienced any losses on its cash accounts and no allowance has been provided for potential credit losses because management believes that any such losses would be minimal, if any.

As part of its chapter 11 case, on January 29, 2015, the Company established debtor-in-possession bank accounts “DIP Accounts” in accordance with the provisions of the Bankruptcy Code and transferred substantially all its cash into the DIP Accounts in February 2015.

#### Accounts Receivable

Accounts receivable are recorded net of provisions for doubtful accounts. At December 31, 2015 and 2014, 100% of accounts receivables represented receivables from National Institutes of Health (“NIH”) and Biomedical Advanced Research and Development Authority (“BARDA”). An allowance for doubtful accounts is based on specific analysis of the receivables. At December 31, 2015 and 2014, the Company had no allowance for doubtful accounts.

#### Inventory

Inventories are stated at the lower of cost or estimated realizable value. The Company capitalizes inventory costs associated with the Company’s products when, based on management’s judgment, future commercialization is considered probable and the future economic benefit is expected to be realized; otherwise, such costs are expensed as research and development. Inventory is evaluated for impairment periodically to identify inventory that may expire prior to expected sale or has a cost basis in excess of its estimated realizable value. If certain batches or units of product no longer meet quality specifications or become obsolete due to expiration, the Company records a charge to write down such unmarketable inventory to its estimated realizable value.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided on a straight-line method over the estimated useful lives of the various asset classes. The estimated useful lives are as follows: 5 years for laboratory equipment; 3 years for computer equipment; and 7 years for furniture and fixtures. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the lease term. Maintenance, repairs and minor replacements are charged to expense as incurred.

#### Liabilities Subject to Compromise

Liabilities subject to compromise is the Company's estimate of known or potential pre-petition claims to be resolved in connection with its chapter 11 case. Such claims remain subject to future adjustments. Payment terms for liabilities subject to compromise are established as part of the Plan or Reorganization filed on December 15, 2015, as amended.

#### Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, collectability is reasonably assured, title and risk of loss have been transferred to the customer and there are no further contractual obligations.

Certain arrangements may provide for multiple deliverables, in which there may be a combination of: up-front licenses; research, development, regulatory or other services; and delivery of product. Multiple deliverable arrangements can be divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (i) the delivered item(s) have value to the

## Table of Contents

customer on a standalone basis and (ii) in circumstances in which an arrangement includes a general right of return with respect to delivered items, then performance of the remaining deliverables must be considered probable and substantially in control of the Company. If multiple deliverables cannot be divided into separate units of accounting then the deliverables must be combined into a single unit of accounting.

Total consideration in a multiple deliverable arrangement is allocated to units of accounting on a relative fair value of selling price basis. Consideration allocated to a delivered item or unit of accounting is limited to the amount that is not contingent upon delivery of additional items.

Direct costs incurred by the Company and associated with the deferral of revenue for a unit of accounting will also be deferred and will be recognized as expenses over the same period that the related deferred revenue is recognized as revenue.

Subject to the above, payments for development activities are recognized as revenue when earned, over the period of effort. Funding for the acquisition of capital assets under cost-plus-fee contracts or grants is evaluated for appropriate recognition as a reduction to the cost of the asset, a financing arrangement, or revenue based on the specific terms of the related grant or contract.

For the years ended December 31, 2015, 2014, and 2013, revenues from NIH and BARDA were 100% of total revenues recognized by the Company.

### Research and Development

Research and development expenses include costs directly and indirectly attributable to the conduct of research and development programs, and performance of the BARDA Contract, including employee related costs, materials, supplies, depreciation on and maintenance of research equipment, the cost of services provided by outside contractors, including services related to the Company's clinical trials and facility costs, such as rent, utilities, and general support services. All costs associated with research and development are expensed as incurred. Costs related to the acquisition of technology rights, for which development work is still in process, and that have no alternative future uses, are expensed as incurred.

### Reorganization Items

Costs directly attributable to the chapter 11 case and the implementation of the plan of reorganization are expensed as incurred as reorganization items.

### Goodwill

The Company evaluates goodwill for impairment at least annually or as circumstances warrant. The impairment review process compares the fair value of the reporting unit in which goodwill resides to its carrying value. The Company operates as one business and one reporting unit. Therefore, the goodwill impairment analysis is performed on the basis of the Company as a whole, using the market capitalization of the Company as an estimate of its fair value.

### Share-based Compensation

Stock-based compensation expense for all share-based payment awards made to employees and directors is determined on the grant date; for options awards, fair value is estimated using the Black-Scholes model and for stock appreciation rights ("SARs"), fair value is estimated using the Monte Carlo method. The value of the portion of the award that is ultimately expected to vest is recorded as expense over the requisite service periods in the Company's consolidated statement of operations.

These compensation costs are recognized net of an estimated forfeiture rate over the requisite service periods of the awards. Forfeitures are estimated on the date of the respective grant and revised if actual or expected forfeiture activity differs from original estimates.

#### Income Taxes

The Company recognizes income taxes utilizing the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities at enacted tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is established if it is more likely than not that some or the entire deferred tax asset will not be realized. The recognition of a valuation allowance for deferred taxes requires management to make estimates and judgments about the Company's future profitability which are inherently uncertain.

#### Net Loss per Share

The objective of basic earnings per share ("EPS") is to measure the performance of an entity over the reporting period by dividing income (loss) by the weighted average shares outstanding. The objective of diluted EPS is consistent with that of basic EPS, except that it also gives effect to all potentially dilutive common shares outstanding during the period.

Table of Contents

The Company incurred losses for the years ended December 31, 2015, 2014 and 2013. For all periods presented, all equity instruments are excluded from the calculation of diluted earnings (loss) per share as the effect of such shares is anti-dilutive. The weighted average number of equity instruments excluded consist of:

	Year Ended December 31,		
	2015	2014	2013
Stock Options	2,047,083	2,179,643	2,725,632
Stock-Settled Stock Appreciation Rights	368,331	388,325	439,056
Restricted Stock Units	700,265	1,206,534	981,645
Warrants	82,192	772,903	1,802,820

As discussed in Note 6, the appreciation of each SSAR was capped at a determined maximum value. As a result, the weighted average number shown in the table above for stock-settled stock appreciation rights reflects the weighted average maximum number of shares that could be issued.

**Fair Value of Financial Instruments**

The carrying value of cash and cash equivalents, accounts payable and accrued expenses approximates fair value due to the relatively short maturity of these instruments. Common stock warrants which are classified as liabilities are recorded at their fair market value as of each reporting period.

The measurement of fair value requires the use of techniques based on observable and unobservable inputs.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations where inputs are observable or where significant value drivers are observable.

Level 3 – Instruments where significant value drivers are unobservable to third parties.

The Company uses model-derived valuations where inputs are observable in active markets to determine the fair value of certain common stock warrants on a recurring basis and classify such liability classified warrants in Level 2. The Company utilizes the Black-Scholes model consisting of the following variables: (i) the closing price of SIGA's common stock; (ii) the expected remaining life of the liability classified warrant; (iii) the expected volatility using a weighted-average of historical volatilities from a combination of SIGA and comparable companies; and (iv) the risk-free market rate.

As of December 31, 2014, the Company had \$2.0 million outstanding, from a loan entered into on December 31, 2012 (see Note 7). The fair value of the loan, which is measured using Level 2 inputs, approximated book value at December 31, 2014.

For the years ended December 31, 2015 and 2014, SIGA did not hold any Level 3 securities.

There were no transfers between levels of the fair value hierarchy during 2015.

