SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2002

Commission File No. 0-23047

SIGA Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	13-3864870
(State or other jurisdiction of incorporation or organization)	(IRS Employer Id. No.)
420 Lexington Avenue, Suite 601	New York, NY 10170
(Address of principal executive offices)	(zip code)

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

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

None
(Title of Class)

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

common stock, $.0001 par value
(Title of Class)

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 |_|.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B 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-KSB or any amendment to this Form 10-KSB. |_|.

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on March 20, 2003 as reported on the Nasdaq SmallCap Market was approximately $16,268,778. As of March 20 , 2002 the registrant had outstanding 13,226,649 shares of common stock. For the year ended December 31, 2002 SIGA had revenues of $344,450.

SIGA Technologies, Inc.

Form 10-KSB

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PART I

Item 1. Business

Certain statements in this Annual Report on Form 10-KSB, 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 (i) the volatile and competitive nature of the biotechnology industry, (ii) changes in domestic and foreign economic and market conditions, and (iii) 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.

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

Introduction

SIGA is a development stage biotechnology company incorporated in Delaware on December 9, 1996. We aim to discover, develop and commercialize vaccines, antibiotics and novel anti-infectives for serious infectious diseases. Our lead vaccine candidate is for the prevention of group A streptococcal pharyngitis or "strep throat." We are developing a technology for the mucosal delivery of our vaccines which may allow those vaccines to activate the immune system at the mucus lined surfaces of the body -- the mouth, the nose, the lungs and the gastrointestinal and urogenital tracts -- the sites of entry for most infectious agents. We focus our anti-infectives program on the increasingly serious problem of drug resistance. These programs are designed to block the ability of bacteria to attach to human tissue, the first step in the infection process.

Technology

Vaccine Technologies: Mucosal Immunity and Vaccine Delivery

Using proprietary technology licensed from The Rockefeller University ("Rockefeller"), SIGA is developing certain commensal bacteria ("commensals") as a means to deliver mucosal vaccines. Commensals are harmless bacteria that naturally inhabit the body's surfaces with different commensals inhabiting different surfaces, particularly the mucosal surfaces. Our vaccine candidates use genetically engineered commensals to deliver antigens for a variety of pathogens to the mucosal immune system. When administered, the genetically engineered commensals colonize the mucosal surface and replicate. By activating a local mucosal immune response, our vaccine candidates are designed to prevent infection and disease at the earliest possible stage. By comparison, most conventional vaccines are designed to act after infection has already occurred.

Our commensal vaccine candidates use Gram-positive bacteria. Rockefeller scientists have identified a protein region that is used by Gram-positive bacteria to anchor proteins to their surfaces. We are using the proprietary technology licensed from Rockefeller to combine antigens from a wide range of infectious organisms, both viral and bacterial, with the surface protein anchor region of a variety of commensal organisms. By combining a specific antigen with a specific commensal, vaccines may be tailored to both the target pathogen and its mucosal point of entry.

To target an immune response to a particular mucosal surface, a commensal vaccine would employ a commensal organism that naturally inhabits that surface. For example, vaccines targeting sexually transmitted diseases might employ Lactobacillus acidophilus, a commensal colonizing the female urogenital tract. Vaccines targeting gastrointestinal diseases could employ Lactobacillus casei, a commensal colonizing the gastrointestinal tract. We have conducted initial experiments using Streptococcus gordonii ("S. gordonii"), a commensal that colonizes the oral cavity and which may be used in vaccines targeting pathogens that enter through the upper respiratory tract, such as the influenza virus.

By using an antigen unique to a given pathogen, the technology may potentially be applied to any infectious agent that enters the body through a mucosal surface. Our founding scientists have expressed and anchored a variety of viral and bacterial antigens on the outside of S. gordonii, including the M6 protein from group A streptococcus, a group of organisms that causes a range of diseases, including strep throat, necrotizing fasciitis, impetigo and scarlet fever. In addition, proteins from other infectious agents, such as HIV and human papilloma virus have also been expressed using this system. We believe this technology will enable the expression of most antigens regardless of size or shape. In animal studies, we have shown that the administration of a genetically engineered S. gordonii vaccine prototype induces both a local mucosal immune response and a systemic immune response.

We believe that mucosal vaccines developed using our proprietary commensal delivery technology could provide a number of advantages, including:

- More complete protection than conventional vaccines: Mucosal vaccines in general may be more effective than conventional parenteral vaccines, due to mucosal vaccines' ability to produce both a systemic and local (mucosal) immune response.

- Safety advantage over other live vectors: A number of bacterial pathogens have been genetically rendered less infectious, or attenuated, for use as live vaccine vectors. Commensals, by virtue of their substantially harmless nature, may offer a safer delivery vehicle without fear of genetic reversion to the infectious state inherent in attenuated pathogens.

- Non-injection administration: Oral, nasal, rectal or vaginal administration of the vaccine eliminates the need for painful injections with their potential adverse reactions.

- Potential for combined vaccine delivery: The Children's Vaccine Initiative, a world wide effort to improve vaccination of children sponsored by the World Health Organization (WHO), has called for the development of combined vaccines, specifically to reduce the number of needle sticks per child, by combining several vaccines into one injection, thereby increasing compliance and decreasing disease. We believe our commensal delivery technology can be an effective method of delivery of multi-component vaccines within a single commensal organism that address multiple diseases or diseases caused by multiple strains of an infectious agent.

- Eliminating need for refrigeration: One of the problems confronting the effective delivery of parenteral vaccines is the need for refrigeration at all stages prior to injection. The stability of the commensal organisms in a freeze-dried state would, for the most part, eliminate the need for special climate conditions, a critical consideration, especially for the delivery of vaccines in developing countries.

- Low cost production: By using a live bacterial vector, extensive downstream processing is eliminated, leading to considerable cost savings in the production of the vaccine. The potential for eliminating the need for refrigeration would add considerably to these savings by reducing the costs inherent in refrigeration for vaccine delivery.

Anti-Infectives Technology: Prevention of Attachment and Infectivity

The bacterial infectious process generally includes three steps: colonization, invasion and disease. The adherence of bacteria to a host's surface is crucial to establishing colonization. Bacteria adhere through a number of mechanisms, but generally by using highly specialized surface structures which, in turn, bind to specific structures or molecules on the host's cells or, as discussed below, to inanimate objects residing in the host. Once adhered,

many bacteria will invade the host's cells and either establish residence or continue invasion into deeper tissues. During any of these stages, the invading bacteria can cause the outward manifestations of disease, in some cases through the production and release of toxin molecules. The severity of disease, while dependent on a large combination of factors, is often the result of the ability of the bacteria to persist in the host. These bacteria accomplish this persistence by using surface molecules which can alter the host's nonspecific mechanisms or its highly specific immune responses to clear or destroy the organisms.

Unlike conventional antibiotics, as discussed above, our anti-infectives approaches aim to block the ability of pathogenic bacteria to attach to and colonize human tissue, thereby preventing infection at its earliest stage. Our scientific strategy is to inhibit the expression of bacterial surface proteins required for bacterial infectivity. We believe that this approach has promise in the areas of hospital-acquired drug-resistant infections and a broad range of other diseases caused by bacteria.

Many special surface proteins used by bacteria to infect the host are anchored in the bacterial cell wall. Scientists at Rockefeller University have identified an amino acid sequence and related enzyme, a selective protease, that are essential for anchoring proteins to the surface of most Gram-positive bacteria. Published information indicates that this amino acid sequence is shared by more than 50 different surface proteins found on a variety of Gram-positive bacteria. This commonality suggests that this protease represents a promising target for the development of a new class of antibiotic products for the treatment of a wide range of infectious diseases. Experiments by our founding scientists have shown that without this sequence, proteins cannot become anchored to the bacterial surface and thus the bacteria are no longer capable of attachment, colonization or infection. Such "disarmed" bacteria should be readily cleared by the body's immune system. Our drug discovery strategy is to use a combination of structure-based drug design and high throughput screening procedures to identify compounds that inhibit the protease, thereby blocking the anchoring process. If successful, this strategy should provide relief from many Gram-positive bacterial infections, but may prove particularly important in combating diseases caused by the emerging antibiotic resistance of the Gram-positive organisms S. aureus, Streptococcus pneumoniae, and the enterococci.

In contrast to the above program, which focuses on Gram-positive bacteria, our pilicide program, based upon initial research performed at Washington University, focuses on a number of new and novel targets all of which impact on the ability of Gram-negative bacteria to assemble adhesive pili on their surfaces. Pili are proteins on the surfaces of Gram-negative bacteria -- such as E. coli, salmonella, and shigella -- that are required for the attachment of the bacteria to human tissue, the first step in the infection process. This research program is based upon the well-characterized interaction between a periplasmic protein -- a chaperone -- and the protein subunits required to form pili. In addition to describing the process by which chaperones and pili subunits interact, we have developed the assay systems necessary to screen for potential therapeutic compounds, and have provided an initial basis for selecting novel antibiotics that work by interfering with the pili adhesion mechanism.

Surface Protein Expression System ("SPEX")

The ability to overproduce many bacterial and human proteins has been made possible through the use of recombinant DNA technology. The introduction of DNA molecules into E. coli has been the method of choice to express a variety of gene products, because of this bacteria's rapid reproduction and well-understood genetics. Yet despite the development of many efficient E. coli-based gene expression systems, the most important concern continues to be associated with subsequent purification of the product. Recombinant proteins produced in this manner do not readily cross E. coli's outer membrane, and as a result, proteins must be purified from the bacterial cytoplasm or periplasmic space. Purification of proteins from these cellular compartments can be very difficult. Frequently encountered problems include low product yields, contamination with potentially toxic cellular material (i.e., endotoxin) and the formation of large amounts of partially folded polypeptide chains in non-active aggregates termed inclusion bodies.

To overcome these problems, we have taken advantage of our knowledge of Gram-positive bacterial protein expression and anchoring pathways. This pathway has evolved to handle the transport of surface proteins that vary widely in size, structure and function. Modifying the approach used to create commensal mucosal vaccines, we have

developed methods which, instead of anchoring the foreign protein to the surface of the recombinant Gram-positive bacteria, result in it being secreted into the surrounding medium in a manner which is readily amenable to simple batch purification. We believe the advantages of this approach include the ease and lower cost of Gram-positive bacterial growth, the likelihood that secreted recombinant proteins will be folded properly, and the ability to purify recombinant proteins from the culture medium without having to disrupt the bacterial cells and liberating cellular contaminants. Gram-positive bacteria may be grown simply in scales from those required for laboratory research up to commercial mass production.

Product Candidates and Market Potential

Mucosal Vaccines

Development of our mucosal vaccine candidates involves: (i) identifying a suitable immunizing antigen from a pathogen; (ii) selecting a commensal that naturally colonizes the mucosal point of entry for that pathogen; and (iii) genetically engineering the commensal to express the antigen on its surface for subsequent delivery to the target population.

Strep Throat Vaccine Candidate. Until the age of 15, many children suffer recurrent strep throat infections. Up to three percent of ineffectively treated strep throat cases progress to rheumatic fever, a debilitating heart disease, which worsens with each succeeding streptococcal infection. Since the advent of penicillin therapy, rheumatic fever in the United States has experienced a dramatic decline. However, in the last decade, rheumatic fever has experienced a resurgence in the United States. Part of the reason for this is the latent presence of this organism in children who do not display symptoms of a sore throat, and, therefore, remain untreated and at risk for development of rheumatic fever. Based on data from the Centers for Disease Control and Prevention, there are five to 10 million cases of pharyngitis due to group A streptococcus in the United States each year. There are over 32 million children in the principal age group targeted by us for vaccination. Worldwide, it is estimated that one percent of all school age children in the developing world have rheumatic heart disease. Additionally, despite the relative ease of treating strep throat with antibiotics, the specter of antibiotic resistance is always present. In fact, resistance to erythromycin, the second line antibiotic in patients allergic to penicillin, has appeared in a number of cases.

We believe that the reason no vaccine for strep throat has been developed is because of problems associated with identifying an antigen that is common to the more than 120 different serotypes of group A streptococcus, the bacterium that causes the disease. We have licensed from Rockefeller a proprietary antigen which is common to most types of group A streptococcus, including types that have been associated with rheumatic fever. When this antigen was orally administered to animals, it was shown to provide protection against multiple types of group A streptococcal infection. Using this antigen, we are seeking to develop a mucosal vaccine for strep throat.

Our strep throat vaccine candidate expresses the strep throat antigen on the surface of the commensal S. gordonii, which lives on the surface of the teeth and gums. Pre-clinical research in mice and rabbits has established the ability of this vaccine candidate to colonize and induce both a local and systemic immune response. We are collaborating with the National Institutes of Health ("NIH") and the University of Maryland Center for Vaccine Development on the clinical development of this vaccine candidate. In cooperation with the NIH we filed an Investigational New Drug Application ("IND") with the United States Food and Drug Administration (the "FDA") in December 1997. The first stage of these clinical trials, using the commensal delivery system without the strep throat antigen, were completed at the University of Maryland in 2000. The study showed the commensal delivery system to be well-tolerated and that it spontaneously eradicated or was easily eradicated by conventional antibiotics. A second clinical trial of the commensal delivery system without the strep throat antigen was initiated in 2000 at the University of Maryland. The study was completed in January 2002 and the results corroborated the results of the earlier study regarding tolerance and spontaneous eradication.

In the U.S. there are about 19 million children aged 2 to 6 years who could be candidates to receive such a vaccine at the time of its introduction and then around 4 million babies born each year to be protected. Assuming a charge of $25 per dose and three doses needed for protection, there could be a potential market for a strep throat

vaccine of $1.4 billion to immunize the entire U.S. population of 2 to 6 year olds and, thereafter, $300 million per year to maintain immunization in new births.

STD Vaccine Candidates. One of the great challenges in vaccine research remains the development of effective vaccines to prevent sexually transmitted diseases ("STDs"). Two principal pathogens that are transmitted via this route are chlamydia, the most common bacterial STD, and Neisseria, the causative agent of gonorrhea. To date, a great deal of effort has been expended, without appreciable success, to develop effective injectable prophylactic vaccines versus these pathogens. Given that both of these pathogens enter the host through the mucosa, we believe that induction of a vigorous mucosal response to certain bacterial antigens may protect against acquisition of the initial infection. To test this hypothesis, we have expressed newly discovered antigens from these pathogens in our proprietary mucosal vaccine delivery system. These live genetically engineered vaccines will be delivered to animals and tested for local and systemic immune response induction, and whether these responses can block subsequent bacterial infections. We have licensed technology from Oregon State University and Washington University in support of our chlamydia and Neisseria programs, respectively. In February 2000 we entered into an option agreement with the Ross Products Division of Abbott Laboratories ("Ross"), which will provide funding for further development of an STD vaccine product. The research program was completed in late 2001 and a report has been sent to Ross. Following review of the data, the agreement was extended to allow for an additional set of experiments to be conducted.

Chlamydia is the leading sexually transmitted disease in the U.S., with an estimated 4 million cases occurring annually. Up to $2.4 billion is spent annually on the treatment of infections from this pathogen, with the greatest percentage of this cost directed toward the therapy of chlamydial infection in women. Vaginal infection with C. trachomatis can progress to pelvic inflammatory disease, resulting in infertility, or may result in ectopic pregnancies. In addition, new evidence has linked C. trachomatis infection with an increased incidence of cervical cancer.

The target population for STD vaccines is likely to be 12 - 18 years of age. There are currently 27.5 million such individuals in the U.S., with around 4 million entering this age group annually. Once again, assuming $25 per dose and three doses to complete immunization, there could be a potential market for a C. trachomatis vaccine of $2 billion to immunize the entire U.S. population of 12 to 18 year olds and, thereafter, $300 million per year to maintain immunization in those entering this age group.

Mucosal Vaccine Delivery System

We are developing our proprietary mucosal vaccine delivery system, which is a component of our vaccine program, for license to other vaccine developers. Our commensal vaccine candidates utilize Gram-positive bacteria to deliver antigens. We are using proprietary technology to anchor antigens from a wide range of infectious organisms, both viral and bacterial, to the surface protein anchor region of a variety of commensal organisms. By combining a specific antigen with a specific commensal, we believe that vaccines can be tailored to both the target pathogen and its mucosal point of entry.

We have developed several genetic methods for recombining foreign sequences into the genome of Gram-positive bacteria at a number of non-essential sites. Various parameters have been tested and optimized to improve the level of foreign protein expression and its immunogenicity. In pre-clinical studies, genetically engineered commensals have been implanted into the oral cavities of several animal species with no observed deleterious effects. The introduced vaccine strains have taken up residence for prolonged periods of time and induce both a local mucosal (IgA) as well as a systemic immune response (IgG and T-cell).

We have completed two early stage clinical evaluations of our mucosal vaccine delivery system based on the commensal bacterium, S. gordonii. These clinical studies were designed to test the safety of the formulation, to monitor the extent and duration of colonization of the nasal and oral cavities and to determine if the delivery system could be eradicated at the end of the study with a regimen of conventional antibiotics. A total of 47 volunteers between the ages of 18 and 40 completed the first study, performed in the United Kingdom, in which S. gordonii was delivered to the nasal passage and oral cavity. A total of 60 volunteers completed a second study which was

conducted at the University of Maryland as part of our strep throat vaccine program as described above. The results of the studies indicated the delivery system was well-tolerated and that the delivery system spontaneously eradicated or was easily eradicated by conventional antibiotics. The ongoing clinical studies at the University of Maryland are also designed to evaluate S. gordonii as a commensal bacterial delivery system for our vaccine targeting strep throat. Experiments are currently underway to optimize and test the vaccine formulation prior to initiating Phase I human trials with the recombinant commensal vector based vaccine.

Anti-Infectives

Our anti-infectives program is targeted principally toward drug-resistant bacteria and hospital-acquired infections. According to estimates from the Centers for Disease Control, approximately two million hospital-acquired infections occur each year in the United States.

Our anti-infectives approaches aim to block the ability of bacteria to attach to and colonize human tissue, thereby blocking infection at the first stage in the infection process. By comparison, antibiotics available today act by interfering with either the structure or the metabolism of a bacterial cell, affecting its ability to survive and to reproduce. No currently available antibiotics target the attachment of a bacterium to its target tissue. We believe that, by preventing attachment, the bacteria should be readily cleared by the body's immune system.

Gram-Positive Antibiotic Technology. Our lead anti-infectives program is based on a novel target for antibiotic therapy. Our founding scientists have identified an enzyme, a selective protease, used by most Gram-positive bacteria to anchor certain proteins to the bacterial cell wall. These surface proteins are the means by which certain bacteria recognize, adhere to and colonize specific tissue. Our strategy is to develop protease inhibitors as novel antibiotics. We believe protease inhibitors will have wide applicability to Gram-positive bacteria in general, including antibiotic resistant staphylococcus and a broad range of serious infectious diseases including meningitis and respiratory tract infections. In 1997, we entered into a collaborative research and license agreement with Wyeth to identify and develop protease inhibitors as novel antibiotics. In the first quarter of 2001, we received a milestone payment from Wyeth for delivery of the first quantities of protease for screening, and high-throughput screening for protease inhibitors was initiated. In connection with our effort on this program we have entered into a license agreement with the University of California at Los Angeles for certain technology that may be incorporated into our development of products for Wyeth. High throughput screening of compound libraries has been completed and lead compounds are currently being evaluated in the laboratory.

Gram-Negative Antibiotic Technology. In 1998 we entered into a set of technology transfer and related agreements with MedImmune, Inc., Astra AB and The Washington University, St. Louis ("Washington University"), pursuant to which we acquired rights to certain Gram-negative antibiotic targets, products, screens and services developed at Washington University. In February 2000, we ended our collaborative research and development relationship with Washington University on this technology. (See "Collaborative Research and Licenses"). We maintain a non-exclusive license to technology acquired through these related agreements. We are using this technology in the development of antibiotics against Gram-negative pathogens. These bacteria use structures called pili to adhere to target tissue, and we plan to exploit the assembly and export of these essential infective structures as novel anti-infective targets. We continue to work on enhancing the intellectual property that we jointly share with Washington University.

Broad-Spectrum Antibiotic Technology. An initial host response to pathogen invasion is the release of oxygen radicals, such as superoxide anions and hydrogen peroxide. The DegP protease is a first-line defense against these toxic compounds, which are lethal to invading pathogens, and is a demonstrated virulence factor for several important Gram-negative pathogens: Salmonella typhimurium, Salmonella typhi, Brucella melitensis and Yersinia enterocolitica. In all of these pathogens it was demonstrated that organisms lacking a functional DegP protease were compromised for virulence and showed an increased sensitivity to oxidative stress. It was also recently demonstrated that in Pseudomonas aeruginosa conversion to mucoidy, the so-called CF phenotype involves two DegP homologues.

Our scientists recently demonstrated that the DegP protease is conserved in most important Gram-positive pathogens, including S. pyogenes, S. pneumoniae, S. mutans and S. aureus. Moreover, our investigators have shown

a conservation of function of this important protease in Gram-positive pathogens and believe that DegP represents a true broad-spectrum anti-infective development target. Our research has uncovered a virulence-associated target of the DegP protease that will be used to design an assay for high-throughput screening for the identification of lead inhibitors of this potentially important anti-infective target.

There are currently more than 100 million prescriptions written for antibiotics annually in the U.S. and we estimate the worldwide market for antibiotics to be more than $26 billion. Although our products are too early in development to make accurate assessments of how well they might compete, if successfully developed and marketed against other products currently existing or in development at this time, the successful capture of even a relatively small global market share could lead to a large dollar volume of sales.

Biological Defense Program. The U.S. government's budget for the fiscal year beginning October 1, 2002 proposed a $1.5 billion increase in federal spending on bioterrorism related research and infrastructure which will bring total spending in this area to more than $1.7 billion. One of the major concerns is smallpox -- although declared extinct in 1980 by the World Health Organization, there is a threat that a rogue nation or a terrorist group may have an illegal inventory of the virus that causes smallpox. The only legal inventories of the virus are held under extremely tight security at the Centers For Disease Control in Atlanta, Georgia and at a 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.

We believe that two recent events have made this area a particularly attractive business opportunity. First, the federal government has committed approximately $9 billion of new money to support research on biowarfare defense in the upcoming year. Second, the FDA has amended its regulations, effective June 30, 2002, so that certain new drug and biological products used to reduce or prevent the toxicity of chemical, biological, radiological, or nuclear substances may be approved for use in humans based on evidence of effectiveness derived only from appropriate animal studies and any additional supporting data. We believe that this change could make it possible for us to have potential products in animal models within six months and approved for sale within two years if the program is successful. Our Chief Scientific Officer, Dennis Hruby has over 20 years experience working on smallpox-related research and has been leading a SIGA/Oregon State University consortium working on an antiviral drug development project for the past two years.

SIGA Biological Warfare Defense Product Portfolio

Bacterial Commensal Vectors: Our scientists have developed methods that allow essentially any gene sequence to be expressed in GRAS gram-positive bacteria, with the foreign protein being displayed on the surface of the live recombinant organisms. Since these organisms are inexpensive to grow and are very stable, this technology affords the possibility of rapidly producing live recombinant vaccines against any variety of biological agent that might be encountered such as Bacillus anthracis (anthrax) or smallpox.

Surface Protein Expression (SPEX) System: Our scientists have harnessed the protein expression pathways of gram-positive bacteria and turned them into protein productions factories. Using our proprietary SPEX system, we can produce foreign proteins at high levels in the laboratory for use in subunit vaccine formulations. Furthermore, we can envision engineering these bacteria to colonize the mucosal surfaces of soldiers and/or civilians and secrete anti-toxins that protect against aerosolized botulism toxin.

Antibiotics: To combat the problems associated with emerging antibiotic resistance, SIGA scientists are developing drugs designed to hit a new target - the bacterial adhesion organelles. Specifically, by using novel enzymes required for the transport and/or assembly of the proteins and structures that bacteria require for adhesion or colonization, we are developing new classes of broad spectrum antibiotics. This may prove invaluable in providing prompt treatment to individuals encountering an unknown bacterial pathogen in the air or food supply.

Anti-Smallpox Drugs: While deliberate introduction of any pathogenic agent would be devastating, the one that holds, we believe, 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, our scientists have identified two key smallpox proteinases and are using their expertise in the design of proteinase inhibitors to attempt to develop an effective antiviral drug that could treat a smallpox infection.

The market potential for our biological warfare defense products has not been quantified as yet beyond the potential to obtain a share of the approximately $9 billion the federal government is committing to support research in the coming year. The government's purchase of approximately $800 million worth of smallpox vaccines to have an inventory on hand if needed is evidence of such market potential.

Veterinary Vaccines

One application of our technology is the development of live vaccines that are delivered to a specific mucosal niche where they can colonize and thereby present antigen to the immune system and produce local immunity at the site where the corresponding pathogen may attempt to enter. Since the proprietary expression pathway that we use is conserved in essentially all Gram-positive bacteria, this should allow the same strategy to be employed in the development of veterinary vaccines. A commensal bacterium can be isolated from the mucosa of the target species, engineered to express a desired antigen and then reintroduced to the species in order to produce immunity against subsequent infection by the corresponding pathogen. Examples of potential targets for this technology in the area of animal health include prevention of salmonid aquaculture disease problems or canine papilloma virus infections.

Veterinary Program. We believe our vaccine and anti-infectives technologies also provide opportunities to develop biopharmaceutical products for the veterinary health care market. Based on sales of the major companies in the veterinary market, we estimate the world wide veterinary market to have been approximately $4 billion in 2001. In the U.S. alone, there are 120 million cats and dogs, 2 million horses, 100 million cattle, 56 million hogs and 8 million sheep and goats. We are in discussions with a number of potential strategic partners to undertake collaborative development agreements in this field. To date, we have not concluded any agreements with these potential strategic partners. In April 2002 we executed a proof-of-concept research agreement with one of the major vaccine providers to test our commensal vector technology. This project has been completed and the partner company is currently evaluating the data.

Surface Protein Expression System

Our proprietary SPEX system uses the protein export and anchoring pathway of Gram-positive bacteria as a means to facilitate the production and purification of biopharmaceutical proteins. We have developed vectors which allow foreign genes to be inserted into the chromosome of Gram-positive bacteria in a manner such that the encoded protein is synthesized, transported to the cell surface and secreted into the medium. This system has been used to produce milligram quantities of soluble antigenically authentic protein that can be easily purified from the culture medium by affinity chromatography. We have recently used the SPEX system to obtain large quantities of pure M protein subunit antigen for preclinical studies. We believe this technology can be extended to a variety of different antigens and enzymes.

We have commenced yield optimization and process validation of this system. This program is designed to transfer the method from a laboratory scale environment to a commercial production facility. Our business strategy is to license this technology on a non-exclusive basis for a broad range of applications.

Collaborative Research and Licenses

We have entered into the following license agreements and collaborative research arrangements:

Rockefeller University. In accordance with an exclusive worldwide license agreement with Rockefeller, we have obtained the right and license to make, use and sell mucosal vaccines based on gram-positive organisms and products for the therapy, prevention and diagnosis of diseases caused by streptococcus, staphylococcus and other organisms. The license covers two issued U.S. patents and one issued European patent, as well as 11 pending U.S.

patent applications and corresponding foreign patent applications. The issued United States patents expire in 2005 and 2014, respectively. The agreement generally requires us to pay royalties on sales of products developed from the licensed technologies and fees on revenues from sublicensees, where applicable, and we are responsible for certain milestone payments and for the costs of filing and prosecuting patent applications. The primary potential products from this collaboration are the strep vaccine and the broad spectrum antibiotic. Under the agreement, we paid the university approximately $850,000 to support research at Rockefeller. The agreement to fund research has ended and no payments have been made to the university since the year ended December 31, 1999. Under the agreement we are obligated to pay Rockefeller a royalty on net sales by SIGA at rates between 2.5% and 5% depending on product and amount of sales. On sales by any sub-licensee, we will pay Rockefeller a royalty of 15% of anything we receive. The term of the agreement is for the duration of the patents licensed. At the end of that period, we have the right to continue to practice the then existing technical information as a fully paid, perpetual license.

Oregon State University. Oregon State University ("OSU") is also a party to our license agreement with Rockefeller whereby we have obtained the right and license to make, use and sell products for the therapy, prevention and diagnosis of diseases caused by streptococcus. Pursuant to a separate research support agreement with OSU, we provided funding for sponsored research through December 31, 1999, with exclusive license rights to all inventions and discoveries resulting from this research. At this time, no additional funding is contemplated under this agreement, however we retain the exclusive licensing rights to the inventions and discoveries that may arise from this collaboration.

During 1999, we acquired an option to enter into a license with OSU in which we will acquire the rights to certain technology pertaining to the potential development of a chlamydia vaccine. In February 2000, we exercised our option and pursuant to an exclusive license agreement dated March 2000, we have made payments to OSU of approximately $25,000 as part of our obligation under the option.

In September 2000, we entered into a subcontract with OSU. The contract is for a project which is targeted towards developing novel antiviral drugs capable of preventing disease and pathology for smallpox in the event this pathogen were to be used as an agent of bioterrorism. The project is being funded by a grant from the NIH. The basic virology aspects of the project will be conducted at OSU and the drug development will be performed by us under the subcontract. The budget for the subcontract work will be negotiated on a year by year basis with OSU depending on progress of the program and funding available. In the year ended December 31, 2001 we recognized revenue of $15,000. On October 5, 2001 the agreement was extended through August 31, 2002. For the period ended December 31, 2002 we recognized $75,000 in revenue. The agreement was extended again through August 31, 2003. The sub-contract is on a year to year renewal. Through December 31, 2002 we have received a total of $90,000 under the agreement.

Wyeth. We have entered into a collaborative research and license agreement with Wyeth in connection with the discovery and development of anti-infectives for the treatment of gram-positive bacterial infections. Pursuant to the agreement, Wyeth provided funding for a joint research and development program, subject to certain milestones, through September 30, 1999 and is responsible for additional milestone payments. In May 2001, we entered into an amendment to the July 1, 1997 agreement. The amendment extended the term of the original agreement to September 30, 2001. The extension provided for Wyeth to continue to pay us at a rate of $450,000 per year through the term of the amended agreement. During the term of the agreement as amended, we received $787,500 from Wyeth to support work performed by SIGA under the agreement and $237,500 for achieving a research milestone. For the year ended December 31, 2001 we recognized revenue of $1,025,000. The agreement to fund additional research was not extended beyond September 30, 2001.

Wyeth is obligated to make milestone payments to us as any product developed progresses through the FDA approval process. For product developed we could receive up to approximately $13 million in milestone payments for approval of the product in the U.S. and Japan. We would also receive royalty payments of 2% on the first $300,000 of cumulative licensed product sales, 4% on annual sales up to $100 million, 6% on annual sales between $100 million and $250 million and 8% on annual sales above $250 million. The license will expire on the earlier of 10 years or the last to expire issued patent. Wyeth has the right to terminate the agreement early, on ninety days written notice. If terminated early, all rights granted to Wyeth revert to SIGA except with respect to any

compound identified by Wyeth as of the date of termination and subject to the milestone and royalty obligations of the agreement.

National Institutes of Health. We have entered into a clinical trials agreement with the NIH pursuant to which the NIH, with our cooperation, will conduct clinical trials of our strep throat vaccine candidate. The agreement will fund trials through Phase II of the FDA approval process. To date, two Phase I clinical trials have been conducted for the strep vaccine delivery system. We are working to optimize and test the vaccine formulation prior to initiating Phase I clinical trials with the recombinant commensal vector based vaccine. The agreement may be terminated unilaterally by the parties upon sixty days prior notice. If terminated we will receive copies of all data, reports and other information related to the trials and any unused vaccine.

In May, August and September 2000, we were awarded three Phase I Small Business Innovation Research ("SBIR") grants from the NIH in the amounts of $26,000, $96,000 and $125,000 respectively. The grants were for the periods May 3, 2000 to August 31, 2000, August 1, 2000 to January 31, 2001, and September 15, 2000 to March 14, 2001 respectively, and supported our antibiotic and vaccine development programs. In June 2002 we received a Phase II SBIR grant for approximately $865,000. The grant was for the two year period beginning June, 1, 2002 and ending May 31, 2004. For the years ending December 31, 2002, 2001 and 2000, we have recognized revenue from grants of $270,000, $64,500 and $182,643, respectively.

As part of our operational strategy we routinely submit grants to the NIH. There is no assurance that we will receive additional grants

Washington University. In February 1998, we entered into a research collaboration and worldwide license agreement with Washington University pursuant to which we obtained the right and license to make, use and sell antibiotic products based on gram-negative technology for all human and veterinary diagnostic and therapeutic uses. The license covered five pending United States patent applications and corresponding foreign patent applications. The agreement generally required us to pay royalties on sales of products developed from the licensed technologies and fees on revenues from sublicensees, where applicable, and we were responsible for certain milestone payments and for the costs of filing and prosecuting patent applications. Pursuant to the agreement, we agreed to provide funding to Washington University for sponsored research through February 6, 2001, with exclusive license rights to all inventions and discoveries resulting from this research. During 1999, a dispute arose between the parties regarding their respective performance under the agreement. In February 2000, the parties reached a settlement agreement and mutual release of their obligations under the research collaboration agreement. Under the terms of the settlement, we are released from any further payments to Washington University and have disclaimed any rights to the patents licensed under the original agreement. As part of the settlement agreement, we entered into a non-exclusive license to certain patents covered in the original agreement. SIGA and Washington University will share equally the responsibility for the administration and the expenses for the prosecution of patent applications and /or patents in the agreement. The collaboration is for the gram-negative product opportunity. We will receive licensing revenue from Washington University that derive from the commercialization of products covered by patent rights of the agreement. The royalty will be 20% of the first $400,000 received and 10% of the next $1,000,000 received with a total payment of licensing revenues to us not to exceed $500,000.

Abbott Laboratories. In March 2000, we entered into an agreement with the Ross Products Division of Abbott Laboratories ("Ross"). The agreement grants Ross an exclusive option to negotiate an exclusive license to certain SIGA technology and patents in addition to certain research development services. In exchange for research services and the option, Ross was obligated to pay us $120,000 in three installments of $40,000. The first payment of $40,000 was received in March 2000 and was recognized ratably, over the term of the arrangement. The remaining installments are contingent upon meeting certain milestones under the agreement and will be recognized as revenue upon completion and acceptance of such milestones. The first milestone was met, and we received an additional payment of $40,000 in the quarter ended September 30, 2000. During the years ended December 31, 2001 and 2000, we recognized revenue in the amount of $45,000 and $80,000, respectively. The development agreement was for the sexually transmitted disease product opportunity. Work under the agreement has been completed and no revenue was recognized in 2002. Ross is currently evaluating whether it will go forward with a

license. If Ross does not exercise the option to negotiate a license with us, all rights to the technology and possible products revert to SIGA.

Regents of the University of California. In December 2000, we entered into an exclusive license agreement and a sponsored research agreement with the Regents of the University of California ("Regents"). Under the license agreement we obtained rights for the exclusive commercial development, use and sale of products related to certain inventions in exchange for a non-refundable license issuance fee of $15,000 and an annual maintenance fee of $10,000. As of December 31, 2001 we have made payments of approximately $25,000 under the license In the event that we sub-license the license, we must pay Regents 15% of all royalty payments made to SIGA. Under the agreement, we will also pay Regents 15% of all royalties received from Wyeth. The agreement applies to the gram positive product opportunity and our collaborative agreement with Wyeth. The term of the agreement is until the expiration of the last-to-expire patent licensed under this agreement. The agreement may be terminated by Regents if we default on any of our obligations, the agreement with Wyeth is terminated and a substitute agreement is not entered into or if we give notice that we do not intend to make product from the licensed technology.

TransTech Pharma, Inc. In October 2002, we entered into a drug discovery collaboration agreement. Under the agreement, SIGA and TransTech will collaborate on the discovery, optimization and development of lead compounds to therapeutic agents. The costs of development will be shared. SIGA and TransTech would share revenues generated from licensing and profits from any commercialized product sales. The agreement will be in effect until terminated by the parties or upon cessation of research or sales of all products developed under the agreement. If the agreement is terminated, relinquished or expires for any reason certain rights and benefits will survive the termination. Obligations not expressly indicated to survive the agreement will terminate with the agreement. No revenues were recognized in 2002 from this collaboration.

Intellectual Property and Proprietary Rights

Protection of our proprietary compounds and technology is essential to our business. Our policy is to seek, when appropriate, protection for our lead compounds and certain other proprietary technology by filing patent applications in the United States and other countries. We have licensed the rights to seven issued United States patents and two issued European patents. These patents have varying lives and they are related to the technology licensed from Rockefeller University for the strep and gram positive products. We have three additional patent applications in the U.S. and three applications in Europe relating to this technology. We are joint owner with Washington University of four issued patents in the U.S. and one in Europe. In addition, there are seven co-owned patent applications in the U.S. and one in Europe. These patents are for the technology used for the gram-negative product opportunities. We are also exclusive owner of two U.S. patents and three U.S. patent applications. Furthermore, there are three U.S. patent applications and two European applications. These patents relate to our DegP product opportunities.

PATENTS	Licensed from Rockefeller Univ.	Co-owned with Washington Univ.	Owned by SIGA
U.S.	7	4	2
Europe	2	1	
Japan	4		
Australia	6	1	
Canada	3		
Mexico	1		
APPLICATIONS			
U.S.	3	7	3
Europe	3		2
Japan	2	1	2
Canada	5	1	2
Hungary	1		
China	1		
Korea	1		
New Zeland		1	
Australia			2

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

Government Regulation

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

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

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

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

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

Commercialization of animal health products can be accomplished more rapidly than human health products. Unlike the human market, potential vaccine or therapeutic products can be tested directly on the target animal as soon as the product leaves the research laboratory. The data collected in these trials is submitted to the U.S. Department of Agriculture for review and eventual product approval.

