SIGA TECHNOLOGIES INC
Form 10-K
March 09, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x	Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2010
	Or
o	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 (State or other jurisdiction of incorporation or organization)	13-3864870 (IRS Employer Identification. No.)
35 East 62nd Street New York, NY (Address of principal executive offices)	10065 (zip code)

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	Nasdaq Global Market

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 o No x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act Yes o No x.

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 x No o.

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

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 or any amendment to this Form 10-K. o.

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 o Accelerated Filer x Non-Accelerated Filer o Smaller Reporting Company o.

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

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, 2010 as reported on the Nasdaq Global Market was approximately $336,274,000.

As of February 28, 2011 the registrant had outstanding 50,212,142 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 2011 Annual Meeting of Stockholders	Part III

SIGA TECHNOLOGIES, INC.
FORM 10-K

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. The words or phrases "can be," "expects," "may affect," "may depend," "believes," "estimate," "project" 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, (iv) the risk that SIGA may not be able to secure funding from anticipated government contracts and grants, (v) the risk that SIGA may not be able to secure or enforce sufficient legal rights in its products, including patent protection, for its products, (vi) the risk that any challenge to our patent and other property rights, if adversely determined, could affect our business and, even if determined favorably, could be costly, (vii) 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, (viii) the risk that the U.S. Biomedical Advanced Research and Development Authority ("BARDA") may not complete a procurement of a smallpox antiviral for the strategic national stockpile, or may complete it on terms other than those announced to date, (ix) the risk that any contractual award we may receive to supply a smallpox antiviral may be subject to one or more protests which may cause such contract award to be delayed or denied, (x) the risk that the volatile and competitive nature of the biotechnology industry may hamper SIGA's efforts, (xi) the risk that the changes in domestic and foreign economic and market conditions may adversely affect SIGA's ability to advance its research or its products, and (xii) the effect of federal, state, and foreign regulation on SIGA's businesses.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 publicly update 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 unanticipated events.

Introduction

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

Since we were incorporated in Delaware on December 28, 1995, we have pursued the research, development and commercialization of novel products for the prevention and treatment of serious infectious diseases, including products for use in defense against biological warfare agents such as smallpox and arenaviruses. Our lead product, ST-246®, is an orally administered antiviral drug that targets orthopoxviruses. In December 2006 the Food and Drug Administration (the "FDA") granted Orphan Drug designation to ST-246® for the prevention and treatment of smallpox. In May 2009, we submitted a response to a request for proposal ("RFP") issued by BARDA with respect to the purchase of 1.7 million courses of a smallpox antiviral (the "2009 BARDA Smallpox RFP"), and in September 2009, BARDA informed us that our response to the BARDA Smallpox RFP was deemed technically acceptable and in the competitive range. In October 2010, the U.S. Department of Health and Human Services ("HHS") announced its intention to award SIGA a contract to deliver 1.7 million treatment courses of its smallpox antiviral for the Strategic National Stockpile, subject to a resolution of a size protest under Small Business Administration ("SBA") guidelines. On February 18, 2011, the 2009 BARDA Smallpox RFP was cancelled. Shortly thereafter, we were advised of a new request for proposal seeking to procure 1.7 million courses of smallpox antiviral ("2011 BARDA Smallpox RFP"). We have responded to the 2011 BARDA Smallpox RFP. There can be no assurance that SIGA or any other company will receive an award pursuant to this RFP. Further, any award would be subject to negotiation of final contract terms and specifications; thus, the final terms under any contract with BARDA may be materially different than those indicated in the 2011 BARDA Smallpox RFP.

Our efforts are focused on developing therapeutic solutions for some of the most lethal disease causing pathogens. Our smallpox, dengue and lassa fever antiviral programs are designed to prevent or limit the replication of the viral pathogens or the damage that the pathogens can cause.

Product Candidates and Market Potential

SIGA Biological Warfare Defense Product Portfolio

Anti-Orthopoxvirus Drug: Smallpox virus is classified as a Category A agent by the U.S. Centers for Disease Control and Prevention ("CDC") and is considered one of the most significant threats for use as a biowarfare agent. While deliberate introduction of any pathogenic agent would be devastating, we believe the one that holds the greatest potential for harming the general U.S. population is smallpox. At present there is no effective drug with which to treat or prevent smallpox infections. To address this serious risk, SIGA scientists have identified a potent antiviral drug candidate, ST-246®, which inhibits vaccinia, cowpox, ectromelia (mousepox), monkeypox, camelpox, and variola (smallpox) replication in cell culture and in various animal models, but not other unrelated viruses. Given the safety concerns with the current smallpox vaccine, there could be several uses for an effective smallpox antiviral drug: prophylactically, to protect the non-immune who are at risk to exposure; therapeutically, to reduce mortality and morbidity in those infected with the smallpox virus; and lastly, 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. In December 2005, the FDA approved our Investigational New Drug ("IND") application for ST-246®. In June 2006, we successfully completed the first human clinical safety study of ST-246®. The trial showed the drug to be well-tolerated in healthy human volunteers at all tested orally administered doses. In addition, data from blood level exposure was sufficient to support once a day dosing. The study was a double-blind, randomized, placebo controlled, and ascending single dose study. In 2006, ST-246® became the first drug ever to demonstrate 100% protection against human smallpox virus in a primate trial conducted at the CDC. Later in 2006, in two non-human primate trials the drug demonstrated 100% protection for animals injected with high doses of monkeypox virus. One study was sponsored by the National Institute of Allergy and Infectious Diseases ("NIAID") at the National Institutes of Health ("NIH"). The second study was conducted by the U.S. Army Medical Research Institute of Infectious Diseases ("USAMRIID") and was funded by the Department of Defense's Threat Reduction Agency ("DTRA"). In late 2006, ST-246® received Orphan Drug designation for both the treatment and prevention of smallpox. An additional Phase I clinical trial was started in February 2007. The trial was a 21 day, escalating, multiple-dose, Phase I safety, tolerability and pharmacokinetics study of ST-246® at three different dosages in healthy volunteers. The study was completed in December 2007 and as reported the preliminary results indicated that the drug is safe and well tolerated at all tests doses. In August 2008 a Phase I bioequivalence was performed at the Orlando Clinical Research Center in Orlando, Florida to compare ST-246® polymorph form I to form V. We submitted the final Clinical Study Report for that study to the FDA in May 2009. In December 2009, we completed a Phase II multiple dose clinical trial to evaluate the safety, tolerability and pharmacokinetics of ST-246® when administered as a single, daily oral dose for fourteen days.

Anti-Arenavirus Drug: Arenaviruses are hemorrhagic fever viruses that have been classified as Category A agents by the CDC due to the great risk that they pose to public health and national safety. Among the Category A viruses recognized by the CDC, there are four hemorrhagic fever arenaviruses (Junin, Machupo, Guanarito and Sabia viruses) for which there are no FDA approved treatments available. In order to meet this threat, SIGA scientists have identified two lead drug candidates which have demonstrated significant antiviral activity in cell culture assays against arenavirus pathogens. We have demonstrated the therapeutic efficacy of one of the lead candidates in several animal challenge studies. SIGA also has programs against other hemorrhagic fever viruses, including Dengue Fever, Rift Valley Fever, Lymphocytic choriomeningitis virus and Ebola. We believe that the availability of hemorrhagic fever virus antiviral drugs will address national and global security needs by acting as a significant deterrent and defense against the use of arenaviruses as weapons of bioterrorism.

Dengue Antiviral: Dengue fever, dengue hemorrhagic fever, and dengue shock syndrome are caused by one of four serotypes of dengue virus of the genus Flavivirus. Dengue is considered by the World Health Organization to be the most important arthropod-borne viral disease 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. SIGA currently has four drug series in the pre-clinical development stage, each with activity against all four serotypes of virus. Compounds from two of these series have recently shown efficacy in a murine model of disease and are undergoing optimization through medicinal chemistry.

Broad Spectrum Antiviral: Research and development efforts currently underway at SIGA are aimed at developing a comprehensive biodefense against those microbial agents most likely to be deployed as biological weapons. A broad-spectrum antiviral would have great utility against natural or intentional introduction of these agents into population centers, as well as provide a treatment option in areas where these pathogens are endemic. Screening for antivirals against specific CDC Category A and B pathogens, utilizing SIGA's high throughput screening program, led to the identification of a unique collection of compounds with broad spectrum antiviral activity. Compounds with potent, non-toxic activity against a diversity of virus families are currently being characterized with respect to antiviral mechanism(s) of action. SIGA chemi-informatics tools are being employed to explore and determine structure-activity relationships within lead compound series. To date, we have documented sub-micromolar activity of a broad spectrum antiviral candidate against viruses in the Poxviridae, Filoviridae, Bunyaviridae, Arenaviridae, Flaviviridae, Togaviridae, Retroviridae, and Picornaviridae families. Lead series are currently being assessed with respect to the mechanism of antiviral action, formulated for testing in vivo, and administered by multiple routes and dosing regimens to those small animal species traditionally used for modeling the pathogenesis of Category A viruses.

Market for Biological Defense Programs

The market for biodefense countermeasures has grown dramatically as a result of the increased awareness of the threat of global terror activity in the wake of the September 11, 2001 terrorist attacks and the October 2001 anthrax letter attacks. The U.S. government is the principal source of worldwide biodefense spending. Most U.S. government spending on biodefense programs results from development funding awarded by NIAID, BARDA and the Department of Defense ("DoD"), and procurement of countermeasures by the HHS, the CDC and the DoD. The U.S. government is now the largest source of development and procurement funding for academic institutions and biotechnology companies conducting biodefense research or developing vaccines and immunotherapies directed at potential agents of bioterror or biowarfare.

The Project BioShield Act, which became law in 2004, authorizes the procurement of countermeasures for biological, chemical, radiological and nuclear attacks for the Strategic National Stockpile ("SNS"), 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 provided appropriations of $5.6 billion to be expended over ten years. The Pandemic and All-Hazards Preparedness Act ("the Preparedness Act"), passed in 2006, established BARDA as the agency responsible for awarding procurement contracts for biomedical countermeasures and providing development funding for advanced research and development in the biodefense arena. The Preparedness Act supplements the funding available under Project BioShield for radiological, nuclear, chemical and biological countermeasures, and emerging infectious disease threats. Advanced development funding for BARDA is created by annual appropriations by Congress. Congress also appropriates annual funding for the CDC for the procurement of medical assets and countermeasures for the SNS and for NIAID to conduct biodefense research. This appropriation funding supplements amounts available under Project BioShield.

Since 2002, HHS has provided over $35 billion in funding for civilian biodefense programs which includes funding to states and localities through various programs to enhance their emergency preparedness activities and to better enable them to respond to large-scale, natural or man-made public health emergencies, such as acts of bioterrorism or infectious disease outbreaks. One of the major concerns in the field of biological warfare agents is smallpox which is defined as a high-priority Category A agent by the CDC. Although declared eradicated in 1979 by the World Health Organization (WHO), there is a threat that a rogue nation or a terrorist group may already possess or have the capability to synthesize an illegal inventory of the virus that causes smallpox. The only legal inventories of the virus are held under extremely tight security at the CDC in Atlanta, Georgia and at the Vector laboratory in Russia. As a result of this threat, the U.S. government has announced its intent to make significant expenditures on finding a way to counteract the virus if turned loose by terrorists or on a battlefield.

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

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

Technology

Antiviral Technology: Two Approaches

SIGA has two approaches to the discovery and development of new antiviral compounds: high-throughput screening ("HTS") and rational drug design. For HTS, SIGA uses whole cell virus inhibition assays, pseudotype virus inhibition assays, as well as validated target biochemical assays. SIGA currently has an in-house library of 260,000 small molecule compounds that is utilized for screening in these various assays. This strategy allows for both target specific and target neutral screening and identification of novel antiviral compounds. Compounds are also screened for toxicity in various cell lines to develop a therapeutic index ("TI") which is the concentration that the compound is toxic to 50% of the cells (CC50) divided by the concentration of compound required to inhibit 50% of the virus (EC50) (TI= CC50/EC50). Once hits are identified with an acceptable TI they are selected for chemical optimization and proceed into the antiviral drug development pipeline.

For rational drug design, SIGA applies mechanism of action information to screen large virtual compound collections as well as databases of commercially available compounds and prioritize them for subsequent experimental validation. Rational drug design is also used to develop structure activity relationships and lead optimization.