**Legal Contingencies**

The Company is subject to certain contingencies arising in the ordinary course of business. The Company has been involved in litigation with PharmAthene, Inc. (see Note 13 ). The Company records accruals for these contingencies to the extent that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, that amount is accrued. Alternatively, when no amount within a range of loss appears to be a better estimate than any other amount, the lowest amount in the range is accrued. The Company expenses legal costs associated with loss contingencies as incurred. We record anticipated recoveries under existing insurance contracts when recovery is assured.



## Table of Contents

### Segment Information

The Company is managed and operated as one business. The entire business is managed by a single management team that reports to the chief executive officer. The Company does not operate separate lines of business or separate business entities with respect to any of its product candidates. Accordingly, the Company does not prepare discrete financial information with respect to separate product areas or by location and only has one reportable segment.

### Recent Accounting Pronouncements

On November 20, 2015, the FASB issued Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes. Current GAAP requires the deferred taxes to be presented as a net current asset or liability and net noncurrent asset or liability. This requires a jurisdiction-by-jurisdiction analysis based on the classification of the assets and liabilities to which the underlying temporary differences relate, or, in the case of loss or credit carryforwards, based on the period in which the attribute is expected to be realized. Any valuation allowance is then required to be allocated on a pro rata basis, by jurisdiction, between current and noncurrent deferred tax assets. To simplify presentation, the new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance does not change the existing requirement that only permits offsetting within a jurisdiction – that is, companies are still prohibited from offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. The new guidance will be effective for public business entities in fiscal years beginning after December 15, 2016, including interim periods within those years (i.e., in the first quarter of 2017 for calendar year-end companies). Early adoption is permitted, including for December 31, 2015. The guidance may be applied either prospectively, for all deferred tax assets and liabilities, or retrospectively (i.e., by reclassifying the comparative balance sheet). If applied prospectively, entities are required to include a statement that prior periods were not retrospectively adjusted. If applied retrospectively, entities are also required to include quantitative information about the effects of the change on prior periods. The Company early adopted this guidance retrospectively as of December 31, 2015. The impact of adoption of the guidance on the Company's consolidated financial statements as of December 31, 2014 was a \$5.7 million reclassification of current deferred tax assets to noncurrent deferred tax liabilities.

In July 2015, the FASB issued Accounting Standards Update (“ASU”) No. 2015-11, Simplifying the Measurement of Inventory, which changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. Inventory measured using last-in, first-out (LIFO) and the retail inventory method (RIM) are not impacted by the new guidance. The ASU only addresses the measurement of the inventory if its value declines or is impaired. Prior to the issuance of the standard, inventory was measured at the lower of cost or market (where market was defined as replacement cost, with a ceiling of net realizable value and floor of net realizable value less a normal profit margin). This necessitated obtaining three data points to determine market value. Replacing the concept of market with the single measurement of net realizable value is intended to create efficiencies. The ASU defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU is effective prospectively for annual periods beginning after December 15, 2016. Adoption of the ASU by the Company will not have an impact on its consolidated financial statements.

In August 2014, the FASB issued Accounting Standard Update (“ASU”) No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This ASU requires management to assess whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, disclose that fact. Management will also be required to evaluate and disclose whether its plans alleviate that doubt. This ASU states that, when making this assessment, management should consider relevant conditions or events that are known or reasonably knowable on the date the financial statements are issued or available to be issued. This ASU is effective for annual periods ending after December 15, 2017 and interim periods thereafter, and early adoption is permitted. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. Additionally, this update supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It is effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is permitted for the first interim periods beginning after December 15, 2016. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

## Table of Contents

### 3. Procurement Contract and Research Agreements

#### Procurement Contract

On May 13, 2011, the Company signed a contract with BARDA (the “BARDA Contract”) pursuant to which SIGA agreed to deliver two million courses of Tecovirimat to the U.S. Strategic National Stockpile (“Strategic Stockpile”). The BARDA Contract is worth approximately \$466 million, including \$409.8 million for manufacture and delivery of 1.7 million courses of Tecovirimat and \$56 million of potential reimbursements related to development and supportive activities (the “Base Contract”). In addition to the Base Contract, the BARDA Contract also separately contains \$122.7 million of options that, if exercised by BARDA: would result in a \$50 million payment to the Company in the event of FDA approval for extension to 84-month expiry for Tecovirimat (from 38 month expiry as required in the Base Contract); would fund up to \$58.3 million of development and supportive activities such as work on a smallpox prophylaxis indication for Tecovirimat; and/or would fund \$14.4 million of production-related activities related to warm-base manufacturing. In 2015, BARDA exercised two options related to extending the indication of the drug to the geriatric and pediatric populations. The stated value of these exercises was minimal. BARDA may not exercise additional options in the future. Options are exercisable by BARDA at its sole discretion. BARDA has indicated that it will evaluate, after the FDA’s review and evaluation of stability data, the Company’s request that BARDA exercise the option for the \$50 million payment to the Company in the event of FDA approval of 84-month expiry for Tecovirimat.

The BARDA Contract expires in September 2020.

Under the Base Contract with BARDA, BARDA has agreed to buy from SIGA 1.7 million courses of Tecovirimat. Additionally, SIGA expects to contribute to BARDA 300,000 courses at no additional cost to BARDA.

As of December 31, 2015, the Company has received \$249.2 million under the Base Contract related to the manufacture and physical delivery of courses of Tecovirimat. Included in this amount are: a \$41 million advance payment in 2011 for the completion of certain planning and preparatory activities related to the Base Contract; a \$12.3 million milestone payment in 2012 for the completion of the product labeling strategy for Tecovirimat; an \$8.2 million milestone payment in 2013 for the completion of the commercial validation campaign for Tecovirimat; and \$187.7 million of payments following physical deliveries of 1.4 million courses of Tecovirimat to the Strategic Stockpile beginning in 2013 (an additional 259,200 courses were delivered at no cost to BARDA). Product deliveries of 1.3 million of those courses in 2013 and 2014 (including courses delivered at no cost to BARDA) were at a provisional dosage of 600 mg administered once daily. Product deliveries of 383,754 courses in 2015 were at a provisional dosage of 600 mg administered twice per day (1,200 mg per day).

Payments following physical delivery of courses were \$50.8 million and \$40.7 million in 2015 and 2014, respectively. Reimbursement payments related to research and development services and supportive activities were \$3.9 million and \$3.1 million in 2015 and 2014, respectively. Since inception of the BARDA Contract, reimbursements (including amounts invoiced) are cumulatively \$15.3 million.

Product deliveries of Tecovirimat in 2015, and in the future, are expected to be at a provisional dosage of 600 mg administered twice per day (1,200 mg per day). This is a change from the provisional dosage that was in effect when product deliveries were made in 2013 and 2014 (600 mg per day). The change in the provisional dosage is based on FDA guidance received by the Company in 2014, subsequent to the delivery of 1.3 million courses of Tecovirimat. Based on the current provisional dosage of 600 mg administered twice per day (1,200 mg per day), the Company currently expects to supplement previously delivered courses of Tecovirimat, at no additional cost to BARDA, with additional dosages so that all of the courses previously delivered to BARDA will be at the new provisional dosage. The Company and BARDA have agreed to an amendment (the “BARDA Amendment”) of the BARDA Contract to reflect the foregoing, which modification was approved by the Bankruptcy Court in April 2015.

The Company expects to incur significant incremental costs with the production of additional dosage.

The BARDA Contract is a multiple deliverable arrangement comprising delivery of courses and covered research and development activities. The BARDA Contract provides certain product replacement rights with respect to delivered courses. For this reason, recognition of revenue that might otherwise occur upon delivery of courses is expected to be deferred until the Company's obligations related to potential replacement of delivered courses are satisfied. The Company assessed the selling price for each of the aforementioned deliverables - research and development activities and drug product. The selling price of certain reimbursed research and development services was determined by reference to existing and past research and development grants and contracts between the Company and various government agencies. The selling price of drug product was determined by reference to other Companies' sales of drug products such as antiviral therapeutics, orphan drugs and drugs with potential life-saving impact similar to Tecovirimat, including products delivered to the Strategic Stockpile.