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 Cubist Pharmaceuticals, Inc., Corixa Corporation, Microcide Pharmaceuticals, Inc., ID Vaccines Ltd., Actinova PLC, and Antex Biologics, Inc. Academic institutions, governmental agencies and other public and private research organizations are also conducting research activities and seeking patent protection and may commercialize products on their own or through joint venture. There can be no assurance that our competitors will not succeed in developing products that are more effective or less costly than any which are being developed by us or which would render our technology and future products obsolete and noncompetitive.

Human Resources and Facilities

As of March 20, 2003 we had 17 full time employees. None of our employees are covered by a collective bargaining agreement and we consider our employee relations to be good.

Availability of Reports and Other Information

Our website is www.sigatechnologies.com. We make available on this website, free of charge, our annual, quarterly and current reports and other documents filed by us with the Securities and Exchange Commission as soon as reasonably practicable after the filing date.

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 lease approximately 1,600 square feet under a lease that expires in November 2007. In Corvallis, we lease approximately 10,000 square feet under a lease that expires in December 2004.

Item 3. Legal Proceedings

SIGA is not a party, nor is its property the subject of, any pending legal proceedings other than routine litigation incidental to its business.

Item 4. Submission of Matters to a Vote of Security Holders

At our Annual Meeting of Stockholders held on December 10, 2002, our stockholders re-elected to our board each member of our board of directors and ratified our selection of independent auditors:

The following nominees were elected to our board of directors upon the following votes:

Nominee	Votes For	Votes Against	Abstained
Donald G. Drapkin	7,514,929	0	7,890
Gabriel M. Cerrone	7,514,929	0	7,890
Thomas E. Constance	7,514,929	0	7,890
Mehmet C. Oz	7,410,613	0	112,206
Eric A. Rose	7,514,929	0	7,890
Michael Weiner	7,410,613	0	112,206

Our stockholders ratified the selection of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2002 by casting 7,508,629 votes in favor of this proposal, 12,150 votes against the proposal and 2,040 abstained.

Part II

Item 5. Market For Registrant's Common Equity and Related Stockholder Matters

Price Range of Common Stock

Our common stock has been traded on the Nasdaq SmallCap Market since September 9, 1997 and trades under the symbol "SIGA." 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 closing sales prices for the common stock, as reported on the Nasdaq SmallCap Market.

	Price Range	
2001	High	Low
First Quarter	$4.09	$1.65
Second Quarter	$4.24	$1.75
Third Quarter	$4.05	$2.29
Fourth Quarter	$4.00	$2.03
2002	High	Low
First Quarter	$2.85	$2.10
Second Quarter	$2.53	$1.05
Third Quarter	$1.39	$0.81
Fourth Quarter	$1.87	$0.71

As of March 20, 2003, the closing bid price of our common stock was $1.23 per share. There were 96 holders of record as of March 20, 2003. 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 we do not expect to pay cash dividends in the foreseeable future. We are not under any contractual 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.

Recent Sales of Unregistered Securities

All of the following sales of unregistered securities were made without registration under the Securities Act in reliance upon the exemption from registration afforded under Section 4(6) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. Accordingly, the transfer of the securities are subject to substantial restrictions. Securities were only purchased by "Accredited Investors" as that term is defined under Rule 501 of Regulation D. Proceeds from the offerings were used for general working capital purposes.

In December 2002 and January 2003, we completed a private placement of 34 units consisting of 1.7 million shares of common stock to a group of private investors. The gross proceeds from the offering were $1,865,000 with net proceeds to SIGA of approximately $1,682,000.

In October 2002, we completed a private placement of units consisting of an aggregate of 1,037,500 shares of common stock and warrants to purchase 518,750 shares of common stock at an exercise price of $2.25 per share to a group of private investors. The offering yielded net proceeds of approximately $935,000.

In October 2001, we raised gross proceeds of $2.55 million in a private offering of common stock and warrants to purchase our common stock. We sold 850,000 shares of common stock and 425,000 warrants. These warrants are exercisable at $3.60 and have a term of seven years. In connection with the offering we issued 100,000 warrants to purchase shares of the our common stock to consultants. The consultants' warrants are exercisable at a price of $3.60 and have a term of five years. The fair value of the warrants on the date of grant was approximately $221,300.

In August 2001, we raised gross proceeds of $1,159,500 in a private offering of 409,636 shares of common stock and 307,226 warrants to purchase shares of our common stock. The warrants are exercisable at $3.55 per share and have a term of seven years.

In May 2001, we raised gross proceeds of $850,000 in a private offering of common stock and warrants to purchase shares of our common stock. We sold 425,000 shares of common stock and 425,000 warrants. The warrants are exercisable at $2.94 and have a term of seven years. The investors consisted of members of the board of directors, existing investors and new investors representing, at that time, 43.4%, 5.9% and 50.8% of the investors in the transaction, respectively. We recorded a charge to earnings in the amount of $103,040 representing the intrinsic value of the restricted stock purchased by members of the board of directors.

In March 2000, we entered into an agreement to sell 600,000 shares of our common stock and 450,000 warrants to acquire shares of our common stock (the "March Financing") for gross proceeds of $3,000,000. Of the warrants issued, 210,000, 120,000 and 120,000 are exercisable at $5.00, $6.38 and $6.90, respectively. The warrants have a term of three years and are redeemable at $0.01 each by SIGA upon meeting certain conditions. Offering expenses of $117,000 were paid in April 2000. At December 31, 2002, all 450,000 warrants were outstanding.

In connection with the March Financing, we issued a total of 379,000 warrants to purchase shares of the our common stock to Fahnestock & Co. (the "Fahnestock Warrants") in consideration for services related to the March financing. The warrants had an exercise price of $5.00 per share and are exercisable at any time until March 28, 2005. In November 2000, we entered into a one year consulting agreement with Fahnestock and Co. under which we will receive marketing, public relations acquisitions and strategic planning service. In exchange for such services, we canceled the Fahnestock Warrants and reissued them to effectuate an amendment to the exercise price to $2.00 per share. In connection with such amendment, we recorded a charge of approximately $270,000 in the year ended December 31, 2000.

In January 2000 we completed a private placement of 6% convertible debentures at an aggregate principal amount of $1,500,000 and 1,043,478 warrants to purchase shares of our common stock with a purchase price of $0.05 per warrant (the "January Financing"). We received net proceeds of $1,499,674 from the total $1,552,174 gross proceeds raised. The debentures are convertible into common stock at $1.4375 per share. Interest at the rate of 6% per annum was payable on the principal of each convertible debenture in cash or shares of our common stock, at the our discretion upon conversion or at maturity. The warrants have a term of five years and are exercisable at $3.4059 per share.

SIGA has the right to require the holder to exercise the January Financing warrants within five days under the following circumstances: (i) a registration statement is effective; and (ii) the closing bid price for the Company's common stock, for each of any 15 consecutive trading days is at least 200% of the exercise price of such warrants. If the holder does not exercise the warrants after notice is given, the unexercised warrants will expire. The warrants are exercisable for a period of five years.

In connection with the placement of the debentures and warrants in January 2000, we recorded debt discount of approximately $1.0 million. Such amount represents the value of the warrants calculated using the

Black-Scholes valuation model. The discount is amortized over the term of the debentures. Additionally, during the years ended December 31, 2001 and 2000, we recorded interest expense of $232,393 and $589,312 respectively, related to the amortization of such debt discount. In 2001 and 2000, debentures with a principal amount of $1,375,000 and $108,664, respectively, along with accrued interest, were converted into 1,011,593 and 108,884 shares of the Company's preferred and common stock, respectively.

In connection with the January financing, we issued warrants to purchase a total of 275,000 shares of common stock to the placement agent and the investors' counsel (or their respective designees). These warrants have a term of five years and are exercisable at $1.45 per share. In connection with the issuance of such warrants, the Company recorded a deferred charge of $280,653, which was amortized over the term of the debentures.

Holders of the Series A Convertible Preferred Stock are entitled to (i) cumulative dividends at the annual rate of 6% payable when and if declared by our board of directors; (ii) in the event of liquidation of SIGA, each holder is entitled to receive $1.4375 per share (subject to certain adjustment) plus all accrued but unpaid dividends; (iii) convert each share of Series A to a number of fully paid and non-assessable shares of common stock as calculated by dividing $1.4375 by the Series A Conversion Price (shall initially be $1.4375); and (iv) vote with the holders of other classes of shares on an as converted basis.

As of December 31, 2001, all of the debentures were converted into shares of the Company's common stock.

Recent Developments

In December 2002, we entered into a contract with the U.S. Army to develop a drug to treat Smallpox. The effective date of the contract is January 1, 2003. The contract is for a period of four years for a total of approximately $1.6 million. Payment over the term of the agreement will be approximately $400,000 per year.

In February 2003, we entered into a market contract with the Four Star Group. Four Star will work on our behalf to obtain additional government contracts and grants. Under the contract, we make certain cash payments for their services and, if they are successful in obtaining new government funding, they will receive warrants to purchase shares of our stock. The number of warrants they can receive will depend on the amount of any contract and grant funding they obtain. We have the right to cancel the agreement after six months.

In March 2003, we entered into a non-binding letter of intent to acquire substantially all of the assets of Plexus Vaccines, Inc. ("Plexus"). The transaction is subject to certain conditions, including, without limitation, the completion of due diligence and the negotiation and execution of definitive agreements. As part of the agreement, we have pursuant to a promissory note made a loan to Plexus in the amount of $50,000. If the transaction is not completed by November 30, 2003 or if certain other events occur the loan plus accrued interest is to be repaid to SIGA.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements and notes to those statements and other financial information appearing elsewhere in this 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

We are a development stage biotechnology company, whose primary focus is on biopharmaceutical product development. Since inception in December 1995 our efforts have been principally devoted to research and development, securing patent protection, obtaining corporate relationships and raising capital. Since inception through December 31, 2002, we have sustained cumulative net losses of $29,531,402, including non-cash charges in the amount of $1,457,458 for the write-off of research and development expenses associated with the acquisition of certain technology rights acquired from a third party in exchange for our common stock. In addition, a non-cash charge of $2,996,784 was incurred for stock option and warrant compensation expense. Our losses have resulted primarily from expenditures incurred in connection with research and development, patent preparation and prosecution and general and administrative expenses. From inception through December 31, 2002, research and development expenses amounted to $13,775,444, patent preparation and prosecution expenses totaled $1,459,454, general and administration expenses amounted to $17,221,915. From inception through December 31, 2002 revenues from research and development agreements and government grants totaled $3,631,631.

Since inception, SIGA has had limited resources, has incurred cumulative net operating losses of $29,531,402 and expects to incur additional losses to perform further research and development activities. We do not have commercial biomedical products, and we do not expect to have such for several years, if at all. We believe that we will need additional funds to complete the development of our biomedical products. Our plans with regard to these matters include continued development of our products as well as seeking additional research support funds and financial arrangements. Although we continue to pursue these plans, there is no assurance that we will be successful in obtaining sufficient financing on terms acceptable to us. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management believes it has sufficient funds to support operations through the first quarter of 2004.

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

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

Significant Accounting Policies

Financial Reporting Release No. 60, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Note 2 of the Notes to the Financial Statements include a summary of the significant accounting policies and methods used in the preparation of our Financial Statements. The following is a brief discussion of the more significant accounting policies and methods used by us. In addition, Financial Reporting Release No. 61 was released by the SEC to require all companies to

include a discussion to address, among other things, liquidity, off-balance sheet arrangements, contractual obligations and commercial commitments.

Revenue Recognition

The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), as amended by SAB 101A and 101B. SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. Under the provisions of SAB 101 the Company recognizes revenue from government research grants, contract research and development and progress payments as services are performed, provided a contractual arrangement exists, the contract price is fixed or determinable, and the collection of the resulting receivable is probable. Milestones, which generally are related to substantial scientific or technical achievement, are recognized in revenue when the milestone is accomplished.

Valuation of Investments

We periodically review the carrying value of our investments for continued appropriateness. This review is based upon our projections of anticipated future cash flows. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations.

Off-Balance Sheet Arrangements

SIGA does not have any significant off-balance sheet arrangements.

Results of Operations

Twelve Months ended December 31, 2002 and December 31, 2001.

Revenues from grants and research and development contracts were $344,450 for the twelve months ended December 31, 2002 compared to $1,159,500 for the same period of 2001, an approximate 70% decrease. Revenue for the twelve months ended December 31, 2001 included recognition of $562,500 from payments made by Wyeth that had been made to fund research in prior periods and were recorded as deferred revenue pending signing of a contract extension. In total, $1,025,000 of revenue recorded for the twelve months ended December 31, 2001 was received from Wyeth. For the twelve months ended December 31, 2002 revenue was comprised primarily of approximately $270,000 from a Phase II Small Business Innovation Research ("SBIR") grant and $75,000 received under a sub-contract with Oregon State University. In December 2002, we entered into a contract with the U.S. Army to develop a drug to treat Smallpox. The contract is a four year agreement for approximately $1.6 million with an average annual payment to us of approximately $400,000. The contract became effective on January 1, 2003.

General and administrative expenses for the twelve months ended December 31, 2002 were $1,838,470, a decrease of approximately 28% from an expense of $2,570,869 for the twelve months ended December 31, 2001. Included in the expenses for the twelve months ended December 31, 2001 was a non-cash charge of $612,750 to reflect the granting of options to directors with an exercise price that was less than the fair market value of our shares at the time of the grant. Excluding these charges, general and administrative expenses for the twelve months ended December 31, 2002 were approximately $120,000 less than the same period of the prior year. Payroll expenses declined by 52.1% as a result of reduction of executive management staff, professional fees were approximately 31% higher in the twelve months ended December 31, 2002 compared to the same period of 2001 due to the charges incurred as the result of a potential merger.

Research and development expenses increased approximately 2% to $1,766,368 for the twelve months ended December 31, 2002 from $1,733,188 for the same period in 2001. There were no significant changes in the pattern of expenses between the two twelve month periods. All of our product programs are in the early stage of development except for the strep vaccine which is in Phase I clinical trial. At this stage of development, we can not make estimates of the potential cost for any program to be completed or the time it will take to complete the project. We do not track the costs of each product program except for portions of the development program that is being funded by NIH grants. The risk of completion of any program is high risk because of the long lead time to program completion and uncertainty of the costs. Net cash inflows from any products developed from these programs is at least two to three years away. However, we could receive additional grants, contracts or technology licenses in the short-term. The potential cash and timing is not known and we can not be certain if they will ever occur.

Patent preparation expense for the twelve months ended December 31, 2002 were $104,700 compared to $117,264 for the twelve months ended December 31, 2001. The $12,564 or approximate 11% decrease does not reflect any significant change in our patent preparation activities.

Total operating loss for the twelve months ended December 31, 2002 was $3,365,088 an approximate 3% increase from the $3,261,821 loss incurred for the twelve months ended December 31, 2001. The increase in the loss is the result of lower revenue recognition in the 2002 period, offset by the reduction in operating expenses.

Net interest income was $34,061 for the twelve months ended December 31, 2002 compared to interest expense of $192,679 for the twelve months ended December 31, 2001. The improvement is a result of the conversion of the remainder of the $1,500,000 principle amount of the 6% convertible debenture and accrued interest during the twelve months ended December 31, 2001.

During the twelve months ended December 31, 2001 the company recorded a charge of $275,106 for the impairment of an investment associated with its interest in Open-i Media.

Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data, in dollar amounts and as percentages of net revenue, for the four quarters ended December 31, 2001 and for the four quarters ended December 31, 2002. This information has been prepared substantially on the same basis as the audited financial statements appearing elsewhere in this annual statement, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the unaudited quarterly results of operations data. The quarterly data should be read with our financial statement and then noted to those statements appearing elsewhere in the annual statement.

2001 ($ in 000's)	Q1	Q2	Q3	Q4
Revenue	$ 305	$ 683	$ 158	$ 15
G&A	$ 65	$ 635	$ 1,259	$ 611
% of Revenue	21%	93%	797%	4,073%
R&D	$ 431	$ 429	$ 498	$ 376
% of Revenue	141%	63%	315%	2,507%
Patent Prep. Costs	$ 18	$ 63	$ (11)	$ 47
% of Revenue	6%	9%	(7)%	313%
Operating Loss	$ 209	$ 445	$ 1,588	$ 1,019
% of Revenue	69%	65%	1,005%	6,793%
Net Loss	$ 368	$ 520	$ 1,591	$ 1,251
% of Revenue	121%	76%	1,007%	8,340%
Basic and diluted loss per share	(0.05)	(0.07)	(0.19)	(0.13)

2002 ($ in 000's)	Q1	Q2	Q3	Q4
Revenue	$ 0	$ 139	$ 90	$ 115
G&A	$ 341	$ 668	$ 273	$ 556
% of Revenue	NA	480%	305%	483%
R&D	$ 357	$ 414	$ 424	$ 571
% of Revenue	NA	297%	472%	497%
Patent Prep. Costs	$ 27	$ 18	$ 27	$ 33
% of Revenue	NA	13%	30%	29%
Operating Loss	$ 725	$ 961	$ 634	$ 1,045
% of Revenue	NA	689%	704%	909%
Net Loss	$ 712	$ 951	$ 630	$ 1,038
% of Revenue	NA	683%	700%	902%
Basic and diluted loss per share	(0.07)	(0.09)	(0.06)	(0.10)

Liquidity and Capital Resources

As of December 31, 2002 we had $2,069,004 in cash and cash equivalents. In addition, we had stock subscriptions outstanding of $791,940 from a private placement of our common shares that closed in December 2002 and January 2003.

In March 2002, we signed a non-binding letter of intent to acquire all of the outstanding shares of Allergy Therapeutics (Holdings) Limited in a stock for stock transaction. In July 2002, the letter of intent was terminated due to changes in market conditions. We incurred approximately $600,000 of expenses in connection with this contemplated transaction. Approximately $200,000 of these expenses remains unpaid.

In June 2002, we received an SBIR grant from the NIH. The grant is for approximately $865,000 to support research over a two year period. Of the total grant, approximately $521,000 has been allotted for work to be performed in the first twelve months of the grant. During the twelve months ended December 31, 2002, we recorded revenue in the amount of $270,000.

In December 2002, we were awarded an initial U.S. government contract with the U.S. Army to develop an effective Smallpox antiviral drug. The total estimated revenue under the contract is $1.6 million for the periods January 1, 2003 to May 31, 2007.

In October 2002, we entered into a collaborative research agreement with TransTech Pharma, Inc. for the discovery and treatment of human diseases. Under the terms of the agreement, Trans Tech and SIGA have agreed to contribute their respective services and products and share in equal costs of specified research projects. In consideration of the services performed by Trans Tech and use of its proprietary technology, we granted an exclusive, fully-paid, nontransferable, nonsublicenseable, limited license to use existing rights to patents and technologies. We will share equally in the ownership of compounds and related intellectual property derived from such research efforts.

In December 2002, we raised gross proceeds of $1.865 million in a private offering of common stock and warrants to purchase our common stock. We sold 1,700,000 shares of common stock in this offering. In connection with the offering we issued 171,216 warrants to purchase shares of our common stock to consultants. The warrants are initially exercisable at a price of $1.65 per share and have a term of five years. The fair value of the warrants on the date of grant was approximately $188,970. We received net proceeds from the offering of $891,000 prior to December 31, 2002 and net proceeds of $791,940 after December 31, 2002.

In October 2002, we raised gross proceeds of $1.04 million in a private offering of common stock and warrants to purchase our common stock. We sold 1,037,500 shares of common stock and 518,750 warrants. These warrants are initially exercisable at $2.25 per share and have a term of five years. We received net proceeds of approximately $935,000. In connection with the offering we issued another 103,750 warrants to purchase shares of our common stock to consultants. The consultants' warrants are initially exercisable at a price of $1.50 per share and have a term of five years.

In March 2003 we entered into a non-binding letter of intent to acquire substantially all of the assets of Plexus Vaccines, Inc. ("Plexus"). The transaction is subject to certain conditions, including, without limitation, the completion of due diligence and the negotiation and execution of definitive agreements. As part of the agreement, we have pursuant to a promissory note made a loan to Plexus in the amount of $50,000. If the transaction is not completed by November 30, 2003 or if certain other events occur the loan plus accrued interest is to be repaid to SIGA.

We anticipate that our current resources will be sufficient to finance our currently anticipated needs for operating and capital expenditures approximately through the first quarter of 2004. In addition, we will attempt to generate additional working capital through a combination of collaborative agreements, strategic alliances, research grants, equity and debt financing. However, no assurance can be provided that additional capital will be obtained through these sources or, if obtained, will be on commercially reasonable terms.

Our working capital and capital requirements will depend upon numerous factors, including pharmaceutical research and development programs; pre-clinical and clinical testing; timing and cost of obtaining regulatory approvals; levels of resources that we devote to the development of manufacturing and marketing capabilities; technological advances; status of competitors; and our ability to establish collaborative arrangements with other organizations.

SIGA leases certain facilities and office space under operating leases. Minimum future rental commitments under operating leases having noncancellable lease terms are $164,115 $173,821 and $66,982 for the years ending December 31, 2003, 2004 and 2005, respectively. Future minimum leases payments for equipment under capital leases amount to $11,326 for the year ended December 31, 2003.

Risk Factors That May Affect Results of Operations and Financial Condition

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:

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 $3.3 million and $3.7 million for the years ended December 31, 2002 and 2001, respectively. As of December 31, 2002 and December 31, 2001, our accumulated deficit was $29.5 million and $26.2 million, respectively. We expect to continue to incur significant operating expenditures. However we do not foresee significant capital expenditures in the near future. We will need to generate significant revenues to achieve and maintain profitability. SIGA currently has sufficient operation capital to finance its operations through approximately the first quarter of 2004. Our annual operating needs vary from year to year depending upon the amount of revenue generated through grants and licenses. We do not expect a significant change from our current cash burn rate which is generally consistent throughout the year in the next fiscal year.

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 and financial condition will be materially and adversely affected. Because our strategy includes acquisitions of other businesses, acquisition expenses and any cash used to make these acquisitions will reduce our available cash.

Our business will suffer if we are unable to raise additional equity funding. We continue to be dependent on our ability to raise money in the equity markets. There is no guarantee that we will continue to be successful in raising such funds. If we are unable to raise additional equity funds, we may be forced to discontinue or cease certain operations.

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 investment, to sell shares at a profit at any given time, or to plan purchases and sales in advance. A variety of factors may affect the market price of our common stock. These include, but are not limited to:

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

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

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

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

The following table presents the high and low bid range of our stock for the past two years.

	Bid Range	
2001	High	Low
First Quarter	$4.88	$1.62
Second Quarter	$4.48	$1.62
Third Quarter	$4.05	$2.24
Fourth Quarter	$5.21	$1.91

2002	High	Low
First Quarter	$2.89	$2.01
Second Quarter	$2.63	$0.81
Third Quarter	$1.39	$0.65
Fourth Quarter	$2.15	$0.65

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. The

strep vaccine program is in Phase I clinical trials. All other programs are in the pre-clinical stage of development. Our biological warfare defense products do not need human clinical trials for approval by the FDA. We will need to perform two animal models and provide safety data for a product to be approved. Our other products will be subject to the approval guidelines under 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 candidates developed by us 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 expect that any drugs resulting from our research and development efforts will be commercially available for many years, if at all.

We have limited experience in conducting pre-clinical testing and clinical trials. Even if we receive initially positive pre-clinical or clinical results, such results do not mean that similar results will be obtained in the later stages of drug development, such as additional pre-clinical testing or human clinical trials. All of 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, 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.

Most of our immediately foreseeable future revenues are contingent upon collaborative and license agreements and we may not achieve sufficient revenues from these agreements to attain profitability. Until and unless we successfully make a product, our ability to generate revenues will largely depend on our ability to enter into additional collaborative and license agreements with third parties and maintain the agreements we currently have in place. We will receive little or no revenues under our collaborative agreements if our collaborators' research, development or marketing efforts are unsuccessful, or if our agreements are terminated early. Additionally, if we do not enter into new collaborative agreements, we will not receive future revenues from new sources. Our future revenue is substantially dependent on the continuing grant and contract work being performed for the NIH which expires in May 2004 and the U.S. Army which expires at the end of December 2007. These agreements are for specific work to be performed under the agreements and could only be cancelled for non-performance.

Several factors will affect our future receipt of revenues from collaborative arrangements, including the amount of time and effort expended by our collaborators, the timing of the identification of useful drug targets and the timing of the discovery and development of drug candidates. Under our existing agreements, we may not earn significant milestone payments until our collaborators have advanced products into clinical testing, which may not occur for many years, if at all.

We may not find sufficient acquisition candidates to implement our business strategy. As part of our business strategy we expect to enter into business combinations and acquisitions. We compete for acquisition candidates with other entities, some of which have greater financial and other resources than we have. Increased competition for acquisition candidates may make fewer acquisition candidates available to us and may cause acquisitions to be made on less attractive terms, such as higher purchase prices. Acquisition costs may increase to levels that are beyond our financial capability or that would adversely affect our results of operations and financial condition. Our ability to make acquisitions will depend in part on the relative attractiveness of shares of our common stock as consideration for potential acquisition candidates. This attractiveness may depend largely on the relative market price, our ability to register common stock and capital appreciation prospects of our common stock. If the market price of our common stock were to decline materially over a prolonged period of time, our acquisition program could be materially adversely affected.

We may face limitations on our ability to attract suitable acquisition opportunities or to integrate additional acquired businesses and the failure to consummate an acquisition may significantly drain our resources. As part of our business strategy we expect to enter into business combinations and acquisitions. Some of these transactions could be material in size and scope. While we will continually be searching for additional acquisition opportunities, we may not be successful in identifying suitable acquisitions. We compete for acquisition candidates with other entities, some of which have greater financial and other resources than we have. Increased competition for acquisition candidates may make fewer acquisition candidates available to us and may cause acquisitions to be made on less attractive terms, such as higher purchase prices. Acquisition costs may increase to levels that are beyond our financial capability or that would adversely affect our results of operations and financial condition. Our ability to make acquisitions will depend in part on the relative attractiveness of shares of our common stock as consideration for potential acquisition candidates. This attractiveness may depend largely on the relative market price, our ability to register common stock and capital appreciation prospects of our common stock. If the market price of our common stock were to decline materially over a prolonged period of time, our acquisition program could be materially adversely affected. Failure to making an acquisition will limit our ability to grow, but will not be central to our continued existence. Costs associated with failed acquisitions, such as our plans to merge with Allergy Therapeutics and Hypernix, may result in significant operating costs that may need to be financed from operations or from additional equity capital. The total costs associated with the failed acquisition of Allergy Therapeutics were approximately $625,000, of which approximately $200,000 remain unpaid. The costs were associated with professional fees for attorneys and accountants. Additionally, there was significant time spent by our management in the contemplated transaction. The proposed Hypernix transaction resulted in expenses of $511,000 for advances made to them. We recovered approximately $85,000 from them.

We may not be able to consummate potential acquisitions or an acquisition may not enhance our business or may decrease rather than increase our earnings. In the future, we may issue additional securities in connection with one or more acquisitions, which may dilute our existing shareholders. Future acquisitions could also divert substantial management time and result in short term reductions in earnings or special transaction or other charges. In addition, we cannot guarantee that we will be able to successfully integrate the businesses that we may acquire into our existing business. Our shareholders may not have the opportunity to review, vote on or evaluate future acquisitions.

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. There also are many companies, both public and private, including major pharmaceutical and chemical companies, specialized biotechnology firms, universities and other research institutions engaged in developing pharmaceutical and biotechnology products. Many of these companies have substantially greater financial, technical, research and development, and human resources than 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. Two companies with similar profiles are VaxGen, Inc. which is developing vaccines against anthrax, Smallpox and HIV/AIDS; and Avant Immunotherapeutics, Inc. which has vaccine programs for agents of biological warfare.

Because we must obtain regulatory clearance to test and market our products in the United States, we cannot predict whether or when we will be permitted to commercialize our products. A pharmaceutical product cannot 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.

Before commencing clinical trials in humans, we must submit and receive clearance from the FDA by means of an Investigational New Drug ("IND") application. Institutional review boards and the FDA oversee clinical trials and such trials:

- must be conducted in conformance with the FDA's good laboratory practice 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 the IND application or the conduct of these trials.

Before receiving FDA clearance to market a product, we must demonstrate that the product is safe and effective on the patient population that will be treated. Data we obtain from preclinical 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 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 marketing clearance.

If our technologies or those of our collaborators are alleged or found to infringe the patents or proprietary rights of others, we may be sued or have to license those rights from others on unfavorable terms. Our commercial success will depend significantly on our ability to operate without infringing the patents and proprietary rights of third parties. Our technologies, along with our licensors' and our collaborators' technologies, may infringe the patents or proprietary rights of others. If there is an adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office, then we, or our collaborators an licensors, could be subjected to significant liabilities, required be license disputed rights from or to other parties and/or required to cease using a technology necessary to carry out research, development and commercialization. At present we are unaware of any or potential infringement claims against our patent portfolio.

The costs to establish the validity of patents, to defend against patent infringement claims of others and to assert infringement claims against others can be expensive and time consuming, even if the outcome is favorable. An outcome of any patent prosecution or litigation that is unfavorable to us or one of our licensors or collaborators may have a material adverse effect on us. We could incur substantial costs if we are required to defend ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our licensors or collaborators 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 conflicts resulting from third-party patent applications and patents could significantly reduce the coverage of the patents owned, optioned by or licensed to us or our collaborators and limit our ability or that of our collaborators to obtain meaningful patent protection. If patents are issued to third parties that contain competitive or conflicting claims, we, our licensors or our collaborators may be legally prohibited from researching, developing or commercializing of potential products or be required to obtain licenses to these patents or to develop or obtain alternative technology. We, our licensors and/or our collaborators may be legally prohibited from using patented technology, may not be able to obtain any license to the patents and technologies of third parties on acceptable terms, if at all, or may not be able to obtain or develop alternative technologies.

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. 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.

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

We also rely on copyright protection, 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.

We may have difficulty managing our growth. We expect to experience growth in the number of our employees and the scope of our operations. This growth has placed, and may continue to place, a significant strain on our management and operations. Our ability to manage this 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.

We depend on a key employee in a competitive market for skilled personnel. We are highly dependent on a principal member of our scientific staff. The loss of his services would have a material adverse effect on our business. We currently have an employment agreement with the individual who we consider to be a "key employee." We do not maintain a key person life insurance policy on the life of any employee.

Dr. Dennis E. Hruby, our Chief Scientific Officer is employed under a contract that is in force through December 31, 2005.

Our future success also will depend in part on the continued service of our key scientific, software, bioinformatics and management personnel and our ability to identify, hire and retain additional personnel, including customer service, marketing and sales staff. We experience intense competition for qualified personnel. We may not be able to continue to attract and retain personnel necessary to develop our business.

Our activities involve hazardous materials and may subject us to environmental regulatory liabilities. Our biopharmaceutical research and development 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 32P, 35S and 3H, which are stored used and disposed of in accordance with Nuclear Regulatory Commission ("NRC ") regulations. We maintain liability insurance in the amount of approximately $3,000,000 and we believe this should be sufficient to cover any contingent losses.

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.

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

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

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

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 may seek to obtain product liability insurance with respect to drugs we and/or or our collaborative partners develop. However, we may not be able to obtain such insurance. 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 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, if any, after they 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.

Difficult Manufacturing Requirements. The manufacture of genetically engineered commensals is a time-consuming and complex process. Our management believes that we have the ability to acquire or produce quantities of genetically engineered commensals sufficient to support our present needs for research and our projected needs for our initial clinical development programs. However, we believe that improvements in our manufacturing technology will be required to enable us to meet the volume and cost requirements needed for certain commercial applications of commensal products. Products based on commensals have never been manufactured on a commercial scale. The manufacture of all of our products will be subject to current GMP requirements prescribed by the FDA or other standards prescribed by the appropriate regulatory agency in the country of use. There can be no assurance that we will be able to manufacture products, or have products manufactured for us, in a timely fashion at acceptable quality and prices, that we or third party manufacturers can comply with GMP or that we or third party manufacturers will be able to manufacture an adequate supply of product.

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

The future issuance of preferred stock may adversely effect 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 possible acquisitions and other corporate purposes, could 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 change of control. Our directors, executive officers and principal stockholders beneficially own a significant percentage of our common stock and preferred 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. At December 31, 2002, Directors, Officers and principal stockholders beneficially own approximately 37% of the our stock.

Item 7. Financial Statements and Supplementary Data

The financial statements required by Item 7 are included in this Annual Report beginning on Page F-1.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 9. Directors and Executive Officers of the Registrant

Name	Age	Position
Donald G. Drapkin	55	Chairman of the Board
Thomas N. Konatich	57	Acting Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer
Dennis E. Hruby, Ph.D.	51	Chief Scientific Officer
Gabriel M. Cerrone	31	Director
Thomas E. Constance	66	Director
Mehmet C. Oz, M.D.	41	Director
Eric A. Rose, M.D.	51	Director
Michael Weiner, M.D.	56	Director

Donald G. Drapkin has served as Chairman of the Board and a Director of SIGA since April 19, 2001. Mr. Drapkin has been a Director and Vice Chairman of MacAndrews & Forbes Holdings Inc. and various of its affiliates since 1987. Prior to joining MacAndrews & Forbes, Mr. Drapkin was a partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Drapkin is also a Director of the following corporations which file reports pursuant to the Securities Exchange Act of 1934: Anthracite Capital, Inc., BlackRock Asset Investors, The Molson Companies Limited, Panavision, Inc., Playboy.com, Inc., Playboy Enterprises, Inc., Revlon Consumer Products Corporation, Revlon Inc., and the Warnaco Group, Inc. Mr. Drapkin is a Director of American Lawyer Media, Inc., Pharmacore, Inc., and TransTech Pharma, Inc. and WeddingChannel.com.

Thomas N. Konatich has served as Vice President, Chief Financial Officer and Treasurer since April 1, 1998. He was named Secretary of SIGA on June 29, 2001 and has been our Acting Chief Executive Officer since October 5, 2001. From November 1996 through March 1998, Mr. Konatich served as Chief Financial Officer and a Director of Innapharma, Inc., a privately held pharmaceutical development company. From 1993 through November 1996, Mr. Konatich served as Vice President and Chief Financial Officer of Seragen, Inc., a publicly traded biopharmaceutical development company. From 1988 to 1993, he was Treasurer of Ohmicron Corporation, a venture capital financed environmental biotechnology firm. Mr. Konatich has an MBA from the Columbia Graduate School of Business.

Dennis F. Hruby, Ph.D. has served as Vice-President - Chief Scientific Officer since June 2000. From April 1, 1997 through June 2000 Dr. Hruby was our Vice President of Research. From January 1996 through March 1997, Dr. Hruby served as a senior scientific advisor to SIGA. Dr. Hruby is a Professor of Microbiology at Oregon State University, and from 1990 to 1993 was Director of the Molecular and Cellular Biology Program and Associate Director of the Center for Gene Research and Biotechnology. Dr. Hruby specializes in virology and cell biology research, and the use of viral and bacterial vectors to produce recombinant vaccines. He is a member of the American Society of Virology, the American Society for Microbiology and a fellow of the American Academy of Microbiology. Dr. Hruby received a Ph.D. in microbiology from the University of Colorado Medical Center and a B.S. in microbiology from Oregon State University.

Gabriel M. Cerrone has served as a Director of SIGA since April 19, 2001. Mr. Cerrone has been Senior Vice President of Investments of Fahnestock & Co., Inc., a financial services firm, since March 1999. From March 1998 to March 1999, Mr. Cerrone was Managing Director of Investments at Barington Capital, L.P., a merchant bank, and, from June 1994 to February 1998, he was Senior Vice President of Investments at Blair & Company, a financial services firm focusing on microcap companies. Mr. Cerrone is a Director of the following privately-held companies: Callisto Pharmaceuticals, Inc. and Macro Holdings, LLC. He is also the sole general

partner of Panetta Partners, Ltd., a firm which acts as an investor in, and consultant to, primarily emerging technology companies. Mr. Cerrone is a 1994 graduate of New York University's Stern School of Business.

Thomas E. Constance has served as a Director of SIGA since April 19, 2001. Mr. Constance is Chairman and, since 1994, a partner of Kramer Levin Naftalis & Frankel LLP, a law firm in New York City. Mr. Constance is a Director of the following corporations which file reports pursuant to the Securities Exchange Act of 1934: Uniroyal Technology Corporation and Kroll Inc. Mr. Constance is also a Director of Callisto Pharmaceuticals, Inc., a privately-held company. Mr. Constance serves as a Trustee of the M.D. Sass Foundation and St. Vincent's Services. He also serves on the Advisory Board of Barington Capital, L.P.

Mehmet C. Oz, M.D. has served as a Director of SIGA since April 19, 2001. Dr. Oz has been a Cardiac Surgeon at Columbia University Presbyterian Hospital since 1993 and an Associate Professor of Surgery there since July 2000. Dr. Oz directs the following programs at Columbia University Presbyterian Hospital: the Cardiovascular Institute, the complementary medicine program, the clinical profusion program and clinical trials of new surgical technology. Dr. Oz received his undergraduate degree from Harvard University in 1982, and, in 1986, he received a joint M.D./M.B.A. degree from the University of Pennsylvania Medical School and the Wharton School of Business.