Collaborative Research Agreements

We have entered into the following collaborative research arrangements and contracts:

National Institutes of Health. We have been awarded the following grants and contracts by the NIH which were still active for 2010:

Smallpox antiviral drug development: In 2006, SIGA was awarded grants and contracts from the NIH totaling approximately $21 million for the continued development of ST-246®. In 2008, SIGA was awarded a $55 million contract from the NIH to support the development of additional formulations and orthopox-related indications for ST-246®. In 2008, SIGA was also awarded $20 million from the NIH in supplemental funding to the Company's existing $16.5 million contract. In September 2009, SIGA received a three-year, $3.0 million Phase II grant from the NIH to fund the continued development of ST-246® treatment of smallpox vaccine-related adverse events. As of December 31, 2010, approximately $63 million is available to the Company under these funding opportunities.

Anti-arenavirus drug development: In 2006, SIGA received a three-year grant of $6.0 million from the NIH to support the development of antiviral drugs for Lassa fever virus. As of December 31, 2010, there are no remaining funds available for the development of the drug.

Dengue antiviral drug development: In 2008, SIGA was awarded a $1.0 million, two-year grant from the NIH to support lead optimization and animal efficacy for our Dengue antiviral program. As of December 31, 2010, there are no remaining funds available for the development of the drug.

Broad spectrum antiviral drug development: In September 2009, the Company was awarded a two-year, $1.7 million grant from the NIAID to support the development of broad spectrum, small-molecule inhibitors of bunyaviruses. The grant was awarded under the American Recovery and Reinvestment Act of 2009 ("the Recovery Act"). As of December 31, 2010, approximately $0.9 million is still available to the Company under this grant.

Defense Threat Reduction Agency. In February 2010, the Company was awarded a $2.9 million contract with options for up to $9.9 million from DTRA to support the pre-clinical development and IND filing of a broad spectrum antiviral drug candidate. During the year ended

December 31, 2010, we recognized revenue of $2.3 million from our contract with DTRA. As of December 31, 2010, approximately $0.6 million is still available to the Company from this contract.

SIGA receives cash payments from the NIH under its grants on monthly and semi-monthly bases, and under its NIH and DTRA contracts on a monthly basis, as the work is performed and the related revenue is recognized. SIGA's current grants and contracts do not include milestone payments. The agreements can be cancelled for non-performance and if cancelled, the Company will not receive funds for additional future 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 which have financial, technical and marketing resources significantly greater than ours. Biotechnology and other pharmaceutical competitors include, but are not limited to, Acambis, Achillion Pharmaceuticals, Arrow Therapeutics, Celldex Therapeutics, Inc. (formerly Avant Immunotherapeutics, Inc.), Bavarian Nordic AS, Chimerix Inc., Bioport, Emergent BioSolutions and Novartis. Academic institutions, governmental agencies and other public and private research organizations are also conducting research activities and seeking patent protection and may commercialize products on their own or through joint venture.

Our biodefense product candidates face significant competition for U.S. government funding for both development and procurement of medical countermeasures for biological, chemical and nuclear threats, diagnostic testing systems and other emergency preparedness countermeasures.

Our potential commercial opportunity 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 any products that we may develop. In addition, we may not be able to compete effectively if our product candidates do not satisfy government procurement requirements, particularly requirements of the U.S. government with respect to biodefense products.

Human Resources and Research Facilities

As of February 15, 2011, we had 65 full-time employees. None of our employees is covered by a collective bargaining agreement, and we consider our employee relations to be good. Our research and development facilities are located in Corvallis, Oregon where we lease approximately 18,100 square feet under a lease agreement signed in January 2007 which expires in December 2011 and 5,700 square feet under a sublease agreement signed in January 2010 which expires in December 2011.

Intellectual Property and Proprietary 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 effectively preserve our trade secrets. Because of the substantial length of time and expense associated with bringing potential products through the development and regulatory clearance processes to reach the marketplace, the pharmaceutical industry places considerable importance on obtaining patent and trade secret protection. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date. Accordingly, we cannot predict the type and extent of claims allowed in these patents.

We are exclusive owner of 2 U.S. patents. We are also exclusive owner of 4 U.S. provisional patent applications, 15 U.S. utility patent applications, 3 international PCT patent applications and 105 foreign patent applications.

The following are our patent positions as of December 31, 2010:

PATENTS	Number Owned by SIGA	Patent Expiration Dates
U.S.	2	2024 (1), 2027 (1)
South Africa	2	2027 (2)
OAPI (African Intellectual Property Organization)	2	2027 (2)

APPLICATIONS	Number Owned by SIGA
U.S. applications	15
U.S. provisionals	4
PCT	3
Australia	8
Canada	13
Europe	13
Japan	12
Mexico	6
South Africa	6
ARIPO (African Regional Intellectual Property Organization)	8
OAPI	6
All Other Jurisdictions	33

We also rely upon trade secret protection for our confidential and proprietary information. No assurance can be given that other companies will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or that we can meaningfully protect our trade secrets.

Government Regulation

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

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

The pre-marketing program required for approval by the FDA 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 patients to determine the early safety profile, the pattern of drug distribution and metabolism. In Phase II, trials are conducted with small groups of patients afflicted with a target disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety. In Phase III, large scale, multi-center comparative trials are conducted with patients afflicted with a target disease in order to provide enough data for statistical proof of efficacy and safety required by the FDA and others.

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

The FDA amended its regulations, effective June 30, 2002, to include the "animal rule" whereby certain new drug and biological products used to reduce or prevent the toxicity of chemical, biological, radiological, or nuclear substances may be approved for use in humans based on evidence of effectiveness derived only from appropriate animal studies and any additional supporting data when human efficacy trials are not safe or ethical.

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

An alternative regulatory mechanism is also available. The Emergency Use Authorization 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 there is no adequate, approved, and available alternative.

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 for pandemic preparedness, they may be subject to the specific legislation and regulation described below and elsewhere herein.

Project BioShield. The Project BioShield Act of 2004 and related 2006 federal legislation provide procedures for bioterrorism-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 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 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 SNS in specified circumstances. Congress is notified of a recommendation for a stockpile purchase after Presidential approval. Project BioShield specifies that a company supplying the countermeasure to the SNS 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 the 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 the FDA approval process, its use would likely be limited to rare circumstances.

Public Readiness and Emergency Preparedness Act. The Public Readiness and Emergency Preparedness Act, or PREP Act, provides immunity for manufacturers from all 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, such as pandemic vaccines, 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 countermeasures.

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 must 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 may vary substantially, based upon the type, complexity and novelty of the pharmaceutical drug candidate, the specific requirements of that jurisdiction, and in some countries whether the 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 the 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.

American Recovery and Reinvestment Act. The Recovery Act was passed on February 13, 2009 in response to the current economic crisis. The Recovery Act is designed to spur job creation and preservation, increase economic activity and investment in long-term economic growth, and improve levels of accountability and transparency in government spending, in part through grants similar to the one that we were awarded in September 2009. Recipients of Recovery Act funds are required to report quarterly on the amount of funds spent, the status of the funded project, the number of jobs created and/or saved as a result of the funded project, and other details, all of which are made available to the public through the federal government’s official Recovery Act website, www.recovery.gov. Compliance with Recovery Act requirements will thus involve increased public disclosure regarding our activities, and may increase our costs.

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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 materials 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 documents that we file with the SEC at www.sec.gov.

In addition, our Company website can be found on the Internet at www.siga.com. The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-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, click on "Investor Relations" and "Financial Information".

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

- Code of Ethics and Business Conduct
- Audit Committee Charter
- Compensation Committee Charter
- Nominating and Corporate Governance Committee Charter
- Procedure for Sending Communications to the Board of Directors
- Procedures for Security Holder Submission of Nominating Recommendations
- 2004 Policy on Confidentiality of Information and Securities Trading

To review these documents, access www.siga.com 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., 35 East 62nd Street, New York, New York 10065.

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 Financial Position and Need for Additional Financing

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

We incurred net losses of approximately $28.2 million, $19.4 million, and $10.2 million for the years ended December 31, 2010, 2009, and 2008, respectively. On January 1, 2009, we recognized a $2.7 million increase in our opening accumulated deficit balance reflecting the cumulative effect of a change in accounting principle recorded in connection with certain warrants to acquire shares of the Company's common stock. As of December 31, 2010, 2009, and 2008, our accumulated deficit was approximately $122.5 million, $94.3 million, and $72.2 million, respectively. We expect to continue to have significant operating expenses and will need to generate significant revenues to achieve and maintain profitability.

We cannot guarantee that we will achieve sufficient revenues for profitability. Even if we do achieve profitability, we cannot guarantee that we can sustain or increase profitability on a quarterly or annual basis in the future. If revenues grow slower than we anticipate, or if operating expenses exceed our expectations or cannot be adjusted accordingly, then our business, results of operations, financial condition and cash flows will be materially and adversely affected. Because our strategy may include the acquisition of other businesses, acquisition and integration expenses and any cash required to fund these acquisitions will reduce our available cash.

Our business will suffer if we are unable to raise additional equity funding.

Unless and until we successfully sell any of our products, such as pursuant to the BARDA Smallpox RFP, we will continue to be dependent on our ability to raise money through the exercise of existing options or warrants or through the issuance of new equity. There is no guarantee that we will continue to be successful in raising such funds. If we are unable to raise additional equity funds, we may be forced to discontinue or cease certain operations. We currently have sufficient operating capital to finance our operations beyond the next twelve months. Our annual operating needs vary from year to year depending upon the amount of revenue generated through grants, contracts and 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.

Any additional equity that we raise 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 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.

Risks Related to Our Common Stock

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 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 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 concerning proprietary rights, including patents;
- developments concerning our collaborations;
- regulatory developments in the United States and foreign countries;
- economic or other crises and other external factors;
- period-to-period fluctuations in our revenues and other results of operations; and
- changes in financial estimates by securities analysts.

Additionally, because the volume of trading in our stock fluctuates significantly at times, any information about SIGA in the media may result in significant volatility in our stock price.

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

In addition, the stock market in general, and the market for 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.

We have identified a material weakness, which has been subsequently remediated, in our internal control over financial reporting that resulted in the restatement of our consolidated financial statements included in our 2009 Annual Report on Form 10-K/A.

Our management is responsible for maintaining internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009, and identified a material weakness related to the failure to ensure timely application of certain anti-dilution provisions contained in certain outstanding warrant arrangements. As a result of this material weakness, our management concluded that our internal control over financial reporting and our disclosure controls and procedures were not effective as of December 31, 2009. See Part II — Item 9A, “Controls and Procedures.”

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The effectiveness of any controls or procedures is subject to certain limitations, and as a result, there can be no assurance that our controls and procedures will detect all errors or fraud. A control can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained. We also cannot assure you that other material weaknesses will not arise as a result of failures to maintain adequate internal controls and procedures or that circumvention of those controls and procedures will not occur. Additionally, even our improved controls and procedures may not be adequate to prevent or identify errors or irregularities or ensure that our financial statements are prepared in accordance with generally accepted accounting principles. If we cannot maintain and execute adequate internal control over financial reporting or implement required new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we could suffer harm to our reputation, fail to meet our public reporting requirements on a timely basis, or be unable to properly report on our business and the results of our operations, and the market price of our securities could be materially adversely affected.

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 significantly 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 December 31, 2010, directors, officers and principal stockholders beneficially owned approximately 49.8% of our outstanding stock.

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

Most of our immediately foreseeable future revenues are contingent upon grants and contracts from the U. S. government, and we may not achieve sufficient revenues from these agreements to attain profitability.

Until and unless we successfully sell any of our products, our ability to generate revenues will largely depend on our ability to enter into additional research grants, collaborative agreements, strategic alliances, contracts and license agreements with third parties or maintain the agreements we currently have in place. Substantially all of our revenues for the years ended December 31, 2010, 2009, and 2008, respectively, were derived from grants and contracts. Our current revenue is primarily derived from contract work being performed for the NIH under grants and two major contracts which are scheduled to expire in September 2011 and September 2013, respectively.

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 contracts or subcontracts, which may be awarded through competitive bidding. Competitive bidding for government contracts 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 that may not be awarded to us;
- the need to accurately estimate the resources and cost structure that will be required to perform any contract 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.

The U.S. government may choose to award future contracts for the supply of smallpox anti-virus and other biodefense product candidates that we are developing to our competitors instead of to us. If we are unable to win particular contracts, we may not be able to operate in the market for products that are provided under those contracts for a number of years. For example, BARDA’s 2009 request for proposal with respect to acquisition of a smallpox antiviral was open to all qualifying small businesses for which we were determined not to qualify. If we are unable to consistently win new contract awards over an extended period, or if we fail to anticipate all of the costs and resources that will be required to secure such contract awards, 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 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;
- protection of the environment;
- accuracy of records and the recording of costs; and
- foreign corrupt practices.

In addition, before awarding us any contracts, 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 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 in the future.