Table of Contents

The Company has recognized revenue for reimbursement of certain BARDA Contract research and development services. Cash inflows related to delivery of courses will continue to be recorded as deferred revenue. In addition, direct costs incurred by the Company to fulfill the delivery of courses including the supplementing of courses previously delivered under the BARDA Contract are being deferred and will be recognized as expenses over the same period that the related deferred revenue is recognized as revenue.

As of December 31, 2015 and 2014, deferred direct costs under the BARDA Contract of approximately \$52.5 million and \$32.9 million, respectively, are included in deferred costs on the consolidated balance sheets. As of December 31, 2015, the Company recorded \$255.3 million of deferred revenue. Deferred revenue has been recorded for the delivery, and invoicing, of approximately 1.4 million courses of Tecovirimat to the Strategic Stockpile and certain research and development services provided as part of the BARDA Contract. For the year ended December 31, 2015, revenue from reimbursed research and development was \$6.2 million.

Research Agreements

The Company obtains funding from the contracts and grants it obtains from various agencies of the U.S. Government to support its research and development activities. Currently, the Company has one contract and one grant with varying expiration dates through February 2018 that provide for potential future aggregate research and development funding for specific projects of approximately \$7.2 million. We may not utilize all available funds under the grant covering the pre-clinical drug candidate.

The funded amount includes, among other things, options that may or may not be exercised at the U.S. government's discretion. Moreover, the contract and contract grant contain customary terms and conditions including the U.S. Government's right to terminate or restructure a grant for convenience at any time.

4. Liabilities Subject to Compromise

Pre-petition liabilities that are subject to compromise are required to be reported at the amounts expected to be allowed in the Company's chapter 11 case, even if they may be settled for lesser amounts. The amounts classified as Liabilities Subject to Compromise as of December 31, 2015 may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, if any, the value of any collateral securing such claims, or other events. The Company cannot reasonably estimate the value of the claims that ultimately will be allowed in its chapter 11 case until the Company completes its evaluation, investigation and reconciliation of all filed claims has been completed.

The amount of Liabilities Subject to Compromise represents the Company's estimate, where an estimate is determinable, of known or potential pre-petition claims to be addressed in connection with its chapter 11 case. Such liabilities are reported at the Company's current estimate, where an estimate is determinable, of the allowed claim amount, even though they may be settled for lesser amounts. These claims remain subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, if any, the value of any collateral securing such claims, or other events.

As of December 31, 2015 and 2014, Liabilities Subject to Compromise consisted of the following:

	December 31, 2015	December 31, 2014	
Deferred revenue	—	203,696,194	
Accounts payable - pre-petition	834,219	3,502,607	
Accrual- PharmAthene Litigation	205,400,068	191,046,416	(1 )
Other accrued expenses - pre-petition	737,883	794,750	
Total	206,972,170	399,039,967	

(1) Includes a \$3.2 million accrual at December 31, 2015 and 2014, respectively for reimbursement of PharmAthene attorney's fees and expert fees, against which there is a \$2.7 million surety bond that has cash collateralization of \$1.3

million.

62

---

Table of Contents

## Reorganization Items, net:

As of December 31, 2015 and 2014, reorganization items consisted of the following:

	December 31, 2015	December 31, 2014
Legal fees	\$5,719,052	\$1,806,701
Professional fees	2,027,827	225,360
Trustee fees	59,000	17,875
Other	5,672	76,600
Total	\$7,811,551	\$2,126,536

The cash payments for the reorganization items for the years-ended December 31, 2015 and 2014 were \$6.7 million and \$1.5 million, respectively.

## 5. Stockholders' Equity

On December 31, 2015, the Company's authorized share capital consisted of 110,000,000 shares, of which 100,000,000 are designated common shares and 10,000,000 are designated preferred shares. The Company's Board of Directors is authorized to issue preferred shares in series with rights, privileges and qualifications of each series determined by the Board. As of December 31, 2015 and 2014, no preferred shares were outstanding or issued.

For the year ended December 31, 2014 and 2013, the Company recorded a gain of \$313,425 and loss of \$73,756, respectively. The gains/(losses) are the result of net decrease and (increase), respectively in fair value of Commitment Warrants (as discussed below) during the respective periods.

On June 19, 2008, SIGA entered into a letter agreement (as amended, the "Letter Agreement") that expired on June 19, 2010, with MacAndrews & Forbes LLC ("M&F"), a related party, for M&F's commitment to invest, at SIGA's discretion or at M&F's option, up to \$8 million in exchange for (i) SIGA common stock and (ii) warrants to purchase 40% of the number of SIGA shares acquired by M&F. In consideration for the commitment of M&F reflected in the Letter Agreement, on June 19, 2008, M&F received warrants to purchase 238,000 shares of SIGA common stock, initially exercisable at \$3.06 (the "Commitment Warrants"). The Commitment Warrants were exercisable until June 19, 2012. On June 19, 2012, the Commitment Warrants were amended to extend expiration to June 19, 2014. Due to certain anti-dilution provisions, the Commitment Warrants were recorded as a liability, and consequently the "mark-to-market" adjustment to the fair value from the extended term was accounted immediately upon modification. On June 19, 2014, the Commitment Warrants expired. During 2014, the Company recognized a mark-to-market gain of \$129,398.

On June 18, 2010, M&F notified SIGA of its intention to exercise its right to invest \$5.5 million, the remaining amount available under the Letter Agreement following earlier investments and entered into a Deferred Closing and Registration Rights Agreement dated as of June 18, 2010 with the Company. On July 26, 2010, upon satisfaction of certain customary closing conditions, including the expiration of the applicable waiting period pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, M&F funded the \$5.5 million purchase price to SIGA in exchange for the issuance of (i) 1,797,386 shares of common stock and (ii) warrants to purchase 718,954 shares of SIGA common stock at an exercise price of \$3.519 per share; the warrants are exercisable for a term of four years from issuance. On July 26, 2014, the warrants expired. During 2014, the Company recognized a mark-to-market gain of \$184,027.

On April 30, 2013, SIGA entered into a Services Agreement with M&F, a related party, for certain professional and administrative services. The Services Agreement has a term of three years. As consideration for the Services Agreement, SIGA issued warrants to M&F to acquire 250,000 shares of common stock at an exercise price of \$3.29 per share. The warrants are fully vested, immediately exercisable and remain exercisable for two years from issuance.

date. On April 30, 2015, the warrants expired. The grant-date fair value, determined using the Black-Scholes model as previously described, is recorded as an asset with a corresponding increase to equity. The asset is amortized over the contractual term of the warrant. For the years ended December 31, 2015 and 2014, the Company recorded an expense of \$45,456 and \$136,364, respectively.

The Company accounted for the warrants in accordance with the authoritative guidance which requires that free-standing derivative financial instruments that require net cash settlement be classified as assets or liabilities at the time of the transaction, and recorded at their fair value. Any changes in the fair value of the derivative instruments are reported in earnings or loss as long as the derivative contracts are classified as assets or liabilities.