Eric A. Rose, M.D. has served as a Director of SIGA since April 19, 2001. From April 19, 2001 until June 21, 2001, Dr. Rose served as Interim Chief Executive Officer of SIGA. Dr. Rose is currently Chairman of the Department of Surgery and Surgeon-in-Chief of the Columbia Presbyterian Center of New York Presbyterian Hospital, a position he has held since August 1994. Dr. Rose is a past President of the International Society for Heart and Lung Transplantation. Dr. Rose was recently appointed as Morris & Rose Milstein Professor of Surgery at Columbia University's College of Physicians and Surgeons' Department of Surgery. Dr. Rose is also a Director of Nexell Therapeutics Inc. (f/k/a VimRx). Dr. Rose is a graduate of both Columbia College and Columbia University College of Physicians & Surgeons.

Michael Weiner, M.D. has served as a Director of SIGA since April 19, 2001. Dr. Weiner has been a Professor of Pediatrics at Columbia University College of Physicians and Surgeons since 1996. Dr. Weiner is also the Director of Pediatric Oncology at New York Presbyterian Hospital. Dr. Weiner was formerly a Director of Nexell Therapeutics, Inc. (f/k/a VimRx) from March 1996 to February 1999. Dr. Weiner is a 1972 graduate of the New York State Health Sciences Center at Syracuse, and he was a post graduate student at New York University and Johns Hopkins University.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports that they file.

Based solely upon review of the copies of such reports furnished to the Company and written representations from certain of the Company's executive officers and directors that no other such reports were required, the Company believes that during the fiscal year ended December 31, 2002 all Section 16(a) filing requirements applicable to its officers, directors and greater than ten-percent beneficial owners were complied with on a timely basis, except that Mr. Konatich belatedly filed in March 2003 a Form 5 due in January 2003.

Item 10. Executive Compensation

The following table sets forth the total compensation paid or accrued for the years ended December 31, 2002, 2001 and 2000 for each person who acted as SIGA's Chief Executive Officer at any time during the year ended December 31, 2002 and its most highly compensated executive officers, other than its Chief Executive Officer, whose salary and bonus for the fiscal year ended December 31, 2002 were in excess of $100,000 each.

Summary Compensation Table

		Annual Compensation		
Name and Principal Position	Year	Salary ($)	Other Annual Compensation ($)	Long-Term Compensation Securities Underlying Options (#)
Thomas N. Konatich,	2002	188,333	--	200,000
Chief Financial Officer and Acting CEO	2001	177,542	--	--
	2000	170,000	--	100,000
Dennis E. Hruby	2002	195,000	--	300,000
Chief Scientific Officer	2001	196,055	--	--
	2000	170,000	--	125,000

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Option Grants for the Year Ended December 31, 2002

The following table sets forth grants of stock options during the year ended December 31, 2002 to anyone who served as Chief Executive Officer during the year. The exercise price at the time of the grant was equal to or above the fair market value at the time of the grant.

Name	Common Stock Underlying Options Granted	% of Total Options Granted to Employees	Exercise Price Per Share	Expiration Date
Thomas N. Konatich	200,000	25.7%	$ 2.50	11/15/12
Dennis E. Hruby	300,000	38.6%	$ 2.50	10/15/12

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Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table provides certain summary information concerning stock options held as of December 31, 2002 by SIGA's Chief Executive Officer and its two most highly compensated executive officers, other than its Chief Executive Officer. No options were exercised during fiscal 2002 by any of the officers.

	Number of Securities Underlying Unexercised Options #		Value of Unexercised In-The-Money Options at Fiscal Year-End ($) (1)	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Thomas N. Konatich	288,750	106,250	0	0
Dennis Hruby	250,000	225,000	0	0

(1) Based upon the closing price on December 31, 2002 as reported on the Nasdaq SmallCap Market and the exercise price per option.

Stock Option Plan

As of January 1, 1996, we adopted our 1996 Incentive and Non-Qualified Stock Option Plan. An amendment and restatement of such plan, as amended, was adopted on May 3, 2001 and was further refined by the Board of Directors

on June 29, 2001 (the "Plan"). The Plan was approved by our stockholders at an annual meeting on August 15, 2001. Stock options may be granted to key employees, consultants and outside directors pursuant to the Plan.

The Plan is administered by a committee (the "Committee") comprised of disinterested directors. The Committee determines persons to be granted stock options, the amount of stock options to be granted to each such person, and the terms and conditions of any stock options as permitted under the Plan. The members of the Committee are Mehmet C. Oz, M.D. and Michael Weiner, M.D.

Both Incentive Options and Nonqualified Options may be granted under the Plan. An Incentive Option is intended to qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). Any Incentive Option granted under the Plan will have an exercise price of not less than 100% of the fair market value of the shares on the date on which such option is granted. With respect to an Incentive Option granted to an employee who owns more than 10% of the total combined voting stock of SIGA or of any parent or subsidiary of SIGA, the exercise price for such option must be at least 110% of the fair market value of the shares subject to the option on the date the option is granted.

The Plan, as amended, provides for the granting of options to purchase 7,500,000 shares of common stock, of which 5,807,561 options were outstanding as of December 31, 2002.

During the fiscal years ending December 31, 2002, 2001 and 2000, the named Directors and Officers of SIGA received log-term incentive compensation under the Plan as shown in the following table.

			Estimated Future Payouts Under Non-Stock Price Based Plans		
(a)	(b)	(c)	(d)	(e)	(f)
Name	Number of Shares, Units or Other Rights (#)	Performance or Other Period Until Maturation of Payout	Threshold ($ or #)	Target ($ or #)	Maximum ($ or #)
Donald G. Drapkin	1,125,000	8/15/11	0	0	0
Thomas N. Konatich	300,000	11/15/12	0	0	0
Gabriel Cerrone	1,075,000	8/15/11	0	0	0
Thomas E. Constance	225,000	8/15/11	0	0	0
Mehmet C. Oz, M.D	100,000	8/15/11	0	0	0
Eric A. Rose, M.D.	600,000	8/15/11	0	0	0
Michael Weiner, M.D.	100,000	8/15/11	0	0	0
Dennis E. Hruby	300,000	10/15/12	0	0	0

Employment Contracts and Directors Compensation

Employment Contracts

Thomas N. Konatich, SIGA's Vice President, Chief Financial Officer, Secretary, Treasurer and Acting Chief Executive Officer, is employed by SIGA under an employment agreement dated April 1, 1998, as amended on January 19, 2000, as amended and restated on October 6, 2000, as amended as of January 31, 2002 and as amended on November 5, 2002. This Agreement expires on September 30, 2004 and is cancellable by SIGA only for cause, as defined in the agreement. Mr. Konatich receives an annual base salary of $210,000. He received options to purchase 95,000 shares of common stock, at $4.44 on April 1, 1998. The options vested on a pro rata basis on the first, second, third and fourth anniversaries of the agreement. On January 19, 2000, he received an additional grant to purchase 100,000 shares at an exercise price of $2.00 per share. These options vest on a pro rata basis each quarter through January 19, 2002. On January 31, 2002, Mr. Konatich was granted an "Incentive Stock Option" to purchase 50,000 shares at an exercise price of $3.94 per share. Such options vest in eight equal quarterly installments beginning on April 20, 2002. On November 5, 2002, Mr. Konatich was granted an Incentive Stock Option to purchase 150,000 shares at an exercise price of $2.50 per share. 75,000 of these options vested immediately and 75,000 options vest on September 1, 2003. Mr. Konatich is also eligible to receive additional stock options and bonuses at the discretion of the Board of Directors.

Dr. Dennis Hruby, Chief Scientific Officer ("CSO"), is employed by SIGA under an employment agreement dated January, 1, 1998, as amended on June 16, 2000, as amended on January 31, 2002, as amended on October 3, 2002. This Agreement expires on December 31, 2005, except that SIGA may terminate the agreement upon 180 days written notice. Dr. Hruby receives a base salary of $210,000 per year. Dr. Hruby received options to purchase 10,000 shares of common stock at an exercise price of $5.00 per share on April 1, 1997 and 40,000 shares of common stock at an exercise price of $4.63 per share on April 1, 1998. The options became exercisable on a pro rata basis on the first, second, third and fourth anniversaries of the agreement. Dr. Hruby is eligible to receive additional stock options and bonuses at the discretion of the Board of Directors. Under the June 16, 2000 amendment, Dr. Hruby was granted options to purchase 125,000 shares of SIGA's common stock at $2.00 per share. The options vest ratably over the remaining term of the amendment. The January 31, 2002 amendment changed the terms of the lock-up agreed to in the June 16, 2000 amendment to the employment agreement limiting Hruby's ability to sell SIGA stock. On January 31, 2002 Dr. Hruby was granted and "Incentive Stock Option" to purchase 50,000 shares at an exercise price of $3.94 per share. Such options vest in four equal annual installments beginning on August 15, 2002. As part of the most recent amendment, Dr. Hruby was granted an option to purchase 300,000 shares of common stock. Options with respect to 75,000 shares vested upon the signing of the amendment and an additional 75,000 shares shall vest on a pro rata basis on September 1 of each 2003, 2004 and 2005. The options have an exercise price of $2.50 per share. As part of the amended agreement, Dr. Hruby surrendered his option to purchase up to 50,000 shares of common stock of SIGA at an exercise price of $3.94 that he was granted under an earlier amendment.

Directors' Compensation

SIGA does not pay fees to its directors, nor does it reimburse its directors for expenses incurred.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters

The following tables set forth certain information regarding the beneficial ownership of SIGA's voting securities as of December 31, 2002 of (i) each person known to SIGA to beneficially own more than 5% of the applicable class of voting securities, (ii) each director and director nominee of SIGA, (iii) each Named Officer, and (iv) all directors and officers of SIGA as a group. As of March 13, 2003, a total of 13,226,649 shares of common stock and a total of 410,760 shares of Series A preferred stock were outstanding. Each share of common stock and

Series A preferred stock is entitled to one vote on matters on which common stockholders are eligible to vote. The column entitled "Percentage of Total Voting Stock" shows the percentage of total voting stock beneficially owned by each listed party.

Ownership of Common Stock

Name and Address of Beneficial Owner (1)	Amount of Beneficial Ownership (2)	Percentage of Common Stock Outstanding	Percentage of Total Voting Stock Outstanding
Beneficial Holders			
Judson Cooper	1,152,117(3)	8.5%	8.2%
Howard Gittis 35 East 62nd Street New York, NY 10021	1,005,902(4)	7.6%	7.4%
Panetta Partners, Ltd.(5) 265 E. 66th St. Suite 16G New York, NY 10021	790,472(6)	5.8%	5.7%
Joshua D. Schein	1,178,517(3)	8.7%	8.4%
Officers and Directors			
Thomas N. Konatich	395,000(7)	3.0%	2.9%
Dennis E. Hruby	475,000(7)	3.6%	3.5%
Donald G. Drapkin 35 East 62nd Street New York, NY 10021	2,855,058(8)(9)(10)	19.1%	18.6%
Gabriel M. Cerrone(5) 265E. 66th Street, Suite 16G New York, NY 10021	1,926,972(6)(11)	13.2%	12.8%
Thomas E. Constance 919 Third Avenue, 41st Floor New York, NY 10022	253,467(12)	1.9%	1.9%
Mehmet C. Oz, M.D 177 Fort Washington Ave New York, NY 10032	125,000(13)	1.0%	0.9%
Eric A. Rose, M.D 122 East 78th Street New York, NY 10021	790,090(14)	5.8%	5.6%
Michael Weiner, M.D 161 Fort Washington Ave New York, NY 10032	125,000(13)	1.0%	0.9%
All Officers and Directors as a group (eight persons)	6,945,587(15)	37.1%	36.3%

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* Less than 1%

(1) Unless otherwise indicated the address of each beneficial owner identified is 420 Lexington Avenue, Suite 601, New York, NY 10170.

(2) Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares as of a given date which such person has the right to acquire within 60 days after such date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such

date is deemed to be outstanding for the purpose of computing the percentage ownership of such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(3) The amounts in the table for each of Mr. Cooper and Dr. Schein includes options to purchase 700,001 shares of common stock owned directly and beneficial ownership of options to purchase 12,500 shares of common stock, held by Prism Ventures LLC, an entity jointly owned by Mr. Cooper and Dr. Schein.

(4) Includes 260,178 shares issuable upon exercise of a warrant.

(5) Mr. Cerrone, as the sole general partner of Panetta Partners, Ltd., may be deemed to beneficially own the shares owned by Panetta Partners, Ltd.

(6) Includes 649,388 shares issuable upon exercise of warrants.

(7) Messrs. Konatich and Hruby own no shares of common stock. All shares listed as beneficially owned by Messrs. Konatich and Hruby are shares issuable upon exercise of stock options.

(8) Includes 1,125,000 shares of common stock issuable upon exercise of options and 30,500 shares issuable upon exercise of warrant.

(9) Mr. Drapkin has entered into a management restructuring agreement, pursuant to which he has been granted proxies giving him voting power over an aggregate of 905,632 shares of common stock, included in the figures in the above table.

(10) Mr. Drapkin holds, inter alia, a warrant (an "Investor Warrant") to purchase 347,826 shares of common stock. However, the Investor Warrant provides that, with certain limited exceptions, it is not exercisable if, as a result of such exercise, the number of shares of common stock beneficially owned by Mr. Drapkin and his affiliates (other than shares of common stock which may be deemed beneficially owned through the ownership of the unexercised portion of such Investor Warrant) would exceed 9.99% of the outstanding shares of common stock. As a result of the restrictions described in the immediately preceding sentence and the other securities which Mr. Drapkin may be deemed beneficially to own, Mr. Drapkin's Investor Warrant is not presently exercisable. If not for the 9.99% limit, Mr. Drapkin could be deemed to beneficially own 3,202,884 shares of common stock, or 19.9% of the outstanding shares of common stock and 19.4% of the total shares of voting stock outstanding.

(11) Includes 790,472 shares held by and issuable upon exercise of warrants held by Panetta Partners and 1,075,000 shares issuable upon exercise of options.

(12) Includes 12,200 shares issuable upon exercise of warrants and 225,000 shares of common stock issuable upon exercise of options.

(13) Includes 12,500 shares issuable upon exercise of warrants and 100,000 shares issuable upon exercise of options.

(14) Includes 88,610 shares issuable upon exercise of warrants and 600,000 shares of common stock issuable upon exercise of options.

(15) See footnotes (5), (6), (7), (8), (9), (10), (11), (12), (13) and (14).

Equity Compensation Plan Information

The following table sets forth certain equity compensation plan information with respect to both equity compensation plans approved by security holders and equity compensation plans not approved by security holders as of December 31, 2002

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	5,807,561	$2.52	1,480,314
Equity compensation plans not approved by security holders	250,000	$2.00	0
Total	6,057,561	$2.50	1,480,314

(1) SIGA Technologies, Inc., Amended and Restated 1996 Incentive and Non-Qualified Stock Option Plan

Item 12. Certain Relationships and Related Transactions

Thomas E. Constance, a director of SIGA, is Chairman of Kramer Levin Naftalis & Frankel LLP, a law firm in New York City, which SIGA retained to provide legal services during fiscal year 2001.

Donald G. Drapkin, Chairman of the Board of Directors of SIGA, is also a director with TransTech Pharma, Inc., a company with which we have a collaborative agreement.

PART IV

Item 13. Exhibits, Material Agreements and Reports on Form 8-K

3(a) Restated Articles of Incorporation of the Company (Incorporated by reference to Form S-3 Registration Statement of the Company dated May 10, 2000 (No. 333-36682)).

3(b) Bylaws of the Company (Incorporated by reference to Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).

3(c) Certificate of Designations of Series and Determination of Rights and Preferences of Series A Convertible Preferred Stock of the Company dated July 2, 2001 (Filed herewith).

4(a) Form of Common Stock Certificate (Incorporated by reference to 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 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 Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).

4(d) Registration Rights Agreement between the Company and MedImmune, Inc., dated as of February 10, 1998. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997).

4(e) Warrant Agreement between the Company and Stefan Capital, dated September 9, 1999 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

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 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 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 Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)). Letter Agreement dated as of March 5, 1999 to continue the Research Support Agreement. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

10(d) 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 Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

10(e) Amended and Restated Employment Agreement between the Company and Dr. Joshua D. Schein, dated as of October 6, 2000 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(f) Amended and Restated Employment Agreement between the Company and Judson A. Cooper, dated as of October 6, 2000 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(g) Employment Agreement between the Company and Dr. Kevin F. Jones, dated as of January 1, 1996 (Incorporated by reference to Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).

10(h) Employment Agreement between the Company and David de Weese, dated as of November 18, 1996(1) (Incorporated by reference to Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).

10(i) Consulting Agreement between the Company and CSO Ventures LLC, dated as of January 1, 1996 (Incorporated by reference to Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).

10(j) Consulting Agreement between the Company and Dr. Vincent A. Fischetti, dated as of January 1, 1996 (Incorporated by reference to Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).

10(k) Consulting Agreement between the Company and Dr. Dennis Hruby, dated as of January 1, 1996 (Incorporated by reference to Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).

10(l) Letter Agreement between the Company and Dr. Vincent A. Fischetti, dated as of March 1, 1996 (Incorporated by reference to Form SB-2 Registration Statement of the Company dated March 10, 1997 (No. 333-23037)).

10(m) Employment Agreement between the Company and Dr. Dennis Hruby, dated as of April 1, 1997 (Incorporated by reference to Amendment No. 1 to Form SB-2 Registration Statement of the Company dated July 11, 1997 (No. 333-23037)).

10(n) 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 Form SB-2 Registration Statement of the Company dated July 11, 1997 (No. 333-23037)).

10(o) 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 Form SB-2 Registration Statement of the Company dated July 11, 1997 (No. 333-23037)).

10(p) 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 Form SB-2 Registration Statement of the Company dated September 2, 1997 (No. 333-23037)).

10(q) Collaborative Evaluation Agreement between the Company and Chiron Corporation, dated as of July 1, 1997 (Incorporated by reference to Amendment No. 1 to Form SB-2 Registration Statement of the Company dated July 11, 1997 (No. 333-23037)).

10(r) Consulting Agreement between the Company and Dr. Scott Hultgren, dated as of July 9, 1997 (Incorporated by reference to Amendment No. 1 to Form SB-2 Registration Statement of the Company dated July 11, 1997 (No. 333-23037)).

10(s) Letter of Intent between the Company and MedImmune, Inc., dated as of July 10, 1997 (Incorporated by reference to Amendment No. 1 to Form SB-2 Registration Statement of the Company dated July 11, 1997 (No. 333-23037)).

10(t) Research Collaboration and License Agreement between the Company and The Washington University, dated as of February 6, 1998 (2). (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997).

10(u) Settlement Agreement and Mutual Release between the Company and The Washington University, dated as of February 17, 2000 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

10(v) Technology Transfer Agreement between the Company and MedImmune, Inc., dated as of February 10, 1998. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997).

10(w) Employment Agreement between the Company and Dr. Dennis Hruby, dated as of January 1, 1998. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997). Amendment to the Agreement, dated as of October 15, 1999 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999). Amendment to the Agreement dated as of June 12, 2000).

10(x) Employment Agreement between the Company and Dr. Walter Flamenbaum, dated as of February 1, 1998. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997).

10(y) Employment Agreement between the Company and Thomas Konatich, dated as of April 1, 1998. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997). Extension and Amendment of the Agreement, dated as of January 19, 2000 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999). Amendment and Restatement of the Agreement, dated as of October 6, 2000 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(z) Consulting Agreement between the Company and Prism Ventures LLC, dated as of January 15, 1998. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997).

10(aa) Small Business Innovation Research Grant to the Company by the National Institutes for Health, dated June 21, 1999 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

10(bb) Small Business Innovation Research Grant to the Company by the National Institutes for Health, dated September 27, 1999 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

10(cc) Software Application Development Services Agreement between the Company and Open-i Media, Inc., dated October 15, 1999 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

10(dd) Media Development Agreement Services Agreement between the Company and Open-i Media, Inc., dated March 15, 2000 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

10(ee) Option Agreement between the Company and Ross Products Division of Abbott Laboratories, dated February 28, 2000 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

10(ff) Consulting Agreement between the Company and Stefan Capital, dated September 9, 1999 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999).

10(gg) Stock Purchase Agreement between the Company and MedImmune, Inc., dated as of February 10, 1998. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997).

10(hh) Small Business Innovation Research Grant to the Company by the National Institutes for Health, dated May 3, 2000. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(ii) Small Business Innovation Research Grant to the Company by the National Institutes for Health, dated August 1, 2000. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(jj) Small Business Innovation Research Grant to the Company by the National Institutes for Health, dated August 21, 2000. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(kk) Stock Purchase Agreement between the Company and Open-i Media, Inc. dated July 7, 2000. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(ll) 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 Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(mm) Agreement between the Company and Maxygen, Inc. dated October 17, 2000. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(nn) License and Research Agreements between the Company and the Regents of the University of California dated December 6, 2000. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(oo) Research Agreement between the Company and the University of Maryland dated January 3, 2001) (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).

10(pp) Amended and Restated 1996 Incentive and Non-Qualified Stock Option Plan dated August 15, 2001 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001).

10(qq) Letter Agreement among the Company, Donald G. Drapkin, Gabriel Cerrone, Thomas E. Constance, Eric A. Rose, Judson A. Cooper and Joshua D. Schein dated March 30, 2001 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001).

10(rr) Separation Agreement between the Company and Joshua D. Schein dated as of March 30, 2001 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001).

10(ss) Separation Agreement between the Company and Judson A. Cooper dated as of March 30, 2001 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001).

10(tt) Employment Agreement between the Company and Philip Sussman dated June 22, 2001 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001).

10(uu) Amendment to Employment Agreement between the Company and Dr. Dennis Hruby dated as of January 31, 2002 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001).

10(vv) Amendment and Waiver to Employment Agreement between the Company and Thomas Konatich dated as of January 31, 2002 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001).

10(ww) Small Business Innovation Grant to the Company from the National Institutes of Health dated May 17, 2002 (filed herewith).

10(xx) Research and License Agreement between the Company and TransTech Pharma, Inc. dated October 1, 2002 (filed herewith).

10(yy) Amendment to Employment Agreement between the Company and Denis Hruby dated October 1, 2002 (filed herewith).

10(zz) Retainer Agreement between the Company and Saggi Captial, Inc., dated November 1, 2002 (filed herewith).

10(aaa) Retainer Agreement between the Company and Bridge Ventures, Inc., dated November 1, 2002 (filed herewith).

10(bbb) Amendment to Employment Agreement between the Company and Thomas N. Konatich, dated November 5, 2002 (filed herewith).

10(ccc) Contract between the Company and the Department of the US Army dated December 12, 2002 (filed herewith).

10(ddd) Contract between the Company and Four Star Group dated February 5, 2003 (filed herewith).

23.1 Consent of Independent Accountants.

99.1 Certification pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(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.(b)

Reports on Form 8-K

On October 10, 2002, we filed with the SEC a report on Form 8-K stating that, on October 4, 2002, we raised approximately $930,000 through a private placement of our common stock.

Item 14 Controls and Procedures

Within 90 days prior to the filing date of this Annual Report on Form 10-K, the Company's management, including the Acting Chief Executive Officer, Chief Financial Officer, carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-14. Based upon that evaluation, the Acting Chief Executive Officer and Chief Financial Officer has concluded that the Company's current disclosure controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation by the Acting Chief Executive Officer and Chief Financial Officer.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Item 15 Principal Accountant Fees and Services

Current Year
Audit Fees

PricewaterhouseCoopers LLP billed SIGA $101,580 in the aggregate, for professional services rendered by them for the audit of SIGA's annual financial statements for the fiscal year ended December 31, 2002, and the reviews of the interim financial statements included in SIGA's form 10-QSB filed during the year ended December 31, 2002.

Audit Related Fees

PricewaterhouseCoopers LLP billed SIGA $255,690 in the aggregate for assurance and related services primarily with regard to the acquisition of Allergy Therapeutics Holdings Ltd. rendered by them during the fiscal year ended December 31, 2002.

Prior Year Proxy
Audit Fees

PricewaterhouseCoopers LLP billed SIGA $105,000 in the aggregate, for professional services rendered by them for the audit of SIGA's annual financial statements for the fiscal year ended December 31, 2001, and the reviews of the interim financial statements included in SIGA's form 10-QSB filed during the year ended December 31, 2001.

All Other Fees

PricewaterhouseCoopers LLP billed SIGA $30,870 in the aggregate, for all other services rendered by them (other than those covered above under "Audit Fees") during the fiscal year ended December 31, 2001.

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 31, 2003

By: /s/ Thomas N. Konatich

Thomas N. Konatich
Chief Financial Officer & Acting
Chief Executive Officer

Pursuant to the requirements of the Securities 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	Capacity	Date
/s/ Donald G. Drapkin Donald G. Drapkin	Chairman of the Board	March 31, 2003
/s/ Thomas N. Konatich Thomas N. Konatich	Acting Chief Executive Officer, Chief Financial Officer and Secretary	March 31, 2003
/s/ Gabriel M. Cerrone Gabriel M. Cerrone	Director	March 31, 2003
/s/ Thomas E. Constance Thomas E. Constance	Director	March 31, 2003
/s/ Mehmet C. Oz, M.D. Mehmet C. Oz, M.D.	Director	March 31, 2003
/s/ Eric A. Rose Eric A. Rose, M.D.	Director	March 31, 2003
/s/ Michael Weiner Michael Weiner, M.D.	Director	March 31, 2003

CERTIFICATION

I, Thomas N. Konatich, certify that:

1. I have reviewed this annual report on Form 10-KSB of SIGA Technologies, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and I have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Thomas N. Konatich

Thomas N. Konatich
Acting Chief Executive Officer
and Chief Financial Officer
March 31, 2003

SIGA Technologies, Inc.
(A development stage company)
Financial Statements
December 31, 2002 and 2001

SIGA Technologies, Inc.
(A development stage company)
Index to Financial Statements

Report of Independent Accountants

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

In our opinion, the accompanying balance sheets and related statements of operations, of cash flows and of changes in stockholders' equity (deficit) present fairly, in all material respects, the financial position of SIGA Technologies, Inc. (a development stage company) at December 31, 2002 and 2001, and the results of its operations and cash flows for the years ended December 31, 2002 and 2001, and for the period from December 28, 1995 ("Inception") through December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

\s\PricewaterhouseCoopers LLP
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New York, New York
February 14, 2003

SIGA Technologies, Inc.
(A development stage company)
Balance Sheets

	December 31, 2002	December 31, 2001
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,069,004	$ 3,148,160
Accounts receivable	60,151	55,000
Prepaid expenses	104,227	153,416
Total current assets	2,233,382	3,356,576
Equipment, net	432,442	703,239
Other assets	164,168	147,873
Total assets	$ 2,829,992	$ 4,207,688
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 461,146	$ 210,391
Accrued expenses and other	184,554	263,616
Capital lease obligations	11,206	192,196
Total liabilities	656,906	666,203
Commitments and contingencies		
Stockholders' equity:		
Series A convertible preferred stock ($.0001 par value, 10,000,000 shares authorized, 410,760 and 379,294 issued and outstanding at December 31, 2002 and 2001, respectively)	443,674	398,441
Common stock ($.0001 par value, 50,000,000 shares authorized, 12,902,053 and 10,139,553 issued and outstanding at December 31, 2002 and 2001, respectively)	1,293	1,016
Additional paid-in capital	32,051,461	29,348,786
Stock subscriptions outstanding	(791,940)	--
Deferred compensation	--	(35,583)
Deficit accumulated during the development stage	(29,531,402)	(26,171,175)
Total stockholders' equity	2,173,086	3,541,485
Total liabilities and stockholders' equity	$ 2,829,992	$ 4,207,688

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

SIGA Technologies, Inc.
(A development stage company)
Statement of Operations

	Year Ended December 31,		For the Period December 28, 1995 (Date of Inception) to December 31,
	2002	2001	2002
Revenues:			
Research and development contracts	$ 344,450	$ 1,159,500	$ 3,631,631
Operating expenses:			
General and administrative	1,838,470	2,570,869	17,221,915
Research and development (including amounts to related parties of $59,000, $104,000, and $547,581 for the years ended December 31, 2002 and 2001, and for the period from the date of inception to December 31, 2002)	1,766,368	1,733,188	13,775,444
Patent preparation fees	104,700	117,264	1,459,454
Total operating expenses	3,709,538	4,421,321	32,456,813
Operating loss	(3,365,088)	(3,261,821)	(28,825,182)
Interest income/(expense)	34,061	(192,679)	(312,983)
Loss on impairment of investment	--	(275,106)	(430,697)
Other income/gain on sale of securities	--	--	66,660
Net loss	(3,331,027)	(3,729,606)	(29,502,202)
Deemed dividend related to beneficial conversion feature	29,200	--	29,200
Net loss applicable to common shareholders	$ (3,360,227)	--	$(29,531,402)
Basic and diluted loss per share	$ (.32)	$ (.44)	
Weighted average common shares outstanding used for basic and diluted loss per share	10,450,529	8,499,961	
Comprehensive loss:			
Net loss	$ (3,331,027)	$ (3,729,606)	$(29,502,202)
Total comprehensive loss	$ (3,331,027)	$ (3,729,606)	$(29,502,202)

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

SIGA Technologies, Inc.
(A development stage company)
Statement of Changes in Stockholders' Equity (Deficit)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital
	Shares	Amount	Shares	Amount	
Issuance of common stock at inception		$	$ 2,079,170	$ 208	$ 1,040
Net loss			--	--	--
Balances at December 31, 1995	--		2,079,170	208	1,040
Net proceeds from issuance and sale of common stock ($1.50 per share)			1,038,008	104	1,551,333
Net proceeds from issuance and sale of common stock ($3.00 per share)			250,004	25	748,985
Receipt of stock subscriptions outstanding			--	--	--
Issuance of compensatory options and warrants			--	--	367,461
Net loss			--	--	--
Balances at December 31, 1996	--		3,367,182	337	2,668,819
Net proceeds from issuance and sale of common stock ($5.00 per share)			2,875,000	287	12,179,322
Issuance of warrants with bridge notes			--	--	133,000
Stock option and warrant compensation			--	--	68,582
Net loss			--	--	--
Balance at December 31, 1997	--		6,242,182	624	15,049,723
Issuance of common stock to acquire third party's right to certain technology ($4.34 per share)			335,530	34	1,457,424
Issuance of compensatory options and warrants			--	--	175,870
Stock option and warrant compensation			--	--	14,407
Unrealized losses on available for sale securities			--	--	--
Net loss			--	--	--
Balance at December 31, 1998	--		6,577,712	658	16,697,424
Issuance of common stock for software development ($1.25 per share)			25,000	3	31,247
Issuance of compensatory common stock, options and warrants			--		51,550
Stock option and warrant compensation			--		75,278
Unrealized gains on available for sale securities					
Net loss					
Balance at December 31, 1999	--		6,602,712	661	16,855,499

	Deferred Compensation	Stock Subscriptions Outstanding	Deficit Accumulated During the Development Stage
Issuance of common stock at inception		$ (1,248)	
Net loss	--	--	$ (1,000)
Balances at December 31, 1995	--	(1,248)	(1,000)
Net proceeds from issuance and sale of common stock ($1.50 per share)		--	--
Net proceeds from issuance and sale of common stock ($3.00 per share)		--	
Receipt of stock subscriptions outstanding		1,248	--
Issuance of compensatory options and warrants		--	--
Net loss	--	--	(2,268,176)
Balances at December 31, 1996	--	--	(2,269,176)
Net proceeds from issuance and sale of common stock ($5.00 per share)			
Issuance of warrants with bridge notes		--	--
Stock option and warrant compensation		--	--
Net loss	--	--	(2,194,638)
Balance at December 31, 1997	--	--	(4,463,814)
Issuance of common stock to acquire third party's right to certain technology ($4.34 per share)			
Issuance of compensatory options and warrants		--	--
Stock option and warrant compensation		--	--
Unrealized losses on available for sale securities		--	--
Net loss	--	--	(6,551,666)
Balance at December 31, 1998	--	--	(11,015,480)
Issuance of common stock for software development ($1.25 per share)			
Issuance of compensatory common stock, options and warrants			
Stock option and warrant compensation			
Unrealized gains on available for sale securities			
Net loss			(3,636,500)

Balance at December 31, 1999	--	--	(14,651,980)

	Unrealized Gains (Losses) on Available for Sale of Securities	Total Stockholders' Equity (Deficit)
Issuance of common stock at inception	--	--
Net loss	--	$ (1,000)
Balances at December 31, 1995	--	(1,000)
Net proceeds from issuance and sale of common stock ($1.50 per share)	--	1,551,437
Net proceeds from issuance and sale of common stock ($3.00 per share)	--	749,010
Receipt of stock subscriptions outstanding	--	1,248
Issuance of compensatory options and warrants	--	367,461
Net loss	--	(2,268,176)
Balances at December 31, 1996	--	399,980
Net proceeds from issuance and sale of common stock ($5.00 per share)		12,179,609
Issuance of warrants with bridge notes	--	133,000
Stock option and warrant compensation	--	68,582
Net loss	--	(2,194,638)
Balance at December 31, 1997	--	10,586,533
Issuance of common stock to acquire third party's right to certain technology ($4.34 per share)		1,457,458
Issuance of compensatory options and warrants	--	175,870
Stock option and warrant compensation	--	14,407
Unrealized losses on available for sale securities	(34,816)	(34,816)
Net loss	--	(6,551,666)
Balance at December 31, 1998	(34,816)	5,647,786
Issuance of common stock for software development ($1.25 per share)		31,250
Issuance of compensatory common stock, options and warrants		51,550
Stock option and warrant compensation		75,278
Unrealized gains on available for sale securities	34,816	34,816
Net loss		(3,636,500)
Balance at December 31, 1999	--	2,204,180

(Continued)

SIGA Technologies, Inc.
(A development stage company)
Statement of Changes in Stockholders' Equity (Deficit)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in
	Shares	Amount	Shares	Amount	Capital
Net proceeds from exercising of stock options		$	19,875	$ 2	$ 52,772
Net proceeds from the issuance of common stock ($5.0 per share)			600,000	60	2,882,940
Issuance of common stock in connection with software development			102,721	10	500,334
Issuance of common shares in connection with acquisition of 12.5% equity interest in a private company			40,336	4	179,996
Issuance of common shares upon conversion of debentures			90,193	9	49,246
Warrants granted in connection with the issuance of debentures					1,320,170
Issuance of compensatory options and warrants to non-employees					1,218,145
Issuance of compensatory options to employees					278,750
Stock options and warrants compensation related to services received from non-employees					185,876
Amortization of deferred compensation					
Issuance of shares in exchange for services			16,000	1	(1)
Amendment of warrants issued to a non-employee for services					270,256
Net loss					
Balance at December 31, 2000			7,471,837	747	23,793,983
Issuance of preferred stock upon conversion of debentures	1,011,593	1,036,707			
Common stock issued upon conversion of preferred series A stock	(632,299)	(638,266)	641,719	64	651,735
Net proceeds from issuance of common stock ($2.00 to $3.00 per share			1,684,636	169	4,356,801
Issuance of common shares upon conversion of stock options			167,250	17	196,846
Issuance of common shares upon exercising of warrants			70,000	7	159,613
Issuance of restricted common stock to non-employee			50,000	5	77,328
Issuance of common shares upon cashless warrant exercise			35,640	4	(4)
Issuance of common stock upon conversion of debentures			18,471	3	15,916
Issuance of compensatory stock options to the board of directors					612,750
Cancellation of warrants issued to consultant					(783,598)
Compensation charge relating to common stock issued below fair value market					103,040
Compensation charge relating to modification of options to acquire common shares					72,660
Amortization of deferred compensation					
Stock options issued to non-employee					79,054
Warrants issued to a non-employee					28,318
Forfeiture of options issued to a director					(15,656)
Net loss					
Balance at December 31, 2001	379,294	398,441	10,139,553	1,016	29,348,786

	Deferred Compensation	Stock Subscriptions Outstanding	Deficit Accumulated During the Development Stage
Net proceeds from exercising of stock options			
Net proceeds from the issuance of common stock ($5.0 per share)			
Issuance of common stock in connection with software development			
Issuance of common shares in connection with acquisition of 12.5% equity interest in a private company			
Issuance of common shares upon conversion of debentures			
Warrants granted in connection with the issuance of debentures			
Issuance of compensatory options and warrants to non-employees	$ (1,218,145)		
Issuance of compensatory options to employees	(278,750)		
Stock options and warrants compensation related to services received from non-employees			
Amortization of deferred compensation	1,068,470		
Issuance of shares in exchange for services			
Amendment of warrants issued to a non-employee for services			
Net loss			$ (7,789,589)
Balance at December 31, 2000	(428,425)	--	(22,441,569)
Issuance of preferred stock upon conversion of debentures			
Common stock issued upon conversion of preferred series A stock			
Net proceeds from issuance of common stock ($2.00 to $3.00 per share			
Issuance of common shares upon conversion of stock options			
Issuance of common shares upon exercising of warrants			
Issuance of restricted common stock to non-employee			
Issuance of common shares upon cashless warrant exercise			
Issuance of common stock upon conversion of debentures			
Issuance of compensatory stock options to the board of directors			

Cancellation of warrants issued to consultant	248,713		
Compensation charge relating to common stock issued below fair value market			
Compensation charge relating to modification of options to acquire common shares			
Amortization of deferred compensation	121,389		
Stock options issued to non-employee			
Warrants issued to a non-employee	7,084		
Forfeiture of options issued to a director	15,656		
Net loss			(3,729,606)
Balance at December 31, 2001	(35,583)	--	(26,171,175)