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

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

- terminate existing contracts, in whole or in part, for any reason or no reason;
- unilaterally reduce or modify contracts or subcontracts, including through the use of equitable price adjustments;
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- decline to exercise an option to renew a contract;
- exercise an option to purchase only the minimum amount specified in a contract;
- decline to exercise an option to purchase the maximum amount specified in a contract;
- claim rights to products, including intellectual property, developed under the contract;
- 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 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 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 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 could be terminated under these circumstances. Some government contracts permit the government the right to use, for or on behalf of the U.S. government, any technologies developed by the contractor under the government contract. If we were to develop technology under a contract 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.

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 revenue is particularly dependent on the success of our smallpox antiviral drug candidate ST-246®. 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 the FDA and similar foreign regulatory authorities;
- a determination by BARDA that our biodefense drug candidates should be purchased for the SNS prior to FDA approval;
- 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 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 we 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, our business could be harmed.

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, clinical 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;
- 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 biological warfare defense products we will be required to perform at least one animal efficacy 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.

The 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 development 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. All of 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:

- 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 reimbursed by government and 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

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.

A pharmaceutical product cannot generally be marketed in the U.S. until it has completed rigorous pre-clinical testing and clinical trials and an extensive regulatory clearance process implemented by the 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 the FDA by means of an IND application. Institutional review boards and the FDA oversee clinical trials and such trials:

- must be conducted in conformance with the FDA regulations;
- 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 the FDA at any time if it is believed that the subjects participating in these trials are being exposed to unacceptable health risks or if the FDA finds deficiencies in any of the Company's IND applications 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 are susceptible to varying interpretations that could delay, limit or prevent regulatory clearances. Additionally, we have limited experience in conducting and managing the clinical trials 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 states and 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 clinical trials 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. Three companies with similar profiles are diaDexus (formerly VaxGen, Inc.), which is developing vaccines against anthrax, smallpox and HIV/AIDS; Celldex Therapeutics (formerly Avant Immunotherapeutics, Inc.), which has vaccine programs for agents of biological warfare; and Chimerix, Inc., which is developing an alternative smallpox therapeutic.

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 clinical efficacy and safety of such products;
- the potential advantage of such products over existing treatment methods;
- the cost of our products relative to their perceived benefits; and
- 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 reimbursement for the cost of such drugs will be available from third-party payors, such as government 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 reimbursement was not available or sufficient to allow profitable price levels to be maintained for drugs we develop, it could adversely affect our business.

If our products harm people, we may experience product liability claims that may not be covered by insurance.

We face an inherent business risk of exposure to potential product liability claims in the event that drugs we develop are alleged to cause adverse effects on patients. Such risk exists for products being tested in human clinical trials, as well as products that receive regulatory approval for commercial sale. We have obtained and intend to keep in place product liability insurance with respect to drugs we develop, however, we may not be able to obtain such insurance in the future. Even if such insurance is obtainable, it may not be available at a reasonable cost or in a sufficient amount to protect us against liability. We currently maintain products liability insurance with coverage up to aggregate limits of $10 million and coverage of $10 million per occurrence.

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, 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;
- 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 any products and the amounts that we can sell.

The U.S. government and private insurers have considered ways to change, and have changed, the manner in which healthcare services are provided in the U.S. Potential approaches and changes in recent years include controls on healthcare spending and the creation of large purchasing groups. In the future, the U.S. government may institute further controls and limits on healthcare spending, including through the Medicare and Medicaid programs. These controls and limits might affect the payments we could collect from sales of any products. Uncertainties regarding future healthcare reform and private market practices could adversely affect our ability to sell any of our products profitably in the U.S.

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.

We have begun to expand our operations outside of the United States, and 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.

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. 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.

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.

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. We will not be able to sell any lot that fails to satisfy release testing specifications.

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. In addition, we indicated in our response to the BARDA Smallpox RFP that we intend to manufacture ST-246® using contract manufacturers. 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.

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 the 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 call for compliance with all applicable regulatory requirements, we do not control compliance by these manufacturers with these regulations and 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 controlled use of hazardous and radioactive materials and 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. The research and development activities of our company do not produce any unusual hazardous products. We do use 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 $1 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, 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 costs 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 of prohibition from doing business with the U.S. government.

In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

We may be subject to sanction for non-compliance with certain regulatory audit requirements.

In June 2009, we became aware that we had not complied with certain Department of Health and Human Services ("DHHS") regulations requiring the submission of yearly audited statements to the Office of the Inspector General ("OIG") Office of Audit Services. We submitted the required audits and related statements to the OIG Office of Audit Services. No enforcement action has been taken in this matter, but there can be no assurance that no enforcement action will be taken at some future time with respect to this matter or any similar matter if similar or related problems are uncovered at some future time.

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

We must comply with numerous laws and regulations relating to the formation, administration and performance of government contracts, 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 government 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;
- 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, 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 the 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. 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 the FDA of extensive pre-clinical and clinical data, 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 the 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 the 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 ST-246® may not actually lead to a faster development or regulatory review or approval process.

We have obtained a "Fast Track" designation from the FDA for ST-246®. However, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may withdraw our Fast Track designation if the FDA 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 the FDA's expedited review procedures or that any application that we may submit to the 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 to independently 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, the 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.

Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. 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 effectively preserve our trade secrets. Because of the substantial length of time and expense associated with bringing potential products through the development and regulatory clearance processes to reach the marketplace, the pharmaceutical industry places considerable importance on obtaining patent and trade secret protection. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date. Accordingly, we cannot predict the type and breadth of claims allowed in these patents.

As of December 31, 2010, we exclusively own 2 U.S. patents, 4 U.S. provisional patent applications, 15 U.S. utility patent applications, 3 International PCT patent applications and 105 foreign patent applications. We included a summary of our patent position as of December 31, 2010 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. At present, we are unaware of any patent infringement claim relating to any of our products that is likely to be asserted.

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 December 2006, PharmAthene, Inc. (“PharmAthene”) filed an action against us in the Delaware Court of Chancery captioned PharmAthene, Inc. v. SIGA Technologies, Inc., C.A. No. 2627-N. In its amended complaint, PharmAthene asks the Court to order us to enter into a license agreement with PharmAthene with respect to ST-246®, as well as issue a declaration that we are obliged to execute such a license agreement, and award damages resulting from our supposed breach of that obligation. PharmAthene also alleges that we breached an obligation to negotiate such a license agreement in good faith, as well as seeks damages for promissory estoppel and unjust enrichment based on supposed information, capital and assistance that PharmAthene allegedly provided to us during the negotiation process. In January 2008, the Court of Chancery denied our motion to dismiss the original complaint, and discovery proceeded. In May 2009, PharmAthene amended its complaint with respect to its claim for breach of an obligation to negotiate in good faith, and we filed our answer to the amended complaint and counterclaim denying the new claim and asserting defenses.

PharmAthene has submitted an expert report asserting several alternative theories of damages, including amounts in a wide range of up to one billion dollars. We believe that the expert’s damages analyses are flawed and methodologically unsound. We also continue to believe that we have meritorious defenses to the claims. We filed a partial summary judgment motion on March 19, 2010, regarding certain aspects of PharmAthene’s claims and damage assessments. On November 23, 2010, the Court of Chancery denied our motion for partial summary judgment. A trial was held before Vice Chancellor Donald F. Parsons, Jr. on January 3 -7, 10-12, 18-19 and 21, 2011. The Court reserved decision, and the parties are currently preparing post-trial briefs. Closing arguments are scheduled for April 2011. It is not currently possible to estimate a range of loss, if any.

In addition, 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 Business

We may have difficulty managing our growth.

We might experience growth in the number of our employees and the scope of our operations. This potential future growth could place a significant strain on our management and operations. Our ability to manage this potential 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.

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

As of December 31, 2010, we had federal net operating loss carryforwards, or NOLs, of $65.7 million to offset future taxable income, which expire in various years through 2030, 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 limitations 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our headquarters are located in New York City and our research and development facilities are located in Corvallis, Oregon. In New York, we occupy approximately 1,800 square feet under an Office Service Agreement with an affiliate of a shareholder that is cancelable upon 60 days notice. In Corvallis, we lease approximately 18,100 square feet under an amended lease agreement signed in January 2007 which expires in December 2011 and 5,700 square feet under a sublease agreement signed in January 2010 which expires in December 2011. Our facility in Oregon has been improved to meet the special requirements necessary for the operation of our research and development activities.

Item 3. Legal Proceedings

In December 2006, PharmAthene, Inc. ("PharmAthene") filed an action against us in the Delaware Court of Chancery captioned PharmAthene, Inc. v. SIGA Technologies, Inc., C.A. No. 2627-N. In its amended complaint, PharmAthene asks the Court to order us to enter into a license agreement with PharmAthene with respect to ST-246®, as well as issue a declaration that we are obliged to execute such a license agreement, and award damages resulting from our supposed breach of that obligation. PharmAthene also alleges that we breached an obligation to negotiate such a license agreement in good faith, as well as seeks damages for promissory estoppel and unjust enrichment based on supposed information, capital and assistance that PharmAthene allegedly provided to us during the negotiation process. In January 2008, the Court of Chancery denied our motion to dismiss the original complaint, and discovery proceeded. In May 2009, PharmAthene amended its complaint with respect to its claim for breach of an obligation to negotiate in good faith, and we filed our answer to the amended complaint and counterclaim denying the new claim and asserting defenses.

PharmAthene has submitted an expert report asserting several alternative theories of damages, including amounts in a wide range of up to one billion dollars. We believe that the expert's damages analyses are flawed and methodologically unsound. We also continue to believe that we have meritorious defenses to the claims. We filed a partial summary judgment motion on March 19, 2010, regarding certain aspects of PharmAthene's claims and damage assessments. On November 23, 2010, the Court of Chancery denied our motion for partial summary judgment. A trial was held before Vice Chancellor Donald F. Parsons, Jr. on January 3 -7, 10-12, 18-19 and 21, 2011. The Court reserved decision, and the parties are currently preparing post-trial briefs. Closing arguments are scheduled for April 2011. It is not currently possible to estimate a range of loss, if any.

Item 4. Reserved

PART II

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

Price Range of Common Stock

Our common stock trades under the symbol "SIGA". Our common stock has been traded on the Nasdaq Global Market 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. 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:

2010	High	Low
First Quarter	$ 7.46	$ 5.51
Second Quarter	7.80	6.15
Third Quarter	9.10	7.32
Fourth Quarter	14.10	7.98

2009	High	Low
First Quarter	$ 5.86	$ 3.15
Second Quarter	8.88	4.73
Third Quarter	8.63	6.25
Fourth Quarter	10.09	4.83

As of February 28, 2011, the closing sale price of our common stock was $13.40 per share. There were 47 holders of record as of February 28, 2011. 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 are not under any restriction as to our present or future ability to pay dividends. We currently intend to retain any future earnings to finance the growth and development of our business.

Performance Graph

The following line graph compares the cumulative total stockholder return through December 31, 2010, assuming reinvestment of dividends, by an investor who invested $100 on December 31, 2005 in each of (i) our common stock, (ii) the Nasdaq National Market-US; and (iii) the Nasdaq Pharmaceutical Index.

Value of Initial Investment	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
SIGA Technologies, Inc.	$ 100	$ 395	$ 324	$ 344	$ 611	$ 1,474
NASDAQ Composite Index	$ 100	$ 110	$ 120	$ 72	$ 103	$ 120
NASDAQ Biotech Composite Index	$ 100	$ 101	$ 106	$ 92	$ 107	$ 123

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, 2010, 2009 and 2008 and the consolidated balance sheet data as of December 31, 2010 and 2009 have been derived from our audited consolidated financial information including elsewhere in this annual report. The selected financial data for the years ended December 2007 and 2006 and the consolidated balance sheet data as of December 31, 2008, 2007 and 2006 have been derived from earlier 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.