Table of Contents

## 6. Stock Compensation Plans

The Company's 2010 Stock Incentive Plan (the "2010 Plan") was initially adopted in May 2010. The 2010 Plan provided for the issuance of stock options, restricted stock and unrestricted stock with respect to an aggregate of 2,000,000 shares of the Company's Common Stock to employees, consultants and outside directors of the Company. On May 17, 2011, the 2010 Plan was amended to provide for the issuance of restricted stock units ("RSUs") and on February 2, 2012, the 2010 Plan was amended to provide for the issuance of SARs. Effective April 25, 2012, the 2010 Plan was amended to increase the maximum number of shares of Common Stock available for issuance to an aggregate of 4,500,000 shares. The vesting period for awards granted under the 2010 Plan, is determined by the Compensation Committee of the Board of Directors. The Compensation Committee also determines the expiration date of each equity award, however, stock options and SARs may not be exercisable more than ten years after the date of grant as the maximum term of equity awards issued under the 2010 Plan is ten years.

For the years ended December 31, 2015, 2014 and 2013, the Company recorded stock-based compensation expense, including stock options, SARs, RSUs and certain warrant amortization, of approximately \$1.6 million, \$2.4 million and \$2.3 million, respectively.

**Stock Options**

Stock option awards provide holders the right to purchase shares of Common Stock at prices determined by the Compensation Committee and must have an exercise price equal to or in excess of the fair market value of the Company's common stock at the date of grant.

There were no stock options granted during years-ended 2015 and 2014.

The fair value of options granted prior to December 31, 2014 were estimated at the date of grant. Expected volatility has been estimated using a combination of the Company's historical volatility and the historical volatility of a group of comparable companies, both using historical periods equivalent to the options' expected lives. The expected dividend yield assumption is based on the Company's intent not to issue a dividend in the foreseeable future. The risk-free interest rate assumption is based upon observed interest rates for securities with maturities approximating the options' expected lives. The expected life was estimated based on historical experience and expectation of employee exercise behavior in the future giving consideration to the contractual terms of the award.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2015	2,115,566	\$4.90		
Granted	—	—		
Exercised	(10,000)	) 1.22		
Canceled/Expired	(180,599)	) 9.28		
Outstanding at December 31, 2015	1,924,967	\$4.51	3.03	\$—
Vested and expected to vest at December 31, 2015	1,914,633	\$4.51	3.04	\$—
Exercisable at December 31, 2015	1,724,967	\$4.71	3.13	\$—

As of December 31, 2015, \$13,000 of total remaining unrecognized stock-based compensation cost related to stock options is expected to be recognized over the weighted-average remaining requisite service period of 1.5 years. The total fair value of vested stock options was \$0, \$144,000 and \$579,432 for the years ended December 31, 2015, 2014 and 2013, respectively.

The total intrinsic value of stock options exercised was \$5,900, \$19,000 and \$959,000 for the years ended December 31, 2015, 2014 and 2013, respectively. The intrinsic value represents the amount by which the market price of the underlying stock exceeds the exercise price of an option.

The weighted average fair value at the date of grant for stock options granted during the year ended December 31, 2013 was \$2.34.

As of December 31, 2015 and 2014, 500,000 of the Company's outstanding options, respectively, were subject to specific performance conditions consisting of minimum cash receipts thresholds and regulatory approval of our lead drug candidate. During

Table of Contents

the year ended December 31, 2014, the performance conditions relating to minimum cash receipts were achieved making 300,000 of the aforementioned options exercisable. The remaining 200,000 options with performance conditions relating to regulatory approval have not been achieved, thus these options are not exercisable at December 31, 2015.

**Stock Appreciation Rights**

Stock-settled stock appreciation rights (“SSARs”) provide holders the right to purchase shares of Common Stock at prices determined by the Compensation Committee and must have an exercise price equal to or in excess of the fair market value of the Company’s common stock at the date of grant. Upon exercise, the gain, or intrinsic value, is settled by the delivery of SIGA stock to the employee.

There were no SSARs granted during the years ended 2015 and 2014. During the year ended December 31, 2012, the Company granted 1.4 million shares of SSARs at a weighted average grant-date fair value of \$0.68 per share. The exercise price of a SSAR is equal to the closing market price on the date of grant. The granted SSARs vest in equal annual installments over a period of three years and expire no later than seven years from the date of grant. Moreover, the appreciation of each SSAR was capped at a determined maximum value. At December 31, 2015 and 2014, due to the cap on value the maximum number of shares that could be issued in the future was 365,689 and 372,000, respectively.

The fair value of granted SSARs has been estimated utilizing a Monte Carlo method. The Monte Carlo method is a statistical simulation technique used to provide the grant-date fair value of an award. As the issued SSARs were capped at maximum values, such attribute was considered in the simulation.

The Company calculates the expected volatility using a combination of SIGA’s historical volatility and the volatility of a group of comparable companies. The expected life from grant date was estimated based on the expectation of exercise behavior in consideration of the maximum value and contractual term of the SSARs. The dividend yield assumption is based on the Company’s intent not to issue a dividend in the foreseeable future. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected life of the SSARs.

A summary of the Company’s SSAR activity is as follows:

	Number of SSARs	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2015	1,226,524	\$3.53		
Granted	—	—		
Exercised	—	—		
Canceled/Expired	(17,250)	3.53		
Outstanding at December 31, 2015	1,209,274	\$3.53	3.09	\$—
Vested and expected to vest at December 31, 2015	1,209,274	\$3.53	3.09	\$—
Exercisable at December 31, 2015	1,209,274	\$3.53	3.09	\$—

The total fair value of vested SSARs was \$0, \$267,000 and \$317,000 for the years ended December 31, 2015, 2014 and 2013, respectively. The total intrinsic value of SSARs exercised was \$0, \$0 and \$4,000 for the years ended December 31, 2015, 2014 and 2013, respectively. The intrinsic value represents the amount by which the market price of the underlying stock exceeds the exercise price of a SSAR.



Table of Contents

## Restricted Stock Awards/Restricted Stock Units

RSUs awarded to employees vest in equal annual installments over a three-year period and RSUs awarded to directors of the Company vest over a one-year period. A summary of the Company's RSU activity is as follows:

	Number of RSUs	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2015	1,161,672	\$3.07
Granted	120,000	2.00
Vested	(600,000)	) 2.98
Canceled/Expired	(20,001)	) 3.17
Outstanding at December 31, 2015	661,671	\$2.96

As of December 31, 2015, \$0.7 million of total remaining unrecognized stock-based compensation cost related to RSUs is expected to be recognized over the weighted-average remaining requisite service period of 0.57 years. The weighted average fair value at the date of grant for restricted stock awards granted during the years ended December 31, 2015, 2014 and 2013 was \$2.00, \$3.23 and \$2.98 per share, respectively. Based on the grant date, the total fair value of restricted stock and restricted stock units vested during the years ended December 31, 2015, 2014 and 2013 was \$1.8 million, \$1.5 million and \$0.7 million.

## 7. Debt

In December 2012, the Company entered into a loan agreement ("Loan Agreement") with General Electric Capital Corporation ("GE Capital") to provide the Company a term loan of \$5.0 million with a fixed interest rate of 9.85% per annum and a revolving line of credit of \$7.0 million with a variable interest rate. At December 31, 2014, the Company had approximately \$2.0 million of term loan outstanding. The term of the loan was three years.

On September 17, 2014, the Bankruptcy Court approved on an interim basis a Stipulation and Order between the Company and GE Capital, in its capacity as Agent for the lenders under the Loan Agreement, in connection with the chapter 11 case. The Loan Agreement, consisting of a term loan and revolving line of credit, was a fully secured loan facility.

The Stipulation and Order was approved by the Bankruptcy Court on a final basis on October 28, 2014. The Company set aside, in a separate account, \$4.0 million as collateral for obligations under the Loan Agreement and classified this amount as restricted cash on its balance sheet. The GE loan was considered fully secured and was not reported as liabilities subject to compromise.

In January 2015, the Company paid the term loan in full including related fees. The Loan Agreement was terminated with the full payment of the term loan and all collateral was released.