	Unrealized Gains (Losses) on Available for Sale of Securities	Total Stockholders' Equity (Deficit)
Net proceeds from exercising of stock options		$ 52,774
Net proceeds from the issuance of common stock ($5.0 per share)		2,883,000
Issuance of common stock in connection with software development		500,344
Issuance of common shares in connection with acquisition of 12.5% equity interest in a private company		-- 180,000
Issuance of common shares upon conversion of debentures		49,255
Warrants granted in connection with the issuance of debentures		1,320,170
Issuance of compensatory options and warrants to non-employees		--
Issuance of compensatory options to employees		--
Stock options and warrants compensation related to services received from non-employees		185,876
Amortization of deferred compensation		1,068,470
Issuance of shares in exchange for services		--
Amendment of warrants issued to a non-employee for services		270,256
Net loss		(7,789,589)
Balance at December 31, 2000	--	924,736
Issuance of preferred stock upon conversion of debentures		1,036,707
Common stock issued upon conversion of preferred series A stock		13,533
Net proceeds from issuance of common stock ($2.00 to $3.00 per share		4,356,970
Issuance of common shares upon conversion of stock options		196,863
Issuance of common shares upon exercising of warrants		159,620
Issuance of restricted common stock to non-employee		77,333
Issuance of common shares upon cashless warrant exercise		--
Issuance of common stock upon conversion of debentures		15,919
Issuance of compensatory stock options to the board of directors		612,750
Cancellation of warrants issued to consultant		(534,885)
Compensation charge relating to common stock issued below fair value market		103,040
Compensation charge relating to modification of options to acquire common shares		72,660
Amortization of deferred compensation		121,389
Stock options issued to non-employee		79,054
Warrants issued to a non-employee		35,402
Forfeiture of options issued to a director		--
Net loss		(3,729,606)
		--
Balance at December 31, 2001	--	3,541,485

(Continued)

SIGA Technologies, Inc.
(A development stage company)
Statement of Changes in Stockholders' Equity (Deficit)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital
	Shares	Amount	Shares	Amount	
Net proceeds from issuance of common stock ($1.00 to $1.09 per share)			2,737,500	274	2,559,924
Issuance of common shares upon exercise of stock options			25,000	3	28,093
Issuance of preferred stock to settle dividends payable	31,466	45,233			
Amortization of deferred compensation					
Stock options issued to non-employee					85,458
Deemed dividend related to beneficial conversion feature					29,200
Net loss					
Balance at December 31, 2002	410,760	$ 443,674	12,902,053	$ 1,293	$32,051,461

	Deferred Compensation	Stock Subscriptions Outstanding	Deficit Accumulated During the Development Stage
Net proceeds from issuance of common stock ($1.00 to $1.09 per share)		(791,940)	
Issuance of common shares upon exercise of stock options			
Issuance of preferred stock to settle dividends payable			
Amortization of deferred compensation	35,583		
Stock options issued to non-employee			
Deemed dividend related to beneficial conversion feature			(29,200)
Net loss			(3,331,027)
Balance at December 31, 2002	$ --	$ (791,940)	$ (29,531,402)

	Unrealized Gains (Losses) on Available for Sale of Securities	Total Stockholders' Equity (Deficit)
Net proceeds from issuance of common stock ($1.00 to $1.09 per share)		1,768,258
Issuance of common shares upon exercise of stock options		28,096
Issuance of preferred stock to settle dividends payable		45,233
Amortization of deferred compensation		35,583
Stock options issued to non-employee		85,458
Deemed dividend related to beneficial conversion feature		--
Net loss		(3,331,027)
Balance at December 31, 2002	$ --	$ 2,173,086

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

SIGA Technologies, Inc.
(A development stage company)
Statement of Cash Flows

	Year Ended		For the Period December 28, 1995 (Date of Inception) to
	December 31, 2002	December 31, 2001	December 31, 2002
Cash flows from operating activities:			
Net loss	$ (3,331,027)	$ (3,729,606)	$(29,502,202)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	317,032	324,463	1,592,381
Stock, options and warrant compensation	121,041	566,743	2,996,784
Loss on impairment of investment	--	275,106	430,697
Loss on write-off of capital equipment	--	--	97,969
Amortization of debt discount	--	232,393	954,705
Write-off of in-process research and development	--	--	1,457,458
Realized gain on sale of marketable securities	--	--	(66,660)
Non-cash research and development	--	--	500,344
Changes in assets and liabilities:			
Accounts receivable	(5,151)	(17,200)	(60,151)
Prepaid expenses and other current assets	49,189	(147,772)	(104,227)
Other assets	(16,295)	8,683	(164,167)
Accounts payable and accrued expenses	216,926	(477,649)	704,465
Accrued interest	--	20,390	100,672
Net cash used in operating activities	(2,648,285)	(2,944,449)	(21,061,932)
Cash flows from investing activities:			
Capital expenditures	(46,235)	--	(2,203,489)
Sale (purchase) of investment securities	--	--	66,660
Investment in Open-I-Media	--	--	(170,000)
Net cash flow used in investing activities	(46,235)	--	(2,306,829)
Cash flows from financing activities:			
Net proceeds from issuance of common stock	1,768,258	4,356,970	23,488,284
Receipts of stock subscriptions outstanding	--	--	1,248
Gross proceeds from sale of convertible debentures	--		1,500,000
Proceeds from exercise of stock options and warrants to acquire common stock	28,096	356,483	437,353
Net proceeds from sale of warrants	--		52,174
Convertible debentures and warrant issuance costs	--		(52,500)
Proceeds from bridge notes	--		1,000,000
Repayments of bridge notes	--		(1,000,000)
Proceeds from sale and leaseback of equipment	--		1,139,085
Principal payments on capital lease obligations	(180,990)	(328,229)	(1,127,879)
Net cash provided from financing activities	1,615,364	4,385,224	25,437,765
Net increase in cash and cash equivalents	(1,079,156)	1,440,775	2,069,004
Cash and cash equivalents at beginning of period	3,148,160	1,707,385	--
Cash and cash equivalents at end of period	$ 2,069,004	$ 3,148,160	$ 2,069,004
Supplemental disclosure of non-cash investing and financing activities:			
Fixed assets exchanged in acquisition	$ --	$ --	$ 80,697
Fair value of common shares exchanged in acquisition	$ --	$ --	$ 180,000
Notes payable converted into equity	$ --	$ 1,375,000	$ 1,500,000

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

1. Organization and Basis of Presentation

Organization

SIGA Technologies, Inc. ("SIGA" or the "Company") was incorporated in the State of Delaware on December 28, 1995 ("Inception") as SIGA Pharmaceuticals, Inc. The Company is engaged in the discovery, development and commercialization of vaccines, antibiotics, and novel anti-infectives for the prevention and treatment of infectious diseases. The Company's technologies are licensed from third parties.

Basis of presentation

The Company's activities since inception have consisted primarily of sponsoring and performing research and development, performing business and financial planning, preparing and filing patent applications and raising capital. Accordingly, the Company is considered to be a development stage company.

The accompanying 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. Since inception the Company has incurred cumulative net losses of $29,502,202 and expects to incur additional losses to perform further research and development activities. The Company does not have commercial biomedical products and management believes that it will need additional funds to complete the development of its biomedical products. Management's plans with regard to these matters include continued development of its products as well as seeking additional research support funds and financial arrangements. Although, management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient financing on terms acceptable to the Company.

2. Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents consist of short term, highly liquid investments, with original maturities of less than three months when purchased and are stated at cost. Interest is accrued as earned.

Equipment

Equipment is stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, which are as follows:

Laboratory equipment	5 years
Leasehold improvements	Life of lease
Computer equipment	3 years
Furniture and fixtures	7 years

Revenue recognition

The Company applies the guidance provided by Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB 101"). Under the provisions of SAB 101 the Company recognizes revenue from government research grants, contract research and development and progress payments as services are performed, provided a contractual

arrangement exists, the contract price is fixed or determinable, and the collection of the resulting receivable is probable. 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. Non-refundable fees are recognized as revenue over the term of the arrangement or based on the percentage of costs incurs to date, estimated costs to complete and total expected contract revenue. Milestones, which generally are related to substantial scientific or technical achievements are recognized in income when the milestone is accomplished.

Research and development

Research and development costs are expensed as incurred and include costs of third parties who conduct research and development, pursuant to development and consulting agreements, on behalf of the Company. 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 and considered a component of research and development costs.

Income taxes

Income taxes are accounted for under the asset and liability method prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax asset will not be realized.

Net loss per common share

Basic EPS is computed by dividing income (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period. The computation of Diluted EPS does not assume conversion, exercise or contingent exercise of securities that would have an antidilutive effect operating results.

At December 31, 2002 and 2001, 410,760 and 379,294 shares, respectively, of the Company's Series A convertible preferred stock have been excluded from the computation of diluted loss per shares as they are anti-dilutive. At December 31, 2002 and 2001, outstanding options to purchase 5,807,561 and 5,139,811 shares, respectively, of the Company's common stock with exercise prices ranging from $1.00 to $5.50 have been excluded from the computation of diluted loss per share as they are antidilutive. At December 31, 2002 and 2001, outstanding warrants to purchase 4,675,144 and 4,231,428 shares, respectively, of the Company's common stock, with exercise prices ranging from $1.00 to $8.25 have been excluded from the computation of diluted loss per share as they are anti-dilutive.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates include the value of options and warrants granted by the Company. Actual results could differ from those estimates.

Fair value of financial instruments

The carrying value of cash and cash equivalents, and accounts payable and accrued expenses approximates fair value due to the relatively short maturity of these instruments.

Concentration of credit risk

The Company has cash in bank accounts that exceed the FDIC 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.

Accounting for stock based compensation

The Company has adopted Statement of Financial Accounting Standard (FAS) No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). As provided for by FAS 123, the Company has elected to continue to account for its stock-based compensation programs according to the provisions of Accounting Principles Board Opinion No. 25, ("APB 25")"Accounting for Stock Issued to Employees." Accordingly, compensation expense has been recognized to the extent of employee or director services rendered based on the intrinsic value of compensatory options or shares granted under the plans. The Company has adopted the disclosure provisions required by FAS 123.

Had compensation cost for stock options granted been determined based upon the fair value at the grant date for awards, consistent with the methodology prescribed under FAS 123, the Company's net loss and net loss per share would have been as follows:

	12 Months Ended December 31,	
	2002	2001
Net loss, as reported	($ 3,360,227)	($ 3,729,606)
Add: Stock-based employee compensation expense recorded under APB No. 25	35,583	121,389
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(153,882)	(7,163,483)
Pro forma net loss	($ 3,478,526)	($10,771,700)
Net loss per share:		
Basic-as reported	($ 0.32)	($ 0.44)
Basic-pro forma	($ 0.33)	($ 1.27)

The fair value of the options granted to employees during 2002 and 2001 ranged from $0.09 to $2.08 on the date of the respective grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for 2002: no dividend yield, expected volatility of 100%, risk free interest rates of 2.87%-4.50% and an expected term of 3 to 5 years.

The following weighted-average assumptions were used for 2001: no dividend yield, expected volatility of 100%, risk free interest rates of 3.85%-4.74%, and an expected term of 3 to 5 years.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. The impact of these changes is not material and did not affect net loss.

Recent pronouncements

In 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (FAS) No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure an amendment of FASB Statement No. 123" ("FAS 148"). This Statement amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that FAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. The Company adopted the disclosure provisions of FAS 148.

In July 2002, the FASB issued Statement of Financial Accounting Standards (FAS) No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("FAS 146"). FAS 146 addresses the recognition, measurement and reporting of costs associated with exit or disposal activities that are currently accounted for pursuant to Emerging Issues Task Force Issue No. 94-3, Liabilities Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. Under FAS 146, such liabilities, with the exception of certain one-time termination benefits, will be recognized and measured initially at their fair value in the period in which the liability is incurred. FAS 146 is effective for fiscal years beginning after December 15, 2002.

3. Equipment

Equipment consisted of the following at December 31, 2002 and 2001:

Laboratory equipment	$ 896,862	$ 862,005
Leasehold improvements	627,849	618,315
Computer equipment	155,204	153,360
Furniture and fixtures	291,637	291,637
	1,971,552	1,925,317
Less - Accumulated depreciation	(1,539,110)	(1,222,078)
Equipment, net	$ 432,442	$ 703,239

Depreciation expense for the years ended December 31, 2002 and 2001 was $317,032 and $324,463, respectively.

At December 31, 2002 and 2001, laboratory equipment, computer equipment and furniture included approximately $730,500, $117,000 and $291,600, respectively, of equipment acquired under capital leases. Accumulated depreciation related to such equipment approximated $684,400, $117,000 and $190,829, respectively, at December 31, 2002, and $538,300, $78,000 and $149,171, respectively, at December 31, 2001.

4. Stockholders' Equity

At December 31, 2002, the Company's authorized share capital consisted of 60,000,000 shares, of which 50,000,000 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.

Private Placement Offerings

2002 Placements

In December 2002, the Company raised gross proceeds of $1.865 million in a private offering of common stock and warrants to purchase the Company's common stock. The Company sold 1,700,000 shares of common stock. In connection with the offering the Company issued 171,216 warrants to purchase shares of the Company's common stock to placement agents. The warrants are exercisable at a price of $1.65 and have a term of five years. The fair value of the warrants on the date of grant was approximately $188,970. The Company received net proceeds of $891,000 prior to December 31, 2002 and net proceeds of $791,940 after December 31, 2002. As such, as of December 31, 2002, the Company has recorded a subscription receivable of $791,940.

In October 2002, the Company raised gross proceeds of $1.04 million in a private offering of common stock and warrants to purchase the Company's common stock. The Company sold 1,037,500 shares of common stock and 518,750 warrants. The warrants are exercisable at $2.25

and have a term of five years. In connection with the offering the Company issued 103,750 warrants to purchase shares of the Company's common stock to placement agents. The warrants are exercisable at a price of $1.50 and have a term of five years. The fair value of the warrants attributable to consultants on the date of grant was approximately $64,670.

Years 2001 and Prior

In October 2001, the Company raised gross proceeds of $2.55 million in a private offering of common stock and warrants to purchase the Company's common stock. The Company sold 850,000 shares of common stock and 425,000 warrants. The warrants are exercisable at $3.60 and have a term of seven years. In connection with the offering the Company issued 100,000 warrants to purchase shares of the Company's common stock to consultants. The warrants are exercisable at a price of $3.60 and have a term of five years. The fair value of the warrants on the date of grant was approximately $221,300.

In August 2001, the Company raised gross proceeds of $1,159,500 in a private offering of 409,636 shares of common stock and 307,226 warrants to purchase shares of the Company's common stock. The warrants are exercisable at $3.55 per share and have a term of seven years.

In May 2001, the Company raised gross proceeds of $850,000 in a private offering of common stock and warrants to purchase shares of the Company's common stock. The Company sold 425,000 shares of common stock and 425,000 warrants. The warrants are exercisable at $2.94 and have a term of seven years. The investors consisted of members of the board of directors, existing investors and new investors representing 43.4%, 5.9% and 50.8% of the investors in the transaction, respectively. The Company recorded a charge to earnings in the amount of $103,040 representing the intrinsic value of the restricted stock purchased by members of the board of directors.

In March 2000 the Company entered into an agreement to sell 600,000 shares of the Company's common stock and 450,000 warrants to acquire shares of the Company's common stock (the "March Financing") for gross proceeds of $3,000,000. Of the warrants issued, 210,000, 120,000 and 120,000 are exercisable at $5.00, $6.38 and $6.90, respectively. The warrants have a term of three years and are redeemable at $0.01 each by the Company upon meeting certain conditions. Offering expenses of $117,000 were paid in April 2000. At December 31, 2002, all 450,000 warrants were outstanding.

In connection with the March financing, SIGA issued a total of 379,000 warrants to purchase shares of the Company's common stock to Fahnestock & Co. (the"Fahnestock Warrants") in consideration for services related to the March financing. The warrants had an exercise price of $5.00 per share and are exercisable at any time until March 28, 2005. In November 2000, the Company entered into a one year consulting agreement with Fahnestock and Co. under which the Company will receive marketing, public relations acquisitions and strategic planning service. In exchange for such services, the Company canceled the Fahnestock Warrants and reissued them to effectuate an amendment to the exercise price to $2.00 per share. In connection with such amendment, the Company recorded a charge of approximately $270,000 in the year ended December 31, 2000.

In January 2000 the Company completed a private placement of 6% convertible debentures at an aggregate principal amount of $1,500,000 and 1,043,478 warrants to purchase shares of the Company's common stock with a purchase price of $0.05 per warrant (the "January Financing"). The Company received net proceeds of $1,499,674 from the total $1,552,174 gross proceeds raised. The debentures are convertible into common stock at $1.4375 per share. Interest at the rate of 6% per annum was payable on the principal of each convertible debenture in cash or shares of the Company's common stock, at the discretion of the Company upon conversion or at maturity. The warrants have a term of five years and are exercisable at $3.4059 per share. The Company has the right to require the holder to exercise the warrants within five days under the following circumstances: (i) a registration statement is effective; and (ii) the closing bid price for the Company's common stock, for each of any 15 consecutive trading days is at least 200% of the exercise price of such warrants. If the holder does not exercise the warrants after notice is given, the unexercised warrants will expire. The warrants are exercisable for a period of five years.

In connection with the placement of the debentures and warrants, the Company recorded debt discount of approximately $1.0 million. Such amount represents the value of the warrants calculated using the Black-Scholes valuation model. The discount is amortized over the term of the debentures. Additionally, during the years ended December 31, 2001 and 2000, the Company recorded interest expense of $232,393 and $589,312 respectively, related to the amortization of such debt discount. In 2001 and 2000, debentures with a principal amount of $1,375,000 and $108,664, respectively, along with accrued interest, were converted into 1,011,593 and 108,884 shares of the Company's preferred and common stock, respectively.

In connection with the January 2000 financing, the Company issued warrants to purchase a total of 275,000 shares of common stock to the placement agent and the investors' counsel (or their respective designees). These warrants have a term of five years and are exercisable at $1.45 per share. In connection with the issuance of such warrants, the Company recorded a deferred charge of $280,653, which was amortized over the term of the debentures.

Holders of the Series A Convertible Preferred Stock are entitled to (i) cumulative dividends at the annual rate of 6% payable when and if declared by the Company's board of directors; (ii) in the event of liquidation of the Company, each holder is entitled to receive $1.4375 per share (subject to certain adjustment) plus all accrued but unpaid dividends; (iii) convert each share of Series A to a number of fully paid and non-assessable shares of common stock as calculated by dividing $1.4375 by the Series A Conversion Price (shall initially be $1.4375); and (iv) vote with the holders of other classes of shares on an as converted basis.

As of December 31, 2001, all of the debentures were converted into shares of the Company's preferred or common stock.

In November 1999, 16,000 shares of the Company's common stock were issued in exchange for professional services. The Company recognized non-cash compensation expense of $21,500 for the year ended December 31, 1999 based upon the fair value of the stock on the date of grant. The Company issued the shares in 2000.

In September and October 1997, the Company completed an initial public offering of 2,875,000 shares of its common stock at an offering price of $5.00 per share. The Company realized gross

proceeds of $14,375,000 and net proceeds, after deducting underwriting discounts and commissions, and other offering expenses payable by the Company, of $12,179,609.

Stock option plan and warrants

1996 Incentive and Non-Qualified Stock Option Plan

In January 1996, the Company implemented its 1996 Incentive and Non-Qualified Stock Option Plan (the "Plan"). The Plan as amended provided for the granting of up to 7,500,000 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 and become exercisable over a period of three years with a third of the grant being exercisable at the completion of each year of service subsequent to the grant.

Transactions under the Plan are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2001	2,167,061	$2.26
Granted	3,660,000	2.67
Forfeited	(500,125)	3.60
Exercised	(187,125)	1.26
Outstanding at December 31, 2001	5,139,811	2.50
Granted	777,750	2.66
Forfeited	(85,000)	3.80
Exercised	(25,000)	1.13
Total outstanding at December 31, 2002	5,807,561	$2.52
Options available for future grant at December 31, 2002	1,480,314	
Weighted average fair value of options granted during 2002	$ 0.71	
Weighted average fair value of options granted during 2001	$ 1.84	

The following table summarizes information about options outstanding at December 31, 2002:

Number Outstanding December 31, 2002	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2002	Weighted Average Exercise Price
$ 1.00	10,000	6.86	1.00	10,000	1.00
1.13	300,000	6.81	1.13	300,000	1.13
1.50	167,084	8.48	1.50	36,528	1.50
2.00 - 2.75	4,842,250	8.12	2.38	4,531,625	2.38
3.94 - 5.50	488,227	5.99	4.55	416,894	4.66
	5,807,561			5,295,047	

The following tables summarize information about warrants outstanding at December 31, 2002:

	Number of Warrants	Weighted Average Exercise Price	Expiration Dates
Outstanding at January 1, 2001	3,694,202	$ 4.04	
Granted	1,257,226	3.37	05/31/08 - 10/15/08
Exercised	(120,000)	1.85	
Canceled / Expired	(600,000)	6.43	
Outstanding at December 31, 2001	4,231,428	3.61	
Granted	793,716	2.03	09/30/07 - 12/31/07
Canceled / Expired	(350,000)	7.32	
Outstanding at December 31, 2002	4,675,144	$3.06	

Number of Warrants Outstanding	Exercise Price
100,000	1.00
679,966	1.45 - 1.65
877,750	2.00 - 2.25
2,551,212	2.94 - 3.63
226,216	4.63 - 5.00
240,000	6.38 - 6.90
4,675,144	

2002 Grants

At December 31, 2002, options granted outside of the plan included 125,000 options granted to an employee and 125,000 options granted to consultants.

In September 2002, the Company entered into a four-month consulting agreement under which the consultant assists the Company with public relations efforts in the United States of America and Europe in exchange for a monthly retainer of $3,500 for the four-month term and 50,000 fully vested options to purchase shares of the Company's common stock. Of the amount of fully vested options, 25,000 shares have an exercise price of $1.50 per share and 25,000 shares have an exercise price of $1.75. Upon grant, the Company recorded a $31,618 stock compensation charge to operations based upon the fair value of the options.

In April 2002, in connection with an existing consulting agreement, the Company granted a consultant an option to purchase 15,000 shares of the Company's common stock under the Plan. Upon grant, the Company recorded a $10,269 stock compensation charge to operations based upon the fair value of the option.

Years 2001 and Prior

In June 2001, the Company entered into a one year consulting agreement under which the consultant assists the Company with public relations efforts in Europe in exchange for 50,000 shares of the Company's restricted common stock. The restricted stock vests at an equal rate over the period of the agreement. As the restricted stock vests, the Company will record charges to earnings based upon the difference between the fair value and the price of the restricted stock. During the year ended December 31, 2001, the Company has recorded stock compensation charges to earnings in the amount of $77,333.

In May 2001, subject to approval by the shareholders, the Company granted 3,225,000 options, at an exercise price of $2.50 per share, to the members of the new board of directors. Subsequent to the approval by the shareholders the Company recorded charges to earnings in the amount of $612,750 based upon the difference between the fair market value and the exercise price of the options.

In July 2000, the Company entered into an agreement with a consultant to serve as the Company's public relations agent. The consultant is paid a monthly retainer of $6,000 and received options to purchase 75,000 shares of the Company's common stock: 25,000 are exercisable at $5.75 per share, 25,000 at $6.50 per share and 25,000 at $7.50 per share. After an initial four-month term, the Company may terminate the agreement on thirty days notice. During the year ended December 31, 2000, the Company recorded a non-cash charge associated with such options in the amount of $160,314. The options were vested and exercisable at December 31, 2000. No charge was recorded for the year ended December 31, 2001.

In connection with the development of its licensed technologies the Company entered into a consulting agreement with the scientist who developed such technologies, under which the consultant serves as the Company's Chief Scientific Advisor. The scientist, who is a stockholder, has been paid an annual consulting fee of $75,000. The agreement, which commenced in January 1996 and is only cancelable by the Company for cause, as defined in the agreement, had an initial term of two years and provided for automatic renewals of three additional one year periods unless either party notifies the other of its intention not to renew. Research and development expense

incurred under the agreement amounted to $75,000 and $75,000 for the years ended December 31, 2000 and 1999, respectively. In June 2001, the Company entered into an amended consulting agreement with the scientist under which the scientist will provide services to the Company for a three year period commencing on September 10, 2001. In consideration for the consulting services the scientist will be paid an annual fee of $50,000 payable quarterly. In addition, the Company granted the scientist options to purchase 225,000 shares of common stock at $3.94 per share. On September 10, 2001, ten percent of the options vested and the remaining shall vest in 36 monthly installments beginning on October 10, 2001. For the years ended December 31, 2002 and 2001, the Company recorded a charge of $58,904 and $79,000, respectively. In September 2002, the Company and the consultant terminated their arrangement and all unvested options were forfeited.

In August 2000, the Company entered into an agreement with a consultant to provide the Company with financial consulting, planning, structuring, business strategy, and public relations services and raising equity capital. The term of the agreement is for a period of fifteen months with a guarantee of a six-month retention from August 1, 2000, through February 1, 2001. The consultant was paid a fee of $40,000 upon signing of the agreement, and will be paid an additional $40,000 every two months for the term of the agreement unless terminated by the Company at the end of the initial six month period. Under the provisions of the agreement, the consultant received warrants to purchase 500,000 shares of the Company's common stock. 200,000 warrants with an exercise price of $3.63 per share vested upon the date of the agreement. Of the remaining 300,000 warrants, 100,000 warrants vest on May 1, 2001 with an exercise price of $6.50 per share, 100,000 vest on August 1, 2001 with an exercise price of $7.50 per share and 100,000 vest on October 1, 2001 with an exercise price of $9.50 per share. The warrants become exercisable over a period of five years. Unvested warrants terminate in the event the agreement is terminated. During the year ended December 31, 2000, the Company recorded a non-cash charge associated with such warrants in the amount of $645,786. In January 2001 the Company and the consultant terminated their arrangement. In addition to the cancellation of 300,000 unvested warrants, the consultant agreed to return 150,000 of its vested warrants to the Company. In connection with the cancellation and return of the vested warrants, the Company recorded a non-cash benefit of $535,000 in the results of its operations for the year ended December 31, 2001.

In January 2000 the Company entered into a one year consulting agreement with a member of its Board of Directors. In exchange for the consulting services, the Company granted the member of the Board warrants to purchase 50,000 shares of common stock at an exercise price of $1.00. The warrants vested immediately and became exercisable on January 19, 2001. During the year ended December 31, 2001 and December 31, 2000, the Company recorded a non-cash charge associated with such warrants in the amount of $35,402 and $134,598, respectively.

In September 1999 the Company entered into a consulting agreement with one of its directors under which the director will provide the Company with business valuation services in exchange for warrants to purchase 100,000 shares of the Company's common stock, at an exercise price of $1.00 per share. Of these warrants, 50,000 were exercisable on the date of grant and the remaining 50,000 on the first anniversary of the consulting agreement. The warrants must be exercised on or prior to September 9, 2004. The Company recognized non-cash compensation expense of $108,202 and $46,848 for the years ended December 31, 2000 and 1999, respectively, based upon the fair value of such warrants. All the warrants were vested and exercisable at December 31, 2000.

In June 1998 the Company granted a consultant options to purchase 150,000 shares of the Company's common stock at an exercise price of $5.00 per share. 50,000 options vested immediately, and the remaining 100,000 vest pro rata over a period of ten quarters. The options have a term of five years. The Company recognized non-cash compensation expense of $41,424 and $58,480 for the years ended December 31, 2000 and 1999, respectively, based upon the fair value of the options on the date of the grant.

In May 1998, the Company granted a consultant options to purchase 5,000 shares of the Company's common stock, at an exercise price of $4.25. The Company recognized non-cash compensation expense of $15,655 for the year ended December 31, 1998 based upon the fair value of such options on the date of the grant.

In January 1998 the Company issued warrants to a third party to purchase 16,216 shares of the Company's common stock, at an exercise price of $4.60 per share in connection with an operating lease. The Company recognized a non-cash charge of $57,875 for the year ended December 31, 1998 based upon the fair value of such warrants on the date the grant.

In September 1997, in connection with the Company's IPO, the Company issued the underwriters warrants to purchase 225,000 shares of common stock at an exercise price of $8.25 per share. All the warrants, which have a term of five years, are exercisable at December 31, 1999.

In November 1996, the Company entered into an employment agreement with its former President and Chief Executive Officer. Under the terms of the agreement, the employee received warrants to purchase 461,016 shares of common stock at $3.00 per share. These warrants expire on November 18, 2006. Upon termination of the employment agreement on April 21, 1998, 230,508 unvested warrants were surrendered to the Company. 230,508 of the warrants are still outstanding at December 31, 2002.

5. Related Parties

Employment agreements

In September 1998, the Company and its Chief Executive Officer and Chairman ("EVPs") entered into employment agreements commencing October 1, 1998 and expiring on December 31, 2000. Under the agreements, the EVPs were each paid an annual minimum compensation of $225,000, and were granted a minimum of 16,666 options to purchase shares of the Company's common stock per annum. The Company incurred $450,000 of expense for the year ended December 31, 1999 pursuant to these agreements.

In November 1999, the EVPs were each granted non-qualified stock options to purchase 150,000 shares under the Company's 1996 Incentive and Non-Qualified Stock Option Plan, at an exercise price of $1.30, which expire in ten years. 37,500 options vested immediately, 75,000 vested in November 2000, and the remaining 37,500 vested in November 2001.

In January 2000, the Company entered into new employment agreements with its EVPs, expiring in January 2005. The new agreements provide for an annual salary of $250,000, with annual increases of at least 5%. In addition, both of the EVPs were granted fully-vested options to purchase 500,000 shares of the Company's common stock at $2.00 per share. Under the provisions of the agreements, the EVPs would each receive a cash payment equal to 1.5% of the

total consideration received by the Company in a transaction resulting in a greater than 50% change in ownership of the outstanding common stock of the Company.

On March 30, 2001, the Company, its EVPs and certain investors (the "Investors") in the Company entered into an agreement under which the EVP's agreed to resign from SIGA and use their best efforts to cause each of the current directors of SIGA to resign. Under the agreement, certain Investors were to be appointed as Chairman of the Board and as Chief Executive Officer. In addition, as prescribed in the agreement, the amended employment agreement entered into by the Company and the EVPs in October 2000 was terminated with no cost to the Company, the vesting of 37,500 options granted to the EVPs was accelerated, exercise terms were extended and the EVPs are entitled to certain benefits until April 2003. In addition, each of the parties to the agreement have agreed to lock up their respective shares of common stock and options of SIGA for 24 months subject to certain release provisions. In connection with the amendment of the terms of the EVP's options, the Company recorded a non-cash charge of $73,000 in the year ended December 31, 2001.

In January 2000, the Company amended its employment agreement with its CFO, extending his employment until April 2002. Under this amendment, the CFO received options to purchase 100,000 shares of the Company's common stock at $2.00 per share. The options vest ratably over two years and expire in January 2010.

In October 2000, the Company entered into an amended and restated employment agreements with its Chief Executive Officer, its Chairman and its CFO. Under the amended agreements, in the event of a change in control, the EVPs and the CFO will be paid their respective compensation for the remainder of their employment terms and will receive a tax gross-up payment. In addition, in such event, all unvested options held by the EVPs and the CFO will become vested and exercisable. In the event of a merger or consolidation where the holders of the voting capital stock of the Company immediately prior to the transaction own less than a majority of the voting capital stock of the surviving entity, the EVPs will each receive a one time cash payment of 1.5% of the total consideration received by the Company and a tax gross-up payment. In the event of a sale, merger or public spin-out of any subsidiary or material asset of the Company, the EVPs shall each receive a fee equal to 1.5% of the value of the Company's shares of the subsidiary or material asset and a tax gross-up payment.

In January 2002, the Company and its Chief Financial Officer ("CFO") entered into an amendment to the CFO's employment agreement, extending his employment until December 31, 2002. In November 2002, the employment agreement was amended and extended until September 30, 2004. Under the amended agreement, compensation is set at an annual minimum base salary of $210,000 and options of 150,000 were granted under the Plan at an exercise price of $2.50 per share. Of such grant, 75,000 shares vested immediately and 75,000 shares will vest on September 1, 2003.

In May 2000, the Company and its Vice President for Research entered into an amendment of the Vice Presidents employment agreement, extending his employment until December 31, 2002, except that the Company may terminate the agreement upon 180 days written notice. Under the amendment the employee's title was changed to Chief Scientific Officer ("CSO"). The CSO was granted options to purchase 125,000 shares of the Company's common stock at $2.00 per share. The options vest ratably over the remaining term of the amendment. During the year ended

December 31, 2001 and 2000, the Company recorded non-cash compensation charges of $112,168 and $130,999 related to these options, respectively. In October 2002, the employment agreement was amended and extended until December 31, 2005. Under the amended agreement, compensation is set at an annual minimum base salary of $210,000 and options of 300,000 shares were granted at an exercise price of $2.50. Upon such grant, the CSO was required to surrender 50,000 shares granted under a previous grant with an exercise price of $3.94. Under the new grant, 75,000 shares vested immediately and 75,000 shares will vest on September 1, 2003, 2004 and 2005, respectively, pursuant to the Plan. As such, 50,000 options are considered variable options under APB 25 as replacement awards for the options surrendered. For the year ended December 31, 2002, there was no stock compensation charge as the fair value of the options was below the exercise price.

In November 1999, the Company entered into two year employment agreements with three newly-hired Vice Presidents ("VPs"), of Business Development, Investor Relations, and Marketing, at annual salaries of $95,000, $100,000, and $120,000, respectively. Each VP was also granted options to purchase 100,000 shares of the Company's common stock at an exercise price of $1.125 per share, to vest ratably over two years. As of December 31, 2001, the VPs were no longer with the Company. The employees forfeited 12,500 and 100,000 unvested options at December 31, 2001 and 2000, respectively.

In June 2001, the Company entered into an employment agreement with an individual to serve as the Company's President and Chief Executive Officer (the "Executive"), expiring in June 2003. The agreement provides for an annual salary of $300,000. In addition the Executive was granted options to purchase 420,000 shares of the Company's common stock at $3.94 per share. In October 2001, the Company and the Executive entered into a separation and release agreement under which the Company will pay the Executive $40,000 over a period through October 5, 2002. Options previously granted to the Executive have been cancelled.

6. Income Taxes

The Company has incurred losses since inception, which have generated net operating loss carryforwards of approximately $19,356,114 and $16,575,000, respectively, at December 31, 2002 and 2001 for federal and state income tax purposes. These carryforwards are available to offset future taxable income and begin expiring in 2010 for federal income tax purposes. As a result of a previous change in stock ownership, the annual utilization of the net operating loss carryforwards is subject to limitation.

The net operating loss carryforwards and temporary differences, arising primarily from deferred research and development expenses result in a noncurrent deferred tax asset at December 31, 2002 and 2001 of approximately $11,143,534 and $9,811,000, respectively. 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.

For the years ended December 31, 2002 and 2001, the Company's effective tax rate differs from the federal statutory rate principally due to net operating losses and other temporary differences for which no benefit was recorded, state taxes and other permanent differences.

7. Technology Purchase Agreement

In February 1998, the Company entered into an agreement with a third party pursuant to which the Company acquired the third party's right to certain technology, intellectual property and related rights in the field of gram negative antibiotics in exchange for 335,530 shares of the Company's common stock. Research and development expense related to this agreement amounted to $1,457,458 for the year ended December 31, 1998.

8. Collaborative Research and License Agreement

In October 2002, the Company entered into a collaborative research agreement with Trans Tech Pharma, Inc. (Trans Tech), a related party, for the discovery and treatment of human diseases. Under the terms of the agreement, Trans Tech and the Company have agreed to contribute each of their respective services and share in equal costs of specified research projects. In consideration of the services performed by Trans Tech and use of its proprietary technology, SIGA grants an exclusive, fully-paid, nontransferable, nonsublicenseable, limited license to use existing rights to patents and technologies. Both parties will share equally in the ownership of compounds and related intellectual property derived from such research efforts.

In July 1997, the Company entered into a collaborative research and license agreement with Wyeth-Ayerst (the "Collaborator"). Under the terms of the agreement, the Company has granted the collaborator an exclusive worldwide license to develop, make, use and sell products derived from specified technologies. The agreement required the collaborator to sponsor further research by the Company for the development of the licensed technologies for a period of two years from the effective date of the agreement, in return for payments totaling $1,200,000. In consideration of the license grant the Company is entitled to receive royalties equal to specified percentages of net sales of products incorporating the licensed technologies. The royalty percentages increase as certain cumulative and annual net sales amounts are attained. The Company could receive milestone payments, under the terms of the agreement of up to $13,750,000 for the initial product and $3,250,000 for the second product developed from a single compound derived from the licensed technologies. Such milestone payments are contingent upon the Company making project milestones set forth in the agreement, and, accordingly, if the Company is unable to make such milestones, the Company will not receive such milestone payments. During 1999, the Company recognized $337,500 in revenue related to this agreement. In 2000, the Company received $450,000 from the Collaborator. The Company recorded the entire amount as deferred revenue on December 31, 2000 and recognized it in its results of operations upon the signing of an amendment to the agreement in May 2001. In addition, for the year ended December 31, 2001, the Company recorded $575,000 in revenue relating to the agreement of which $237,500 reflected a milestone payment. The sponsorship of the research at SIGA ended in September 2001. Research and development efforts continue at Wyeth, however, the remaining contractual milestones have not been reached as of December 31, 2002.

9. License and Research Agreements

In December 2002, the Company announced that it was awarded an initial U.S. Government contract with the U.S. Army to develop an effective smallpox antiviral drug. The total estimated revenue under the contract is $1.6 million for the periods January 1, 2003 to May 31, 2007.

In May 2002 the Company announced that it was awarded a Phase II research grant for a total of $865,000. The grant will support the Company's antibiotic development program. The grant was awarded by the Small Business Innovation Research Program of the National Institutes of Health. The Company will receive $529,359 over the twelve month period beginning June 1, 2002 and an additional $335,698 over the twelve month period beginning June 1, 2003. For the twelve months ended December 31, 2002, the Company received approximately $270,000 from this grant.