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in thousands, except share and per share data)				
Revenues	$ 19,216	$ 13,812	$ 8,066	$ 6,699	$ 7,258
Selling, general and administrative	8,130	7,533	4,608	3,704	4,624
Research and development	22,659	17,423	11,613	9,943	9,149
Patent preparation fees	1,149	734	582	515	295
Loss from operations	(12,722)	(11,879)	(8,737)	(7,463)	(6,810)
Increase in fair value of common stock warrants	(15,957)	(7,523)	(1,510)	1,430	(3,090)
Other income (expense), net	484	1	94	394	2
Net loss	$ (28,195)	$ (19,400)	$ (10,153)	$ (5,639)	$ (9,898)
Loss per share: basic and diluted	$ (0.62)	$ (0.52)	$ (0.29)	$ (0.17)	$ (0.35)
Weighted average shares outstanding: basic and diluted	45,151,774	37,463,255	34,732,625	33,330,814	28,200,130
Cash and cash equivalents and short-term investments	$ 21,331	$ 19,496	$ 2,322	$ 6,832	$ 10,640
Long-term obligations	10,700	9,734	4,477	3,243	4,696
Total assets	27,032	25,915	8,797	10,589	14,028
Stockholders' equity	12,069	7,153	1	5,228	7,282
Net cash used in operating activities	(10,825)	(8,471)	(7,198)	(5,448)	(4,438)

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. 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

Since our incorporation on December 28, 1995, SIGA has pursued the research, development and commercialization of novel products for the prevention and treatment of serious infectious diseases, including products for use in defense against biological warfare agents such as smallpox and arenaviruses. Our lead product, ST-246®, is an orally administered antiviral drug that targets orthopox viruses. In December 2006, the FDA granted Orphan Drug designation to ST-246® for the prevention and treatment of smallpox and in October 2010, expanded the Orphan Drug designation to the treatment of orthopoxvirus infections. In May 2009, we submitted a response to a RFP issued by BARDA with respect to the purchase of 1.7 million courses of a smallpox antiviral and in September 2009, BARDA informed us that our response to the BARDA Smallpox RFP was deemed technically acceptable and in the competitive range. In October 2010, the HHS announced their intention to award SIGA a contract to deliver 1.7 million treatment courses of its smallpox antiviral for the Strategic National Stockpile, subject to a size protest under SBA guidelines. On February 18, 2011, the 2009 BARDA Smallpox RFP was cancelled. Shortly thereafter, we were advised of a new request for proposal seeking to procure 1.7 million courses of smallpox antiviral. We have responded to the 2011 BARDA Smallpox RFP. There continues to be no assurance that SIGA or any other company will receive an award pursuant to the 2011 BARDA Smallpox RFP. Further, any award would be subject to the negotiation of final contract terms and specifications; thus, the final terms under any contract with BARDA may be materially different than those indicated in the 2011 BARDA Smallpox RFP.

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. 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 options and warrants, impairment of assets and income taxes. Other key accounting policies, including revenue recognition, are less subjective and involve a lower degree of estimates and judgment. Below, we discuss these policies further, as well as the estimates and judgments involved.

Critical Accounting Policies

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

Share-based Compensation

The Company accounts for its stock-based compensation using the fair value recognition provisions prescribed by the authoritative guidance, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options based on estimated fair values.

Stock-based compensation expense for 2010, 2009 and 2008 was $1.5 million, $2.1 million and $1.0 million. The fair value of share-based awards are estimated on the grant date using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recorded as expense over the requisite periods in the Company's consolidated statement of operations. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term over which stock awards will be outstanding before they are exercised, the expected volatility of our stock, and the number of stock-based awards that are expected to be forfeited. It is reasonably likely that future assumptions may change, in which case the fair value of future option awards may exceed or fall short of historical calculated fair values. In addition, for stock options with performance conditions, on a quarterly basis we estimate the most probable outcome of the performance conditions in order to determine the amount of compensation costs to be recorded over the remaining vesting period.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivables, short-term investments, 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 warrants in Level 2. The Black-Scholes model utilizes inputs consisting of: (i) the closing price of SIGA's common stock; (ii) the expected remaining life of the warrants; (iii) the expected volatility using a weighted-average of historical volatilities of SIGA and a group of comparable companies; and (iv) the risk-free market rate. At December 31, 2010 and December 31, 2009, the fair value of such warrants was as follows:

	2010	2009
Common stock warrants classified as current liabilities	$ -	$ 3,260,000
Common stock warrants classified as long-term liabilities	10,524,660	9,733,870
Total	$ 10,524,660	$ 12,993,870

As of December 31, 2010 the Company held approximately $15.0 million in United States Treasury Bills, classified as a Level 1 security. The Company does not hold any Level 3 securities.

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, contractual obligations have been satisfied and title and risk of loss have been transferred to the customer. The Company recognizes revenue from non-refundable up-front payments, not tied to achieving a specific performance milestone, over the period which the Company is obligated to perform services or based on the percentage of costs incurred to date, estimated costs to complete and total expected contract revenue. Payments for development activities are recognized as revenue is earned, over the period of effort. Funding for the acquisition of capital assets under cost-plus-fee grants and contracts 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. Substantive at-risk milestone payments, which are based on achieving a specific performance milestone, are recognized as revenue when the milestone is achieved and the related payment is due, providing there is no future service obligation associated with that milestone. In situations where the Company receives payment in advance of the performance of services, such amounts are deferred and recognized as revenue as the related services are performed.

Goodwill

The purchase price of an acquired company is allocated between intangible assets and the net tangible assets of the acquired business with the residual of the purchase price recorded as goodwill. The determination of the value of the intangible assets acquired involves certain judgments and estimates.

At December 31, 2010, our goodwill totaled $898,000. We evaluate goodwill for impairment at least annually or as circumstances warrant. Goodwill is tested for recoverability between annual evaluations whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The impairment review process compares the fair value of the reporting unit in which goodwill resides to its carrying value. In 2010, the Company operated as one business and one reporting unit. Therefore, the goodwill impairment analysis was performed on the basis of the Company as a whole using the market capitalization of the Company as an estimate of its fair value. In the past, our market capitalization has been significantly in excess of the Company's carrying value. It is possible that the future market capitalization of SIGA may fall short of our current market capitalization, in which case a different amount for potential impairment would result. The use of the discounted expected future cash flows to evaluate the fair value of the Company as a whole will possibly produce different results than the Company's market capitalization.

Income Taxes

Determining the consolidated provision for income tax expense, deferred tax assets and liabilities and related valuation allowance, if any, involves judgment. On an on-going basis, we evaluate whether a valuation allowance is needed to reduce our deferred income tax assets to an amount that is more likely than not to be realized. The evaluation process includes assessing historical and current results in addition to future expected results. Upon determining that we would be able to realize our deferred tax assets, an adjustment to the deferred tax valuation allowance would increase income in the period we make such determination.

Cumulative Effect of Changes in Accounting Principles

On January 1, 2009, the Company adopted the provisions of the authoritative guidance for derivatives and hedging. The cumulative effect of the change in accounting principle recorded by the Company in connection with certain warrants to acquire shares of the Company's common stock was recognized as an adjustment to the opening balance of accumulated deficit as summarized in the following table:

	As reported on December 31, 2008	As adjusted on January 1, 2009	Effect of change in accounting
Common stock warrants	$ -	$ 2,710,000	$ 2,710,000
Accumulated deficit	(72,158,791)	(74,868,791)	(2,710,000)

Recent Accounting Pronouncements

In October 2009, the FASB issued a new accounting standard updating existing multiple-element arrangement guidance. The revised guidance requires companies to allocate revenue in arrangements involving multiple deliverables based on the estimated selling price of each deliverable, even if such deliverables are not sold separately by either company itself or other vendors. The revised guidance also significantly expands the disclosures required for multiple-element revenue arrangements. The revised guidance will be effective for the first annual period beginning on or after June 15, 2010, early adoption is permitted. The Company adopted the provisions of this guidance on January 1, 2010, which had no impact on the consolidated financial statements.

In January 2010, the FASB issued updated accounting guidance for fair value measurements. This update provides amendments that requires new disclosure as follows: (1) A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair-value measurements and describe the reasons for the transfers. (2) In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments that clarify existing disclosures as follows: (1) A reporting entity should provide fair-value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. (2) A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll-forward of activity in Level 3 fair-value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company has adopted the amendments effective for periods beginning after December 15, 2009. The adoption of these amendments did not have a material impact on the consolidated financial statements. The Company has not yet adopted the amendments effective for periods beginning after December 15, 2010. We do not expect the latter amendments to have a material impact on our consolidated financial statements.

Results of Operations

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

	2010	2009	2008
Revenue	100%	100%	100%
Selling, general and administrative	42%	55%	57%
Research and development	118%	126%	144%
Patent preparation fees	6%	5%	7%
Operating loss	66%	86%	108%

Years ended December 31, 2010, 2009, and 2008.

Revenues from research and development contracts and grants for the years ended December 31, 2010 and 2009, were $19.2 million and $13.8 million, respectively. The increase of $5.4 million, or 39.1%, mainly relates to a $2.2 million increase in revenue generated from federal grants and contracts supporting our broad spectrum antiviral development program and a $2.4 million increase generated from federal grants and contracts supporting our arenavirus antiviral program. Revenue generated from federal grants and contracts supporting the development of ST-246 increased $904,000 during the year.

Revenues from research and development contracts and grants for the years ended December 31, 2009 and 2008, were $13.8 million and $8.1 million, respectively. The increase of $5.7 million or 71.2% is mainly due to an increase of $4.2 million in revenue recognized from our existing program for the large-scale manufacturing and packaging of ST-246®. Revenue recognized from federal grants and contracts to support the development of additional formulations and orthopox-related indications of ST-246® increased by $1.5 million.

Selling, general and administrative expenses ("SG&A") for the years ended December 31, 2010 and 2009 were $8.1 million and $7.5 million, respectively, reflecting an increase of approximately $598,000 or 7.9%. The increase in SG&A expenses were mainly due to an increase of $559,000 in legal fees, an increase of $260,000 in expenses supporting business development activities and an increase of $181,000 in insurance premiums. The increase was offset by a decline of $615,000 in compensation related expenditures, including stock-based compensation.

Selling, general and administrative expenses ("SG&A") for the years ended December 31, 2009 and 2008 were $7.5 million and $4.6 million, respectively, reflecting an increase of approximately $2.9 million or 63.5%. Higher SG&A expenses were mainly due to an increase of $204,000 in accounting services resulting from additional governmental audits, an increase of $998,000 in stock-based compensation charges, a $71,000 increase in insurance premiums, an increase of $133,000 in foreign and public relations consulting, and an increase of $1.3 million in legal fees.

Research and development ("R&D") expenses were $22.6 million for the year ended December 31, 2010, an increase of $5.2 million or 30% from the $17.4 million incurred during the year ended December 31, 2009. Expenditures related to programs for the development of a broad spectrum antiviral drug and an arenavirus antiviral drug increased $860,000 and $1.8 million, respectively. Expenses supporting the development of ST-246® increased $1.0 million from the prior year. In addition to the programs' direct expenses, our employee compensation expenses increased $925,000 as a result of hiring additional R&D personnel. As of December 31, 2010 and 2009, the Company had 60 and 49 full time R&D employees, respectively.

Research and development ("R&D") expenses were $17.4 million for the year ended December 31, 2009, an increase of $5.8 million or 50% from the $11.6 million incurred during the year ended December 31, 2008. Expenditures related to the manufacturing, packaging, and stability of ST-246® increased $3.3 million. Other costs related to ST-246® as well as the development of our other lead drug candidates increased $1.2 million from the prior year. Employee compensation expenses increased $978,000 mainly due to the hiring of additional personnel. As of December 31, 2009 and 2008, the Company had 49 and 36 full time R&D employees, respectively.

During the years ended December 31, 2010, 2009, and 2008, we spent $12.2 million, $10.9 million and $5.4 million, respectively, on the development of ST-246®. During the year ended December 31, 2010, we spent $1.7 million on internal human resources dedicated to the drug's development and $10.5 million mainly on manufacturing and clinical testing. During the year ended December 31, 2009, we spent $1.5 million on internal human resources dedicated to the drug's development and $9.4 million mainly on packaging and manufacturing. For the year ended December 31, 2008, we spent $1.2 million on internal human resources dedicated to the drug's development and $4.2 million mainly on clinical trials and manufacturing. From inception of the ST-246® development program to-date, we invested a total of $38.0 million in the program, of which $6.9 million supported internal human resources, and $31.1 million were used mainly for manufacturing, clinical and pre-clinical work. These resources reflect research and development expenses directly related to the program. They exclude additional expenditures such as patent costs, allocation of indirect expenses, and other services provided by the NIH and the DoD.

During the years ended December 31, 2010, 2009, and 2008, we spent $2.2 million, $384,000 and $930,000, respectively, to support the development of drug candidates for Lassa fever virus and drug candidates for certain arenavirus pathogens and hemorrhagic fevers. During the year ended December 31, 2010, we invested $181,000 in internal human resources and $2.0 million mainly for the testing of chemical compounds. During the year ended December 31, 2009, we invested $155,000 in internal human resources dedicated to the development of these drugs, and $228,000 mainly to testing of chemical compounds. For the year ended December 31, 2008, we spent $254,000 on internal human resources dedicated to the development of these drugs and $676,000 mainly to support pre-clinical testing. From inception of our programs to develop drug candidates for hemorrhagic fevers, to-date, we spent a total of $8.1 million related to the programs, of which $2.4 million and $5.7 million were expended on internal human resources and pre-clinical work, respectively. These resources reflect research and development expenses directly related to the programs. They exclude additional expenditures such as patent costs, allocation of indirect expenses, and other services provided by the NIH and the DoD.