## 8. Related Party Transactions

In October 2012, the Company funded a letter of credit and deposit to take advantage of a lease for office space secured by an affiliate of M&F from a third party landlord on behalf of the Company. Pursuant to such letter of credit, in January 2013 the Company entered into a sublease in which the Company will pay all costs associated with the lease, including rent. All payments made by the Company pursuant to the sublease will either be directly or indirectly made to the third-party landlord and not retained by M&F or any affiliate. The new sublease replaced a prior Office Services Agreement, and occupancy commenced on April 1, 2013. The sublease allowed for a free rent period of five

months beginning April 1, 2013; subsequent to the free rent period, monthly rent payments are \$60,000 for the first five years and \$63,000 for the next two years. Upon expiration on September 1, 2020, the sublease and lease provides for two consecutive five year renewal options.

The Company has a Services Agreement with M&F and a warrant agreement with M&F (see Note 5).

A member of the Company's Board of Directors is a member of the Company's outside counsel. During the years ended December 31, 2015, 2014 and 2013, the Company incurred costs of \$602,000, \$822,000 and \$1.8 million, respectively, related to services provided by the outside counsel. On December 31, 2015, the Company's outstanding payables included \$190,211 payable to the outside counsel.

Table of Contents

An affiliate of M&F provided the Company with research services for a pre-clinical drug candidate. During 2015, the Company incurred costs of \$26,000 related to services provided by the affiliate of M&F.

## 9. Inventory

During the year ended December 31, 2015, the Company delivered approximately 383,754 courses, at a provisional dosage of 600 mg administered twice per day (1,200 mg per day). Due to the deferral of revenue under the BARDA Contract (see Note 3), amounts that would be otherwise recorded as cost of goods sold for delivered courses are recorded as deferred costs in the balance sheet. The value of inventory represents the costs incurred to manufacture Tecovirimat under the BARDA Contract. Additional costs incurred to complete production of courses of Tecovirimat will be recorded as inventory and reclassified to deferred costs upon delivery to the extent related revenue is deferred.

Inventory consisted of the following at December 31, 2015 and 2014:

	2015	2014
Work in-process	\$12,447,088	\$16,688,682
Finished goods	—	2,355,795
Inventory	\$12,447,088	\$19,044,477

For the years ended December 31, 2015 and 2014, research and development expense included inventory write-downs of approximately \$60,000 and \$1.0 million, respectively.

## 10. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2015 and 2014:

	2015	2014
Leasehold improvements	\$2,542,044	\$3,170,598
Computer equipment	754,502	669,782
Furniture and fixtures	452,696	488,807
	3,749,242	4,329,187
Less - accumulated depreciation	(3,299,417)	(3,497,251)
Property, plant and equipment, net	\$449,825	\$831,936

Depreciation and amortization expense on property, plant, and equipment was \$247,357, \$351,561, and \$463,137 for the years ended December 31, 2015, 2014, and 2013, respectively.

Pursuant to an order by the Bankruptcy Court in April 2015, the Company assumed its existing lease with Research Way Investments, as amended by the Tenth Addendum to Commercial Lease, for the Company's research and development facility located in Corvallis, Oregon. In connection with the Tenth Addendum to the commercial Lease, the Company relinquished the second floor space at its research and development facility. With the space relinquishment, the Company wrote-off the related leasehold improvements and recognized a loss of \$243,707.

During 2014, certain laboratory equipment with a net book value of \$223,949 was sold for gross proceeds of \$569,607, which resulted in a gain of \$345,658.

Table of Contents

## 11. Accrued Expenses

Accrued expenses and other current liabilities consisted of the following at December 31, 2015 and 2014:

	2015	2014
Bonus	\$580,801	\$17,500
Professional fees	597,721	534,775
Vacation	227,863	271,000
Other	1,982,223	1,262,720
Accrued expenses and other current liabilities	\$3,388,608	\$2,085,995

## 12. Income Taxes

At December 31, 2015, 2014 and 2013 the Company's provision (benefit) for income taxes is comprised of the following:

	2015	2014	2013
Current:			
Federal	\$439,934	\$(10,428)	) \$1,608,033
State and local	946	(30,375)	) 373,455
Total current provision (benefit)	440,880	(40,803)	) 1,981,488
Deferred:			
Federal	19,006	53,198,632	(10,072,499 )
State and local	2,097	370,439	472,572
Total deferred provision (benefit)	21,103	53,569,071	(9,599,927 )
Total provision (benefit)	\$461,983	\$53,528,268	\$(7,618,439 )

At December 31, 2015 and 2014, the Company's deferred tax assets and liabilities are comprised of the following:

	2015	2014
Deferred income tax assets:		
Net operating losses	\$22,701,028	\$30,402,940
Deferred research and development costs	1,130,413	1,606,547
Amortization of intangible assets	887,906	1,106,235
Share-based compensation	1,947,019	2,389,811
Fixed assets	662,011	639,576
Deferred revenue	59,892,477	37,910,548
Alternative minimum tax credits	2,034,283	1,578,816
Loss contingency	73,421,980	67,833,412
Other	—	777,804
Deferred income tax assets	162,677,117	144,245,689
Less: valuation allowance	(143,522,669)	) (132,578,026 )
Deferred income tax assets, net of valuation allowance	\$19,154,448	\$11,667,663
Deferred income tax liabilities:		
Amortization of goodwill	(267,598)	) (244,540 )
Capitalized contract costs	(18,922,571)	) (11,667,663 )
Other	(229,922)	) —
Deferred income tax liability, net	\$(265,643)	) \$(244,540 )

The recognition of a valuation allowance for deferred taxes requires management to make estimates and judgments about the Company's future profitability which are inherently uncertain. This includes assessing available positive and negative evidence





Table of Contents

to determine if sufficient future tax income will be generated to utilize existing deferred tax assets. During 2014, the Company recorded a loss accrual for expectation damages of approximately \$187.8 million related to the PharmAthene litigation (see Note 13) and filed a voluntary petition for relief under Title 11 of the United States Bankruptcy Code (see Note 1). Based on these events and the Company's cumulative operating losses, the Company concluded that it could no longer realize its deferred tax assets on a more likely than not basis and recorded a non-cash charge of \$53.5 million to establish a valuation allowance against its net deferred tax assets. For the year ended December 31, 2015, the Company continued to maintain a valuation allowance against its net deferred tax assets as they do not expect to realize them on a more likely-than-not basis.

The valuation allowance increased by \$10.9 million from prior year related primarily to current year operating losses for which no tax benefit was provided. The Company may amortize indefinite-lived intangible assets for tax purposes which are not amortizable for financial reporting purposes. The deferred tax liability at December 31, 2015 and December 31, 2014 relates to the tax effect of differences between financial reporting and tax bases of intangible assets that are not expected to reverse within the Company's net operating loss carryforward period.

As of December 31, 2015, the Company had \$64.6 million of federal net operating loss carryforwards, which expire in 2023 to 2034, to offset future taxable income. As a result of a cumulative change in stock ownership occurring in a prior year, approximately \$1.8 million of the federal net operating loss carryforwards are subject to annual limitation under IRC Section 382. In addition, the utilization of approximately \$1.6 million of federal net operating losses are attributable to excess tax deductions on share-based compensation activity which will be realized as a benefit to Additional Paid-in Capital when such deductions reduce income taxes payable. As of December 31, 2015, the Company has approximately \$2.0 million of alternative minimum tax credit which will be carried forward indefinitely.