On December 6, 2000 the company entered into an exclusive license agreement and a sponsored research agreement with the Regents of the University of California (the "Regents"). Under the license agreement the Company obtained rights for the exclusive commercial development, use and sale of products related to certain inventions in exchange for a non-refundable license issuance fee of $15,000 and an annual maintenance fee of $10,000. In the event that the Company sub-leases the license, it shall pay Regents 15% of all royalty payments made to SIGA. Under the agreement, SIGA is required to pay Regents 15% of all funds received from Wyeth-Ayesrt and a minimum annual amount of $250,000 for the continued development of the inventions for a period of three years. Under the sponsored research agreement SIGA was required to provide the Regents with funding in the total amount of $300,000 over a period of two years to support certain research. In September 2001 the sponsored research agreement was terminated. The Company recorded total research and development charges in the amount of $52,500 for the year ended December 31, 2000, related to the two agreements.

In February 2001, the Company entered into a subcontract agreement with the Oregon State University. Under the agreement, the Oregon State University subcontracted to SIGA certain duties it has under a grant received from the National Institute of Health for the development of Proxvirus Proteinase Inhibitors. The term of the original agreement lapses on August 31, 2001. The agreement has been extended through August 31, 2003. During the year ended December 31, 2002, the Company recognized revenue in the amount of $75,000.

In March 2000 the Company entered into an agreement with the Ross Products Division of Abbott Laboratories (Ross), under which the Company granted Ross an exclusive option to negotiate an exclusive license to certain Company technology and patents, in addition to certain research development services. In exchange for the research services and the option, Ross was obligated to pay the Company $120,000 in three installments of $40,000. The first payment of $40,000 was received in March 2000 and is being recognized ratably, over the expected term of the arrangement. The remaining installments are contingent upon meeting certain milestones under the agreement and will be recognized as revenue upon completion and acceptance of such milestones. The first milestone was met, and the Company received an additional payment of $40,000 in the quarter ended September 30, 2000. During the years ended December 31, 2001 and 2000, the Company recognized revenue in the amount of $45,000 and $80,000, respectively. The Company has not entered into any new research agreements with Ross in 2002.

In May, August and September 2000 the Company was awarded three Phase I Small Business Innovation Research (SBIR) grants from the National Institutes for Health in the amounts of $26,000, $96,000 and $125,000 respectively. The grants are for the periods May 3, 2000 to August 31, 2000, August 1, 2000 to January 31, 2001, and September 15, 2000 to March 14, 2001 respectively, and will support the Company's antibiotic and vaccine development programs.

In July and September, 1999 the Company was awarded two Phase I research grants by the Small Business Innovation Research Program (SBIR) of $109,072 and $293,446 respectively. The first grant was to help support the Company's antibiotic discovery efforts for the period July 1, 1999 through December 31, 1999. The second grant provides support for the Company's effort to develop a vaccine targeting strep throat, in collaboration with the National Institutes of Health (NIH). The grant award is for a period of twelve months beginning on October 1, 1999. For the years ending December 31, 2000 and 1999 the Company had recognized revenue from the two grants of $220,457 and $182,061, respectively.

10. Product Development Agreement

In October 1999 the Company entered into an agreement with Open-iMedia, a software and web development company ("Development Company"). Under the terms of the agreement the Company was to acquire and the Development Company was to develop, the source code for a client/server chat and instant messaging application. In March 2000, the Company entered into an agreement with the Development Company for creative and technical services, and for business strategy consulting in exchange for $280,000 in cash and 13,605 shares of the Company's common stock.

During the year ended December 31, 2000 the Company recognized charges of $180,000 and $500,334 associated with cash paid and 102,721 shares of the Company's common stock, respectively, paid and granted under the agreements. Costs related to this agreement were recognized as the services were performed or upon meeting certain milestones as defined under the agreements. The Company recorded all amounts paid under the development agreements, including the fair value of shares issued in research and development expenses.

In July 2000 the Company acquired a 12.5% equity position in the Development Company. Under the terms of the agreement, the Development Company received: (i) $170,000 in cash; (ii) 40,336 shares of the Company's common stock; and (iii) certain assets consisting of the instant messenger product, PeerFinder and fixed assets with a net book value of $80,697. In addition, the Company received the right to appoint one director to the Development Company's board of directors. At December 31, 2002 and 2001, the Company reassessed the value of its investment in Open-I. The Company reviewed certain events and changes in circumstances indicating that the carrying amount of the investment in Open-I may not be recoverable in its entirety. In 2000, management elected to reduce the carrying amount of its investment to reflect its recoverable value as of the year-end and recorded an impairment charge of $156,000. At December 31, 2001, management reviewed all available information and as a result of its analysis determined that the carrying value of its investment should be written off.

11. Other Agreements

In March 2002, the Company entered into a non-binding Letter of Intent (the "Letter") to acquire all of the outstanding shares of Allergy Therapeutics Holdings Ltd. ("Allergy"). Under the terms of the letter, SIGA was to issue shares to the Allergy Stockholders that would result in 47.5% ownership to each of the former shareholders of SIGA and former shareholders of Allergy of the outstanding common stock, on a fully diluted basis. As part of the transaction, Elan Pharma International Limited ("Elan") was to enter into an exclusive license for certain technology with SIGA in exchange for 5% of the Company's common stock on a fully diluted basis. In July 2002,

the Company announced the termination of the Letter to acquire all the shares of Holdings due to unfavorable market conditions that existed at the time of the termination. The Company incurred approximately $600,000 of expenses in connection with this contemplated transaction, of which approximately $200,000 were still outstanding as of December 31, 2002.

In May 2000, the Company entered into a letter of intent (the "Letter") to acquire Hypernix Technologies, Ltd, an Israel-based entity. Under the letter, in the event that the transaction was consummated, SIGA was to issue 3 million shares of its common stock to the stockholders and certain employees of Hypernix and assume all of the liabilities of Hypernix (not to exceed $1,250,000), with Hypernix's creditors to be paid half in cash and half in common stock of SIGA. Also under the letter, SIGA was to lend Hypernix $250,000 per month for up to five months. This advance was subject to interest at an annual rate of 10% and was collateralized by all the assets of Hypernix. The Company advanced Hypernix $261,000 and $250,000 in May and July 2000,respectively, under the agreement. On August 10, 2000, the Company terminated the letter of intent. SIGA recorded charges of $261,000 and $250,000 for the three months ended June 30, 2000 and September 30, 2000 respectively, to reserve the amounts advanced to Hypernix. In March 2001, the Company received a payment from Hypernix in the amount of $84,375.

12. Segments

Since the announcement in September 1999 that the Company intended to pursue an Internet initiative, the Company operated its Internet initiative as a separate segment. The Internet segment generated operating expenses of approximately $1,018,000 during 2000 and has no identifiable assets at December 31, 2002 and 2001. At December 31, 2002 and 2001 the Company has no internet related operations.

13. Commitments and Contingencies

Operating lease commitments

The Company leases certain facilities and office space under operating leases. Minimum future rental commitments under operating leases having noncancelable lease terms in excess of one year are as follows:

Year ended December 31,	
2003	$164,115
2004	173,821
2005	66,982
2006	68,321
2007 and thereafter	75,505
Total	$548,744

Capital lease commitments

In July, August and September 1998, the Company sold certain laboratory equipment, computer equipment and furniture to a third party for $493,329, $385,422 and $260,333, respectively, under sale-leaseback agreements with terms of 42 months ending December 1, 2001, January 1,

2002 and February 1, 2002, respectively. At the end of the respective leases, the Company renewed terms for an additional 12 months requiring minimum monthly payments of $6,167, $4,818 and $3,254, respectively. The Company has an option to purchase the equipment up to 15% of the original cost at the end of the renewal lease terms.

Future minimum lease payments for assets under capital leases at December 31, 2002 are as follows:

Year ended December 31, 2003:	
	$11,326
Total Minimum Payments	11,326
Less: amounts representing interest	120
Present value of future minimum lease payments	11,206
Less current portion of capital lease obligations	11,206
Capital lease obligations, net current portion	$ --

14. Subsequent Events

On February 5, 2003, the Company entered into a 12-month consulting agreement in the amount of $249,420 to provide marketing research support. Upon being awarded research contracts in excess of $2.0 million from such support, the Company is obligated to issue 400,000 fully vested warrants at an exercise price of $1.32 with an expiration of 3 years. Upon renewal of the agreement, the Company is required to issue an additional 100,000 warrants with an exercise price set at the date of the renewal with an expiration of 3 years. The Company has the right to terminate the agreement after six months.

**********NOTICE OF GRANT AWARD**********
SMALL BUSINESS INNOVATION RESEARCH PROG Issue Date: 05/17/2002

Department of Health and Human Services
National Institutes Of Health
NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS DISEASES
****

Grant Number: 2 R44 A146828-02
Principal Investigator: HRUBY, DENNIS E MD
Project Title: DegP Proteinase Inhibitors: Novel Anti-Infectives

KONATICH, THOMAS
CHIEF FINANCIAL OFFICER
SIGA TECHNOLOGIES, INC
420 LEXINGTON AVE, SUITE 620
NEW YORK, NY 10170
UNITED STATES

Budget Period: 06/01/2002 - 05/31/2003
Project Period: 08/01/2000 - 05/31/2004

Dear Business Official:

The National Institutes of Health hereby awards a grant in the amount of $529,359 (see "Award Calculation" in Section I) to SIGA TECHNOLOGIES, INC. in support of the above referenced project. This award is pursuant to the authority of 42 USC 241 42 CFR PART 52 15 USC 638 and is subject to terms and conditions referenced below.

Acceptance of this award including the Terms and Conditions is acknowledged by the grantee when funds are drawn down or otherwise obtained from the grant payment system.

Award recipients are responsible for reporting inventions derived or reduced to practice in the performance of work under this grant. Rights to inventions vest with the grantee organization provided certain requirements are met and there is acknowledgement of NIH support. In addition, recipients must ensure that patent and license activities are consistent with their responsibility to make unique research resources developed under this award available to the scientific community, in accordance with NIH policy. For additional information, please visit http://www.iedison.gov.

If you have any questions about this award, please contact the individual(s) referenced in the information below.

Sincerely yours,

/s/ Theresa Mercogliano
- ----------

Theresa Mercogliano
Grants Management Officer
NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS DISEASES

See additional information below

SECTION I - AWARD DATA - 2 R44 AI46828-02

AWARD CALCULATION (U.S. Dollars):

Salaries and Wages	$75,695
Personnel Costs	$75,695
Equipment	$105,265
Supplies	$23,128
Consortium/Contractual Cost	$212,730
Federal Direct Costs	$416,818
Federal F&A Costs	$100,036
APPROVED BUDGET	$516,854
Fee	$ 12,505
TOTAL FEDERAL AWARD AMOUNT	$529,359
	529,359

Recommended future year total cost support, subject to the availability of funds and satisfactory progress of the project, is as follows.

03 $335,698

FISCAL INFORMATION:
CFDA Number: 93.856
EIN: 1133864870A1
Document Number: R4AI46828B

IC/	CAN	/	FY2002	/	FY2003
AI/	8425730	/	529,359	/	335,698

NIH ADMINISTRATIVE DATA:
PCC: M36 / OC: 41.4B /Processed: MERCOGL 020514 0940

SECTION II - PAYMENT/HOTLINE INFORMATION - 2 R44 A146828-02

For Payment and HHS Office of Inspector General Hotline Information, see the NIH Home Page at http://grants.nih.gov/grants/policy/awardconditions.htm

SECTION III - TERMS AND CONDITIONS - 2 R44 A146828-02

This award is based on the application submitted to, and as approved by, the NIH on the above-titled project and is subject to the terms and conditions incorporated either directly or by reference in the following:

a. The grant program legislation and program regulation cited in this Notice of Grant Award.
b. The restrictions on the expenditure of federal funds in appropriations acts, to the extent those restrictions are pertinent to the award.
c. 45 CFR Part 74 or 45 CFR Part 92 as applicable.
d. The NIH Grants Policy Statement, including addenda in effect as of the beginning date of the budget period.
e. This award notice, INCLUDING THE TERMS AND CONDITIONS CITED BELOW.

(see NIH Home Page at http://grants.nih.gov/grants/policy/awardconditions.htm for certain references cited above.)

An unobligated balance may be carried over into the next budget period without Grants Management Officer prior approval.

This grant is subject to Streamlined Noncompeting Award Procedures (SNAP).

Treatment of Program Income:
Additional Costs

The NIAID is pleased that investigators are submitting investigator-initiated applications to conduct exciting and important clinical research on the wide variety of infectious diseases and infectious agents of interest to the Division of Microbiology and Infectious Diseases. The NIAID supports clinical trials and research through grants, such as the application that you have submitted, as well as other funding mechanisms. The NIAID also has oversight responsibilities to ensure compliance with government regulations and facilitate the safety of participants in these studies. To assist us in this process, any funded applications for clinical trials will contain within the Notice of Grant Award, a clear outline of your responsibilities. Acceptance of the competing grant award, as referenced above, will constitute agreement with these additional Terms of Award. http://www.niaid.nih.gov/ncn/pdf/clinterm.pdf

Briefly, as a condition of award and before the initiation of any/each planned clinical study, you are required to submit to your program officer the following information:
a) A copy of the protocol
b) The proposed informed consent form. You may want to use the model developed by the NCI (URL:
http://cancertrials.nci.nih.gov/researchers/safeguards/consent/template.html)
c) A plan for monitoring the safety of study subjects
d) A plan for serious adverse event reporting, if applicable

Division staff members are available to assist with various aspects of protocol development, particularly in the areas of informed consent, site monitoring, and adverse events monitoring methods. We also welcome pre-enrollment meetings to discuss details of the study.

If we can be of further assistance, please contact your Program Administrator or your Grants Management Officer, their names are listed below.

PAYMENT INFORMATION: The awardee organization will receive information and forms from the Payment Management System of the Department of Health and Human Services regarding requests for cash, manners of payment, and associated reporting requirements. Payment may be made on a cost-reimbursement or advance basis. Cost reimbursements may be requested monthly, quarterly, or at other periodic intervals. Advance payments may be requested on a monthly basis only. The telephone number for the Payment Management System Office is (301) 443-1660.

The total fixed fee for your Phase II project is $20,436 and is included in the maximum allowable total costs. This fee is incrementally funded proportionately for each budget period. $12,505 are allotted for payment of fixed fee for the budget period covered by this Notice of Grant Award. Additional funds for the remainder of the total fixed fee are intended to be allotted by a future Notice(s) of Grant Award, and is reflected in the future year total cost commitment base on this Notice of Grant Award. Unless and until such future Notice(s) of Grant Award is (are) issued, the Government will not be obligated to reimburse the grantee organization for more than the funds currently allotted for payment of the fixed fee. An adjustment of the fee will be made in the event the grant is terminated or future support is withheld. The fee allotted under this Notice of Grant Award is to be drawn down from the BBS Payment System in increments proportionate to the draw down of funds for costs.

When purchasing equipment or products under this SBIR award, the grantee shall use only American-made items whenever possible.

Intellectual property rights: Normally, the awardee organization retains the principal worldwide patent rights to any invention developed with United States Government support. Under Title 37 Code of Federal Regulations Part 401, the Government receives a royalty-free license for its use, reserves the right to require the patent holder to license others in certain circumstances, and requires that anyone exclusively licensed to sell the invention in the United States must normally manufacture it substantially in the United States.

Rights and obligations related to inventions created or reduced to practice as a result of this award are detailed in 35 U.S.C. 205 and 37 CFR Part 401. These inventions must be reported to the Extramural Invention Reporting and Technology Resources Branch, OPERA, NIH, 6701 Rockledge Drive, MSC 7750, Bethesda, MD 20892-7750, (301) 435-1986. For additional

information, access the NIH link on the Interagency Edison web site (www.iedison.gov) which includes an electronic invention reporting system, reference information and the text to 37 CFR 401.

To the extent authorized by 35 U.S.C., Section 205, the Government will not make public any information disclosing an NIH-supported invention for a 4-year period to allow the awardee organization a reasonable time to file a patent application, nor will the Government release any information that is part of that patent application.

Allowable costs conducted by for-profit organizations will be determined by applying the cost principles of Contracts with Commercial Organizations set forth in 48 CFR, Subpart 31.2.

Marissa A Miller, Program Official
Phone: 301-496-7728 Email: mm459k@nih.gov

Theresa Mercogliano, Grants Specialist

SPREADSHEET
GRANT NUMBER: 2 R44 A146828-02
P.I.: HRUBY, DENNIS E
INSTITUTION: SIGA TECHNOLOGIES, INC.

	YEAR 02	YEAR 03
Salaries and Wages	75,695	92,213
Personnel Costs	75,695	92,213
Equipment	105,265	
Supplies	23,128	52,115
Consortium/Contractual Cost	212,730	120,000
TOTAL FEDERAL DC	416,818	264,328
TOTAL FEDERAL F&A	100,036	63,439
TOTAL COST	516,854	327,767

	YEAR 02	YEAR 03
F&A Cost Rate 1	24.00%	24.00%
F&A Cost Base 1	416,818	264,328
F&A Costs 1	100,036	63,439
FEE	12,505	7,931

RESEARCH AND LICENSE AGREEMENT

This Research and License Agreement (this "Agreement"), made as of October 1, 2002 (the "Effective Date"), between SIGA Technologies Inc., a corporation organized under the laws of Delaware and having a place of business at 4575 SW Research Way, Suite 320, Corvallis, Oregon 97333 (herein referred to as "Siga") and TransTech Pharma, Inc., a corporation organized under the laws of Delaware and having a place of business at 4170 Mendenhall Oaks Parkway, Suite 110, High Point, North Carolina 27265 (herein referred to as "TransTech") (Siga and TransTech are each a "Party" and, collectively, the "Parties").

Recitals:

TransTech has developed, owns or controls rights to certain drug discovery technology and intellectual property relating to designing, synthesizing, testing and optimizing clinical drug candidates and Compounds.

Siga has developed, owns or controls rights to certain drug discovery technology and intellectual property relating to biological targets.

Siga and TransTech desire to collaborate on the discovery, identification, optimization and development of Compounds for the treatment of human diseases.

NOW, THEREFORE, in consideration of the premises recited above and the covenants and obligations set forth below, and intending to be legally bound, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 "Affiliate" means, with respect to any Party, any Person that controls, is controlled by or is under common control with such Party. A Person shall be regarded as in control of another entity if it owns or directly or indirectly controls at least fifty (50%) of the voting stock or other ownership interest of the other entity (or alternatively, with respect to foreign entities, if it owns the maximum such ownership interest permitted by law), or if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the entity or the power to elect or appoint at least fifty (50%) of the members of the governing body of the entity.

1.2 "Business Day" means any weekday that is not a federal holiday.

1.3 "Code" shall have the meaning set forth in Section 11.3.

1.4 "Compound" is to be understood in its broadest possible sense to encompass all types of chemical, biological or biochemical structures and substances composed of two or more elements. Merely to illustrate the breadth of this definition and not by way of limitation, "Compound" includes each and every type of structure or substance composed of two or more elements of biological or pharmaceutical interest; small and large molecules, macromolecules

and assemblies; saccharides, carbohydrates, lipids, peptides, polypeptides, proteins, amino and nucleic acids, derivatives of any of the foregoing and chemical and physical combinations thereof; cell compounds, products and by products, including without limitation antibodies, hormones and enzymes; and various other modulators of biological activity.

1.5 "Confidential Information" means all proprietary, non-public information and materials disclosed by one Party to the other that have or could have commercial value or other utility in a Party's business, the unauthorized disclosure of which could be detrimental to the disclosing Party's interests, and which a Party takes reasonable efforts to keep confidential, without limitation, Inventions, trade secrets, Know-How, data and materials provided by the Parties or otherwise developed under this Agreement, research, technical, development, manufacturing, commercialization, financial, personnel and other business information and plans, whether in oral, written, graphic or electronic form.

1.6 "Confidentiality Exception" shall have the meaning set forth in Section 8.1.

1.7 "Derived" means obtained, developed, created, synthesized, designed, derived or resulting from, based upon or otherwise generated (whether directly or indirectly, or in whole or in part).

1.8 "Disclosing Party" shall have the meaning set forth in Section 8.1.

1.9 "Effective Date" shall have the meaning set forth in the preamble.

1.10 "Intellectual Property" means all of the following or their legal equivalent or counterpart in any jurisdiction throughout the world: (i) Inventions, patents, patent applications, patent disclosures and Patent Rights; (ii) trademarks, service marks, trade dress, trade names, corporate names, logos and Internet domain names; (iii) copyrights and copyrightable works; (iv)

registrations and applications for registration for any of the foregoing; and (v) trade secrets, Know-How and Confidential and proprietary Information.

1.11 "Invention" means any finding, discovery, development, addition, improvement, modification, formulation or change, whether patentable or not, that is conceived, reduced to practice, developed, made or controlled by either Party or both Parties under this Agreement.

1.12 "Integrated Compound Libraries" means libraries of Compounds, but not including TTProbes(TM), synthesized by TransTech in a lead identification process using TransTech Technology.

1.13 "Know-How" means trade secrets, and other unpatented technical and/or proprietary information, data, specifications, plans, drawings, designs, blueprints, formulae, processes and other similar items and materials. For the avoidance of doubt, Know-How does not include Patent Rights.

1.14 "Ownership Share" shall have the meaning set forth in Section 6.2.1.

1.15 "Patent Rights" means the rights and interests in and to all issued patents and pending patent applications in any country, including, without limitation, all provisional applications, substitutions, continuations, continuations-in-part, divisions, and renewals, all letters patent granted thereon, and all patents-of-addition, reissues, reexaminations and extensions or restorations by existing or future extension or restoration mechanisms.

1.16 "Person" means any individual, firm, corporation, partnership, limited liability company, trust, unincorporated organization or other entity or a government agency or political subdivision thereto, and shall include any successor (by merger or otherwise) of such Person.

1.17 "Product" means a drug product having Regulatory Approval comprising at least one Program Compound.

1.18 "Program" means the collaborative scientific activities undertaken by the Parties during the Program Term.

1.19 "Program Compound" means any Compound developed during the Program displaying (a) biological activity of lOOnM IC50 or greater at a Screening Target and (b) significant in vivo efficacy in an appropriate disease model at oral doses less than 10mg/kg; provided, however, that "Program Compounds" shall not include any TTProbes(TM).

1.20 "Program Director" means a research executive appointed by each Party to serve as such Party's principal coordinator and liaison for the collaboration. The Program Director appointed by Siga is referred to as the "Siga Program Director," and the Program Director appointed by TransTech is referred to as the "TransTech Program Director."

1.21 "Program Intellectual Property" means all Intellectual Property relating to Program Compounds. In no event, however, shall Program Intellectual Property include either (a) TransTech Technology or (b) Siga Technology or (c) TTProbes(TM) or (d) Compounds in Integrated Compound Libraries that are not themselves Program Compounds.

1.22 "Program Term" means that period of the Program beginning upon the date the first Statement of Work is executed by the Parties and expiring on the termination of all Research Projects.

1.23 "Project Group" means a group (as further described in Section 2.3.2) responsible for developing a particular Research Project plan, recommending allocation of resources to the Steering Committee, developing timelines, milestones and all day-to-day activities associated with the execution of such Research Project plan.

1.24 "Publication" shall have the meaning set forth in Section 8.2.3.

1.25 "Receiving Party" shall have the meaning set forth in Section 8.1.

1.26 "Regulatory Approval" means the technical, medical and scientific licenses, registrations, authorizations and approvals (including, without limitation, approvals of Biologics License Applications, supplements and amendments, pre- and post- approvals, pricing and third-

party reimbursement approvals, and labeling approvals) of any national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, necessary for the commercial manufacture, distribution, marketing, promotion, offer for sale, use, import, export and sale of any drug product with respect to any portion of the Territory.

1.27 "Research Project" means all research activity related to a single Screening Target, as detailed in an applicable Statement of Work.

1.28 "Screening Targets" means molecular targets selected for use by the Parties in connection with Research Projects pursuant to Section 3.2.

1.29 "Siga Know-How" means, collectively, all Know-How (other than TransTech Know-How) embodied in the Siga Technology.

1.30 "Siga Patent Rights" means, collectively, all Patent Rights (other than TransTech Patent Rights) that embody, but only to the extent they embody, Siga Technology.

1.31 "Siga Technology" means, collectively, (a) all Screening Targets proprietary to Siga, including but not limited to the proprietary Screening Targets set forth in Exhibit B, and all uses thereof; (b) all proprietary or confidential materials and information of Siga that it delivers or discloses to TransTech under the Program or in the course of a Research Project and all uses thereof; (c) all uses of the Screening Targets that are Derived from the activities under this Agreement; (d) all information and materials (other than TransTech Technology) specifically regarding the foregoing (and all tangible and intangible embodiments thereof) that is delivered or disclosed by Siga to TransTech or is Derived from the activities under this Agreement and all uses thereof; and (e) Inventions owned solely by Siga. All Siga Technology that does not fall within the scope of a Confidentiality Exception shall be Confidential Information of Siga.

1.32 "Statement of Work" means each statement in the form attached as Exhibit A, and forming a part hereof, which shall be prepared and executed jointly by the parties from time to time and each of which is specific to a particular Research Project.

1.33 "Steering Committee" shall have the meaning set forth in Section 2.1.1.

1.34 "Territory" means worldwide.

1.35 "Third Party" means a Person other than Siga, TransTech and their respective Affiliates.

1.36 "TransTech Know-How" means, collectively, all Know-How (other than Siga Know-How and Program Intellectual Property) embodied in the TransTech Technology.

1.37 "TransTech Patent Rights" means, collectively, all Patent Rights (other than Siga Patent Rights and Program Intellectual Property) that embody, and only to the extent they embody, the TransTech Technology.

1.38 "TransTech Technology" means, collectively, (a) the TransTech Technology Platform and all uses thereof, (b) TTPredict(TM) and all uses thereof; (c) TTProbes(TM) and all uses thereof, (d) TTPScreen(TM) and all uses thereof, (e) Inventions owned solely by TransTech; (f) all proprietary or confidential materials and information of TransTech (other than materials or information Derived under the Program or any Research Project) which are required to be delivered or disclosed by TransTech to Siga under the Program or any Research Project and all uses thereof, (g) all materials (other than the Siga Technology and the Program Intellectual Property) Derived from any of the foregoing and all uses thereof, and (h) all information (other than the Siga Technology and the Program Intellectual Property) specifically regarding the foregoing (and all tangible and intangible embodiments thereof) that is disclosed by TransTech to Siga, or Derived from the activities under this Agreement. All TransTech Technology that does not fall within the scope of a Confidentiality Exception shall be Confidential Information of TransTech.

1.39 "TransTech Technology Platform" means TransTech's proprietary information system consisting of advanced databases and search tools.

1.40 "TTPredict(TM)" means proprietary and customized tools for protein structure determination, ligand binding site discovery, efficient in silico screening, efficient compound ranking, scoring and enumeration of Compounds against biological targets.

1.41 "TTProbes(TM)" means compound libraries consisting of Compounds especially designed by TransTech for lead identification.

1.42 "TTPScreen(TM)" means proprietary and customized software and hardware tools for the high throughput multi-well microplate pipetting, screening, data capturing and analysis of Compounds against various biological targets.

ARTICLE 2
MANAGEMENT OF RESEARCH PROJECTS AND THE PROGRAM

2.1 Steering Committee.

2.1.1 Composition. The Parties shall establish a joint management committee (the "Steering Committee"), comprised of three (3) representatives of Siga (including the Siga Program Director) and three (3) representatives of TransTech (including the TransTech Program Director). Each Party shall make its initial designation of its representatives as soon as practicable and may replace its representatives at any time upon prior notice to the other Party. Each Party shall use reasonable efforts to cause its representatives to attend the meetings of the Steering Committee. If a representative of a Party is unable to attend a meeting, such Party may designate an alternate to attend such meeting in place of the absent representative. In addition, each Party may, at its discretion, invite non-voting employees, and, with the consent of the other Party, in its discretion, outside consultants or scientific advisors, to attend the meetings of the Steering Committee in order to, among other things, review and discuss the Program and the Research Projects.

2.1.2 Responsibilities. The Steering Committee shall oversee and supervise the overall performance of the Program and shall:

(a) review and approve the efforts of the Parties in the conduct of the Program and the Research Projects;

(b) review and approve amendments to each Statement of Work;

(c) reallocate resources within a Research Project;

(d) establish the Project Groups for each Research Project;

(e) address such other matters as either Party may bring before the Steering Committee;

(1) attempt to resolve any dispute relating to this Agreement that may arise between the Parties; and

(g) oversee reasonable and customary efforts to conduct intellectual property clearances required for the Program Compounds and evaluate the proprietary or novel nature of any Program Compound.

2.1.3 Frequency of Meetings. The Steering Committee shall meet within forty-five (45) days after the Effective Date and, thereafter, at least semi-annually during the course of the Program Term. Either Party may convene a special meeting of the Steering Committee on fifteen (15) days written notice to the other Party, which notice may be waived by the other Party.

2.1.4 Place of Meetings and Agenda. The location of such meetings of the Steering Committee shall alternate between Siga's principal place of business and TransTech's principal place of business, or as otherwise agreed by the Parties. Meetings may be held by telephonic, video or Internet conferencing, so long as all participants can speak to, be heard by and hear all other participants. In consultation with the other Party's Program Director, the host of such meetings shall prepare an agenda and deliver the same to the other Party no later than five (5) Business Days before each meeting of the Steering Committee.

2.2 Decision Making. A meeting of the Steering Committee shall have achieved a quorum only if two representatives of the Steering Committee from each Party are present at such meeting. Any decision made by the Steering Committee without a quorum shall be null and void, unless subsequently ratified by a quorum of the Steering Committee. Each Party shall have one vote on the Steering Committee. Both Parties must vote in the affirmative to allow the Steering Committee to take any action that requires the vote of the Steering Committee. If a Project Group is unable to reach unanimous agreement on any matter, such matter shall be referred to the Steering Committee. If the Steering Committee is unable to reach unanimous agreement, the disputed issue will be referred to a senior management representative from each Party, who shall promptly meet and endeavor in good faith to resolve such matter in a timely manner and should these representatives not resolve said issue within seven (7) Business Days of such referral, the issue will be decided by TransTech.

2.3 Management of Collaboration.

2.3.1 Program Directors. Siga and TransTech shall each appoint a Program Director prior to the Effective Date. During the Program Term, each Party shall have the right, after consultation with the other Party, to designate a different Program Director. The Program Directors shall jointly oversee the conduct of the Program, shall report to the Steering Committee and shall be responsible for recommending to the Steering Committee any change to the Program or to any Research Project, after consultation with the appropriate Project Group.

2.3.2 Project Groups. A separate Project Group shall be established by the Steering Committee to administer under its direction each specific Research Project. Each Project Group shall be comprised of representatives of each Party. Each Project Group shall have one leader from each Party, who shall be responsible for coordination with each other and with the Program Directors. The members of each Project Group shall communicate on a regular basis and, at least quarterly, shall meet to review the progress of the Research Project for which such Project Group is responsible and to make appropriate recommendations to the Steering Committee related to such Research Project. Each Project Group will develop a communication plan, subject to review by and approval of the Steering Committee, which shall outline a regular Project Group meeting schedule, a timeline for distribution of minutes of Project Group meetings, e-mail interactions, video conference schedules, frequency of reports, and a distribution list.

2.3.3 Dispute Resolution of the Program Directors. The Program Directors shall decide matters appropriate to the scope of their responsibilities on a consensus basis. In the event that the Program Directors are unable to reach agreement on any matter within fifteen (15) days after the matter is first considered by them, either Program Director may refer the issue to the Steering Committee for resolution in accordance with Section 2.2.

2.4 Minutes. The host of each meeting, either Steering Committee or Project Group, shall prepare minutes of each such meeting, including attaching copies of all data and reports presented at the meeting, and shall provide such minutes to the other for approval within fifteen (15) Business Days after such meeting or as soon thereafter as may be practicable. The other Party shall have ten (10) Business Days from receipt of the draft minutes to either propose revisions or provide a good faith estimate of the earliest practicable date when any proposed revisions shall be available. If neither is received in ten (10) Business Days, then the drafter may presume that the minutes are considered final. The Program Directors shall sign all final minutes.

ARTICLE 3
SELECTION OF SCREENING TARGETS; STATEMENTS OF WORK

3.1 Collaboration. The purpose of this Agreement is for TransTech and Siga to collaborate in performing at least one (1) Research Project in screening for and discovering Program Compounds that modulate Screening Targets. Research Projects shall be set forth in a Statement of Work, as outlined herein.

3.2 Selection of Screening Targets. For each Research Project, the Parties shall select a Screening Target from the targets described in Exhibit B.

3.3 Statements of Work. Before initiation of any work on a Research Project, a Statement of Work will be jointly prepared and executed by the Parties. Each Statement of Work will be governed by all of the provisions and rights and obligations of each Party as set forth in this Agreement. Each Statement of Work shall (a) identify the specifics of any Research Project, (b) describe all major responsibilities and activities of each of the Parties and the field of potential applications to be covered during the Research Project, and (c) be more fully described in the form of Exhibit A. The Parties hereby agree to implement the first Statement of Work within sixty (60) days after the Effective Date. In the event of a conflict between the terms and conditions of this Agreement and a Statement of Work, the terms and conditions of this Agreement shall prevail.

3.4 Equipment, Facilities and Personnel. Each Party shall provide the necessary personnel, facilities, equipment and supplies required to perform its activities set forth in this Agreement and in each Statement of Work. Each Party warrants and represents that it will exercise reasonable efforts to have the facilities, professional, technical and clerical staff, experience and expertise in sufficient quality and quantity to perform such Party's activities set forth in this Agreement and in each Statement of Work in a timely and professional manner.

3.5 Non-compete. It is understood and agreed that neither Party shall, alone or in collaboration with a Third Party, pursue research programs during the Program Term that would compete directly with the collaborative activities set forth in this Agreement or in any Statement of Work.

ARTICLE 4
RESPONSIBILITIES

4.1 TransTech Responsibilities. TransTech will contribute services for each Research Project in accordance with the specific tasks contained in the applicable Statement of Work, including, but not limited to, the following:

4.1.1 Screen such of TransTech's existing Compound libraries (including, where appropriate, TTProbes(TM) and Integrated Compound Libraries) as may be available for lead Compounds, including through the use of high throughput screening;

4.1.2 Design, synthesize and screen new Compound libraries, including Integrated Compound Libraries directed towards Screening Targets, based on Compounds and chemical scaffolds from TransTech, including through the use of high throughput screening;

4.1.3 Optimize lead Compounds towards criteria for Program Compounds; and

4.1.4 Identify organizations to contact with respect to the further optimization of potential drug candidates, the conduct of pre-clinical and clinical studies, the obtaining of Regulatory Approval and the manufacturing, distribution and marketing of Products.

4.2 Siga Responsibilities. Siga will contribute services for each Research Project in accordance with the specific tasks contained in the applicable Statement of Work, including, but not limited to, the following:

4.2.1 Take appropriate steps to insure the availability of selected Screening Targets and related primary assays;

4.2.2 Conduct secondary bacterial inhibition screens; and

4.2.3 Provide appropriate in vitro or in vivo efficacy studies, except to the extent such work may be outsourced as provided in Section 7.1.

4.3 Special Reports. Each Party shall promptly report to the other Party any significant or material development, problem or issue as it arises.

4.4 High Standards; Compliance with Laws. Each Party will use scientifically reasonable efforts to ensure that all information provided by one Party to the other Party pursuant to this Agreement is accurate in accordance with scientifically accepted standards. Each Party shall also comply with all current governmental regulatory requirements as appropriate to the activities set forth in this Agreement and in each applicable Statement of Work and all other applicable national, federal, state and local laws and regulations.

4.5 Inspections. Upon not less than ten (10) Business Days prior written notice, each Party shall have the right to have its Program Director and no more than two other representatives inspect, at the investigating Parties sole expense, no more than once per calendar year, the facilities and records relating to any Research Project of the other Party and any Third Party conducting any portion of the activities set forth in this Agreement or pursuant to any Statement of Work on behalf of a Party, and to discuss the screening of the Screening Targets and development of the Program Compounds with the appropriate technical and business personnel and consultants of the other Party, provided that such inspections shall be during normal business hours and shall not unreasonably interrupt the operations of such Party or Third Party(ies) acting on behalf of such Party.

ARTICLE 5
RECORD KEEPING

5.1 Laboratory Notebooks. All work conducted by or on behalf of either Party in the course of performing the Program shall be completely and accurately recorded, in sufficient detail and in good scientific manner, in laboratory notebooks kept separately from the other research and development activities of such Party or Third Party(ies) acting on behalf of such Party.

5.2 Policies for Maintaining Records; Assignments of Inventions. In order to protect applicable Patent Rights in any invention conceived or reduced to practice during or as a result of the Program and in the Program Intellectual Property and the Program Compounds, the Parties shall require their employees or Third Party(ies) acting on their behalves to record and maintain all data and information developed for the Research Projects hereunder during the Program in

such a manner as to enable the Party holding such Patent Rights to use such records to establish the earliest date of invention and/or diligence to reduction to practice. At a minimum, the policy shall require such individuals to record all Inventions generated by them in standard laboratory notebooks, which are dated and corroborated by non-inventors on a regular, contemporaneous basis. The policy shall also require all employees or Third Party(ies) engaged in the Program to assign all Intellectual Property conceived or reduced to practice in connection therewith to the appropriate Party, and each Party shall ensure that each such employee or Third Party(ies) acting on its behalf has signed such an agreement before the applicable Statement of Work is begun.