During the years ended December 31, 2010, and 2009 we spent $1.5 million and $66,000, respectively, to support the development of a broad-spectrum antiviral drug candidate. During the year ended December 31, 2010, we spent $645,000 on internal human resources and $849,000 mainly on the optimization of lead antiviral compounds. During the year ended December 31, 2009, we spent $42,000 on internal human resources and $24,000 mainly on compound modeling software licenses. From the inception of our program to develop a broad-spectrum antiviral drug to date, we have spent a total of $1.6 million related to the program, of which $687,000 and $873,000 were mainly expended on internal human resources and supporting medicinal chemistry and the optimization of lead antiviral compounds, respectively. These resources reflect expenses directly related to the program. They exclude additional expenditures such as patent costs, allocation of indirect expenses, and other services provided by the NIH and the DoD.

The majority of our product programs are in the early stage of development. As a result, we cannot make reasonable estimates of the potential cost for most of our programs to be completed or the time it will take to complete the programs. Our lead product, ST-246, is an orally administered anti-viral drug that targets the smallpox virus. In December 2005, the FDA accepted our IND application for ST-246® and granted it Fast-Track status. In December 2006, the FDA granted Orphan Drug designation to ST-246, for the prevention as well as the treatment of smallpox. We expect that costs to complete the development of ST-246® for adult therapeutic use will approximate $20 million to $25 million, that the development could be completed within 30 months, and that a New Drug Application could be filed as the development process is completed. There is a high risk of non-completion of any program, including ST-246, because of the lead time to program completion, scientific issues that may arise and uncertainty of the costs. However, we could receive additional grants, contracts or technology licenses in the short-term. The potential cash and timing is not known and we cannot be certain if they will ever occur.

The risk of failure to complete any program is high, as each, other than our smallpox program, is in the relatively early stage of development. Products for the biological warfare defense market, such as the ST-246® smallpox antiviral, could generate revenues within 30 months. We expect the future research and development cost of our biological warfare defense programs to increase as potential products enter animal studies and safety testing, including human safety trials. Funds for future development will be partially funded from government grants and contracts and future financing. If we are unable to obtain additional federal funding in the required amounts, the development timeline for these products would slow or possibly be suspended. Delay or suspension of any of our programs could have an adverse impact on our ability to raise funds in the future, enter into collaborations with corporate partners or obtain additional federal funding from contracts or grants.

Patent preparation expenses for the years ended December 31, 2010 and 2009 were $1.1 million and $734,000, respectively. The increase of $414,000 or 56.5% is mainly related to our efforts to protect our lead drug candidates in geographic territories including South Africa, Japan, China and Europe.

Patent preparation expenses for the years ended December 31, 2009 and 2008 were $734,000 and $582,000, respectively. The increase of $153,000 or $26.2% is mainly related to our efforts to protect our lead drug candidates in expanded geographic territories.

Total operating loss for the years ended December 31, 2010 and 2009 was $12.7 million and $11.9 million, respectively. The increase of $843,000 or 7.1% in net operating loss is a result of the continued expansion of our R&D activities and the hiring of highly specialized personnel, the expansion of SIGA's laboratory facilities and an increase of $559,000 in legal fees mainly related to litigation.

Total operating loss for the years ended December 31, 2009 and 2008 was $11.9 million and $8.7 million, respectively. The increase of $3.2 million or 36.0% in net operating loss is a result of the continued expansion of R&D and specialized personnel, the increase of $1.1 million in non-cash stock based compensation, and an increase of $1.3 million in general corporate and litigation related legal fees.

Changes in the fair value of certain warrants to acquire common stock are recorded as gains or losses. For the years ended December 31, 2010, 2009, and 2008, we recorded a loss of $16.0 million, $7.5 million and $1.5 million, respectively, reflecting changes in the fair market value of warrants and rights to purchase common stock during the respective years. The warrants and rights to purchase common stock of SIGA were recorded at fair market value and classified as liabilities.

Other income for the years ended December 31, 2010, 2009, and 2008, was $484,000, $1,000 and $94,000, respectively. The increase in other income in 2010 represented $10,000 of interest income on our cash and cash equivalents; $648,000 received from the U.S. government for qualified therapeutic drug discovery tax grant offset by $175,000 of income tax expense for deferred tax liabilities related to goodwill. Other income in 2009 and 2008 represented interest income on our cash and cash equivalents.

Liquidity and Capital Resources

On December 31, 2010, we had $6.3 million in cash and cash equivalents and $15.0 million in short-term investments. During the year ended December 31, 2010, we received net proceeds of $7.7 million from exercises of warrants and options to purchase shares of the Company's common stock and $5.5 million for the exercise of rights to acquire shares under a letter agreement dated June 19, 2008.

In February 2010, the Company was awarded a $2.8 million contract with options for up to $9.9 million from the Department of Defense's Transformational Medical Technologies (TMT) through the Defense Threat Reduction Agency ("DTRA") to support the pre-clinical development and IND filing of a broad spectrum antiviral drug candidate.

In September 2009, the Company was awarded a two-year, $1.7 million grant from the NIAID of the NIH, to support the development of broad spectrum, small-molecule inhibitors of bunyaviruses. The grant was awarded under the Recovery Act. Moreover, the Company received a three-year, $3.0 million Phase II grant from the NIH to fund the continued development of ST-246® treatment of smallpox vaccine-related adverse events.

Operating activities

Net cash used in operations during the years ended December 31, 2010, 2009, and 2008 was $10.8 million, $8.5 million and $7.2 million, respectively. The increase in net cash used in operations is mainly due to the continued growth in our operations, including the transition to a highly specialized R&D workforce, packaging, and manufacturing of ST-246®, clinical and pre-clinical testing of our leading programs, and higher legal fees.

On December 31, 2010 and 2009, our accounts receivable balance was $3.0 million and $2.4 million, respectively. The increase in our account receivable balances reflects the expanded work performed during November and December of 2010 under our two contracts with the NIAID as well as work performed under our broad spectrum antiviral development contract. Funds outstanding under these contracts were collected during January and February 2011. Our accounts payable and accrued expenses balance was $4.1 million and $4.2 million on December 31, 2010 and 2009, respectively.

Investing activities

Capital expenditures during the years ended December 31, 2010, 2009, and 2008 were approximately $550,000, $340,000 and $340,000, respectively As of December 31, 2010 and 2009, we had $15.0 million and $5 million invested in U.S. Treasury bills.

Financing activities

Cash provided by financing activities was $13.2 million, $26.0 million, and $3.0 million, during the years ended December 31, 2010, 2009, and 2008, respectively. During the years ended December 31, 2010 and 2009, we received net proceeds of $13.2 million and $7.4 million, respectively, from exercises of options and warrants to purchase common stock, including cash receipts from exercises under a letter agreement dated June 19, 2008 (as amended, the “Letter Agreement”) with MacAndrews & Forbes LLC (“M&F”), a related party.

Under the Letter Agreement, which expired on June 19, 2010, M&F committed 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 July 2010, we issued 1,797,386 shares of common stock and (ii) warrants to purchase 718,954 shares of SIGA common stock in exchange for $5.5 million. In 2009, we issued to M&F 816,993 shares of common stock and 326,797 warrants to acquire common stock in exchange for total proceeds of $2.5 million. The number of shares issuable pursuant to the warrants granted under the Letter Agreement, as amended, as well as the exercise price of those warrants, may be subject to adjustment as a result of the effect of future equity issuances on certain anti-dilution provisions in the Letter Agreement.

In December 2009 we received net proceeds of $18.6 million from the sale of 2,725,339 shares of common stock, par value $0.0001 per share, for $7.35 per share, pursuant to subscription agreements with the investors who participated in that offering.

Other

We have incurred cumulative net losses and expect to incur additional losses to perform further research and development activities. We do not have commercial products and have limited capital resources. We will need additional funds to complete the development of our products. Our plans with regard to these matters include continued development of our products as well as seeking additional capital through a combination of collaborative agreements, strategic alliances, research grants, and future equity and debt financing. Although we continue to pursue these plans, there is no assurance that we will be successful in obtaining future financing on commercially reasonable terms or that we will be able to secure funding from anticipated government contracts and grants.

We believe that our existing funds combined with cash flows primarily from continuing government grants and contracts will be sufficient to support our operations for at least the next 12 months. The success of the Company is dependent upon commercializing its research and development programs and the Company’s ability to obtain adequate future financing. If the Company is unable to raise adequate capital and/or achieve profitable operations, future operations might need to be scaled back or discontinued. The financial statements do not include any adjustments relating to the recoverability of the carrying amount of recorded assets and liabilities that might result from the outcome of these uncertainties.

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

Contractual Obligations, Commercial Commitments and Purchase Obligations

As of December 31, 2010, our purchase obligations are not material. We lease certain facilities and office space under operating leases. Our obligations under such leases do not extend past December 31, 2011.

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, cash equivalents and short-term investments. 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.

Item 8. Financial Statements and Supplementary Data

Index to the Consolidated Financial Statements

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, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of SIGA Technologies, Inc. and its subsidiary at December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 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, 2010, based on criteria established in Internal Control - Integrated Framework 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 appearing 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.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2009, the Company changed the way certain financial instruments that are settled in the Company's common stock are accounted for.

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 9, 2011

SIGA TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS

As of December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,332,053	$ 14,496,313
Short term investments	14,999,350	4,999,300
Accounts receivable	3,002,144	2,405,861
Prepaid expenses	369,017	1,585,072
Total current assets	24,702,564	23,486,546
Property, plant and equipment, net	1,150,257	1,225,656
Goodwill	898,334	898,334
Other assets	280,648	304,751
Total assets	$ 27,031,803	$ 25,915,287
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 2,884,259	$ 3,458,013
Accrued expenses	1,188,158	740,333
Deferred revenue	190,763	1,570,234
Common stock warrants	-	3,260,000
Total current liabilities	4,263,180	9,028,580
Common stock warrants	10,524,660	9,733,870
Deferred income tax liability	175,175	-
Total liabilities	14,963,015	18,762,450
Stockholders' equity		
Common stock ($.0001 par value, 100,000,000 shares authorized, 49,019,433 and 43,061,635 issued and outstanding at December 31, 2010, and December 31, 2009, respectively)	4,902	4,306
Additional paid-in capital	134,524,304	101,417,677
Accumulated other comprehensive income	4,067	-
Accumulated deficit	(122,464,485)	(94,269,146)
Total stockholders' equity	12,068,788	7,152,837
Total liabilities and stockholders' equity	$ 27,031,803	$ 25,915,287

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

SIGA TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2010, 2009 and 2008

	2010	2009	2008
Revenues			
Research and development	$ 19,215,837	$ 13,811,858	$ 8,065,618
Operating expenses			
Selling, general and administrative	8,130,669	7,533,167	4,608,089
Research and development	22,658,959	17,423,453	11,612,892
Patent preparation fees	1,148,597	734,165	581,548
Total operating expenses	31,938,225	25,690,785	16,802,529
Operating loss	(12,722,388)	(11,878,927)	(8,736,911)
Increase in fair value of common stock warrants	(15,957,068)	(7,522,865)	(1,509,756)
Other income, net	484,117	1,437	94,052
Net loss	$ (28,195,339)	$ (19,400,355)	$ (10,152,615)
Weighted average shares outstanding: basic and diluted	45,151,774	37,463,255	34,732,625
Net loss per share: basic and diluted	$ (0.62)	$ (0.52)	$ (0.29)

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

SIGA TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2010, 2009 and 2008

	Common Stock		Additional Paid -	Accumulated	Accumulated Other Comprehensive Income	Total Stockholders'
	Shares	Amount	in Capital	Deficit	(Loss)	Equity
Balance at December 31, 2007	33,937,549	$ 3,394	$ 67,230,987	$ (62,006,176)	$ -	$ 5,228,205
Issuance of common stock upon exercise of stock options and warrants	1,446,171	144	3,186,220			3,186,364
Stock based compensation			1,041,293			1,041,293
Fair value of warrants issued for financing commitment			422,331			422,331
Fair value of exercised common stock warrants			275,783			275,783
Net loss				(10,152,615)		(10,152,615)
Balance at December 31, 2008	35,383,720	3,538	72,156,614	(72,158,791)	-	1,361
Issuance of common stock upon exercise of stock options and warrants	4,952,576	495	7,419,737			7,420,232
Net proceeds from the issuance of 2,725,339 shares of common stock ($7.35 per share)	2,725,339	273	18,565,147			18,565,420
Stock based compensation			2,141,772			2,141,772
Fair value of exercised common stock warrants			1,715,765			1,715,765
Recognition of deferred transaction costs			(581,358)			(581,358)
Cumulative effect of accounting change				(2,710,000)		(2,710,000)
Net loss				(19,400,355)		(19,400,355)
Balance at December 31, 2009	43,061,635	4,306	101,417,677	(94,269,146)	-	7,152,837
Net loss				(28,195,339)		(28,195,339)
Change in net unrealized gain (loss) on short-term investments					4,067	4,067
Comprehensive loss						(28,191,272)
Issuance of common stock upon exercise of stock options and warrants	5,957,808	596	13,196,394			13,196,990
Stock based compensation			1,483,955			1,483,955
Fair value of exercised common stock warrants			18,426,278			18,426,278
Balance at December 31, 2010	49,019,443	$ 4,902	$ 134,524,304	$ (122,464,485)	$ 4,067	$ 12,068,788