The Company's effective tax rate differs from the U.S. Federal Statutory income tax rate of 35% as follows:

	2015		2014		2013	
Statutory federal income tax rate	(35.0	)%	(35.0	)%	(35.0	)%
State tax benefit	—	%	0.2	%	2.9	%
Gain (loss) from fair value of common warrants	—	%	—	%	0.1	%
Share-based compensation	—	%	—	%	0.4	%
Reorganization costs	7.0	%	0.4	%	—	%
Other	1.4	%	—	%	0.3	%
Valuation allowance on deferred tax assets	27.8	%	59.7	%	0.6	%
Effective tax rate	1.2	%	25.3	%	(30.7	)%

For the year ended December 31, 2015, the Company's effective tax rate differs from the statutory rate principally due to current year operating loss for which no tax benefit was provided and nondeductible bankruptcy expenses. For the year ended December 31, 2014 the Company's effective tax rate differs from the statutory rate principally due to the Company's conclusion that they could no longer realize its deferred tax assets on a more-likely-than-not basis. For the year ended 2013, the Company's effective tax rate differs principally due to state and local taxes and other permanent differences.

The Company applies the applicable authoritative guidance which prescribes a comprehensive model for the manner in which a company should recognize, measure, present and disclose in its financial statements all material uncertain tax positions that the Company has taken or expects to take on a tax return. As of December 31, 2015 and 2014, the Company has no uncertain tax positions. There are no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months from December 31, 2015.

The Company files federal income tax returns and income tax returns in various state and local tax jurisdictions. The open tax years for U.S. federal, state and local tax returns is generally 2012 - 2015; open tax years relating to any of the company's net operating losses begin in 1998. In the event that the Company concludes that it is subject to interest and/or penalties arising from uncertain tax positions, the Company will present interest and penalties as a component of income taxes. No amounts of interest or penalties were recognized in the Company's consolidated financial statements for each of the years in the three-year period ended December 31, 2015.

Table of Contents

## 13. Commitments and Contingencies

## Operating lease commitments

The Company leases its Corvallis, Oregon, facilities and office space under an operating lease, most recently amended in April 2015, which expires in 2017. Pursuant to an order entered by the Bankruptcy Court in April 2015, the Company assumed the Corvallis Lease with Research Way Investments, as amended by the Tenth Addendum to Commercial Lease, for the Company's research and development facility. In connection with the Tenth Addendum to the Commercial Lease, the Company relinquished the second floor space at its research and development facility, which reduces the rent expense to approximately \$35,000 per month, starting May 1, 2015. In January 2013, we entered into a sublease with an affiliate of M&F for corporate office space under an operating lease which commenced in April 2013 and expires in 2020 (see Note 8 for further description of the lease arrangement). The respective leases contain annual escalation clauses, renewal provisions and generally require us to pay utilities, insurance, taxes and other operating expenses. Rental expense, including charges for maintenance, utilities, real estate taxes and other operating expenses, totaled \$1.4 million, \$1.6 million and \$1.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Future minimum cash rental commitments under non-cancelable operating leases as of December 31, 2015 are expected to be in the future as follows:

2016	\$1,232,952
2017	1,237,385
2018	734,360
2019	761,064
2020	507,376
Total	\$4,473,137

Actual payments in the future could be less than the minimum commitments due to the chapter 11 case.

## Legal Proceedings

In December 2006, PharmAthene filed an action against us in the Delaware Court of Chancery captioned PharmAthene, Inc. v. SIGA Technologies, Inc., C.A. No. 2627-VCP. In its amended complaint, PharmAthene asked the Court to order us to enter into a license agreement with PharmAthene with respect to ST-246, also known as Tecovirimat, to declare that we are obliged to execute such a license agreement, and to award damages resulting from our alleged breach of that obligation. PharmAthene also alleged that we breached an obligation to negotiate such a license agreement in good faith, and sought damages for promissory estoppel and unjust enrichment based on information, capital, and assistance that PharmAthene allegedly provided to us during the negotiation process.

In September 2011, the Court of Chancery issued its post-trial opinion. The Court denied PharmAthene's requests for specific performance and expectation damages measured by present value of estimated future profits. Nevertheless, the Court held that we breached our duty to negotiate in good faith and were liable under the doctrine of promissory estoppel. The Court consequently awarded to PharmAthene what the Court described as an equitable payment stream or equitable lien consisting of fifty percent of the net profits that we achieve from sales of ST-246 after we secure \$40 million in net profits, for ten years following the first commercial sale. In addition, the Court awarded PharmAthene one-third of its reasonable attorneys' fees and expert witness expenses of \$2.4 million.

In May 2012, the Court entered its final order and judgment in this matter, implementing its post-trial opinion.

In June 2012, the Company appealed to the Delaware Supreme Court the final order and judgment and certain earlier rulings of the Court of Chancery. Shortly thereafter, PharmAthene filed its cross-appeal. The Company obtained a stay of enforcement of the fee and expense portion of the judgment by filing a surety bond for the amount of the judgment

plus post-judgment interest. We posted \$1.3 million of cash as approximately 50% collateral for a \$2.7 million surety bond. The \$1.3 million of cash collateral is recorded in other assets as of December 31, 2015.

On May 24, 2013, the Supreme Court of Delaware issued its decision, affirming the Delaware Court of Chancery's judgment in part, reversing it in part, and remanding to Court of Chancery.

On August 8, 2014, the Court of Chancery issued its Remand Opinion. In its Remand Opinion, the Court of Chancery reversed its earlier conclusions and held that PharmAthene had carried its burden of demonstrating its entitlement to lump sum expectation damages for lost profits related to Tecovirimat by a preponderance of the evidence.

Table of Contents

On September 16, 2014, as a consequence of SIGA's chapter 11 filing, the legal proceedings with PharmAthene were stayed (see Note 1 to the financial statements). On October 8, 2014, the Bankruptcy Court approved a Stipulation between the Company and PharmAthene partially lifting the stay to permit the litigation before the Delaware Chancery Court to proceed, including all appeals. The Stipulation, however, provides that the stay shall remain in effect with respect to the enforcement of any judgment that may be entered.

On January 15, 2015, the Delaware Court of Chancery entered its Final Order and Judgment, awarding to PharmAthene \$113,116,985 in contract expectation damages, plus pre-judgment interest up to January 15, 2015, and certain permitted legal fees, costs, and expenses, for a judgment of \$194,649,042. Pursuant to the Final Order and Judgment, SIGA also is liable to PharmAthene for post-judgment interest, which was specified in the Final Order and Judgment to be \$30,663.89 per diem, such per diem amount to be periodically adjusted to reflect the applicable Delaware legal rate.

On January 16, 2015, the Company appealed from certain portions of the Delaware Court of Chancery's rulings on remand, including but not limited to the Final Order and Judgment, to the Delaware Supreme Court.

On December 23, 2015, the Delaware Supreme Court affirmed the Final Order and Judgment.

With the affirmation of the Delaware Court of Chancery's Final Order and Judgment by the Delaware Supreme Court on December 23, 2015 ("Delaware Supreme Court Affirmation"), and taking into account the plan of reorganization that was filed by the Company with the Bankruptcy Court on December 15, 2015 (as such the plan has been amended), SIGA has recorded a litigation loss accrual of approximately \$205 million as of December 31, 2015. This amount is classified as a liability subject to compromise. The loss accrual of \$205 million includes pre and post-judgment interest up to December 31, 2015, and also includes a \$3.2 million reimbursement obligation to PharmAthene for attorneys' fees and expert expenses related to the case. Interest for the period subsequent to September 16, 2014 (the Petition Date) has been included in the loss accrual because management believes that it is probable that post-petition interest will be allowed as part of PharmAthene's claim. Such treatment is specified in the plan of reorganization that was filed by the Company in Bankruptcy Court on December 15, 2015 (as such plan has been amended).