ARTICLE 6
LICENSES AND INTELLECTUAL PROPERTY RIGHTS

6.1 License Grant by Siga. Subject to the terms and conditions of this Agreement, during the Program Term, Siga hereby grants to TransTech (a) a exclusive, fully-paid, nontransferable, nonsublicenseable, limited license to use the Siga Patent Rights, Siga Know-How, and Siga Technology to perform the obligations and responsibilities allocated to TransTech under the Research Projects, (b) to the extent the Parties claim in any patent application directed to the Program Compounds a genus that claims Compounds in addition to the Program Compounds, an exclusive, fully-paid license to use such Compounds other than Program Compounds for any purpose and (c) after the expiry of the Program Term, if active development of a Program Compound has ceased, an exclusive, fully-paid license to use such Program Compounds for any purpose. Except as expressly provided above, TransTech shall not use the Siga Patent Rights, Siga Know-How or Siga Technology for any other purpose and Siga reserves all rights in the Siga Patent Rights, Siga Know-How and Siga Technology and no license is granted to TransTech, expressly or by implication, to any other Siga Intellectual Property by virtue of this Agreement.

6.2 Program Intellectual Property and Program Compounds.

6.2.1 Ownership. If a Program Compound relates to a Screening Target that is Siga Technology, each Party shall have an undivided one-half (1/2) interest in such Program Compound and all related Program Intellectual Property, regardless of whether such is invented, discovered or developed by one or both Parties. If a Program Compound does not so relate, then Siga shall have an undivided 25% interest and TransTech shall have an undivided 75% interest. The applicable ownership ratio shall be known in this Agreement as the "Ownership Share". The Parties will execute all documents necessary to effectuate such ownership.

6.2.2 Product Registrations. Except as provided in ARTICLE 7, the Parties shall jointly obtain and maintain, and share according to the Ownership Share in the cost and expense for, all permits, licenses, authorizations and registrations for any country and for any local sovereignty, state, county, parish, municipality, or other local governmental entity that are necessary for the development, import, export, manufacture, distribution and/or sale of Products.

6.3 Prosecution and Maintenance of Patent Rights.

6.3.1 Management of Prosecution and Maintenance. Siga shall have an outside law firm mutually acceptable to both Parties prepare, file, prosecute and maintain Patent Rights claiming Inventions that are part of Program Intellectual Property. The Steering Committee shall determine which jurisdictions to file and maintain Patent Rights in. If Siga fails to have a mutually acceptable outside law firm prepare, file, prosecute or maintain Patent Rights covering any such Invention(s) after notice from TransTech with time to cure, then TransTech shall have the right to assume responsibility for the preparation, filing, prosecution, and maintenance of Patent Rights in any such Invention(s). All costs incurred by the Parties in carrying out patent preparation, filing, prosecution and maintenance of Patent Rights for such Inventions shall be borne by the Parties according to the Ownership Share.

6.3.2 Cooperation. Each Party shall cooperate with the other with respect to the preparation, filing, prosecution, maintenance and extension recordation of Patent Rights pursuant to this Section 6.3, including, without limitation, the execution of all such documents and instruments and the performance of such acts as may be reasonably necessary in order to permit the other Party to continue any preparation, filing, prosecution, maintenance or extension recordation of Patent Rights that such Party has elected not to pursue, as provided for in Section 6.4.

6.3.3 Siga Patent Rights. Siga shall be solely responsible for the prosecution, maintenance and enforcement of Siga Patent Rights in all countries. All costs associated with these activities shall be borne by Siga.

6.3.4 TransTech Patent Rights. TransTech shall be solely responsible for the prosecution, maintenance and enforcement of TransTech Patent Rights in all countries. All costs associated with these activities shall be borne by TransTech.

6.4 Third-Party Infringement.

6.4.1 Reasonable Action. Except as provided in Section 6.4.2 with respect to commencing infringement litigation, TransTech and Siga shall take commercially reasonable actions to protect the Patent Rights relating to Program Intellectual Property from infringement and to protect such Patent Rights from unauthorized use, when, from its own knowledge or upon notice from the other Party, the Party with knowledge or receiving notice becomes aware of the reasonable probability that such infringement or unauthorized use exists. In addition, each Party shall promptly apprise the other Party of any suspected or actual infringement of any other proprietary right with respect to the Products or Program Compounds, or any unfair or unlawful competitive practices being practiced by a Third Party in connection with the Products or Program Compound of which it becomes aware.

6.4.2 Infringement Actions. Each Party shall have the right (but not the obligation) to petition the Steering Committee to authorize the Parties to institute a suit or other appropriate action upon becoming aware of any infringement of the Program Compounds or Program Intellectual Property.

6.4.3 Costs. The Parties shall share according to the Ownership Share in the payment of all out-of-pocket costs incurred in connection with any action, litigation or proceeding described in this Section 6.4, including, without limitation, the fees and expenses of counsel and experts. Each Party shall bear its internal costs, regardless of the relative contributions of the Parties.

6.4.4 Recoveries. Any recovery obtained by any Party as a result of any proceeding described in this Section 6.4 shall be applied in the following order of priority:

(a) first, to reimburse each Party for all litigation costs in connection with such proceeding paid by that Party and not otherwise recovered (on a pro rata basis based on each Party's respective litigation costs, to the extent the recovery was less than all such litigation costs), including without limitation documented internal costs; and

(b) second, the remainder of the recovery shall be shared according to the Ownership Share.

6.4.5 Cooperation; Settlements. In the event that either Siga or TransTech takes action pursuant to Section 6.4.2, the other Party shall cooperate with the Party so acting to the extent reasonably possible, including the joining of suit if desirable. Neither Party shall settle or compromise any claim or proceeding relating to Patent Rights for Program Intellectual Property without obtaining the prior written consent of the other Party, such consent not to be unreasonably withheld or delayed.

6.5 Patent Term Extensions. The Parties shall cooperate, if necessary and appropriate, in gaining patent term extensions wherever applicable to Patent Rights covering Products. The Parties shall share equally in all costs connected with all filings for such extensions.

6.6 No Additional Obligation. Nothing in this Agreement shall create any obligation on the part of either Party to obtain Patent Rights, to enforce any Intellectual Property against infringement by Third Parties or bear any expense of the other Party with respect to Intellectual Property that is not Program Intellectual Property.

ARTICLE 7
OUTSOURCING AND THIRD-PARTY LICENSING

7.1 Outsourcing. The Parties shall coordinate the procurement of outsourced drug candidate optimization, pre-clinical and clinical testing, regulatory approval, manufacturing, distribution and marketing services with respect to Program Compounds and Products, working with the candidates identified by TransTech pursuant to Section 4.1.4. Siga shall provide all data and information necessary for a potential outsourcing provider to evaluate a request to provide such services, and shall cooperate with any selected provider. To the extent that any out-of-pocket payment shall be necessary to obtain such outsourced services, the Parties shall bear such costs equally. Any disagreement concerning the use of such outsourced services, or whether to proceed with any such service, shall be resolved using the procedures set forth in Section 2.2.

7.2 Third-Party Licensing. The Parties may obtain any or all of the outsourced services set forth in Section 7.1 through a license of Program Intellectual Property to a Third Party. The Parties shall negotiate and execute a license on behalf of the Parties with any appropriate Third Party ready, willing and able to provide any such service. Any and all revenue derived from any such license, including without limitation technology access fees, milestone payments and royalties on sales, shall be shared by the Parties according to the Ownership Share. Notwithstanding any other provision of this Agreement, the Parties may share all or any portion of this Agreement with any licensee or potential licensee that shall sign a confidentiality agreement in form and substance reasonably acceptable to the other Party.

7.3 Option to Develop. In the event that either Siga or TransTech, but not both, decide to continue development of Program Intellectual Property, any Program Compound or any Product, and the result of invoking the procedures of Section 2.2 is that such development need not continue, the parties will enter into good-faith negotiations with respect to an agreement defining the terms and conditions under which the continuing Party may pursue unilateral development, taking into account the relative contributions of the parties through the date of cessation of joint development and the costs likely to be incurred in future development If the Parties are unable to reach agreement within sixty (60) days of the commencement of such negotiations, then this Agreement will terminate within the meaning of ARTICLE 11. After any such termination, and notwithstanding any contrary provision of ARTICLE 11, Siga shall retain all rights with respect to its proprietary biological targets, and TransTech shall retain all rights with respect to any Program Compound or Product developed during the term of this Agreement.

ARTICLE 8
CONFIDENTIAL INFORMATION

8.1 Confidentiality Obligations. Subject to Sections 8.3, 8.4 and 12.11, for the term of this Agreement and for five (5) years thereafter, either Party that receives Confidential Information (a "Receiving Party") from the other Party (a "Disclosing Party") shall keep completely confidential and shall not publish or otherwise disclose and shall not use for any purpose (except as expressly permitted hereunder) any Confidential Information furnished to it by the Disclosing Party pursuant to this Agreement, except to the extent that it can be established by the Receiving Party that such Confidential Information: (a) was already known to the Receiving Party, other than under an obligation of confidentiality from the Disclosing Party; (b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party; (c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the Receiving Party in breach of this Agreement; (d) was subsequently lawfully disclosed to the Receiving Party by a Third Party; (e) can be shown by written records to have been independently developed by the Receiving Party without reference to the Confidential Information received from the Disclosing Party and without breach of any of the provisions of this Agreement; or (f) is information that the Disclosing Party has specifically agreed in writing that the Receiving Party may disclose (each of (a)-(f), a "Confidentiality Exception"). The obligations of confidentiality and non-use set forth in this Section 8.1 shall also apply to biological material, chemical compounds and associated information thereto (including without

limitation Know-How) disclosed by one Party to the other prior to or during the term of this Agreement.

8.2 Further Obligations.

8.2.1 Each Party shall inform its employees and consultants who receive Confidential Information of the other Party of the obligations of confidentiality specified in Section 8.1 and all such Persons shall be bound by the terms of confidentiality set forth therein.

8.2.2 The existence and the terms and conditions of this Agreement, to the extent that the Parties have not specifically agreed to disclose them pursuant to Section 8.3, shall be treated by each Party as Confidential Information of the other Party.

8.2.3 Permitted Disclosures. The Receiving Party may disclose Confidential Information in summary form to those directors, officers, managers, agents, consultants and employees of the Receiving Party that have a demonstrable need to know the Confidential Information for purposes of this Agreement. Notwithstanding anything to the contrary herein, either Party may, upon the advice of its counsel and without the prior consent of the other Party, disclose or publish Confidential Information, the name or the trademarks of the other Party or information concerning the Agreement as required by law, governmental regulation, court order or alternative dispute resolution process; provided, however, that in such case the Receiving Party shall as soon as practicable give notice to the Disclosing Party so that the Disclosing Party may seek a protective order or other remedy from an appropriate court or tribunal. In any event, the Receiving Party shall disclose only that portion of the Confidential Information that, in the opinion of its legal counsel, is legally required to be disclosed and will exercise reasonable efforts to ensure that any such information so disclosed will be accorded confidential treatment by said court or tribunal.

8.3 Publication. In no event shall either Party publish any Confidential Information of the other Party, except for publications and presentations (each, a "Publication") for the advancement of science disseminated in accordance with this Section 8.3. With respect to testing and screening activities conducted by the Parties pursuant to this Agreement and any activities performed pursuant to a Statement of Work, the Parties may publish or present their results and activities for the advancement of science; provided, however, that prior to making any Publication relating to the results of such activities, the publishing Party shall provide to the other Party a copy of any proposed written Publication or a detailed written description of any proposed oral Publication at least sixty (60) days prior to submission or publication thereof. Neither Party shall submit a Publication without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. It is the publishing Party's obligation to identify and remove, and the other Party's right to identify and have removed, Confidential Information or other information contained in a Publication prior to its submission to any outside entity other than Confidential Information that is the subject of a published Patent application. At least thirty (30) days prior to the publishing Party's planned date to submit an article to any outside entity for review, the other Party may identify any information in such Publication it considers as Confidential Information. Such information shall be removed from the proposed Publication prior to its submission to any such outside entity. The non-publishing

Party may, in its sole discretion, delay the disclosure of any Publication until a Patent application, on any Invention disclosed in such Publication, is filed and published. If the non-publishing Party fails to object to such Publication within such thirty (30) day pre-submission time period, the non-publishing Party shall be deemed to have consented to such Publication.

ARTICLE 9
REPRESENTATIONS, WARRANTIES AND COVENANTS

9.1 Authority. Each Party represents and warrants that as of the Effective Date it has the full right, power and authority to enter into this Agreement and grant the licenses hereunder, and that this Agreement has been duly executed by such Party and constitutes a legal, valid and binding obligation of such Party, enforceable in accordance with its terms.

9.2 No Conflicts. Each Party represents and warrants that the execution, delivery and performance of this Agreement do not conflict with, or constitute a breach or default under any of its charter or organizational documents, any law, order, judgment or governmental rule or regulation applicable to it, or any material agreement, contract, commitment or instrument to which it is a party.

9.3 Commercially Reasonable Efforts. Each Party represents and warrants that it will use good faith, commercially reasonable and diligent efforts to further, consistent with this Agreement and with sound business judgment, the development of Products and to perform the activities for which it is responsible under the Program.

9.4 Intellectual Property. Each Party represents and warrants to the other that, as of the Effective Date:

9.4.1 It has no actual knowledge of any claim made against it asserting the invalidity, misuse, non-registerability, non-enforceability or non-infringement of any of its Intellectual Property that is a subject of this Agreement or challenging its right to use or ownership of any of such Intellectual Property or making any adverse claim of ownership thereof;

9.4.2 It has no actual knowledge of any pending or threatened claim or litigation alleging that its activities to date relating to the Intellectual Property that is the subject of this Agreement have violated, or by conducting its business as currently proposed to be conducted hereunder would violate, the Intellectual Property rights of any Third Party; and

9.4.3 Each of the Party's respective employees, agents, consultants, Affiliates, subcontractors and sublicensees who are involved with the Program is or will be subject to confidentiality obligations and has executed agreements or will execute agreements assigning all inventions and developments related to any of the foregoing to either Siga or TransTech.

9.4.4 Its work has not been part of a governmental funding relationship that would result in any Intellectual Property right with respect to any Program Compound or the Program Intellectual Property residing in the National Institutes of Health or other agency or the U.S. or other governmental authority, and that the licenses it grants under this Agreement are not

subject to overriding obligations to the US. government as set forth in 35 U.S.C. ss. 200-212 of the United States Code, as amended, or any similar obligation of any governmental authority or under the laws of any other country.

9.4.5 Except as otherwise provided herein, during the term of this Agreement it will not grant rights to any Third Party with respect to the research, development, use, manufacture, marketing, sale or distribution of Program Compounds or Products in the Territory.

9.5 Disclaimer of Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH HEREIN, THE PARTIES MAKE NO REPRESENTATION AND EXTEND NO WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, AND PARTICULARLY NO REPRESENTATION OR WARRANTY THAT PRODUCTS WILL BE SUCCESSFULLY DEVELOPED HEREUNDER, AND IF DEVELOPED, WILL HAVE COMMERCIAL UTILITY OR MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE.

ARTICLE 10
INDEMNIFICATION

10.1 Indemnification. Each Party shall indemnify, defend and hold harmless the other Party, its Affiliates and their agents, employees, officers and directors and successors and assignors from and against any and all liability, damage, loss, cost or expense (including reasonable attorneys' fees) arising out of any Third Party claim arising out of or related to a material breach by the indemnifying party or any allegation that Siga Technology or TransTech Technology infringes any Third Party intellectual property rights or negligence or intentional misconduct of employees, contractors and consultants its sublicensees or subcontractors of any of its covenants, representations or warranties set forth in this Agreement or in any confidentiality agreement. The recipient of any claim desiring to invoke this Section 10.1 shall promptly notify its indemnitor of the existence and circumstances of any such claim, shall cooperate in the defense of any such claim and shall not settle any such claim without the consent of the indemnitor (such consent not to be unreasonably withheld or delayed) without waiving its indemnity. The Steering Committee shall be responsible for control of any defense action.

10.2 No Consequential Damages. NEITHER PARTY WILL BE LIABLE FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS AGREEMENT OR THE EXERCISE OF ITS RIGHTS HEREUNDER, INCLUDING WITHOUT LIMITATION, LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT NOTHING ACTUALLY PAID TO A THIRD PARTY IN SETTLEMENT OR SATISFACTION OF ANY CLAIM SHALL BE DEEMED SUBJECT TO THIS SECTION 10.2.

10.3 Insurance Proceeds. Any indemnification hereunder shall be made net of any insurance proceeds recovered by the indemnified Party; provided, however, that if, following the payment to the indemnified Party of any amount under this ARTICLE 10, such indemnified Party recovers any insurance proceeds in respect of the claim for which such indemnification payment was made, the indemnified Party shall promptly pay an amount equal to the amount of

such proceeds (but not exceeding the amount of such indemnification payment), less the costs of collection, to the indemnifying Party.

ARTICLE 11
TERM AND TERMINATION

11.1 Term. This Agreement shall commence upon the Effective Date and, unless extended by mutual written agreement of the Parties or terminated earlier by such agreement or as provided hereunder, shall expire upon the agreed cessation of development of all Program Compounds and the cessation of sales of all Products.

11.2 Breach. The failure by either Party to comply with any of the material obligations contained in this Agreement shall entitle the non-breaching Party to give written notice to have the default cured. If such default is not cured within sixty (60) days after the receipt of such written notice, or diligent steps are not taken to cure if by its nature such default could not be cured within sixty (60) days, the notifying Party shall be entitled, without prejudice to any of its other rights conferred on it by this Agreement, and in addition to any other remedy that may be available to it by law, pursuant to this Agreement or otherwise, to terminate this Agreement; provided, however, that in the case of a failure to pay any amount due hereunder, such breach may be the basis of termination fourteen (14) Business Days following the date of such notice, unless cured before the end of such notice period.

11.3 Insolvency or Bankruptcy. Either Party may, in addition to any other remedy available by law or in equity, terminate this Agreement by written notice to the other Party in the event such other Party shall have become insolvent or bankrupt, or shall have an assignment for the benefit of its creditors, or there shall have been appointed a trustee or receiver of such other Party or for all or a substantial part of its property or any case or proceeding shall have been commenced or other action taken by or against such other Party in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, arrangement or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or other similar act or law of any jurisdiction now or hereafter in effect, immediately, or there shall have been issued a warrant of attachment, execution, restraint or similar process against any substantial part of the property of such other Party, and any such event shall have continued for sixty (60) days without either being dismissed, bonded or discharged. Both Party's rights under this Agreement shall include, without limitation, those rights afforded by 11 U.S.C. s.365(n) of the United States Bankruptcy Code (the "Code") and any successor thereto, if applicable. If any bankruptcy trustee of either Party, or such Party, as a debtor or debtor-in-possession, shall reject this Agreement under 11 U.S.C. s.365(n) of the Code, the other Party may elect to retain its rights licensed from such Party hereunder (and any other supplementary agreement hereto) for the duration of this Agreement and avail itself of all rights and remedies to the full extent contemplated by this Agreement and 11 U.S.C. s.365(n) of the Code, and any other relevant law.

11.4 Termination for Severe Safety Reasons. Either Party shall have the right to terminate this Agreement with respect to a particular Program Compound or Product upon thirty (30) days written notice to the other Party if non-clinical or clinical evidence about such Program Compound or Product demonstrates a sufficiently serious adverse risk/benefit profile that further

development or commercialization of such Program Compound or Products would be permanently suspended by a regulatory authority or other authority of competent jurisdiction.

11.5 No Diminution in Rights. The provisions under which this Agreement may be terminated shall be in addition to any and all other legal or equitable remedies that either Party may have for the enforcement of any and all terms hereof, and do not in any way limit any other legal remedy such Party may have.

11.6 Effects of Termination.

11.6.1 Terminating Party's Rights. Upon termination of this Agreement by either Party pursuant to Section 11.2 or 11.3, in addition to any other right that the terminating Party may have at law or in equity:

(a) Any and all licenses granted to the terminating Party under this Agreement shall remain in full force and effect as necessary to enable the terminating Party to continue any Research Project initiated or contemplated under this Agreement;

(b) The other Party shall be deemed to have assigned to the terminating Party all rights the other Party has or may have to the Program Compounds and Program Intellectual Property, including without limitation all rights to develop, commercialize and obtain future, unaccrued payments with respect to Program Compounds or Products;

(c) The other Party shall, at its sole expense, promptly make available to the terminating Party copies of all data, reports, records and materials, including, without limitation, all Program Compounds and Program Intellectual Property, relating to the Program and return to the terminating Party, or destroy at such Party's request, all relevant records and materials in its possession or control containing Confidential Information of the terminating Party; and

(d) The terminating Party may revoke any and all licenses granted by it under this Agreement.

11.6.2 Accrued Obligations. Termination, relinquishment or expiration of this Agreement for any reason shall be without prejudice to any right that shall have accrued to the benefit of any Party prior to such termination, relinquishment or expiration. Such termination, relinquishment or expiration shall not relieve either Party from obligations that are expressly indicated to survive termination or expiration of this Agreement. All obligations not expressly indicated to survive termination or expiration of this Agreement shall terminate upon the termination or expiration of this Agreement.

11.6.3 Survival. In addition to the provisions that survive by implementation of this Section 11.6, all of the Parties' rights and obligations under, and/or the provisions contained in, Sections 6.1 and 6.2 and Articles 8, 9, 10, 11 and 12 shall survive termination of this Agreement.

ARTICLE 12
MISCELLANEOUS PROVISIONS

12.1 Entire Agreement; Amendment. This Agreement (including Exhibits A and B) constitutes and contains the entire understanding and agreement of the Parties respecting the subject matter of this Agreement and supersedes any and all prior or contemporaneous negotiations, correspondence, understandings and agreements between the Parties, whether oral or written, regarding such subject matter. Any amendment or modification to this Agreement shall be made in writing and signed by the Parties.

12.2 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments and to do all such other acts as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

12.3 Binding Effect. This Agreement and the rights granted herein shall be binding upon and shall inure to the benefit of Siga, TransTech and their successors and permitted assigns.

12.4 Assignment. Neither Party may assign this Agreement without the prior written consent of the other Party; provided, however, that either Party may assign this Agreement without the prior written consent of the other Party in connection with the sale or transfer of substantially all of its assets that relate to this Agreement, or in the event of its merger or consolidation or change of control or similar transaction, or to a wholly-owned Affiliate of such Party, and as long as any permitted assignee shall assume all obligations of its assignor under this Agreement. Any assignment in contravention of this Section 12.4 shall be void.

12.5 No Implied License. No right to any patent, know-how, technical information or other Intellectual Property, other than as explicitly identified herein, is granted or deemed granted by this Agreement.

12.6 Exports. The Parties acknowledge that the export of technical data, materials or products is subject to the exporting Party receiving any necessary export licenses and that the Parties cannot be responsible for any delay attributable to export controls that is beyond the reasonable control of either Party. Neither Party shall export or re-export, directly or indirectly, any information, technical data, the direct product of such data, sample or equipment received or generated under this Agreement in violation of any governmental regulations that may be applicable. The Parties shall obtain similar covenants from their Affiliates, sublicensees and contractors with respect to the subject matter of this Section.

12.7 No Waiver. No waiver, modification or amendment of any provision of this Agreement shall be valid or effective unless made in writing and signed by a duly authorized officer of such Party. The failure of a Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition.

12.8 Independent Contractors. The Parties are independent contractors under this Agreement. Nothing contained in this Agreement is intended nor is to be construed so as to

constitute Siga or TransTech as mutual agents, partners or joint venturers with respect to this Agreement or any transactions contemplated thereby. Except as expressly provided in this Agreement, neither Party shall have any express or implied right or authority to assume or create any obligation on behalf of or in the name of the other Party or to bind the other Party to any other contract, agreement or undertaking with any Third Party.

12.9 Force Majeure. Non-performance of either Party shall be excused to the extent that performance is rendered impossible by strike, fire, flood, governmental acts, acts of war or terrorism or any other similar reason where failure to perform is beyond the reasonable control of and is not caused by the negligence of the non-performing Party.

12.10 Notices and Deliveries. Any formal notice, request, delivery, approval or consent required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been sufficiently given when it is received, whether delivered in person, transmitted by facsimile with contemporaneous confirmation, or delivery by registered letter (or its equivalent) or delivery by certified overnight courier service, to the Party to which it is directed at its address shown below or such other address as such Party shall have last given by notice to the other Parties.

if to Siga, to:

Dennis E. Hruby
Chief Scientific Officer
SIGA Technologies, Inc.
4575 SW Research Way-- Suite 230
Corvallis, OR 97333
Fax: (541) 753-9999

with a copy to:

Thomas E. Constance, Esq.
Kramer Levin Naftalis & Frankel LLP
919 Third Avenue
New York, New York 10022
Fax: (212) 715-8000

if to TransTech, to:

Adnan M.M. Mjalli, Ph.D.
President and CEO
TransTech Pharma, Inc.
4170 Mendenhall Oaks Parkway, Suite 110
High Point, NC 27265
Fax: (336) 841-0333

12.11 Public Announcements. The Parties will agree upon the timing and content of any initial press release or other public communication relating to this Agreement and the transactions contemplated herein.

12.12 Headings. The captions to the sections and articles in this Agreement are not a part of this Agreement, and are included merely for convenience of reference only and shall not affect its meaning or interpretation.

12.13 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision, so long as the Agreement, taking into account said voided provision(s), continues to provide the Parties with the same practical economic benefits as the Agreement containing said voided provision(s) did on the Effective Date. If, after taking into account said voided provision(s), the Parties are unable to realize the practical economic benefit contemplated on the Effective Date, the Parties shall negotiate in good faith to amend this Agreement to reestablish the practical economic benefit provided the Parties on the Effective Date.

12.14 Applicable Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware without reference to its conflicts of laws provisions. The parties irrevocably consent to the jurisdiction of the state and federal courts located in Delaware.

12.15 Counterparts. This Agreement may be executed in counterparts, or facsimile versions, each of which shall be deemed to be an original, and both of which together shall be deemed to be one and the same agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized officers as of the Effective Date, each copy of which shall for all purposes be deemed to be an original.

TRANSTECH PHARMA, INC.

By:/s/ Adnan M.M. Mjalli, Ph.D.

Name: Adnan M.M. Mjalli, Ph.D.
Title: President and Chief Executive Officer

SIGA TECHNOLOGIES, INC.

By:/s/ Tom Konatich

Name: Tom Konatich
Title: CFO/Acting CEO

Exhibit A

Statement of Work

This Statement of Work is a part of the Research and License Agreement between TransTech Pharma, Inc. ("TransTech") and SIGA Technologies, Inc. ("Siga") dated September , 2002 (the "Agreement"). All work to be performed under this Statement of Work is subject to the terms and conditions of the Agreement and no Statement of Work shall have full force and effect under the Agreement unless all portions of such Statement of Work are completed and executed in duplicate by both Parties.

1. Description of the Research Project, including the identity of the Screening Target, criteria for display of biological activity against such Screening Target, potential Program Compounds involved and the desired outcome:

2. The Research Project shall begin on .

3. Criteria for Program Compound:

4. The animal model(s) appropriate for the Research Project, including animal efficacy model and identification of clinically viable route of administration:

5. Special responsibilities or activities of the Parties for this Program:

Dated this day of , 200 .

For Trans Tech Pharma, Inc. For SIGA Technologies, Inc.

By:_____ By:_____
Title:_____ Title:_____

Exhibit B

Proprietary Screening Targets of SIGA Technologies, Inc.

All biological agents covered by any of the following:

Pap D Compounds and Pharmaceutical Compounds for the Treatment or Prophylaxis of Bacterial Infections, US Patent Application Serial No 08/640,877, US & PCT No. 6,420127

DegP Periplasmic Protease, A New Anti-infective Target and an in-vitro Assay for DegP Protease Functions, US Patent Application Serial No 60/140,990 US & PCT No. 6,306619

B-Lactam-like Chaperone Inhibitors, US Patent Application Serial No 60/075,264.

DegP Protease: Cleave Site Identification and Proteolysis of a Natural Target in E. Coli, US Patent Application Serial No 60/330/855.

Screening Method for Orthopoxvirus Antiviral, US Patent Application Serial No 60/345,646.

AMENDMENT NO. 4 TO EMPLOYMENT AGREEMENT

This AMENDMENT NO. 4 TO EMPLOYMENT AGREEMENT (this "Amendment No. 4"), dated as of October 1, 2002 (the "Effective Date of Amendment No. 4"), between SIGA Technologies, Inc., a Delaware corporation (the "Corporation"), and Dr. Dennis E. Hruby ("Hruby"), amends and waives certain provisions of the Employment Agreement, dated as of January 1, 1998, as amended by the Amendment, dated as of October 18, 1999, Amendment No. 2, dated as of June 13, 2000, and Amendment No. 3, dated as of January 31, 2002, between the Corporation and Hruby (the "Existing Agreement"). Capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Existing Agreement.

WHEREAS, under the Existing Agreement, the Initial Term ends on December 31, 2002; and

WHEREAS, the Corporation and Hruby desire to amend the Existing Agreement as provided in this Amendment No. 4.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, intending legally to be bound, hereby agree as follows:

1. Section 2 of the Existing Agreement (referenced as "Paragraph 1" in the Amendment No. 2, dated as of June 13, 2000) shall be amended to read in its entirety as follows:

2. Employment for Term. The Corporation hereby employs Hruby and Hruby hereby accepts employment with the Corporation for the period beginning on the date of this Agreement and ending December 31, 2005 (the "Initial Term"), or upon the earlier termination of the Term pursuant to Section 7. The foregoing notwithstanding, the Corporation shall have the right to terminate Hruby's employment under the Agreement upon 1 year written notice and such termination will be treated as Termination with Cause pursuant to Section 8 of this Agreement. The termination of Hruby's employment under this Agreement shall end the Term but shall not terminate Hruby's or the Corporation's other agreements in this Agreement, except as otherwise provided herein.

2. Section 4(a) of the Existing Agreement shall be amended to add the following sentence at the end thereof:

From and after the closing date of the Corporation's financing contemplated by that certain Private Placement Memorandum, dated July 24, 2002 relating to the sale by the Corporation of certain units consisting of Common Stock and Warrants to purchase Common Stock, the Base Salary shall be not less than $210,000 per annum, and the Corporation shall make the appropriate adjustments to its payroll.

3. Subsection 4(d) of the Existing Agreement shall be deleted, be of no further force and effect, and be replaced by the following:

(d) 2002 Stock Option Grant. Hruby shall be granted (the "A4 Option Grant") an option to purchase a total of 300,000 shares of Common Stock of the Corporation at an exercise price of $2.50 per share, which shall vest with respect to 75,000 shares immediately and with respect to an additional 75,000 shares on September 1 of each of 2003, 2004 and 2005, pursuant to a Stock Option Grant Agreement in substantially the form attached hereto as Exhibit A4A. Simultaneously with the A4 Option Grant, Hruby shall surrender to the Corporation the Incentive Stock Option Grant Agreement, dated as of January 31, 2002, with respect to an option to purchase up to 50,000 shares of Common Stock of the Corporation at an exercise price of $3.94 per share (the "January Option"); and the Corporation shall cancel the January Option.

4. Section 4 of the Existing Agreement shall be amended to add a Subsection (e) that reads as follows:

(e) Other and Additional Compensation. The preceding sections establish the minimum compensation during the Term and shall not preclude the Board from awarding Hruby a higher salary or any bonuses or stock options in the discretion of the Board during the Term at any time, provided that, from and after the Effective Date of Amendment No. 4, any bonus amount awarded Hruby in the discretion of the Board shall not exceed 30% of Hruby's annual salary.

5. Subsection 8(d) of the Existing Agreement shall be amended to read in its entirety as follows:

(d) Change of Control Payment. The provision of this Subsection 8(d) set forth the terms of an agreement reached between Hruby and the Corporation regarding Hruby's rights and obligations upon the occurrence of a "Change in Control" (as hereinafter defined) of the Corporation. These provisions are intended to assure and encourage in advance Hruby's continued attention and dedication to his assigned duties and his objectivity during the pendency and after the occurrence of any such Change in Control. These provisions shall apply in lieu of, and expressly supersede, the provisions of Subsection 8(c) if Kruby's employment is terminated or Notice of Termination is given ninety (90) days prior to or within twelve (12) months after the occurrence of an event constituting a Change in Control.

(i) Escrow. Within ten (10) days after the occurrence of the first

event constituting a Change in Control (irrespective of whether Hruby has actual knowledge of such event), the Corporation shall place immediately negotiable funds in escrow in an amount equal to the lesser of (A) Hruby's salary and all other amounts due hereunder for the remainder of the Term, plus such additional amount as equals the "Gross Up Payment" (as hereinafter defined) thereon (the "Change of Control Amount") and (B) the amount of Hruby's annual base salary at such time. Such escrow shall be conducted pursuant to a standard escrow agreement among the Corporation, Hruby and an independent escrow agent providing for the timely payment to Hruby of the amounts hold in such escrow in the event Hruby becomes

entitled thereto under the applicable provisions of this Agreement (the "Escrow Arrangement"). The Escrow Arrangement shall be maintained until the earlier of (A) twelve months and one day after the occurrence o(pound) an event constituting a Change in Control or (B) the payment to Hruby of all sums escrowed.

(ii) Change in Control. If, within 90 days prior to, or within eighteen (18) months after the occurrence of an event constituting a Change in Control, Hruby's employment is terminated or a Notice of Termination is given for any reason other than (A) his death, (B) his Disability, or (C) by Hruby, then such termination shall be deemed to be a "Termination Due to Change in Control (herein so called), in which event the Corporation shall pay Hruby, in a lump sum, on or prior to the fifth (5th) day following the date of termination of the Term:

(A) an amount equal to the Change of Control Amount (including any Gross Up Payment); and

(B) Hruby's accrued and unpaid base salary.

(iii) Stock Option Floor. Upon the occurrence of the first event constituting a Change in Control, all stock options and other stock-based grants to Hruby by the Corporation shall, irrespective of any provisions of his option agreements, immediately and irrevocably vest and become exercisable as of the date of such first event whereupon, at any time during the Option Term as defined in the option agreements, Hruby or his estate may by five (5) days' advance written notice given to the Corporation, and irrespective of whether Hruby is then employed by the Corporation or then living, and solely at the election of Hruby or his estate, require the Corporation to:

(A) within thirty (30) days of a request by Hruby or his estate file and cause to become effective a Form S-8 (or other appropriate form) with the Securities and Exchange Commission ("SEC') registering for resale all shares underlying stock options granted to Hruby and outstanding with all fees and expenses of such filing being paid by the Corporation; or

(B) allow Hruby to exercise all or any part of such Stock Options at the option prices therefor specified in the grant of the Stock Options,

(iv) Gross Up Payment.

(A) Excess Parachute Payment. If Hruby incurs the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986 (the "Code") on "Excess Parachute Payments" within the meaning of Section 28OG(b)(1) of the

Code, the Corporation will pay to Hruby an amount (the "Gross Up Payment") such that the net amount retained by Hruby, after deduction of any Excise Tax on both the Excess Parachute Payment and any federal, state and local income tax (together with penalties and interest) as well as the Excise Tax upon the payment provided for by this Subparagraph 8(d)(iv)(A), will be equal to the Change of Control Amount.

(B) Applicable Rates. For purposes of determining the amount of the Gross Up Payment, Hruby will be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross Up Payment is to be made and state and local income taxes at the highest marginal rates of taxation in the state and locality where taxes thereon are lawfully due, net of the maximum reduction (if any) in federal income taxes that could be obtained from deduction of deductible state and local taxes.

(C) Determination of Gross Up Payment Amount. The determination of whether the Excise Tax is payable and the amount thereof will be based upon the opinion of tax counsel selected by Hruby and reasonably approved by the Corporation, which approval will not be unreasonably withheld or delayed. If such opinion is not finally accepted by the Internal Revenue Service (or state and local taxing authorities), then appropriate adjustments to the Excise Tax will be computed and additional Gross Up Payments will be made in the manner provided by this Paragraph 8(d)(iv).

(D) Payment. The Corporation will pay the estimated amount of the Gross Up Payment in cash to Hruby at the time specified in this Agreement. Hruby and the Corporation agree to reasonably cooperate in the determination of the actual amount of the Gross Up Payment. Further, Hruby and the Corporation agree to make such adjustments to the estimated amount of the Gross Up Payment as may be necessary to equal the actual amount of the Gross Up Payment, which in the case of the Corporation will refer to refunds of prior overpayments by the Corporation and in the case of Hruby will refer to additional payments to Hruby to make up for prior underpayments.

(v) Definitions. For purposes of this paragraph 8, the following terms shall have the following meanings:

(A) "Change in Control" shall mean any of the following:

(1) the acquisition by any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (the "Acquiring Person"), other than the Corporation, or any of its Subsidiaries or any Excluded Group (as defined herein), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the combined voting power or economic interests of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors; provided however, that any transfer from any director or executive officer listed in the Company's Form 10-KSB for the year ended December 31, 2001 under "Security Ownership of Certain Beneficial Owners" (the "Excluded Group") will not result in a Change in Control if such transfer was part of a series of related transactions the effect of which, absent the transfer to such Acquiring Person by the Excluded Group, would not have resulted in the acquisition by such Acquiring Person of 35% or more of the combined voting power or economic interests of the then outstanding voting securities; or

(2) during any period of 12 consecutive months after the Effective Date of Amendment No. 4, the individuals who at the beginning of any such 12-month period constituted a majority of the Directors (the "Incumbent Non-Investor Majority") cease for any reason to constitute at least a majority of such Directors; provided that (i) any individual becoming a director whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of the stockholders having the right to designate such director and (ii) any director whose election to the Board or whose nomination for election by the stockholders of the Corporation was approved by the requisite vote of directors entitled to vote on such election or nomination in accordance with the Restated Certificate of Incorporation of the Corporation, shall, in each such case, be considered as though such individual were a member of the Incumbent Non-Investor Majority, but excluding, as a member of the Incumbent Non-Investor Majority, any such individual whose initial assumption of office, is in connection with an actual or threatened election contest relating to the election of the directors of the Corporation (as such terms are used in Rule 14a-2 of Regulation 14A promulgated under the Exchange

Act) and further excluding any person who is an affiliate or associate of an Acquiring Person having acquired within the preceding 12 months, or proposing to acquire, beneficial ownership of 25% or more of the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors; or

(3) the approval by the stockholders of the Corporation of a reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the voting securities of the Corporation immediately prior to such reorganization, merger, or consolidation do not, following such reorganization, merger, or consolidation, beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of. the Corporation resulting from such reorganization, merger, or consolidation; or

(4) the sale or other disposition of assets representing 50% or more of the assets of the Corporation in one transaction or series of related transactions not initiated or commenced by any person within the Excluded Group; or

(5) a "Fundamental Change in Business" as hereinafter defined; or

(6) a "Hostile Takeover" as hereinafter defined is declared.