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

SIGA TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010, 2009 and 2008

	2010	2009	2008
Cash flows from operating activities:			
Net loss	$ (28,195,339)	$ (19,400,355)	$ (10,152,615)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	625,343	475,091	459,882
Increase in fair value of warrants	15,947,007	7,522,865	1,509,756
Stock based compensation	1,483,955	2,141,772	1,041,293
Changes in assets and liabilities:			
Accounts receivable	(596,283)	(446,253)	(973,119)
Prepaid expenses	1,216,055	(192,465)	(1,262,492)
Other assets	24,103	(20,895)	(22,090)
Deferred revenue	(1,379,471)	267,634	1,302,600
Accounts payable and accrued expenses	(125,929)	1,181,777	898,899
Deferred income taxes	175,175	-	-
Net cash used in operating activities	(10,825,384)	(8,470,829)	(7,197,886)
Cash flows from investing activities:			
Capital expenditures	(549,944)	(340,729)	(340,222)
Proceeds from maturity of short term investments	31,250,000	-	-
Purchases of short term investments	(41,235,922)	(4,999,300)	-
Net cash used in investing activities	(10,535,866)	(5,340,029)	(340,222)
Cash flows from financing activities:			
Net proceeds from exercise of warrants and options	13,196,990	7,420,232	3,186,364
Proceeds from issuance of securities	-	18,565,420	-
Deferred transaction costs	-	-	(159,027)
Net cash provided by financing activities	13,196,990	25,985,652	3,027,337
Net (decrease) increase in cash and cash equivalents	(8,164,260)	12,174,794	(4,510,771)
Cash and cash equivalents at beginning of period	14,496,313	2,321,519	6,832,290
Cash and cash equivalents at end of period	$ 6,332,053	$ 14,496,313	$ 2,321,519

The accompanying notes are an integral part of these financial statements

SIGA TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Description of Business

SIGA Technologies, Inc. ("SIGA" or the "Company") is a bio-defense company engaged in the discovery, development and commercialization of novel products for the prevention and treatment of serious infectious diseases, including products for use in defense against biological warfare agents such as smallpox and arenaviruses. The Company's antiviral programs are designed to prevent or limit the replication of viral pathogens.

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.

The consolidated financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred cumulative net losses and expects to incur additional losses to perform further research and development activities. The Company does not have commercial products and has limited capital resources. Management's plans with regard to these matters include continued development of its products as well as pursuing commercial opportunities and seeking additional capital through a combination of collaborative agreements, strategic alliances, research grants, and future equity and debt financing. Although management will continue to pursue these plans, there is no assurance that the Company will be successful in obtaining future financing on commercially reasonable terms or that the Company will be able to secure funding from anticipated government contracts and grants. Management believes that existing funds combined with cash flows primarily from continuing government grants and contracts will be sufficient to support its operations for at least the next twelve months. The success of the Company is dependent upon commercializing its research and development programs and the Company's ability to obtain adequate future financing. If the Company is unable to raise adequate capital and/or achieve profitable operations, future operations might need to be scaled back or discontinued. The financial statements do not include any adjustments relating to the recoverability of the carrying amount of recorded assets and liabilities that might result from the outcome of these uncertainties.

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. These estimates include the variables used in the calculation of fair value for outstanding options and warrants granted or issued by the Company; impairment of goodwill, intangibles and long-lived assets, 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, Short-term Investments and Marketable Securities

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Highly liquid investments with maturities greater than three months and less than one year are classified as short-term investments. Such investments are generally money market funds, bank certificates of deposit, and U.S. Treasury bills.

The Company classifies short-term investments and marketable securities with readily determinable fair values as "available-for-sale". Investments in securities that are classified as available-for-sale are measured at fair market value in the balance sheet and unrealized holding gains and losses on investments are reported as a separate component of stockholders' equity until realized.

As of December 31, 2010 and 2009 the Company's short-term investments consisted of approximately $15.0 million and $5.0 million, respectively, of available-for-sale United States Treasury Bills. As of December 31, 2010 and 2009, the unrealized gain relating to these investments was immaterial.

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. No allowance has been provided for potential credit losses because management believes that any such losses would be minimal. The Company's accounts payable consist of trade payables due to creditors.

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.

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, contractual obligations have been satisfied and title and risk of loss have been transferred to the customer. The Company recognizes revenue from non-refundable up-front payments, not tied to achieving a specific performance milestone, over the period which the Company is obligated to perform services or based on the percentage of costs incurred to date, estimated costs to complete and total expected contract revenue. Payments for development activities are recognized as revenue as earned, over the period of effort. Funding for the acquisition of capital assets under cost-plus-fee grants and contracts 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. Substantive at-risk milestone payments, which are based on achieving a specific performance milestone, are recognized as revenue when the milestone is achieved and the related payment is due, providing there is no future service obligation associated with that milestone. In situations in which the Company receives payment in advance of the performance of services, such amounts are deferred and recognized as revenue as the related services are performed.

For the years ended December 31, 2010, 2009, and 2008, revenues from National Institutes of Health ("NIH") contracts and grants was 91%, 100% and 99.5%, respectively, of total revenues recognized by the Company.

Accounts Receivable

Accounts receivable are recorded net of provisions for doubtful accounts. At December 31, 2010 and 2009, 87% and 100%, respectively, of accounts receivables represented receivables from NIH. An allowance for doubtful accounts is based on specific analysis of the receivables. At December 31, 2009, 2008, and 2007, the Company had no allowance for doubtful accounts.

Research and Development

Research and development expenses include costs directly attributable to the conduct of research and development programs, 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.

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 based on estimated grant-date fair value using an option pricing model. 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 differ materially 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 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.

The Company has no 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, 2010. As of December 31, 2010, the only tax jurisdiction to which the Company is subject is the United States. Open tax years relate to years in which unused net operating losses were generated. Thus, the Company's open tax years extend back to 1996. 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, 2010.

Net Loss per Share

The Company computes, presents and discloses earnings per share in accordance with the authoritative guidance which specifies the computation, presentation and disclosure requirements for earnings per share of entities with publicly held common stock or potential common stock. The objective of basic 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, that is to measure the performance of an entity over the reporting period, while giving effect to all dilutive potential common shares that were outstanding during the period. The calculation of diluted EPS is similar to basic EPS except the denominator is increased for the conversion of potential common shares unless the impact of such common shares is anti-dilutive.

The Company incurred losses for the years ended December 31, 2010, 2009, and 2008, and as a result, certain equity instruments are excluded from the calculation of diluted loss per share. At December 31, 2010, 2009, and 2008, outstanding options to purchase 4,719,628, 6,249,917 and 7,696,054 shares, respectively, of the Company's common stock with exercise prices ranging from $0.94 to $9.32 have been excluded from the computation of diluted loss per share as the effect of such shares is anti-dilutive. At December 31, 2010, 2009, and 2008, outstanding warrants to purchase 3,155,537, 5,011,141 and 7,456,406 shares, respectively, of the Company's common stock, with exercise prices ranging from $1.18 to $4.80 have been excluded from the computation of diluted loss per share as they are anti-dilutive.

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 Company applies the applicable authoritative guidance for financial assets and liabilities that are required to be measured at fair value, and non-financial assets and liabilities that are not required to be measured at fair value on a recurring basis.

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 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 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. At December 31, 2010 and December 31, 2009, the fair value of such warrants was as follows:

	2010	2009
Common stock warrants classified as current liabilities	$ -	$ 3,260,000
Common stock warrants classified as long-term liabilities	10,524,660	9,733,870
Total	$ 10,524,660	$ 12,993,870

As of December 31, 2010, the Company held approximately $15.0 million in United States Treasury Bills, classified as a Level 1 security. SIGA does not hold any Level 3 securities.

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.

Cumulative Effect of Changes in Accounting Principles

On January 1, 2009, the Company adopted the provisions of the authoritative guidance for derivatives and hedging. The cumulative effect of the change in accounting principle recorded by the Company in connection with certain warrants to acquire shares of the Company's common stock, was recognized as an adjustment to the opening balance of accumulated deficit as summarized in the following table:

	As reported on December 31, 2008	As adjusted on January 1, 2009	Effect of change in accounting
Common stock warrants	$ -	$ 2,710,000	$ 2,710,000
Accumulated deficit	(72,158,791)	(74,868,791)	(2,710,000)

Recent Accounting Pronouncements

In October 2009, the FASB issued a new accounting standard updating existing multiple-element arrangement guidance. The revised guidance requires companies to allocate revenue in arrangements involving multiple deliverables based on the estimated selling price of each deliverable, even if such deliverables are not sold separately by either company itself or other vendors. The revised guidance also significantly expands the disclosures required for multiple-element revenue arrangements. The revised guidance will be effective for the first annual period beginning on or after June 15, 2010. The Company adopted the provisions of this guidance on January 1, 2010, which had no impact on the consolidated financial statements.

In January 2010, the FASB issued updated accounting guidance for fair value measurements. This update provides amendments that require new disclosure as follows: (1) A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair-value measurements and describe the reasons for the transfers. (2) In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments that clarify existing disclosures as follows: (1) A reporting entity should provide fair-value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities

within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. (2) A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll-forward of activity in Level 3 fair-value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company has adopted the amendments effective for interim and annual periods beginning after December 15, 2009. The adoption did not have a material impact on the consolidated financial statements. The Company has not yet adopted the amendments effective for periods beginning after December 15, 2010. SIGA does not expect the preceding amendments to have a material impact on its consolidated financial statements.

3. Research Agreements

The Company obtains funding in the form of grants or contracts (collectively, the “Grants”) from various agencies of the U.S. Government to support its research and development activities. As of December 31, 2010, the Company has five active Grants with varying expiration dates though August 2013 that provide for aggregate research and development funding for specific projects of approximately $99.1 million. At December 31, 2010, the Company has recognized $34.4 million of revenue from these grants. As of December 31, 2010, approximately $64.7 million is available to support future research and development activities. The Grants contain customary terms and conditions including the U.S. Government’s right to terminate a grant for convenience.

4. Stockholders’ Equity

On December 31, 2010, 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.

2009 Financing

On December 9, 2009, the Company entered into Subscription Agreements for the sale of 2,725,339 shares of the Company’s common stock, par value $0.0001 per share, at a purchase price of $7.35 per share. Net proceeds to the Company were approximately $18.6 million.

2008 Financing

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. 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 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 number of shares issuable pursuant to the warrants granted under the Letter Agreement, as well as the exercise price of those warrants, may be subject to adjustment as a result of the effect of future equity issuances on certain anti-dilution provisions in the related warrant agreements.

In 2009, SIGA issued to M&F 816,993 shares of common stock and 326,797 warrants to acquire common stock in exchange for total proceeds of $2.5 million. The warrants are exercisable for a term of four years from issuance for an exercise price of $3.519 per share. The number of shares issuable pursuant to the warrants granted under the Letter Agreement, as well as the exercise price of those warrants, may be subject to adjustment as a result of the effect of future equity issuances on certain anti-dilution provisions in the warrant agreements.

In addition and 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 number of shares issuable pursuant to the warrants granted under the Letter Agreement, as well as the exercise price of those warrants, may be subject to adjustment as a result of the effect of future equity issuances on certain anti-dilution provisions in the Letter Agreement. The Commitment Warrants are exercisable until June 19, 2012. The Company initially recorded all costs related to the Letter Agreement, including the fair value of the Commitment Warrants, as deferred transaction costs. Upon the issuance of common stock and warrants to purchase shares of common stock on April 30, 2009, the Company recorded a reduction in its additional paid-in capital for the effect of the related transaction costs.

The Company determined that the warrants potentially issuable to M&F under the Letter Agreement were not "indexed to the Company's own stock" prior to their issuance in accordance with the authoritative guidance. As a result, warrants potentially issuable under the Letter Agreement met the definition of a derivative and were recorded as a liability on the Company's balance sheet (also refer to Cumulative Effect of Changes in Accounting Principle in Note 2). Management determined that, upon issuance, the warrants do not meet the definition of a derivative and, consequently, the warrants are reflected as equity at December 31, 2010. The Company recorded a loss of $1.1 million for the year ended December 31, 2010 representing the increase in the fair value of the warrants from January 1, 2010 through the date of issuance.