Separate from the PharmAthene litigation, from time to time, we may be involved in a variety of claims, suits, investigations and proceedings arising from the ordinary course of our business, collections claims, breach of contract claims, labor and employment claims, tax and other matters. Although such claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of such current pending matters will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flow. Regardless of the outcome, litigation can have an adverse impact on us because of legal costs, diversion of management resources and other factors.

Table of Contents

## 14 Financial Information By Quarter (Unaudited)

2015	Three Months Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except for per share data)			
Revenues	\$1,192	\$1,467	\$1,327	\$4,189
Selling, general and administrative	3,088	2,605	2,321	2,568
Research and development	2,811	2,959	2,427	4,933
Patent preparation fees	333	235	194	246
Litigation accrual expense	—	—	14	14,394
Operating loss	(5,040)	) (4,333	) (3,628	) (17,952 )
Net loss	(7,153	) (6,573	) (5,631	) (20,094 )
Earnings (loss) per share: basic and diluted	\$(0.13	) \$(0.12	) \$(0.10	) \$(0.38 )
2014	Three Months Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except for per share data)			
Revenues	\$549	\$651	\$1,099	\$840
Selling, general and administrative	3,039	2,748	4,314	2,423
Research and development	2,813	2,372	2,742	2,903
Patent preparation fees	286	226	306	170
Litigation accrual expense	49	51	175,466	12,899
Operating loss	(5,638	) (4,747	) (181,728	) (17,554 )
Net loss	(3,382	) (2,948	) (240,077	) (19,056 )
Earnings (loss) per share: basic and diluted	\$(0.06	) \$(0.06	) \$(4.49	) \$(0.36 )

Table of Contents

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2015 in accordance with the framework on Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934. Management recognizes that any disclosure controls and procedures no matter how well designed and operated, can only provide reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on that evaluation, our Chief Executive Office and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2015 at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) or Rule 15d-15(f) of the Securities and Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- a. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the Company’s assets;
- b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and
- c. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may



deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015 using the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation using the COSO criteria, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Item 9B. Other Information

None.

73

---

Table of Contents

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

Information required by this item is incorporated herein by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders.

Item 11. Executive Compensation

Information required by this item is incorporated herein by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item is incorporated herein by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders.

Equity Compensation Plan Information

The following table sets forth certain compensation plan information with respect to compensation plans as of December 31, 2015:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, Rights and Restricted Stock Units(1)	Weighted-average Exercise Price of Outstanding Options, Warrants, Rights and Restricted Stock Units	Number of Securities Available for Future Issuance under Equity Compensation Plans (2)
Equity compensation plans approved by security holders	2,950,323	\$4.04	1,569,169
Equity compensation plans not approved by security holders	—	N/A	—
Total	2,950,323		1,569,169

(1) Consists of the 1996 Incentive and Non-Qualified Stock Option Plan and the 2010 Stock Incentive Plan.

(2) Consists of the 2010 Stock Incentive Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item is incorporated herein by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders.

Item 14. Principal Accountant Fees and Services

Information required by this item is incorporated herein by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) and (2). Financial Statements and Financial Statements Schedule.

See Index to Financial Statements under Item 8 in Part II hereof where these documents are listed.

(a) (3). Exhibits.

The following is a list of exhibits:

Exhibit No.	Description
3(a)	Restated Articles of Incorporation of the Company (incorporated by reference to the Form S-3 Registration Statement of the Company dated May 10, 2000 (No. 333-36682)).
3(b)	Form of Certificate of Amendment of the Restated Certificate of Incorporation of SIGA Technologies, Inc. (incorporated by reference to the Proxy Statement on Schedule 14A of the Company dated June 15, 2007).
3(c)	Amended and Restated Bylaws of the Company (incorporated by reference to the Annual Report on Form 10-K of the Company for the year ended December 31, 2008), as amended by the Amendment to the Bylaws of the Company (incorporated by reference to the Current Report on Form 8-K of the Company filed March 12, 2009).
4(a)	Form of Common Stock Certificate (incorporated by reference to the Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).
4(b)	Registration Rights Agreement, dated as of August 13, 2003, between the Company and MacAndrews & Forbes Holdings Inc. (incorporated by reference to the Current Report on Form 8-K of the Company filed on August 18, 2003).
4(c)	Form of Warrant to purchase shares of common stock of the Company, issued to MacAndrews & Forbes, LLC on June 19, 2008 (incorporated by reference to the Current Report on Form 8-K of the Company filed on June 23, 2008).
4(d)	Form of Consideration Warrant issued to MacAndrews & Forbes, LLC on April 30, 2013 (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on May 15, 2013).
10(a)	Securities Purchase Agreement, dated as of August 13, 2003, between the Company and MacAndrews & Forbes Holdings Inc. (incorporated by reference to the Current Report on Form 8-K of the Company filed on August 18, 2003).
10(b)	Letter Agreement dated October 8, 2003 among the Company, MacAndrews & Forbes Holdings Inc. and TransTech Pharma, Inc. (incorporated by reference to the Current Report on Form 8-K of the Company filed on August 18, 2003).
10(c)	Amended and Restated Employment Agreement, dated as of January 22, 2007, between the Company and Dennis E. Hruby (incorporated by reference to the Current Report on Form 8-K of the Company filed on

January 22, 2007).

- 10(d) Amended Employment Agreement dated December 31, 2011, to January 27, 2007 Employment Agreement (as amended) between the Company and Dr. Hruby (incorporated by reference to the Current Report on Form 8-K of the Company filed on December 27, 2011).
- 10(e) Amended and Restated Employment Agreement, dated as of January 22, 2007, between the Company and Dennis E. Hruby (incorporated by reference to the Current Report on Form 8-K of the Company filed on January 22, 2007).
- 10(f) Amended Employment Agreement dated December 31, 2011, to January 27, 2007 Employment Agreement (as amended) between the Company and Dr. Hruby (incorporated by reference to the Current Report on Form 8-K of the Company filed on December 27, 2011).
- 10(g) Letter Agreement, dated as of June 19, 2008, between the Company and MacAndrews & Forbes, LLC (incorporated by reference to the Current Report on Form 8-K of the Company filed on June 23, 2008).
- 10(h) Employment Agreement, dated as of January 31, 2007, between the Company and Eric A. Rose (incorporated by reference to the Current Report on Form 8-K of the Company filed on January 31, 2007), as amended and restated (as set forth in the Current Report on Form 8-K of the Company filed on November 17, 2008).
- 10(i) Amendment to Employment Agreement, dated March 11, 2009, between the Company and Dennis E. Hruby (incorporated by reference to the Current Report on Form 8-K of the Company filed on March 12, 2009).

- 10(j) Employment Agreement dated as of February 10, 2011, between SIGA and Daniel J. Luckshire (incorporated by reference to the Current Report on Form 8-K of the Company filed on February 16, 2011).
- 10(k) 2010 Stock Incentive Plan dated May 13, 2010 (incorporated by reference to the Definitive Proxy Statement on Schedule 14A of the Company filed on April 12, 2010).
- 10(l) Amendment to the SIGA Technologies, Inc. 2010 Stock Incentive Plan (incorporated by reference to the Current Report on Form 8-K of the Company filed on May 17, 2011).
- 10(m) Deferred Closing and Registration Rights Agreement, dated as of June 18, 2010, between MacAndrews & Forbes LLC and the Company (incorporated by reference to the Current Report on Form 8-K of the Company filed on June 22, 2010).
- 10(n) Contract dated as of May 13, 2011, between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Current Report on Form 8-K of the Company filed on May 17, 2011).
- 10(o) Amendment of Solicitation/Modification of Contract dated as of June 24, 2011, to Agreement dated as of May 13, 2011, between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Current Report on Form 8-K of the Company filed on June 28, 2011).
- 10(p) Amendment to Employment Agreement, dated January 22, 2007, between the Company and Dr. Dennis Hruby (incorporated by reference to the Current Report on Form 8-K of the Company filed on December 27, 2011).
- 10(q) Amendment to Employment Agreement, dated November 17, 2008, between the Company and Dr. Eric Rose (incorporated by reference to the Current Report on Form 8-K of the Company filed on January 13, 2012).
- 10(r) Amendment to the SIGA 2010 Stock Incentive Plan (incorporated by reference to the Current Report on Form 8-K of the Company filed on February 2, 2012).
- 10(s) Director Compensation Program, effective January 1, 2012 (incorporated by reference to the Definitive Proxy Statement on Form DEF 14A of the Company filed on April 27, 2012).
- 10(t) Amendment of Solicitation/Modification of Contract dated as of September 28, 2011, to Agreement dated as of May 13, 2011, between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on May 7, 2012).
- 10(u) Amendment of Solicitation/Modification of Contract dated as of October 7, 2011, to Agreement dated as of May 13, 2011, between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment)

(incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on May 7, 2012).