(B) "Fundamental Change in Business" shall mean that the Corporation, at any time, no longer spends at least fifty percent (50%) of its annual budget on activities related to biotechnology or pharmaceuticals.

(C) "Hostile Takeover" shall mean any Change in Control which at any time is declared by at least a majority of the Board, directly or indirectly, to be hostile or not in the best interests of the Corporation, or in which an attempt is made (irrespective of whether successful) to wrest control away from the incumbent management of the Corporation and, with respect to which, the Board makes efforts to resist.

(vi) Satisfactory Alternative. Notwithstanding anything to the contrary herein, Hruby shall have no rights and the Corporation shall have no obligation under this Subsection 8(d) with respect to a Termination Due to Change in Control if, prior to or simultaneously with such Termination Due to Change in Control, Hruby is offered employment within 50 miles of Albany Oregon by another business at a level of compensation equal to or greater than his compensation hereunder.

6. The Existing Agreement shall be amended to add an Exhibit A4A thereto in the form of Exhibit A4A hereto.

7. Any event occurring prior to the Effective Date of Amendment No. 4 that would otherwise constitute a Change of Control shall not be deemed a Change of Control for purposes of the Agreement.

8. Neither the amendments set forth in this Amendment No. 4, nor any event that took place prior to the Effective Date of Amendment No. 4, shall be deemed to constitute a breach of the Existing Agreement by the Corporation.

[Signature page follows immediately.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 4 as of October 1, 2002.

SIGA TECHNOLOGIES, INC.

By: /s/ Thomas N. Konatich

Name: Thomas N. Konatich
Title: Acting Chief Executive Officer, Chief Financial Officer and Secretary

/s/ Dennis E. Hruby

Dr. Dennis E. Hruby

EXHIBIT A4A

SIGA TECHNOLOGIES, INC.

Incentive Stock Option Agreement

Granting Date: _____ __, ____

To: Dr. Dennis E. Hruby

We are pleased to notify you that SIGA TECHNOLOGIES, INC., a Delaware corporation (the "Company") has granted to you (the "Holder") an incentive stock option (the "Option") under the Company's Amended and Restated 1996 Incentive and Non-Qualified Stock Option Plan (the "Plan") to purchase all or any part of an aggregate of 300,000 shares of Common Stock of the Company (the "Optioned Shares"), subject to the terms and conditions of this Agreement.

1. Vesting, Term and Exercise of Option. Subject to the provisions of this Agreement, this Option may be exercised for up to the number of vested Optioned Shares (subject to adjustment as provided in Section 6 hereof) by you on or prior to the tenth anniversary of the Granting Date ("Last Exercise Date") at an initial exercise price (the "Exercise Price") of $2.50 per share (subject to adjustment as provided in Section 6 hereof) and all as subject to Plan and this Agreement. The Holder may exercise this Option according to the following vesting schedule: this Option shall be immediately exerciseable with respect to 75,000 Optioned Shares; this Option shall cumulatively vest with respect to 75,000 shares on each of September 1, 2003, September 1, 2004 and September 1, 2005. Any portion of the Option that you do not exercise shall accumulate and can be exercised by you any time prior to the Last Exercise Date. You may not exercise your Option to purchase a fractional share or fewer than 100 shares, and you may only exercise your Option by purchasing shares in increments of 100 shares unless the remaining shares purchasable are less than 100 shares.

This Option may be exercised by delivering to the Secretary of the Company (i) a written Notice of Intention to Exercise in the form attached hereto as Appendix A signed by you and specifying the number of Optioned Shares you desire to purchase, (ii) payment, in full, of the Exercise Price for all such Optioned Shares in cash, certified check, surrender of shares of Common Stock of the Company having a value equal to the exercise price of the Optioned Shares as to which you are exercising this Option, provided that such surrendered shares, if previously acquired by exercise of a Company stock option, have been held by you at least six months prior to their surrender, or by means of a brokered cashless exercise. As a holder of an option, you shall have the rights of a shareholder with respect to the Optioned Shares only after they shall have been issued to you upon the exercise of this Option. Subject to the terms and provisions of this Agreement and the Plan, the Company shall use its best efforts to cause the Optioned Shares to be issued as promptly as practicable after receipt of your Notice of Intention to Exercise.

2. Non-transferability of Option. This Option shall not be transferable and may be exercised during your lifetime only by you. Any purported transfer or assignment of this Option shall be void and of no effect, and shall give the Company the right to terminate this Option as of the date of such purported transfer or assignment. No transfer of an Option by will or by the laws of descent and distribution shall be effective unless the Company shall have been furnished with

written notice thereof, and such other evidence as the Company may deem necessary to establish the validity of the transfer and conditions of the Option, and to establish compliance with any laws or regulations pertaining thereto.

3. Certain Rights and Restrictions With Respect to Common Stock. The Optioned Shares which you may acquire upon the exercise of this Option will not be registered under the Securities Act of 1933, as amended, or under state securities laws and the resale by you of such Optioned Shares will, therefore, be restricted. You will be unable to transfer such Optioned Shares without either registration under such Act and compliance with applicable state securities laws or the availability of an exemption therefrom. Accordingly, you represent and warrant to the Company that all shares of Common Stock you may acquire upon the exercise of this Option will be acquired by you for your own account for investment and that you will not sell or otherwise dispose of any such shares except in compliance with all applicable federal and state securities laws. The Company may place a legend to such effect upon each certificate representing Optioned Shares acquired by you upon the exercise of this Option.

4. Disputes. Any dispute which may arise under or as a result of or pursuant to this Agreement shall be finally and conclusively determined in good faith by the Board of Directors of the Company in its sole discretion, and such determination shall be binding upon all parties.

5. Termination of Status.

(a) This Option is a separate incentive and not in lieu of salary or other compensation. The Optioned Shares do not vest you with any right to employment with the Company, nor is the Company's right to terminate your employment in any way restricted by this Agreement. Subject to the following provisions of this Section 5, the Option will terminate upon and will not be exercisable after termination of your employment with the Company ("Employment Termination Date"). If your employment with the Company is terminated for any reason other than death or disability, this Option may not be exercised after the earlier of (i) ninety (90) days from the Employment Termination Date or (ii) the Expiration Date, and may not be exercised for more than the number of Optioned Shares purchasable under Section 1 on the Employment Termination Date.

(b) If you die while this Option is exercisable, or within a period of three months after the Employment Termination Date, the Option may be exercised by the duly authorized executor of your last will or by the duly authorized administrator of your estate, but may not be exercised after the earlier of (i) one year from the date of your death or (ii) the Expiration Date, and may not be exercised for more than the number of Optioned Shares purchasable under Section 1 on the date of your death.

(c) If your employment is terminated as a result of your permanent disability, this Option may not be exercised after the earlier of (i) one year from the Employment Termination Date, or (ii) the Expiration Date, and may not be exercised for more than the number of Optioned Shares purchasable under Section 1 on the Employment Termination Date. If you die after the date your employment is terminated under the provisions of this Section 5(c) but before the Expiration Date, the provisions of Section 5(b) above shall apply.

Permanent disability shall mean a disability described in Section 422(c)(6) of the Code. The existence of a Disability shall be determined by the Committee in its absolute discretion.

6. Adjustments to Exercise Price and Number of Securities. If the Company shall at any time subdivide or combine the outstanding shares of Common Stock, or similar corporate events the Exercise Price and the number of shares subject to the Option shall be appropriately adjusted.

7. Reservation and Listing of Securities. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon the exercise of this Option, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of this Option and payment of the Exercise Price therefor, all shares of Common Stock and other securities issuable upon such exercise shall be duly and validly issued, fully paid, non-assessable and not subject to the preemptive rights of any stockholder. As long as this Option shall be outstanding, the Company shall use its best efforts to cause all shares of Common Stock issuable upon the exercise of the Option to be listed (subject to official notice of issuance) on all securities exchanges on which the Common Stock may then be listed and/or quoted on NASDAQ.

8. Forfeiture of Option Gains. If at any time within one year after the exercise of all or any portion of the Option the Committee determines that the Company has been materially harmed by you, which harm either (a) results in your being terminated for Cause or (b) results from your engaging in any activity determined by the Committee, in its sole discretion, to be in competition with any activity of the Company, or otherwise inimical, contrary or harmful to the interests of the Company (including, but not limited to, violating any non-competition or similar agreements entered into with the Company or otherwise accepting employment with or serving as a consultant, adviser or in any other capacity to an entity that is in competition with or acting against the interests of the Company), then upon notice from the Company to you any gain ("Gain") realized by you upon exercising such Option shall be paid by you to the Company. For purposes of this Section 8, such Gain shall be the excess of the Fair Market Value of the shares of Company Stock obtained through such exercise as of the date of option exercise over the purchase price of such shares. The Company shall have the right to offset such Gain against any amounts otherwise owed to you by the Company (including, but not limited to wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement).

9. Notices.

All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly made and sent when delivered, or mailed by registered or certified mail, return receipt requested:

(a) If to the registered Holder of this Option, to the address of the Holder as shown on the books of the Company; or

(b) If to the Company, to 420 Lexington Avenue, Suite 620, New York, NY 10017, or to such other address as the Company may designate by notice to the Holders.

10. Supplements and Amendments. The Company and the Holder may from time to time supplement or amend this Agreement in any respect, provided, however, that no amendment may adversely affect your rights hereunder without your written consent.

11. Successors. All the covenants and provisions of this Agreement shall be binding upon and inure to the benefit of the Company, the Holder and their respective successors and assigns hereunder.

12. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of the State of New York without giving effect to the rules of the State of New York governing the conflicts of laws.

13. Entire Agreement; Modification. This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof.

14. Severabilitv. If any provision of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Agreement.

15. Captions. The caption headings of the Sections of this Agreement are for convenience of reference only and are not intended, nor should they be construed as, a part of this Agreement and shall be given no substantive effect.

16. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company and the registered Holder of this Option any legal or equitable right, remedy or claim under this Agreement; and this Agreement shall be for the sole and exclusive benefit of the Company and the Holder.

17. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

[Signature page follows immediately]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be dully executed, as of the day and year first written.

SIGA TECHNOLOGIES, INC.

By: /s/Thomas N. Konatich

Name: Thomas N. Konatich
Title: Acting Chief Executive Officer, Chief Financial Officer and Secretary

/s/ Dennis E. Hruby

Dr. Dennis E. Hruby

Appendix A

NOTICE OF INTENTION TO EXERCISE STOCK OPTIONS

The undersigned grantee of a SIGA Technologies, Inc. Stock Option Agreement dated as of _____ to purchase _____ shares of SIGA Technologies, Inc. common stock hereby gives notice of his or her intention to exercise the Stock Option (or a portion thereof) and elects to purchase shares of SIGA Technologies, Inc. common stock.

Shares should be issued in the name of the undersigned and should be sent to the undersigned at:

_____
_____
_____
_____

Dated this _____ day of _____.

Social Security Number: _____

Name: _____

_____
Signature

INSTRUCTIONS: The exercise of these Stock Options is effective on the date the Company has received all of (1) this Notice of Intention to Exercise Stock Options, and (2) payment in full in cash of the exercise price for all shares being purchased pursuant to this Notice.

Exhibit 10(zz)

Retainer Agreement

This will certify that SIGA Technologies, Inc. ("SIGA") has agreed to engage Saggi Capital Corp. ("Saggi") as its investor relations liaison for a program of financial communications and investor relations. This is a personal services Agreement and cannot be assigned or delegated, by either party, without the prior written consent of the party to be charged with such assignment or delegation, and any unauthorized assignments shall be null and void without effect and shall immediately terminate this Agreement.

The fee for the 24 month period of the agreement, commencing on November 1, 2002 will be $10,000 per month, plus all direct and indirect expenses relating to this Agreement and/or the services to be provided.

Saggi shall act as investor relations counsel to SIGA and will perform the services enumerated below:

- Analysis of SIGA's business and industry, following which a comprehensive fact sheet that summarizes SIGA's corporate and financial profile will be created, for distribution to investment professionals and the press.
- Develop a complete financial public relations program designed to broaden recognition of SIGA in the financial community in the U.S. and abroad.
- Counsel SIGA in its overall relationship with the financial community through consultation with its management
- Preparation, together with SIGA management, of presentation material for meetings with the investment community.
- Meet with the financial community on behalf of SIGA, surveying key analysts, brokers and institutional investors throughout the country.
- Arrange meetings between management and members of the financial community, including individual meetings, informal group meetings and formal presentations.
- Review SIGA's transfer sheets to identify holdings and identify regional and institutional strengths.
- Establish a mailing list for SIGA, maintain and update the list.

Payment

Invoices will include all out of pocket expenses incurred by Saggi on behalf of SIGA for that month, plus the monthly fee payable. All invoices are to be paid within 15 days of receipt.

Term

This agreement shall commence on November 1, 2002 and shall continue for a period of 24 months.

Out of Pocket Expenses

SIGA and Saggi will place a cap on expenses each month to a figure mutually agreed on which amount will be based upon Saggi's experience and SIGA's needs.

SIGA shall reimburse Saggi as to any and all expenses incurred and expenditures made on behalf of SIGA. These expenses include, but are not limited to, the following:

Telephone, photocopying, postage for releases and postage for and postage for inquiries, messenger service, clipping service, maintaining mailing lists, information retrieval service, monitoring advisory service, all production costs for printing releases including the paper, envelopes, folding, insertion, and delivery to the post office, all travel and entertainment expenses, and all meeting expenses including rental of audio/visual equipment. No individual expenses over five hundred dollars ($500.00) will be expended without first notifying the client.

APPROVAL

SIGA shall have the right to approve all stockholder communications, press releases and other materials prepared on its behalf.

TERMINATION EXPENSES

All unpaid bills must be paid in full at the time of termination. Termination of this Agreement shall not relieve the Client to pay all amounts accrued prior to such termination and shall not limit Saggi from pursuing other remedies which may be available to it.

LEGAL RECOURSE

Any dispute(s) or claim(s) with respect to this Agreement or the performance of any obligations there under, shall be settled by arbitration and commenced and adjudicated under the rules then obtaining of the American Arbitration Association. The arbitration shall be conducted before a panel of three (3) arbitrators, one selected by each of the parties and the third selected by the other two. The arbitrators in any arbitration proceeding to enforce this Agreement shall allocate the reasonable attorney's fees, among one or both parties in such proportion as the arbitrators shall determine represents each parties liability hereunder. The decision of the arbitrator shall be final and binding and may be entered into any court having proper jurisdiction to obtain a judgement for the prevailing party. In any proceeding to enforce an arbitration award, the prevailing party in such proceeding shall have the right to collect from the non-prevailing party, it's reasonable fees and expenses incurred in enforcing the arbitration award (including, without limitation, reasonable attorney's fee).

CONFIDENTIALITY

1. Saggi shall keep in strictest confidence, all privileged information relating to this Agreement which may be acquired in connection with or as a result of this Agreement. During the existence of this project, and for a period of three (3) years thereafter, Saggi shall not communicate, divulge, disclose, disseminate or use any of such privileged information which has been designated SIGA as proprietary property, without prior written consent of SIGA.

   Before any of Saggi's officers, directors, consultants and employees who are allowed access to any information which is confidential under the terms and provisions thereof, shall be permitted to view such information, Saggi shall require such officers, directors, consultants and employees to sign non-disclosure agreements which embody the provisions of this paragraph.

2. Proprietary information does not include information in the public domain through no breach of this Agreement by the other party, or which the revealing party has obtained through a third party through no breach of this Agreement.

3. Saggi shall keep any confidential information it receives from SIGA in confidence in accordance with the terms of this agreement.

4. Saggi shall only use Confidential Information for the purposes of performing its obligations under this Agreement.

5. Saggi shall use reasonable care to prevent use of disclosure of the Confidential Information, and no less stringent degree of care to avoid disclosure or use of such Confidential that it employs with respect to its own Confidential Information which it does not wish to be disseminated, published or disclosed.

6. Confidential information shall not include any information which

   (a) is already known to Saggi at the time of disclosure through lawful channels of communication; or

   (b) is or became publicly known through no wrongful act of Saggi, or

   (c) is rightfully received from a third party without similar restrictions and without breach of this Agreement; or

   (d) is approved for release by written authorization from SIGA.

7. In the event that Saggi becomes legally compelled, for any reason whatsoever, to disclose any of the Confidential Information, Saggi shall provide SIGA with prompt prior written notice at any such requirement Saggi agrees to furnish only that portion of Confidential Information which it is required to.

8. To the extent SIGA discloses Confidential Information to Saggi, SIGA agrees to reduce the oral Confidential Information to writing and deliver same to Saggi within fifteen (15) days of such oral disclosure, referencing the place and date of oral disclosure was made, and including therein a detailed description of the Confidential Information actually disclosed.

9. All copies of Confidential Information delivered by SIGA to Saggi pursuant to this Agreement whether imprinted, magnetic, optical or other tangible or mechanically reproducible form, shall remain the property of SIGA, and all such Confidential Information together with any copies thereof, shall be promptly returned to SIGA upon written request, or destroyed at SIGA's option following the termination or expiration of this Agreement.

All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party (including, without limitation, service by nationally recognized overnight courier service) to whom notice is to be given, or on the third day after mailing to the party to whom notice is to be given, by certified mail, return receipt requested, postage prepaid, at the address set forth below, or on the date of service if delivered by facsimile to that facsimile number set forth below which facsimile is confirmed within three (3) days by deposit of a copy of such notice in certified mail, return receipt requested, postage prepaid at the address set forth below. Any party may change its address for the purposes of this paragraph by giving the other parties written notice of the new address in the manner set forth above.

To SIGA: SIGA Technologies, Inc.
420 Lexington Avenue, Suite 620
New York, NY 10170
Attention: Thomas N. Konatich
Chief Financial Officer
Telephone: 212-672-9100

To Saggi: Saggi Capital Corp.
9 Prospect Hill Road Ext.
Pine Plains, NY 12567
(518) 398-7830

SAGGI CAPITAL CORP.

/s/ Sharon Will
- ----------
By:

11/1/2002
Date

SIGA TECHNOLOGIES, INC.

/s/ Thomas N. Konatich
- ----------
Thomas N. Konatich
Chief Financial Officer

11/1/2002
Date:

Exhibit 10(aaa)

Retainer Agreement

This will certify that SIGA Technologies, Inc. ("SIGA") has agreed to engage Bridge Ventures, Inc. ("Bridge") as its strategic planner. This is a personal services Agreement and cannot be assigned or delegated, by either party, without the prior written consent of the party to be charged with such assignment or delegation, and any unauthorized assignments shall be null and void without effect and shall immediately terminate this Agreement.

Payment

In exchange for its services as Strategic Planner, SIGA shall grant Bridge warrants to purchase 250,000 shares of its common stock, .0001 par value. The warrants may be exercised for a period of 60 months from their date of grant and they will have an exercise price of $2.00 per share. The warrants will have a cashless exercise provision.

Term

This agreement shall commence on November 1, 2002 and shall continue for a period of 60 months.

LEGAL RECOURSE

Any dispute(s) or claim(s) with respect to this Agreement or the performance of any obligations there under, shall be settled by arbitration and commenced and adjudicated under the rules then obtaining of the American Arbitration Association. The arbitration shall be conducted before a panel of three (3) arbitrators, one selected by each of the parties and the third selected by the other two. The arbitrators in any arbitration proceeding to enforce this Agreement shall allocate the reasonable attorney's fees, among one or both parties in such proportion as the arbitrators shall determine represents each parties liability hereunder. The decision of the arbitrator shall be final and binding and may be entered into any court having proper jurisdiction to obtain a judgement for the prevailing party. In any proceeding to enforce an arbitration award, the prevailing party in such proceeding shall have the right to collect from the non-prevailing party, it's reasonable fees and expenses incurred in enforcing the arbitration award (including, without limitation, reasonable attorney's fee).

CONFIDENTIALITY

1. Bridge shall keep in strictest confidence, all privileged information relating to this Agreement which may be acquired in connection with or as a result of this Agreement. During the existence of this project, and for a period of three (3) years thereafter, Bridge shall not communicate, divulge, disclose, disseminate or use any of such privileged information which has been designated SIGA as proprietary property, without prior written consent of SIGA.

   Before any of Bridge officers, directors, consultants and employees who are allowed access to any information which is confidential under the terms and provisions thereof, shall be permitted to view such information, Bridge shall require such officers, directors, consultants and employees to sign non-disclosure agreements which embody the provisions of this paragraph.

2. Proprietary information does not include information in the public domain through no breach of this Agreement by the other party, or which the revealing party has obtained through a third party through no breach of this Agreement.

3. Bridge shall keep any confidential information it receives from SIGA in confidence in accordance with the terms of this agreement.

4. Bridge shall only use Confidential Information for the purposes of performing its obligations under this Agreement.

5. Bridge shall use reasonable care to prevent use of disclosure of the Confidential Information, and no less stringent degree of care to avoid disclosure or use of such Confidential that it employs with respect to its own Confidential Information which it does not wish to be disseminated, published or disclosed.

6. Confidential information shall not include any information which

   (a) is already known to Bridge at the time of disclosure through lawful channels of communication; or

   (b) is or became publicly known through no wrongful act of Bridge, or

   (c) is rightfully received from a third party without

similar restrictions and without breach of this Agreement; or

(d) is approved for release by written authorization from SIGA.

7. In the event that Bridge becomes legally compelled, for any reason whatsoever, to disclose any of the Confidential Information, Bridge shall provide SIGA with prompt prior written notice at any such requirement Bridge agrees to furnish only that portion of Confidential Information which it is required to.

8. To the extent SIGA discloses Confidential Information to Bridge, SIGA agrees to reduce the oral Confidential Information to writing and deliver same to Bridge within fifteen (15) days of such oral disclosure, referencing the place and date of oral disclosure was made, and including therein a detailed description of the Confidential Information actually disclosed.

9. All copies of Confidential Information delivered by SIGA to Bridge pursuant to this Agreement whether imprinted, magnetic, optical or other tangible or mechanically reproducible form, shall remain the property of SIGA, and all such Confidential Information together with any copies thereof, shall be promptly returned to SIGA upon written request, or destroyed at SIGA's option following the termination or expiration of this Agreement.

All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party (including, without limitation, service by nationally recognized overnight courier service) to whom notice is to be given, or on the third day after mailing to the party to whom notice is to be given, by certified mail, return receipt requested, postage prepaid, at the address set forth below, or on the date of service if delivered by facsimile to that facsimile number set forth below which facsimile is confirmed within three (3) days by deposit of a copy of such notice in certified mail, return receipt requested, postage prepaid at the address set forth below. Any party may change its address for the purposes of this paragraph by giving the other parties written notice of the new address in the manner set forth above.

To SIGA: SIGA Technologies, Inc.
420 Lexington Avenue, Suite 620
New York, NY 10170
Attention: Thomas N. Konatich
Chief Financial Officer
Telephone: 212-672-9100

To Bridge: Bridge Ventures, Inc.
1241 Gulf of Mexico Drive
Longboat Key, Fl 34228
(941) 387-8388

BRIDGE VENTURES, INC.

/s/ Harris Freedman
- ------------------------
By:

Nov. 1, 2002
- ------------------------
Date:

SIGA TECHNOLOGIES, INC.

/s/ Thomas N. Konatich
- ------------------------
Thomas N. Konatich
Chief Financial Officer

Nov. 1, 2002
- ------------------------
Date:

AMENDMENT NO. 2 TO EMPLOYMENT AGREEMENT

This AMENDMENT NO. 2 TO EMPLOYMENT AGREEMENT (this "Amendment No. 2"), dated as of Nov 5, 20O2 (the "Effective Date of Amendment No. 2"), between SIGA Technologies, Inc., a Delaware corporation (the "Corporation"), and Thomas N. Konatich ("Konatich"), amends and waives certain provisions of the Amended and Restated Employment Agreement, dated as of October 6, 2000, between the Corporation and Konatich, as amended by the Amendment and Waiver, dated as of January 31, 2002, (collectively, the "Existing Agreement"). Capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Existing Agreement.

WHEREAS, under the Existing Agreement, the Initial Term ends on December 31, 2002; and

WHEREAS, the Corporation and Konatich desire to amend the Existing Agreement as provided in this Amendment No. 2.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, intending legally to be bound, hereby agree as follows:

1. Section 1 of the Existing Agreement shall be amended to read in its entirety as follows:

> 1. Employment for Term. The Corporation hereby employs Konatich and Konatich hereby accepts employment with the Corporation for the period beginning on January 19,2000 and ending September 30, 2004 (the "Initial Term"), or upon the earlier termination of the Term pursuant to Section 6. The termination of Konatich's employment under this Agreement shall end the Term but shall not terminate Konatich's or the Corporation's other agreements in this Agreement, except as otherwise provided herein.

2. Section 3(a) of the Existing Agreement shall be amended to add the following sentence at the end thereof:

> From and after the closing date of the Corporation's financing contemplated by that certain Private Placement Memorandum, dated July 24, 2002 relating to the sale by the Corporation of certain units consisting of Common Stock and Warrants to purchase Common Stock, the Base Salary shall be not less than $210,000 per annum, and the Corporation shall make the appropriate adjustments to its payroll.

3. Section 3(b) of the Existing Agreement shall be amended to add the following sentence to the end thereof:

75,000 shares immediately and with respect to the remaining 75,000 shares on September 1, 2003, pursuant to a Stock Option Grant Agreement in substantially the form attached hereto as Exhibit A2A.

4. The Existing Agreement shall be amended to add an Exhibit A2A thereto in the form of Exhibit A2A hereto.

5. Any event occurring prior to the Effective Date of Amendment No. 2 that would otherwise constitute a Change of Control shall not be deemed a Change of Control for purposes of the Agreement.

6. Neither the amendments set forth in this Amendment No. 2, nor any event that took place prior to the Effective Date of Amendment No. 2, shall be deemed to constitute a breach of the Existing Agreement by the Corporation.

(Signature page follows immediately]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 as of Nov 5, 2002.

SIGA TECHNOLOGIES, INC.

By: /s/ Donald G. Drapkin

Name: Donald G. Drapkin
Title: Chairman of the Board

/s/ Thomas N. Konatich

Thomas N. Konatich

AWARD/CONTRACT	1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350)	RATING	PAGE OF PAGES
			1 20

2. CONTRACT (Proc. Inst. Ident.) NO.	3. EFFECTIVE DATE
DAMD17-03-C-0040	01 Jan 2003

4. REQUISITION/PURCHASE REQUEST/PROJECT NO.
W23RYX-2331-N643

5. ISSUED BY	CODE DAMD17	6. ADMINISTERED BY (If other than Item 5.)	CODE
USA MED RESEARCH ACQ ACTIVITY DIRECTOR 820 CHANDLER STREET FORT DETRICK MD 21702-5014		See Item 5	

7. NAME AND ADDRESS OF CONTRACTOR (No., street, city, country, state and zip code)	8. DELIVERY |_| FOB ORIGIN |X| OTHER (See below)
SIGA TECHNOLOGIES INC. DENNIS E. HRUBY, PH.D. 4575 SW RESEARCH WAY SUITE 230 CORVALLIS OR 97333	9. DISCOUNT FOR PROMPT PAYMENT Net 30 Days 10. SUBMIT INVOICES 1 ITEM (4 copies unless otherwise specified) Block 12 TO THE ADDRESS SHOWN IN:

CODE 1V4X4	FACILITY CODE

11. SHIP TO/MARK FOR	CODE	12. PAYMENT WILL BE MADE BY	CODE HQ0345
USA MED RESEARCH AND MATERIELCOM ACQUILINE TEST A COMMANDER USAMRMC ATTN:MCMR-RMI-S BLDG 504XX FORT DETRICK MD 21702		DEFENSE FINANCE AND ACCOUNTING SERVICE DFAS-SA/FPA 500 MCCULLOUGH AVENUE PHONE: 888-478-5636 SAN ANTONIO TX 78215-2100	

13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION:	14. ACCOUNTING AND APPROPRIATION DATA
|_| 10 U.S.C. 2304(c)( ) |_| 41 U.S.C. 253(c)( )	See Schedule

15A. ITEM NO.	15B. SUPPLIES/SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE	15F. AMOUNT
	SEE SCHEDULE				
				15G. TOTAL AMOUNT OF CONTRACT	$1,640,883.00

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X	E	INSPECTION AND ACCEPTANCE	10
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L INSTRS., CONDS., AND NOTICES TO OFFERORS

M EVALUATION FACTORS FOR AWARD

CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. |_| CONTRACTOR'S NEGOTIATED AGREEMENT Contractor is required to sign this document and return copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein.
(Attachments are listed herein.)

18. |_| AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number _____ including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.

19A. NAME AND TITLE OF SIGNER (Type or print)	20A. NAME AND TITLE OF CONTRACTING OFFICER PATRICIA K. NELSON/CONTRACTING OFFICER TEL: 301-619-2702 EMAIL: patricia.nelson@amedd.army.mi
19B. NAME OF CONTRACTOR	19C. DATE SIGNED
BY _____ (Signature of person authorized to sign)	
20B. UNITED STATES OF AMERICA	20C. DATE SIGNED
BY /s/ Patricia K. Nelson (Signature of Contracting Officer)	12-Dec-2002

NSN 7540-01-152-8069 26-107 STANDARD FORM 26 (REV. 4-85)

PREVIOUS EDITION UNUSABLE GPO 1985 O - 469-794 Prescribed by GSA
FAR (48 CFR) 53.214(a)

Section B - Supplies or Services and Prices

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
001					
	COST Research Proposal entitled, "SmallPox Antiviral Drug" PURCHASE REQUEST NUMBER: W23RYX-2331-N643				
				ESTIMATED COST	$1,640,883.00
	ACRN AA Funded Amount				$364,642.00

FOB: Destination

Section C - Description and Specifications

STATEMENT OF WORK
The contractor shall furnish the necessary equipment, personnel, facilities, and supplies necessary to conduct studies on the research proposal entitled, "Smallpox AntiViral Drug" in accordance with Section C, the contractor's statement of work on pages 4-5 of the research proposal dated 15 May 2002 and the revised budget dated 22 November 2002, which are incorporated herein by reference.

TERM OF CONTRACT: 1 January 2003-31 May 2007 (Research to be completed by 31 December 2006).

AMOUNT ALLOTTED TO CONTRACT TO DATE: $364,642

TOTAL AMOUNT OF CONTRACT: $1,640,883

PRINCIPAL INVESTIGATOR: Dr. Dennis E. Hruby

TYPE OF CONTRACT: Cost Price Contract

CLAUSES INCORPORATED BY FULL TEXT

REPRESENTATIONS AND CERTIFICATIONS (MAR 1999) (USAMRAA)

The representations, certifications, and other statements submitted by the contractor, dated 22 November 2002, are incorporated herein by reference.

PRINCIPAL INVESTIGATOR (MAR 1999) (USAMRAA)

The Principal Investigator for this contract is Dennis R. Hruby. This individual shall be continuously responsible for the conduct of the research project. The contractor shall obtain the Contracting Officer's approval to change the Principal Investigator or to continue the research work during a continuous period in excess of three months without the participation of an approved Principal Investigator. This contract is based on the Principal Investigator devoting 10% of effort to the project over the term of the contract. The contractor shall advise the Contracting Officer if the Principal Investigator will, or plans to, devote substantially less effort to the work than estimated in the contractor's proposal. A curriculum vitae shall be provided for professional associates added to the research project or substituted during the course of work.

USE OF TECHNICAL REFERENCE FACILITY (MAR 1999) (USAMRAA)

The contractor agrees to use, to the extent practical, the technical reference facilities of the Defense Technical Information Center, 8725 John J. Kingman Road, Suite 0944, Fort Belvoir, VA 22060-6218 for the purpose of surveying existing knowledge and avoiding needless duplication of scientific and engineering effort and the expenditure thereby represented. All other sources, whether or not Government controlled, shall be consulted for the same purpose.

INVESTIGATING AND REPORTING POSSIBLE SCIENTIFIC MISCONDUCT (MAR 1999) (USAMRAA)

a. "Misconduct" or "Misconduct in Science" is defined as fabrication, falsification, plagiarism, or other practices that seriously deviate from those that are commonly accepted within the scientific community for proposing, conducting or reporting research. It does not include honest error or honest differences in interpretations or judgments of data.
b. Contractors shall foster a research environment that prevents misconduct in all research and that deals forthrightly with possible misconduct associated with research for which U.S. Army Medical Research and Materiel Command funds have been provided or requested.
c. The contractor agrees to:
(1) Establish and keep current an administrative process to review, investigate, and report allegations of misconduct in science in connection with research conducted by the contractor,
(2) Comply with its own administrative process;
(3) Inform its scientific and administrative staff of the policies and procedures and the importance of compliance with those policies and procedures;
(4) Take immediate and appropriate action as soon as misconduct on the part of employees or persons within the organization's control is suspected or alleged; and
(5) Report to the Administrative Contracting Officer (ACO) a decision to initiate an investigation into possible scientific misconduct.
d. The contractor is responsible for notifying the ACO of appropriate action taken if at any stage of an inquiry or investigation any of the following conditions exist:
(1) An immediate health hazard is involved;
(2) There is an immediate need to protect Federal funds or equipment;
(3) A probability exists that the alleged incident will be reported publicly; or
(4) There is a reasonable indication of possible criminal violation.

EMERGENCY COORDINATION AND REPORTING (BDRP) (MAR 1999) (USAMRAA)

a. The contractor shall review the Emergency Response Plan/Safety Program Plan annually, during the month of July, in consultation with each participating external support agency. The Emergency Response Plan shall be formally revised, where necessary, to incorporate current emergency support requirements. The revised Emergency Response Plan (with the agreements for emergency support as appendices) shall be formalized in writing. A copy of the revision shall be retained in your organizational safety office.
b. The contractor shall submit a letter report documenting the outcome of the annual review of its Emergency Response Plan. The report shall include the dates of the annual review and coordination, and shall identify and describe all provisions that represent changes to the initial Emergency Response Plan or the previous year's annual report. The report shall be submitted no later than August 1 of each year, beginning with the first August during the performance of your contract.
c. All reports identified in this provision shall be submitted to the following address:
U.S. Army Medical Research and Materiel Command
ATTN: MCMR-RCQ-S
504 Scott Street
Fort Detrick, Maryland 21702-5012

ETIOLOGIC AGENTS--BIOLOGICAL DEFENSE RESEARCH PROGRAM (MAR 1999) (USAMRAA)

a. For purpose of this contract etiologic agent--biological defense program is defined as: any viable microorganism, or its toxin which causes or may cause human disease, including those agents listed in 42 CFR 723 of the Department of Health and Human Services regulations, and any agent of biological origin that poses a degree of

hazard to those agents and is further identified by the U.S. Army as a threat agent. The contractor shall comply with the following when working with etiologic agents:

1. 29 Code of Federal Regulations 1910

2. Occupational Health Standards, and the U.S. Department of Health and Human Services (DHHS)

3. DHHS Publication No. 93-8395, Biosafety in Microbiological and Biomedical Laboratories, 1993, as amended

4. 32 CFR 626 Biological Defense Safety Program

5. 32 CFR 627 Biological Defense Safety Program b. Etiologic agents shall be packaged, labeled, shipped, and transported in accordance with applicable Federal, state and local laws and regulations, to include:

1. 42 CFR 72 (Interstate Shipment of Etiologic Agents)

2. 49 CFR 172 and 173 (Department of Transportation)

3. 9 CFR 122 (USDA Restricted Animal Pathogens)

4. International Air Transport Association Dangerous Goods Regulations.

5. The United States Postal Service shall not be used for transportation of BDRP activities involving etiologic agents.

CONTRACTOR SAFETY AND REPORTING (BDRP) (MAR 1999) (USAMRAA)

a. The contractor shall operate under established safety programs for all biosafety levels of work as identified in the Safety Program Plan, which is incorporated in this contract. These safety programs shall ensure that personnel, facilities, and the environment are protected from accidents and hazardous exposures.
b. The contractor shall conduct this contract work under established operating procedures which ensure that all individuals who have access to areas for storage, handling, and disposal of etiologic agents are trained and are thoroughly familiar with safety requirements. Such procedures shall assure full compliance with the regulatory standards cited above.
c. The contractor shall conduct an inspection and report the results of all required biosafety inspections for all Research, Development, Test, or Evaluation work in accordance with the below listed timeframes. As a minimum the safety inspections shall address those factors identified in the Safety Program Plan.
1. For Biosafety Level (BL) 1 and 2:

Time	Inspector
Preaward	Government designated Biosafety Officer
Quarterly	First line supervisor
Annual	Contractor safety personnel

2. For Biosafety Level (BL) 3:

Time	Inspector
Preaward	Government designated Biosafety Officer
Monthly	First line supervisor
Annual	Government designated Bisafety Officer

3. For Biosafety Level (BL) 4:

Time	Inspector
Preaward	Government designated Biosafety Officer
Monthly	First line supervisor
Semiannual	Government designated Biosafety Officer

4. Copies of all biosafety inspection reports will be

distributed as follows:
Original:
In the contractor's records (Retained for at least three years)
One copy to the following:
U.S. Army Medical Research and Materiel Command
ATTN: MCMR-RCQ-S
504 Scott Street
Fort Detrick, Maryland 21702-5012
U.S. Army Medical Research and Materiel Command
ATTN: MCMR-PLD
504 Scott Street
Fort Detrick, Maryland 21702-5012
U.S. Army Medical Research Acquisition Activity
ATTN: MCMR-AAA
820 Chandler Street
Fort Detrick, Maryland 21702-5014

PROHIBITION OF USE OF HUMAN SUBJECTS (NOV 2000) (USAMRAA)

Notwithstanding any other provisions contained in this award or incorporated by reference herein, the contractor is expressly forbidden to use or subcontract for the use of human subjects in any manner whatsoever. In the performance of this award, the contractor agrees not to come into contact with, use or employ, or subcontract for the use or employ of any human subjects for research, experimentation, tests or other treatment under the scope of work as set out in the award

USE OF LABORATORY ANIMALS (CONUS)(MAR 2002) (USAMRAA)

a. The contractor or its subcontractors, are authorized to conduct research under this award involving laboratory animals for the following protocols:

Protocol entitled, "Smallpox Antiviral Drug" submItted by Dr. Dennis Hruby for the use of mice,

b. ANIMAL WELFARE

(1) For those facilities that are required to do so by federal law, the contractor shall register its research facility with the Secretary of Agriculture in accordance with 7 U.S.C. 2136 and 9 CFR, Subchapter A, Part 2, Subpart C, and Section 2.30.