2006 and 2005 Placements

In 2006 and 2005 the Company sold shares of its common stock and warrants to purchase shares of common stock. In 2006, the Company issued 1,000,000 warrants with an initial exercise price of $4.99 per share (the "2006 Warrants"). In 2005, the Company issued 1,000,000 warrants with an initial exercise price of $1.18 per share (the "2005 Warrants"). As of December 31, 2010, all of the 2005 Warrants have been exercised and issued. The 2006 Warrants may be exercised through and including October 19, 2013. Due to the effect of certain anti-dilution provisions in such warrants, the Company adjusted the number of shares issuable under the 2006 Warrants by 652,038 through December 31, 2010. The exercise prices of the warrants issued in these placements were also adjusted. At December 31, 2010, 915,568 of the 2006 Warrants at an exercise price of $2.92 were outstanding. The number of shares issuable pursuant to the Warrants may be subject to further adjustment as a result of the effect of future equity issuances on anti-dilution provisions in the related warrant agreements.

The Company accounted for the 2006 and 2005 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 be reported in earnings or loss as long as the derivative contracts are classified as assets or liabilities. At December 31, 2010, the fair market value of the 2006 Warrants was $10.5 million. The Company applied the Black-Scholes model to calculate the fair values of the respective derivative instruments using the contractual term of the warrants. Management estimates the expected volatility using a combination of the Company's historical volatility and the volatility of a group of comparable companies. For the year ended December 31, 2010, the Company recorded a loss of $14.9 million as a result of a net increase in the 2005 and 2006 Warrants.

5. Stock Option Plan and Warrants

In May 2010, the Company adopted its 2010 Incentive Stock Option Plan (the "2010 Plan") to supersede its 1996 Incentive and Non-Qualified Stock Option Plan (the "1996 Plan"). The 2010 Plan provides for the granting of up to 2,000,000 shares of the Company's common stock to employees, consultants and outside directors of the Company. The awards that may be provided under the 2010 Plan include: Incentive Stock Options ("ISOs") and Nonqualified Stock Options; shares of Restricted Stock; and shares of Unrestricted Stock.

Stock option awards provide holders the right to purchase shares of Common Stock at prices determined by the Compensation Committee but 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. The vesting period for options granted under the 2010 Plan, except those granted to outside directors, is determined by the Compensation Committee of the Board of Directors. The Compensation Committee also determines the expiration date of each Stock Option, however, no ISO is exercisable more than ten years after the date of grant. The maximum term of options awarded under the 2010 Plan is ten years.

During 1996, the Company established its 1996 Plan which, as amended, provided for the granting of up to 11,000,000 shares of the Company's common stock to employees, consultants and outside directors of the Company. The exercise period for options granted under the Plan, except those granted to outside directors, is determined by a committee of the Board of Directors. Stock options granted to outside directors pursuant to the Plan 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 will be no future awards from the 1996 Plan.

The fair value of option grants were estimated at the date of grant during the years ended December 31, 2010, 2009, and 2008 based upon the following weighted average assumptions:

	2010	2009	2008
Expected volatility	80.21%	81.40%	68.50%
Expected dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	2.16%	2.21%	2.79%
Expected life	5 years	5 years	5 years

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.

For the years ended December 31, 2010, 2009, and 2008, the Company recorded compensation expense of $1.5 million, $2.1 million and $1.0 million, respectively. The total fair value of options vested during each year was $1.5 million, $1.4 million and $595,000 for 2010, 2009 and 2008, respectively. The weighted-average grant-date fair value of stock options granted was $4.95, $4.29 and $1.72 for 2010, 2009 and 2008, respectively.

A summary of the stock option activity under the 2010 and 1996 Plans 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, 2010	6,124,917	$ 2.76		
Granted	179,500	7.62		
Forfeited	(12,167)	7.18		
Exercised	(1,572,622)	2.44		
Outstanding at December 31, 2010	4,719,628	$ 3.02	4.26	$ 51,803,991
Vested and expected to vest at December 31, 2010	4,382,249	$ 2.83	3.95	$ 48,968,913
Exercisable at December 31, 2010	3,841,795	$ 2.77	3.44	$ 43,139,846

As of December 31, 2010, $1.2 million 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 1.42 years. The total intrinsic value of stock options exercised was $19.6 million, $7.0 million and $0.9 million for the years ended December 31, 2010, 2009 and 2008, respectively. The intrinsic value represents the amount by which the market price of the underlying stock exceeds the exercise price of an option.

As of December 31, 2009, options awarded outside of the plan included 125,000 options granted in May 2000 to the Company's Chief Scientific Officer, with an exercise price of $2.00 per share. These options were exercised in 2010 for total proceeds of approximately $250,000.

As of December 31, 2010 and 2009, 500,000 of the Company's outstanding options, respectively, were subject to specific performance conditions which included revenue thresholds and regulatory approval of our lead drug candidate. These options are not exercisable at December 31, 2010.

The following tables summarize information about warrants outstanding at December 31, 2010:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at January 1, 2010	5,011,141	$ 3.17
Granted	849,742	3.32
Exercised	(2,702,687)	2.10
Canceled / Expired	(2,659)	1.83
Outstanding at December 31, 2010	3,155,537	2.16

6. Related Parties

On December 1, 2009 the Company entered into an Office Service Agreement with an affiliate of M&F to occupy office space for approximately $8,000 per month. The agreement is cancelable upon 60 days notice by SIGA or the affiliate.

A member of the Company's Board of Directors is a member of the Company's outside counsel. During the years ended December 31, 2010, 2009, and 2008, the Company incurred costs of $2.7 million, $1.8 million and $1.0 million, respectively, related to services provided by the outside counsel. On December 31, 2010, the Company's outstanding payables included $485,000 payable to the outside counsel.

7. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2010 and 2009:

	2010	2009
Laboratory equipment	$ 2,573,178	$ 2,301,312
Leasehold improvements	3,055,100	2,868,849
Computer equipment	297,500	229,209
Furniture and fixtures	310,898	310,898
	6,236,676	5,710,268
Less - accumulated depreciation	(5,086,419)	(4,484,612)
Property, plant and equipment, net	$ 1,150,257	$ 1,225,656

8. Accrued Expenses

Accrued expenses consisted of the following at December 31, 2010 and 2009:

	2010	2009
Vacation	$ 207,717	$ 159,591
Bonuses	50,000	194,700
Legal	590,000	55,000
Other	340,441	331,042
Accrued expenses	$ 1,188,158	$ 740,333

9. Income Taxes

At December 31, 2010 and 2009, the Company's deferred tax assets and liabilities are comprised of the following:

Deferred income tax assets:	2010	2009
Net operating losses	$ 25,340	$ 20,302
Deferred research and development costs	5,644	6,613
Amortization of intangible assets	1,274	571
Depreciation	828	866
Other	80	-
	33,166	28,352
Less valuation allowance	(33,166)	(28,352)
Deferred income tax assets	-	-
Deferred income tax liabilities:		
Amortization of goodwill	175	-
Deferred income tax liabilities, net	$ 175	$ -

The Company has incurred losses since inception, which have generated net operating loss carryforwards of approximately $68.7 million at December 31, 2010 for federal and state income tax purposes. These carryforwards are available to offset future taxable income and expire beginning in 2011 for federal income tax purposes. As a result of a previous change in stock ownership, the annual utilization of the net operating loss carryforwards from years prior to 2004 may be subject to limitation. In consideration of the Company's accumulated losses and the uncertainty of its ability to utilize this deferred tax asset in the future, the Company has recorded a valuation allowance of an equal amount on such date to fully offset the deferred tax asset.

The deferred tax assets for the respective periods were assessed for recoverability and, where applicable, a valuation allowance was recorded to reduce the total deferred tax asset to an amount that will, more likely than not, be realized in the future. The net change in the total valuation allowance for the years ended December 31, 2010 and 2009 was an increase of $4.8 million and a increase of $3.8 million, respectively. The increase in the valuation allowance as of December 31, 2010 and 2009 relates primarily to net operating loss carryforwards.

The Company's effective tax rate differs from the U.S. Federal Statutory income tax rate of 34% as follows:

	2010	2009
Statutory federal income tax rate	(34.00)%	(34.00)%
State tax benefit, net of federal taxes	(2.30)%	(2.52)%
Loss from fair value of common warrants	19.36%	13.18%
Other	1.81%	3.76%
Valuation allowance on deferred tax assets	14.45%	19.58%
Effective tax rate	(0.68)%	0.00%

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For the years ended December 31, 2010 and 2009, the Company's effective tax rate differs from the federal statutory rate principally due to net operating losses and other differences for which no benefit was recorded, state taxes and other permanent differences.

Other Income, net, for the year ended December 31, 2010, includes $648,000 awarded to the Company under the U.S. Government's Qualified Discovery Tax Credit program offset by a $175,000 deferred tax provision associated with a temporary difference generated from the amortization of goodwill for tax purposes.

10. Commitments and Contingencies

Operating lease commitments

The Company leases certain facilities and office space under operating leases. Certain leases contain renewal provisions and generally require us to pay utilities, insurance, taxes and other operating expenses. Future minimum rental commitments under non-cancelable operating leases as of December 31, 2010 consist of $573,077 due in 2011.

Other

In December 2006, PharmAthene, Inc. ("PharmAthene") filed an action against us in the Delaware Court of Chancery captioned PharmAthene, Inc. v. SIGA Technologies, Inc., C.A. No. 2627-N. In its amended complaint, PharmAthene asks the Court to demand SIGA enter into a license agreement with PharmAthene with respect to ST-246®, as well as issue a declaration that we are obliged to execute such a license agreement, and award damages resulting from our supposed breach of that obligation. PharmAthene also alleges that we breached an obligation to negotiate such a license agreement in good faith, as well as seeks damages for promissory estoppel and unjust enrichment based on supposed information, capital and assistance that PharmAthene allegedly provided to us during the negotiation process. In January 2008, the Court of Chancery denied our motion to dismiss the original complaint and discovery proceeded. In May 2009, PharmAthene amended its complaint with respect to its claim for breach of an obligation to negotiate in good faith, and we filed our answer to the amended complaint and counterclaim denying the new claim and asserting defenses.

PharmAthene has submitted an expert report asserting several alternative theories of damages, in a wide range of up to one billion dollars. We believe that the expert's damages analyses are flawed and methodologically unsound. The Company continues to believe that we have meritorious defenses to the claims. The Company filed a partial summary judgment motion on March 19, 2010, regarding certain aspects of PharmAthene's claims and damage assessments. On November 23, 2010, the Court of Chancery denied the motion for partial summary judgment. A trial was held before Vice Chancellor Donald F. Parsons, Jr. on January 3 -7, 10-12, 18-19 and 21, 2011. The Court reserved decision, and the parties are currently preparing post-trial briefs. Closing arguments are scheduled for April 2011. It is not currently possible to estimate a range of loss, if any.

From time to time, the Company is involved in disputes or legal proceedings arising in the ordinary course of business. The Company believes that there is no other dispute or litigation pending that could have, individually or in the aggregate, a material adverse effect on its financial position, results of operations or cash flows.

11. Financial Information By Quarter (Unaudited)

2010	Three Months Ended March 31	June 30	September 30	December 31	Full Year
	(in thousands, except for per share data)				
Revenues	$ 5,075	$ 4,447	$ 6,632	$ 3,062	$ 19,216
Selling, general & administrative	1,969	2,234	1,389	2,539	8,131
Research and development	5,827	4,930	7,420	4,482	22,659
Patent preparation fees	320	306	235	288	1,149
Operating loss	(3,041)	(3,023)	(2,412)	(4,246)	(12,722)
Net income (loss)	(4,937)	(5,251)	(4,430)	(13,577)	(28,195)
Net loss per share: basic and diluted	$ (0.11)	$ (0.12)	$ (0.10)	$ (0.29)	$ (0.62)
Market price range for common stock					
High	$ 7.46	$ 7.80	$ 9.10	$ 14.10	$ 14.10
Low	$ 5.51	$ 6.15	$ 7.32	$ 7.98	$ 5.51

2009	Three Months Ended March 31	June 30	September 30	December 31	Full Year
	(in thousands, except for per share data)				
Revenues	$ 1,926	$ 4,009	$ 3,922	$ 3,955	$ 13,812
Selling, general & administrative	2,060	1,802	1,522	2,149	7,533
Research and development	2,697	4,713	4,828	5,185	17,423
Patent preparation fees	109	84	191	350	734
Operating loss	(2,940)	(2,590)	(2,619)	(3,730)	(11,879)
Net income (loss)	(8,080)	(12,581)	(1,190)	2,451	(19,400)
Net loss per share: basic and diluted	$ (0.23)	$ (0.34)	$ (0.03)	$ 0.08	$ (0.52)
Market price range for common stock					
High	$ 5.86	$ 8.88	$ 8.63	$ 10.09	$ 10.09
Low	$ 3.15	$ 4.73	$ 6.25	$ 4.83	$ 3.15

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, 2010. 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, 2010 at a reasonable level of assurance.