- 10(v) Amendment of Solicitation/Modification of Contract dated as of January 25, 2012 to Agreement, dated as of May 13, 2011, between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on May 7, 2012).
- 10(w) Amendment of Solicitation/Modification of Contract dated as of February 7, 2012, to Agreement, dated as of May 13, 2011, between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on May 7, 2012).
- 10(x) Amendment to the SIGA 2010 Stock Incentive Plan (incorporated by reference to the Current Report on Form 8-K of the Company filed on May 25, 2012).
- 10(y) Employment Agreement dated as of June 4, 2012, between SIGA and William J. Haynes II (incorporated by reference to the Current Report on Form 8-K of the Company filed on June 4, 2012).
- 10(z) Loan and Security Agreement, dated as of December 31, 2012, between General Electric Capital Corporation and the Company (incorporated by reference to the Current Report on Form 8-K of the Company filed on January 1, 2013).

- 10(aa) Amendment of Solicitation/Modification of Contract dated as of December 19, 2012, to Agreement, dated as of May 13, 2011, between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Annual Report on Form 10-K of the Company filed on March 6, 2013).
- 10(bb) Amendment of Solicitation/Modification of Contract dated as of February 28, 2013, to Agreement, dated as of May 13, 2011, between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (incorporated by reference to the Annual Report on Form 10-K of the Company filed on March 10, 2014).
- 10(cc) Amendment of Solicitation/Modification of Contract dated as of April 9, 2013, to Agreement, dated as of May 13, 2011, between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (incorporated by reference to the Annual Report on Form 10-K of the Company filed on March 10, 2014).
- 10(dd) Commercial Manufacturing Agreement, dated August 25, 2011, by and between Albemarle Corporation and SIGA (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on November 4, 2014).
- 10(ee) Addendum #1 to Commercial Manufacturing Agreement, dated December 21, 2012, to Commercial Manufacturing Agreement, dated August 25, 2011, by and between Albemarle Corporation and SIGA (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on November 4, 2014).
- 10(ff) Addendum #2 to Commercial Manufacturing Agreement, dated July 1, 2013, to Commercial Manufacturing Agreement, dated August 25, 2011, by and between Albemarle Corporation and SIGA (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on November 4, 2014).
- 10(gg) Addendum #3 to Commercial Manufacturing Agreement, dated July 2, 2014, to Commercial Manufacturing Agreement, dated August 25, 2011, by and between Albemarle Corporation and SIGA (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on November 4, 2014).
- 10(hh) Stipulation and Interim Order Regarding Use of Cash Collateral and Adequate Protection, dated September 17, 2014, by and between SIGA and General Electric Capital Corporation (incorporated by reference to the Current Report on Form 8-K of the Company filed on September 18, 2014) (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on November 4, 2014).
- 10(ii) Commercial Sublease New York City, dated January 9, 2013, by and between MacAndrews & Forbes Group, LLC and SIGA Technologies, Inc. (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on November 4, 2014).

- 10(jj) Commercial Lease, dated December 23, 1997, by and between Research Way Investments and SIGA Technologies, Inc. Second Addendum, dated January 22, 2002 by and between Research Way Investments and SIGA Technologies, Inc.; Third Addendum, dated July 16, 2004 by and between Research Way Investments and SIGA Technologies, Inc.; Fourth Addendum, dated October 1, 2004 by and between Research Way Investments and SIGA Technologies, Inc.; Fifth Addendum, dated January 1, 2007 by and between Research Way Investments and SIGA Technologies, Inc.; Sixth Addendum, dated January 1, 2008 by and between Research Way Investments and SIGA Technologies, Inc.; Seventh Addendum, dated March 1, 2010 by and between Research Way Investments and SIGA Technologies, Inc.; Eight Addendum, dated June 1, 2011 by and between Research Way Investments and SIGA Technologies, Inc.; and Ninth Addendum, dated November 2, 2012 by and between Research Way Investments and SIGA Technologies, Inc. (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on November 4, 2014).
- 10(kk) Stipulation and Interim Order Regarding Use of Cash Collateral and Adequate Protection, dated September 17, 2014, by and between SIGA Technologies, Inc. and General Electric Capital Corporation (incorporated by reference to the Current Report on Form 8-K of the Company filed on September 18, 2014).
- 10(ll) Amendment to Commercial Manufacturing Agreement, dated April 29, 2015, to Commercial Manufacturing Agreement, dated August 25, 2011, by and between Albemarle Corporation and SIGA (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on May 6, 2015).



10(mm) Tenth Addendum to Commercial Lease, dated April 30, 2015, to Commercial Lease, dated December 23, 1997, by and between Research Way Investments and SIGA Technologies, Inc. (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on May 6, 2015).

10(nn) Amendment of Solicitation/Modification of Contract 0009, dated April 29, 2015, to Agreement, dated May 13, 2011 by and between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment) (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed on May 6, 2015).

10(oo) Amendment of Solicitation/Modification of Contract 0010, dated July 1, 2015, 2015, to Agreement, dated May 13, 2011 by and between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment).

10(pp) Amendment of Solicitation/Modification of Contract 0011, dated December 19, 2015, to Agreement, dated May 13, 2011 by and between SIGA and the Biomedical Advanced Research and Development Authority of the United States Department of Health and Human Services (portions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment).

14 The Company's Code of Ethics and Business Conduct (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 2003).

21 Subsidiaries of the Registrant.

23.1 Consent of Independent Registered Public Accounting Firm.

31.1 Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Chief Executive Officer.

31.2 Certification pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Chief Financial Officer.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Chief Executive Officer.

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Chief Financial Officer.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGA TECHNOLOGIES, INC.  
(Registrant)

Date: March 4, 2016

By: /s/ Eric A. Rose  
Eric A. Rose, M.D.  
Chairman and Chief Executive Officer

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

Signature	Title of Capacities	Date
/s/ Eric A. Rose Eric A. Rose, M.D.	Chairman and Chief Executive Officer (Principal Executive Officer)	March 4, 2016
/s/ Daniel J. Luckshire Daniel J. Luckshire	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 4, 2016
/s/ James J. Antal James J. Antal	Director	March 4, 2016
/s/ Michael J. Bayer Michael J. Bayer	Director	March 4, 2016
/s/ Thomas E. Constance Thomas E. Constance	Director	March 4, 2016
/s/ Jeffrey Kindler Jeffrey Kindler	Director	March 4, 2016
/s/ Joseph Marshall Joseph Marshall	Director	March 4, 2016
/s/ Paul G. Savas Paul G. Savas	Director	March 4, 2016
/s/ Bruce Slovin Bruce Slovin	Director	March 4, 2016
/s/ Andrew Stern Andrew Stern	Director	March 4, 2016