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, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO") in Internal Control-Integrated Framework. 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, 2010.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Remediation of Material Weakness

In our restated Annual Report on Form 10-K/A for the year ended December 31, 2009, management concluded that, as of December 31, 2009, our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP due to the following material weakness:

We did not maintain effective controls to ensure the completeness and accuracy of non-cash charges resulting from required adjustments to certain outstanding warrants (the "Warrants"). These adjustments were triggered by the application of certain anti-dilution provisions included in the agreements governing the Warrants and resulted in the issuance of additional warrants to acquire shares of common stock and additional non-cash charges which were not recorded in the appropriate accounting periods. This material weakness resulted in a material misstatement of our liabilities, non-cash expense relating to the changes in fair value of common stock warrants and accumulated deficit accounts and related financial disclosures that was not prevented and detected on a timely basis. As a result, the Company's consolidated financial statements were restated for the years ended December 31, 2009 and 2008 and each of the quarterly periods from June 30, 2008 through June 30, 2010.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Subsequent to the identification of the material weakness, management developed a remediation plan to address the material weakness. The remediation plan consisted of redesigning quarterly procedures to enhance management's identification, capture, review, approval and recording of contractual terms included in active contracts or arrangements.

During the quarters ended September 30, 2010 and December 31, 2010, management tested the design and operating effectiveness of the newly implemented controls. As a result, management concluded that the material weakness described above has been remediated as of December 31, 2010.

Changes in Internal Control over Financial Reporting

Except as described above, there were no changes in our internal control over financial reporting during the quarter ended December 31, 2010 that materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

Information required by this item is incorporated herein by reference from our definitive proxy statement for the 2011 Annual Meeting of Stockholders.

Item 11. Executive Compensation

Information required by this item is incorporated herein by reference from our definitive proxy statement for the 2011 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 from our definitive proxy statement for the 2011 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, 2010:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders (1)	4,719,628	$ 3.02	1,941,000
Equity compensation plans not approved by security holders	-	N/A	-
Total	4,719,628		1,941,000

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

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

Information required by this item is incorporated herein by reference from our definitive proxy statement for the 2011 Annual Meeting of Stockholders.

Item 14. Principal Accountant Fees and Services

Information required by this item is incorporated herein by reference from our definitive proxy statement for the 2011 Annual Meeting of Stockholders.

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)	Warrant Agreement dated as of September 15, 1996 between the Company and Vincent A. Fischetti (1) (incorporated by reference to the Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).
4(c)	Warrant Agreement dated as of November 18, 1996 between the Company and David de Weese (1) (incorporated by reference to the Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).
4(d)	Warrant Agreement between the Company and Stefan Capital, dated September 9, 1999 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 1999).
4(e)	Registration Rights Agreement, dated as of May 23, 2003, between the Company and Plexus Vaccine Inc. (incorporated by reference to the Current Report on Form 8-K of the Company filed on June 9, 2003).
4(f)	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(g)	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).
10(a)	License and Research Support Agreement between the Company and The Rockefeller University, dated as of January 31, 1996; and Amendment to License and Research Support Agreement between the Company and The Rockefeller University, dated as of October 1, 1996(2) (incorporated by reference to the Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).

10(b)	Research Agreement between the Company and Emory University, dated as of January 31, 1996(2) (incorporated by reference to the Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).
10(c)	Research Support Agreement between the Company and Oregon State University, dated as of January 31, 1996(2) (incorporated by reference to the Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).
10(d)	Letter Agreement dated as of March 5, 1999 to continue the Research Support Agreement (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 1999).
10(e)	Option Agreement between the Company and Oregon State University, dated as of November 30, 1999 and related Amendments to the Agreement (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 1999).
10(f)	Clinical Trials Agreement between the Company and National Institute of Allergy and Infectious Diseases, dated as of July 1, 1997 (incorporated by reference to Amendment No. 1 to the Form SB-2 Registration Statement of the Company dated July 11, 1997 (No. 333-23037)).
10(g)	Research Agreement between the Company and The Research Foundation of State University of New York, dated as of July 1, 1997(2) (incorporated by reference to Amendment No. 1 to the Form SB-2 Registration Statement of the Company dated July 11, 1997 (No. 333-23037)).
10(h)	Collaborative Research and License Agreement between the Company and Wyeth, dated as of July 1, 1997(2) (incorporated by reference to Amendment No. 3 to the Form SB-2 Registration Statement of the Company dated September 2, 1997 (No. 333-23037)).
10(i)	Research Collaboration and License Agreement between the Company and The Washington University, dated as of February 6, 1998 (2) (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 1997).
10(j)	Settlement Agreement and Mutual Release between the Company and The Washington University, dated as of February 17, 2000 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 1999).
10(k)	Technology Transfer Agreement between the Company and MedImmune, Inc., dated as of February 10, 1998 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 1997).
10(l)	Option Agreement between the Company and Ross Products Division of Abbott Laboratories, dated February 28, 2000 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 1999).
10(m)	Agreement between the Company and Oregon State University for the Company to provide contract research services to the University dated September 24, 2000 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 2000).
10(n)	License and Research Agreements between the Company and the Regents of the University of California dated December 6, 2000 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 2000).
10(o)	Amended and Restated 1996 Incentive and Non-Qualified Stock Option Plan dated August 15, 2001 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 2001), as amended (as set forth in the Current Report on Form 8-K of the Company filed on May 27, 2005).

10(p)	Research and License Agreement between the Company and TransTech Pharma, Inc. dated October 1, 2002 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 2002).
10(q)	Contract between the Company and the Department of the United States Army dated December 12, 2002 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 2002).
10(r)	Contract between the Company and Four Star Group dated February 5, 2003 (incorporated by reference to the Annual Report on Form 10-KSB of the Company for the year ended December 31, 2002).
10(s)	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(t)	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(u)	Non-Employee Director Compensation Summary Sheet (incorporated by reference to the Quarterly Report on Form 10-Q of the Company for the quarter ending March 31, 2005).
10(v)	Director Compensation Program, effective April 21, 2005 (incorporated by reference to the Current Report on Form 8-K of the Company filed on April 26, 2005).
10(w)	Service Agreement, dated as of April 27, 2005, between the Company and TransTech Pharma, Inc. (incorporated by reference to the Current Report on Form 8-K of the Company filed on May 3, 2005).
10(x)	Master Security Agreement, dated as of April 29, 2005, between General Electric Capital Corporation and the Company (incorporated by reference to the Current Report on Form 8-K of the Company filed on May 3, 2005).
10(y)	Agreement, dated as of September 14, 2005, between Saint Louis University and the Company (incorporated by reference to the Current Report on Form 8-K of the Company filed on September 20, 2005).
10(z)	Agreement, dated as of September 22, 2005, between the United States Army Medical Research and Material Command and the Company (incorporated by reference to the Current Report on Form 8-K of the Company filed on September 27, 2005).
10(aa)	Securities Purchase Agreement, dated as of November 2, 2005, between Iroquois Master Fund Ltd., Cranshire Capital, L.P., Omicron Master Trust, Smithfield Fiduciary LLC and the Company (incorporated by reference to the Current Report on Form 8-K of the Company filed on November 4, 2005).
10(bb)	Exclusive Finder’s Agreement, dated as of November 1, 2005, between the Shemano Group, Inc. and the Company (incorporated by reference to the Current Report on Form 8-K of the Company filed on November 4, 2005).
10(cc)	Bridge Note Purchase Agreement, dated as of March 20, 2006, between the Company and PharmAthene, Inc. (incorporated by reference to the Current Report on Form 8-K of the Company filed on March 22, 2006).
10(dd)	Security Agreement, dated as of March 20, 2006, between the Company and PharmAthene, Inc. (incorporated by reference to the Current Report on Form 8-K of the Company filed on March 22, 2006).

10(ee)	Voting Agreement, dated as of June 8, 2006, among the Company, TransTech Pharma, Inc., MacAndrews & Forbes, Inc., Howard Gittis, Donald G. Drapkin, James J. Antal, Thomas E. Constance, Mehmet C. Oz, Eric A. Rose and Paul G. Savas (incorporated by reference to the Current Report on Form 8-K of the Company filed on June 13, 2006).
10(ff)	Agreement and Plan of Merger, dated as of June 8, 2006, among the Company, SIGA Acquisition Corp. and PharmAthene, Inc. (incorporated by reference to the Current Report on Form 8-K of the Company filed on June 13, 2006).
10(gg)	8% Note, dated as of June 19, 2006, between the Company and PharmAthene, Inc. (incorporated by reference to the Current Report on Form 8-K of the Company filed on June 20, 2006).
10(hh)	Agreement, dated as of September 29, 2006, between SIGA Technologies, Inc. and the National Institute of Allergy and Infectious Diseases of the National Institutes for Health (incorporated by reference to the Quarterly Report on Form 10-Q/A for the quarter ending September 30, 2006).
10(ii)	Securities Purchase Agreement, dated as of October 18, 2006, between the Company, Iroquois Master Fund Ltd., Cranshire Capital, L.P., Omicron Master Trust, Rockmore Investment Master Fund, Ltd., and Smithfield Fiduciary LLC (incorporated by reference to the Current Report on Form 8-K of the Company filed on October 20, 2006).
10(jj)	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(kk)	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(ll)	Contract, dated September 1, 2008, between the Company and the National Institutes of Health, DHHS (incorporated by reference to the Quarterly Report on Form 10-Q of the Company for the quarter ending September 30, 2008).
10(mm)	Modification of Contract, dated September 17, 2008, between the Company and the National Institute of Allergy and Infectious Diseases of the National Institutes of Health (incorporated by reference to the Quarterly Report on Form 10-Q of the Company for the quarter ending September 30, 2008).
10(nn)	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(oo)	Employment Agreement, dated January 22, 2007, between the Company and Ayelet Dugary (incorporated by reference to the Current Report on Form 8-K of the Company filed on March 12, 2009).
10(pp)	Amendment to Employment Agreement, dated March 11, 2009, between the Company and Ayelet Dugary (incorporated by reference to the Current Report on Form 8-K of the Company filed on March 12, 2009).
10(qq)	Letter Agreement, dated as of April 29, 2009, between the Company and Ayelet Dugary (incorporated by reference to the Current Report on Form 8-K of the Company filed on April 30, 2009).
10(rr)	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(ss)	Extension Letter Agreement, dated April 29, 2009, between MacAndrews & Forbes LLC and the Company (incorporated by reference to the Current Report on Form 8-K of the Company filed on April 30, 2009).
10(tt)	Form of Consideration Warrants (incorporated by reference to the Current Report on Form 8-K of the Company filed on April 30, 2009).
10(uu)	Form of Subscription Agreement (incorporated by reference to the Current Report on Form 8-K of the Company filed on December 10, 2009).
10(vv)	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(ww)	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).
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 Rules 13a-15(e) or 15d-15(e) 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-15(e) or 15d-15(e) 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.

(1) These agreements were entered into prior to the reverse split of the Company's common stock and, therefore, do not reflect such reverse split.

(2) Confidential information is omitted and identified by an * and filed separately with the SEC with a request for Confidential Treatment.

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 9, 2011 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, M.D. Eric A. Rose, M.D.	Chairman and Chief Executive Officer (Principal Executive Officer)	March 9, 2011
/s/ Daniel J. Luckshire Daniel J. Luckshire	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 9, 2011
/s/ Steven L. Fasman Steven L. Fasman	Director	March 9, 2011
/s/ James J. Antal James J. Antal	Director	March 9, 2011
/s/ Thomas E. Constance Thomas E. Constance	Director	March 9, 2011
/s/ Scott Hammer, M.D. Scott Hammer, M.D.	Director	March 9, 2011
/s/ Paul G. Savas Paul G. Savas	Director	March 9, 2011
/s/ Michael Weiner, M.D. Michael Weiner, M.D.	Director	March 9, 2011
/s/ Michael J. Bayer Michael J. Bayer	Director	March 9, 2011
/s/ Bruce Slovin Bruce Slovin	Director	March 9, 2011

/s/ Joseph Marshall Joseph Marshall	Director	March 9, 2011
/s/ Andrew Stern Andrew Stern	Director	March 9, 2011