(2) The contractor shall acquire regulated animals only from dealers licensed by the Secretary of Agriculture under 7 U.S.C. 2133 and 9 CFR, Subchapter A, Part 2, Subpart A, Sections 2.1 through 2.11, or from sources that are exempt from licensing under those sections.

(3) The contractor agrees that the care and use of animals will conform

with the pertinent laws of the United States and regulations of the Department of Agriculture (see 7 U.S.C. 2131 et.seq. and 9 CFR Subchapter A, Parts I through 4), and that the research will adhere to the principles set forth in the Guide for Care and Use of Laboratory Animals, National Research Council, 1996.

(4) The Contracting Officer may immediately suspend, in whole or in part, work and further payments under this award for failure to comply with the requirements of paragraphs (1) through (3) of this clause.

(a) The suspension will stay in effect until the contractor complies with the requirements.

(b) Failure to complete corrective action within the time specified by the Contracting Officer may result in termination of this award and removal of the contractor's name from the list of facilities approved for funding.

(5) The contractor may request registration of its facility and a current listing of licensed dealers from the Regional Office of the Animal and Plant Health Inspection Service (APHIS), United States Department of Agriculture (USDA), for the region in which its research facility is located. The location of the appropriate APHIS regional office, as well as information concerning this program may be obtained by contacting the Senior Staff Officer, Animal Care Staff, USDA/APHIS, Animal Care, 4700 River Road, Unit 84, Riverdale, MD 20737-1234 (Phone number 301-734-4981 or email ace@usda.gov).

(6) The contractor shall include this clause, including this paragraph (6), in all subcontracts/subawards involving research of live vertebrate animals.

c. POST-AWARD OVERSIGHT OF THE USE OF LABORATORY ANIMALS

Post-award oversight of the use of laboratory animals shall be the responsibility of the contractor's Animal Care and Use Committee (ACUC). The Principal Investigator will notify the Contracting Officer in writing of any significant changes to the proposed use of animals which was the basis for award. These changes must be approved by the contractor's ACUC and the USAMRMC. In addition, the ACUC shall immediately notify the Contracting Officer of any violations of law, or regulation involving animal care, or of changes in the facility's accreditation status by the Association for the Assessment and Accreditation of Laboratory Animal Care, International (AAALAC).

d. ANIMAL USE REPORTING

(1) The contractor shall annually prepare and electronically submit the U.S. Army Medical Research and Materiel Command Animal Use Report detailing the use of animals in the research and development sponsored by the Army. The web site containing information for electronic submission of this report may be found at http://www.usamraa.army.mil.

(2) A letter with additional instructions concerning use of the electronic web site will be mailed at the end of the fiscal year. The reporting period shall be each Federal Fiscal Year, i.e., 01 October through 30 September, and the report shall be electronically received by the U.S. Army Medical Research and Materiel Command no later than 1 December of that year.

(3) For awards with expiration dates prior to 30 September, instructions for submission of the final animal use report may be found at http://www.usamraa.army.mil.

(4) The contractor shall also furnish a copy of the most recent USDA Inspection Report. This report can be submitted via fax or mail to:

Commander
U.S. Army Medical Research & Materiel Command
ATTN: MCMR-RCQ-AR
504 Scott Street
Fort Detrick MD 21702-5012
FAX: (301) 619-4165

(5) The contractor is responsible for ensuring that a separate U.S. Army Medical Research and Materiel Command Animal Use Report and USDA Inspection Report be submitted for any subcontract/subaward facility).

PROHIBITION OF USE OF HUMAN ANATOMICAL SUBSTANCES (NOV 2000) (USAMRAA)

Notwithstanding any other provisions contained in this award or incorporated by reference herein, the contractor is expressly forbidden to use or subcontract for the use of human anatomical substances in any manner whatsoever. In the performance of this award, the contractor agrees not to come into contact with, use or employ, or subcontract for the use or employ of any human anatomical substances for research, experimentation, tests or other treatment under the scope of work as set out in the award.

REPORTS, MANUSCRIPTS AND PUBLIC RELEASES (MAR 1999) (USAMRAA)

a. Contractors are encouraged to publish results of research supported by USAMRMC in appropriate media forum. Any publication, report or public release, which may create a statutory bar to the issuance of a patent on any subject invention, shall be coordinated with appropriate patent counsel.

b. Manuscripts intended for publication in any media shall be submitted to the COR, simultaneously with submission for publication. Review of such manuscripts is for comment to the Principal Investigator, not for approval or disapproval. Courtesy copies of the reprint shall be forwarded to the COR, even though publication may be subsequent to the expiration of the contract.

c. The contractor shall notify the Contracting Officer of planned news releases, planned publicity, advertising material concerning contract work, and planned presentations to scientific meetings prior to public release. This is not intended to restrict dissemination of research information but to allow the U.S. Army Medical Research and Materiel Command (USAMRMC) advance notice in order to adequately respond to inquiries.

d. Manuscripts, reports, public releases and abstracts, which appear in professional journals, media and programs, shall include the following statements:

(1) "This work is supported by the U.S. Army Medical Research and Materiel Command under Contract No. DAMD17-03-C-40."
(2) "The views, opinions and/or findings contained in this report are those of the author(s) and should not be construed as an official Department of the Army position, policy or decision unless so designated by other documentation."
(3) "In conducting research using animals, the investigator(s) adhered to the "Guide for the Care and Use of Laboratory Animals," prepared by the Committee on Care and Use of Laboratory Animals of the Institute of Laboratory Animal Resources, National Research Council (NIH Publication No. 86-23, Revised 1985)."
(4) "In the conduct of research where humans are the subjects, the investigator(s) adhered to the policies regarding the protection of human subjects as prescribed by 45 CFR 46 and 32 CFR 219 (Protection of Human Subjects)."

(5) In conducting work involving the use of recombinant DNA the investigator(s) adhered to Guidelines for Research Involving Recombinant DNA Molecules; Notice, Federal Register, July 5, 1994, Volume 59, Number 127.

Section E - Inspection and Acceptance

CLAUSES INCORPORATED BY REFERENCE

52.246-8	Inspection Of Research And Development Cost Reimbursement	MAY 2001

Section F - Deliveries or Performance

PERFORMANCE

a. The period of performance for this contract is 1 January 2003 through 31 May 2007 (Research ends 31 December 2006). The research required by the statement of work in Section C shall be conducted during the period 1 Jan 2003 through 31 December 2006. The additional month is to allow sufficient time to complete the final reports.

CLAUSES INCORPORATED BY REFERENCE

52.242-15	Stop-Work Order	AUG 1989
52.247-34	F.O.B. Destination	NOV 1991

REPORTING REQUIREMENT

QUARTERLY REPORTS FORMAT (OCT 1992) (USAMRAA)

a. Quarterly reports are the most immediate and direct contact between the Principal Investigator (PI) and the Contracting Officer's Representative (COR). The reports provide the means for keeping this Command advised of developments and problems as the contract effort proceeds. The quarterly reports also provide a measure against which decisions on release of funding and on requests for supplements are made.

b. Quarterly reports shall be submitted for each three-month period of the contract beginning with the effective date of the contract. This requirement includes all three-month periods of the contract.

c. Copies of each report shall be submitted in the quantities indicated to the addresses shown below within fifteen (15) days after the end of each quarter. Internal Government distribution will be made by those offices.

(1) Two (2) copies of the report to:
U.S.Army Medical Research Institute for Infectious Diseases (USAMRIID)
ATTN: Dr. Jay Hooper
1425 Porter Street
Fort Detrick, MD 21702

(2) Three (3) copies of the report to:
Commander
U.S. Army Medical Research and Materiel Command
ATTN: MCMR-RMI-S
504 Scott Street
Fort Detrick, MD 21702-5012

(3) One (1) copy of the report to:
Director
U. S. Army Medical Research Acquisition Activity (USAMRAA)
ATTN: MCMR-AAA-A
820 Chandler Street
Fort Detrick, MD 21702-5014

d. Photocopies of the blank Quarterly report sample shown on the following page shall serve as the format. Each item of the report format shall be completed or addressed.

Quarterly Report Format

1. Contract No._____ 2. Report Date _____

3. Reporting period from _____ to _____

4. PI_____ 5. Telephone No. _____

6. Institution_____

7. Project Title: _____

_____

8. Current staff, with percent effort of each on project.

_____% _____%

_____% _____%

9. Contract expenditures to date (as applicable):

	This Qtr	Cumulative
Personnel		
Travel		
Fringe Benefits		
Equipment		
Supplies		Other

	This Qtr	Cumulative
Subtotal		
Indirect Costs		
Fee		
Total:		

10. Comments on administrative and logistical matters.

_____

_____

_____

_____

11. Use additional page(s), as necessary, to describe scientific progress for the quarter in terms of the tasks or objectives listed in the statement of work for this contract. Explain deviations where this isn't possible. Include data where possible.

12. Use additional page(s) to present a brief statement of plans or milestones for the next quarter.

RESEARCH TECHNICAL REPORTING REQUIREMENTS (NOV 2000) (USAMRAA)

Format Requirements for Annual/Final Reports

a. Annual reports must provide a complete summary of the research accomplishments to date with respect to the approved Statement of Work. Journal articles can be substituted for detailed descriptions of specific aspects of the research, but the original articles must be attached to the report as an appendix and appropriately referenced in the text. The importance of the report to decisions relating to continued support of the research can not be overemphasized. A report shall be submitted within 30 calendar days of the anniversary date of the award (a final report will be submitted upon completion of the research (last year of the award)).

b. A final report summarizing the entire research effort, citing data in the annual reports and appended publications shall be submitted at the end of the award performance period. The final report will provide a complete reporting of the research findings. Journal publications can be substituted for detailed descriptions of specific aspects of the research, but an original copy of each publication must be attached as an appendix and appropriately referenced in the text. All final reports must include a bibliography of all publications and meeting abstracts and a list of personnel (not salaries) receiving pay from the research effort.

c. Although there is no page limitation for the reports, each report shall be of sufficient length to provide a thorough description of the accomplishments with respect to the approved Statement of Work. Submission of an original and two copies of the report are required. Reports shall be forwarded to:

Commander
U.S. Army Medical Research and Materiel Command
ATTN: MCMR-RMI-S
504 Scott Street Fort Detrick,
Maryland 21702-5012

d. All reports shall have the following elements in this order: front cover, Standard Form (SF 298), table of contents, introduction, body, key research accomplishments, reportable outcomes, conclusions, references, and appendices. Pages shall be consecutively numbered throughout the report. DO NOT RENUMBER PAGES IN THE APPENDICES BUT DO INCLUDE THE APPENDICES IN THE PAGE COUNT IN BLOCK 15 ON THE SF 298. Mark all pages of the report which contain proprietary or unpublished data that should be protected. DO NOT USE THE WORD "CONFIDENTIAL" WHEN MARKING DOCUMENTS. Indicate in your letter accompanying the report that the report contains proprietary or unpublished data, and that the distribution statement should indicate the limitations of the report.

FRONT COVER: Sample front cover provided at http://mrmc-www.army.mil. The Accession Document (AD) Number should remain blank.

STANDARD FORM 298: Sample SF 298 provided at http://mrmc-www.army.mil. Go to site index and click on Research Reports and click on SF298 for a copy. The abstract in Block 13 must state the purpose, scope, major findings and be an up-to-date report of the progress in terms of results and significance. Subject terms are keywords that may have previously assigned to the proposal abstract or are keywords that may be significant to the research. The number of pages shall include all pages that have printed data (including the front cover, SF 298, table of contents, and all appendices). Please count pages carefully to ensure legibility and that there are no missing pages as this delays processing of reports. Page numbers should be typed: please do not hand number pages.

TABLE OF CONTENTS: Sample table of contents provided at http://mrmc-www.army.mil.

INTRODUCTION: Narrative that briefly (one paragraph) describes the subject, purpose and scope of the research.

BODY: This section of the report shall describe the research accomplishments associated with each task outlined in the approved Statement of Work. Data presentation shall be comprehensive in providing a complete record of the research findings for the period of the report. Appended publications and/or presentations may be substituted for detailed descriptions but must be referenced in the body of the report. If applicable, for each task outlined in the Statement of Work, reference appended publications and/or presentations for details of result findings and tables and/or figures. The report shall include negative as well as positive findings. Include problems in accomplishing any of the tasks. Statistical tests of significance shall be applied to all data whenever possible. Figures and graphs referenced in the text may be embedded in the text or appended. Figures and graphs can also be referenced in the text and appended to a publication. Recommended changes or future work to better address the research topic may also be included, although changes to the original Statement of Work must be approved by the Grants Officer. This approval must be obtained prior to initiating any change to the original Statement of Work.

KEY RESEARCH ACCOMPLISHMENTS: Bulleted list of key research accomplishments emanating from this research.

REPORTABLE OUTCOMES: Provide a list of reportable outcomes that have resulted from this research to include:

> manuscripts, abstracts, presentations; patents and licenses applied for and/or issued; degrees obtained that are supported by this award; development of cell lines, tissue or serum repositories; infomatics such as databases and animal models, etc.; funding applied for based on work supported by this award; employment or research opportunities applied for and/or received based on experience/training supported by this award.

CONCLUSIONS: Summarize the results to include the Importance and/or implications of the completed research and when necessary, recommend changes on future work to better address the problem. A "so what section" which evaluates the knowledge as a scientific or medical product shall also be included in the conclusion of the report.

REFERENCES: List all references pertinent to the report using a standard journal format (i.e. format used in Science, Military Medicine, etc.).

APPENDICES: Attach all appendices that contain information that supplements, clarifies or supports the text. Examples include original copies of journal articles, reprints of manuscripts and abstracts, a curriculum vitae, patent applications, study questionnaires, and surveys, etc.

BINDING: Because all reports are entered into the Department of Defense Technical Reports database collection and are microfiched, it is recommended that all reports be bound by stapling the pages together in the upper left hand corner. All original reports shall be legible and contain original photos/illustrations. Figures shall include figure legends and be clearly marked with figure numbers.

Section G - Contract Administration Data

ACCOUNTING AND APPROPRIATION DATA

AA: 97204002601074811930603384BPO255YP1FFKAW23RYX2331N643FFKAP1018064
AMOUNT: $364,642.00

CLAUSES INCORPORATED BY FULL TEXT

INCREMENTAL FUNDING (MAR 1999) (USAMRAA)

a. It is estimated that the total cost to the Government for the full performance of this contract for the period 1 January 2003 to 31 May 2007 will be $1,640,883.00 There have been funds allotted for reimbursement of allowable costs, and applicable fee, incurred in the performance of this contract in the amount of only $364,642.00. It is estimated that such funded amount shall be sufficient to cover allowable expenses for the period 1 Jan 2003 to 31 Dec 2004. The amount of the funds currently allotted may be increased by the Contracting Officer without further concurrence of the contractor. It is estimated that the remaining funds will be made available in accordance with the following schedule:

Amount	On or about
$413,424	1 January 2004
$436,376	1 January 2005
$426,441	1 January 2006

b. Pending the availability of additional funds, performance by the contractor shall be governed by the contract clause entitled "Limitation of Funds", FAR 52.232-22.

VOUCHERS (MAR 1999) (USAMRAA)

a. The Contractor shall submit an original and one copy of public vouchers (SF 1034) not less frequently than monthly to U.S. Army Medical Research Acquisition Activity (USAMRAA), Attn: Shelley Marken, 820 Chandler Street, Fort Detrick, MD 21702-5014 for review and forwarding for payment.

b. Voucher categories shall adhere to budget categories listed in the negotiated budget used for funding the contract. All vouchers shall state the total amount claimed and the subtotals claimed in the following types of categories: salaries and wages, overhead stating percentage and base, travel, equipment, supplies, and any other categories used in the negotiated budget. Suitable detailed support for amounts claimed shall be shown on continuation sheets. For instance, direct labor costs should include number of hours worked by individual, hourly rate, and total. Travel costs should include number of trips, public carrier rates, per diem costs, incidental costs, etc.

c. Cumulative totals of expenditures in each category shall also be shown.

d. Each voucher submitted must state the period of performance. Each voucher submitted must request payment for only those man-hours or cost expenditures incurred in that period.

e. The Contracting Officer shall be notified immediately in the event a budget category is expected to deviate from the negotiated budget.

f. The completion voucher shall be submitted by the Contractor to the Contracting Officer.

TRAVEL (MAR 1999) (USAMRAA)

a. Approval of Foreign Travel. The cost of foreign travel is allowable only when the specific written approval of the Contracting Officer or Contract Specialist responsible for administration of the contract is obtained prior to commencing the trip. Approval must be requested at least 30 days before the scheduled departure date in order that all necessary clearances may be processed. Each individual trip must be approved separately even though it may have been included in a previously approved budget. Foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions.
b. Domestic/local travel shall take place in accordance with Department of Defense Joint Travel Regulations (JTR). Documentation showing dates and mileage for such travel shall be maintained and furnished in support of invoice claiming reimbursement.

PROPERTY REPORTING (COMMERCIAL) (MAR 1999) (USAMRAA)

The designated property administrator for Government property acquired for use under this contract is the Contract Specialist, US Army Medical Research Acquisition Activity, Fort Detrick, MD 21702-5014. The contractor shall furnish the designated property administrator report, (i.e. DD FORM 1662, DOD Property in the Custody of Contractors).
a. Interim Inventories - Annually, as of 30 September, report due 10 October, each year.
b. Final Inventory - When the contract expires.

Section I - Contract Clauses

CLAUSES INCORPORATED BY REFERENCE

52.202-1	Definitions	DEC 2001
52.203-3	Gratuities	APR 1984
52.203-5	Covenant Against Contingent Fees	APR 1984
52.203-6	Restrictions On Subcontractor Sales To The Government	JUL 1995
52.203-7	Anti-Kickback Procedures	JUL 1995
52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity	JAN 1997
52.203-10	Price Or Fee Adjustment For Illegal Or Improper Activity	JAN 1997
52.203-12	Limitation On Payments To Influence Certain Federal Transactions	JUN 1997
52.204-4	Printed or Copied Double-Sided on Recycled Paper	AUG 2000
52.208-8	Helium Requirement Forecast And Required Sources For Helium	APR 2002
52.209-6	Protecting the Government's Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment	JUL 1995
52.215-2 Alt III	Audit and RJUN 1999Negotiation (Jun 1999) Alternate III	
52.216-7	Allowable Cost And Payment	FEB 2002
52.216-11	Cost Contract--No Fee	APR 1984
52.222-3	Convict Labor	AUG 1996
52.222-21	Prohibition Of Segregated Facilities	FEB 1999
52.222-26	Equal Opportunity	APR 2002
52.223-6	Drug Free Workplace	MAY 2001
52.223-14	Toxic Chemical Release Reporting	OCT 2000
52.225-13	Restrictions on Certain Foreign Purchases	JUL 2000
52.228-7	Insurance--Liability To Third Persons	MAR 1996
52.232-9	Limitation On Withholding Of Payments	APR 1984
52.232-17	Interest	JUN 1996
52.232-22	Limitation Of Funds	APR 1984
52.232-25 Alt I	Prompt Payment (Feb 2002) Alternate I	FEB 2002
52.232-33	Payment by Electronic Funds Transfer--Central Contractor Registration	MAY 1999
52.233-1	Disputes	JUL 2002
52.233-3 Alt I	Protest After Award (Aug 1996) - Alternate I	JUN 1985
52.242-13	Bankruptcy	JUL 1995
52.243-2 Alt V	Changes--Cost-Reimbursement (Aug 1987) - Alternate V	APR 1984
52.249-6	Termination (Cost Reimbursement)	SEP 1996
52.249-14	Excusable Delays	APR 1984
52.253-1	Computer Generated Forms	JAN 1991
252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense-Contract-Related Felonies	MAR 1999
252.204-7003	Control Of Government Personnel Work Product	APR 1992
252.204-7004	Required Central Contractor Registration	NOV 2001
252.209-7004	Subcontracting With Firms That Are Owned or Controlled By The Government of a Terrorist Country	MAR 1998
252.225-7012	Preference For Certain Domestic Commodities	APR 2002
252.225-7026	Reporting Of Contract Performance Outside The United States	JUN 2000
252.227-7034	Patents--Subcontracts	APR 1984

252.227-7039	Patents--Reporting Of Subject Inventions	APR 1990
252.235-7011	Final Scientific or Technical Report	SEP 1999
252.243-7001	Pricing Of Contract Modifications	DEC 1991
252.243-7002	Requests for Equitable Adjustment	MAR 1998
252.244-7000	Subcontracts for Commercial Items and Commercial Components (DoD Contracts)	MAR 2000
252.247-7023	Transportation of Supplies by Sea	MAY 2002
252.247-7024	Notification Of Transportation Of Supplies By Sea	MAR 2000

CLAUSES INCORPORATED BY FULL TEXT

52.252-2 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this/these address(es):

www.usamraa.army.mil

(End of clause)

52.252-6 AUTHORIZED DEVIATIONS IN CLAUSES (APR 1984)

(a) The use in this solicitation or contract of any Federal Acquisition Regulation (48 CFR Chapter 1) clause with an authorized deviation is indicated by the addition of "(DEVIATION)" after the date of the clause.

b. The use in this solicitation or contract of any Defense Federal Acquisition Regulation Supplement (48 CFR Chapter 2) clause with an authorized deviation is indicated by the addition of "(DEVIATION)" after the name of the regulation.

252.235-7002 ANIMAL WELFARE. (DEC 1991)

(a) The Contractor shall register its research facility with the Secretary of Agriculture in accordance with 7 U.S.C. 2316 and 9 CFR subpart C, and 2.30, and furnish evidence of such registration to the Contracting Officer before beginning work under this contract.

(b) The Contractor shall acquire animals only from dealers licensed by the Secretary of Agriculture under 7 U.S.C. 2133 and 9 CFR subpart A, 2.1 through 2.11, or from sources that are exempt from licensing under those sections.

(c) The Contractor agrees that the care and use of animals will conform with the pertinent laws of the United States and regulations of the Department of Agriculture (see 7 U.S.C. 2131 et. seq. and 9 CFR subchapter A, parts 1 through 4).

(d) The Contracting Officer may immediately suspend, in whole or in part, work and further payments under this contract for failure to comply with the requirements of paragraphs (a) through (c) of this clause.

(1) The suspension will stay in effect until the Contractor complies with the requirements.

(2) Failure to complete corrective action within the time specified by the Contracting Officer may result in termination of this contract and removal of the Contractor's name from the list of contractors with approved Public Health Service Welfare Assurances.

(e) The Contractor may request registration of its facility and a current listing of licensed dealers from the Regional Office of the Animal and Plant Health Inspection Service (APHIS), United States Department of Agriculture (USDA), for the region in which its research facility is located. The location of the appropriate APHIS regional office, as well as information concerning this program may be obtained by contacting the Senior Staff Officer, Animal Care Staff, USDA/APHIS, Federal Center Building, Hyausville, MD 20782.

(f) The Contractor shall include this clause, including this paragraph (f), in all subcontracts involving research of live vertebrate animals.

252.235-7010 Acknowledgment of Support and Disclaimer. (MAY 1995)

(a) The Contractor shall include an acknowledgment of the Government's support in the publication of any material based on or developed under this contract, stated in the following terms: This material is based upon work supported by the U.S. Army Medical Research Acquisition Activity (USAMRAA) under Contract No. DAMD17-03-C-0040..

(b) All material, except scientific articles or papers published in scientific journals, must, in addition to any notices or disclaimers by the Contractor, also contain the following disclaimer: Any opinions, findings and conclusions or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the views of the USAMRAA.

[FOUR STAR GROUP LOGO] Four Star Group 646-872-7882
495 Broadway Street
New York, NY 10038
www.fourstargroup.com elrapp@frontiernet.net

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MARKETING REPRESENTATION
AGREEMENT

[SIGA TECHNOLOGIES LOGO]

APPLIED BACTERIAL GENOMICS

SIGA Technologies is applying bacterial genomics in the design and development of novel products for the prevention and treatment of serious infectious diseases.

FOR: SIGA TECHNOLOGIES, INC.

420 Lexington Ave.

New York, NY 10170

A DIVISION OF EXECUTIVE INTELLIGENCE NETWORK LLC.

1. FOUR STAR GROUP

The bridge between the commercial and government sectors

Marketing professionals specializing in technology, security and intelligence.

The Mission

- Provide clients with a cost effective entrance into and means of doing business with the US Government marketplace.
- Help clients better understand the Government Programming & Budgeting System and the Government Acquisition Cycle.
- Represent clients with honesty and integrity.
- Provide clients with the tools and personnel necessary for success in entering and understanding the Governmental marketplace.

The Group

Four Star Group (FSG)

Is a marketing consulting firm that bridges the gap between the commercial and government sectors. With unparalleled knowledge of the technology, security and intelligence industries, FSG's network of corporate leaders and military experts identifies and marries public sector business opportunities with cutting edge technologies developed in the private sector. By serving as the liaison between these two disparate worlds, FSG develops unique solutions that effectively address the nation's most critical information and security needs.

Four Star Group, a division of Executive Intelligence Network LLC, was established in September 2001 in response to the increasing demand to integrate best of breed technologies in the interest of national security.

The FSG Team

Brigadier General Richard W. Potter Jr. (USA Ret) - Director
Government Sector

After a distinguished thirty-five year career in the military, Brigadier General Richard Potter retired in 1994 from the post as Deputy Commanding General, United States Army Special Operations Command.

Since 1995 he has provided independent consulting services specializing in high tech firms and companies within the defense industry, including Raytheon, Northrop Grumman,

Jacobs-Sverdrup, ACS Defense, GrayHawk Systems, and Arete' Associates. Additionally, he serves as a consultant to the Assistant Secretary of Defense, Command Control Communications Computers Intelligence (ASDC4I), the United States Special Operations Command (USSOCOM), United States Army Special Operations Command (USASOC), as well as with the Department of the Army and other government agencies on special projects both domestically and abroad. From 1996-1998, General Potter served on the Defense Science Board.

Richard Potter has been responsible for the procurement of over 500 million dollars in government contracts.

Cary Fields - Director Financial and Capital Markets Sector

A renowned financial advisor, Mr. Fields holdings and influence span the real estate, petro-chemical, pharmaceutical, technology and financial industries.

Edward Lee Rapp - Director Marketing Operations

Mr. Rapp's operational experience in advertising (Interpublic Group), marketing (Zentropy Partners), technology (Arc Studios International) and media (WeMedia Inc.), combined with his successful track record as a contractor for USSOCOM and INSCOM, provides Four Star Group a unique bridge between commercial and government marketing.

Gray Hawk Systems Inc. - Team Partner

Our partnership with Gray Hawk Systems, Inc. provides experience as a US Government Contractor for DoD, the US Congress, and other Federal Agencies. Gray Hawk also has the ability to pair technology, products, and services with USG Requirements as well as the ability to furnish a Government Defense Security Service IS-Cleared facility and personnel. Gray Hawk gives our clients permanent Washington DC presence and representation.

The Gray Hawk Teem

Dr. Stephen W. Drew

Dr. Drew, a Gray Hawk consultant for this effort, is an independent consultant to the pharmaceutical, biotechnology and investment banking industries and is a member of several scientific advisory boards to members of these industries. Dr. Drew teaches a biological product design course at Princeton University and was recently the Astra Zeneca Visiting Fellow at Cambridge University. He retired from Merck & Co., Inc. in 2000, where his responsibilities included vice presidential positions in the Merck Manufacturing Division (MMD) as the VP of Vaccine Science and Technology, the VP of Vaccine Operations, and the VP of Technical Operations & Engineering. Prior to joining MMD in 1987, he was the Senior Director of Biochemical Engineering in the Merck Research Laboratories (MRL), a department that Dr. Drew started in 1981. His current scientific and technical interests focus on biological product design, metabolic engineering to achieve novel chiral synthesis of pharmaceuticals, biological process validation and on the integration of engineering and the life sciences.

Dr. Drew received Bachelor's and Master's degrees from the University of Illinois and his Ph.D. from MIT. He is a member of the National Academy of Engineering, where he is

Chair of the Bioengineering Section. He is a member of several professional organizations serving interests in chemical engineering, chemistry and biology. He has held offices in the American Institute of Chemical Engineers, the American Chemical Society, the American Society for Microbiology, the Society for Industrial Microbiology, and is a Founding Fellow of the American Institute for Medical and Biological Engineering. He is the past chairman of the Advisory Committee to the Engineering Directorate of the National Science Foundation and has served the departments of chemical engineering at several universities as a member of their review committees.

Thomas E. Mitchell - Vice President, Operations, Intelligence, and Security Division Gray Hawk Systems Inc.

Mr. Mitchell is an accomplished business executive. A retired U.S. Army Colonel, Mr. Mitchell served in key leadership and management positions within the Special Operations Community. He currently manages a professional staff providing support to a variety of commercial and governmental organizations. Additionally, Mr. Mitchell lends his extensive experience as a serving member of a Homeland Defense Committee of the National Academy of Sciences.

Mr. Mitchell has been responsible for the procurement and management of over 200 million dollars in government and commercial contracts.

Edward F. Phillips- Division Deputy & Director, Gray hawk Systems Inc.

Mr. Phillips is Director and Deputy to the Vice President of the Operations, Intelligence, and Security Division, responsible for business development and program management of division contracts.

A former White House Staffer, Mr. Phillips served as an Intelligence analyst at the National Security Council and in the White House Situation Room during the Bush and Clinton Administrations. He was responsible for 8 portfolios ranging from international and domestic counter-narcotic and counter-terrorist operations to worldwide environmental issues, and was recognized as the best White House staff intelligence officer in the NSC by Brent Scowroft. Mr. Phillips holds a Master of Science degree in Management, and has been responsible for the procurement of over 100 million dollars of government contracts.

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2 Scope Of Work
- ---

- ---
To be performed for SIGA Technologies, Inc.
- ---

1. GENERAL DESCRIPTION AND BACKGROUND

This Statement of Work (SOW) ("Agreement") describes the tasks necessary to provide SIGA Technologies, Inc. with marketing representation as set forth below under Phase 1 and 2.

2. OBJECTIVE

The objective of Phase 1 is to provide SIGA Technologies, Inc. ("SIGA") and Four Star Group the information necessary for designing a successful marketing plan and product list for the penetration (Phases 2) of Federal, State local and the Homeland Defense markets. This includes identifying near term contracts and grants in addition to providing the necessary data for an informed gap analysis between potential contracts and SIGA Technologies, Inc. products.

3. TASKS

3.1. Manning

The Four Star Group shall, when funded, provide SIGA personnel with relevant subject matter expertise to carry out all tasks, in the areas of Federal, State and local Governments, and private sector as well as connectivity for Homeland Defense.

3.2. Phase 1 - Research, Assessment, Evaluation and Planning

The Four Star Group shall act as the marketing and market research department for SIGA Technologies, Inc. during phase one Marketing Assessment. In that role, the Four Star Group may in its reasonable judgment and in keeping with the client's objectives provide the following services:

3.2.1. Conduct interviews with the client's personnel, and key personnel in government agencies and potential private sector partners. Including, but not limited too, visits with SIGA personnel at their the labs
3.2.2. Investigate and research the underlying science and development process including safety and efficacy.
3.2.3. Investigate and analyze various registration strategies
3.2.4. Identify and analyze the strengths and weaknesses of competitors vying for the same market space
3.2.5. Evaluate the clients position in comparison to its competition through its sources
3.2.5.1. DoD
3.2.5.2. FDA
3.2.5.3. NIH
3.2.6. Analyze product strategies, including short term market to bio defense, and their impact on both the marketplace and the client

3.2.7. Investigate and analyze the potential customers, market or partners perception of the client
3.2.8. Identify and reconcile the clients corporate goals
3.2.9. Provide a "Gap Analysis" Between Clients present position and its marketing goals
3.2.10. Help create a "Second Generation" product strategy for the public market
3.2.11. Identify potential candidates for alliance or merger.
3.2.12. Identify potential research development contracts leading toward desired product
3.2.13. Produce marketplace information releases to prepare for market penetration

3.3. Phase 2 Marketing

The Four Star Group shall act as the marketing and market research department for SIGA Technologies, Inc. during phase Two Marketing. In that role, the Four Star Group may in its reasonable judgment and in keeping with the client's objectives provide the following services:

3.3.1. Respond to and align SWOT report
3.3.2. Execute the approved strategic marketing plan
3.3.3. Development of linked independent efforts directed to maximize medical importance impact on Bio defense
3.3.4. Produce Investor-confidence information releases to raise capital market awareness
3.3.5. Identify and endeavor to Capture relevant R&D contracts
3.3.6. Aide in the Identification and courting of a Strategic Takeover Partner

3.4. Recommendation

3.4.1. Four Star Group shall make recommendations to SIGA Technologies, Inc. or designated SIGA personnel regarding follow-on activities identified and/or evaluated during SOW execution.

3.5. Additional Tasks

3.5.1. Four Star Group personnel may attend meetings, conferences, and discussions as required and as provided for in 5.0 Travel
3.5.2. In addition, Four Star Group will provide SIGA a full time presence in the Washington DC area.

4. DELIVERABLES

4.1. At the end of Phase one FSG will provide the client with:

4.1.1. A "SWOT" Report outlining Strengths, Weakness, Opportunities and Threats.
4.1.2. A Strategic marketing action plan (allowing for the development of commercial product) to include Near, Mid, and Long term sub-plans

4.2. Interim Progress Reports

4.2.1. At monthly intervals FSG will provide the client with an IPR outlining actions taken, tasks performed and a synopsis of findings.

4.3. Time Line

4.3.1. The final reports for phase one are anticipated to be prepared within twelve to fourteen weeks after acceptance of this proposal by SIGA and receipt of funds by the Four Star Group.

4.4. Format

The Four Star Group shall provide deliverables in Microsoft Word electronic format. The deliverables shall also be provided in hard copy.

5. TRAVEL REQUIREMENTS

5.1. In support of this statement of work, Four Star Group will invoice SIGA for local travel within the NCA, at the approved government mileage rate. SIGA will fund approved travel outside the NCA. SIGA's project manager prior to travel execution will approve all travel requests. All invoices will be paid within thirty (30) days of dispatch or be subject to an APR of 18% and all costs and fees associated with collection of any unpaid invoice.

6. SIGA TECHNOLOGIES RESPONSIBILITIES

6.1. SIGA will provide Four Star Group with all information necessary for Four Star's marketing evaluation. Information to be provided to Four Star Group will include, but is not limited to, complete product specifications, financial information, manufacturing and producibility data, information regarding prior sales, and information regarding key employees. SIGA will cooperate fully with requests for information from Four Star Group and, upon request, present detailed briefings regarding any and all aspects of SIGA's business model and business plans, to include future product development plans.

7. Terms

7.1. The term of this agreement shall be twelve (12) months from the commencement of work

7.1.1. SIGA may terminate this agreement with or without cause 6 (six) months after commencement, with 60 (sixty) Days prior written notice. (E.g. February 1st 2003 commencement written notice must be received by June 1st 2003)

7.1.2. In the event of termination all contract and grant proposals already submitted will upon award, regardless of time, count towards the requirements for warrants laid out in 7.3.2 of this document.

7.2. The cash retainer is two hundred forty nine thousand four hundred twenty USD ($249,420), plus all travel expenses as outlined in section 5.0 Travel Requirements. Payable to Executive Intelligence Network LLC. All work will commence upon the unconditional receipt of funds.

7.2.1. Schedule of payments:

7.2.1.1. $35,000 (USD) Upon Signing of agreement.

7.2.1.2. $35,000 (USD) March 1st 2003

7.2.1.3. 12 equal Payments of $14,951.67 (USD) due on the first of each month Commencing February 1, 2003

7.3. Four Star Group, in consideration of discounts given, will receive

7.3.1. Upon award to SIGA contracts or grants with a cumulative value equal to $2,000,000 USD (two million) fully vested and unencumbered, four Hundred thousand (400,000) warrants for SIGA (NASDAQ) stock to be issued pro rata at time of award of contract or grant (1 warrant per $5 of contract or grant awarded) at a strike price of SIGA NASDAQ Closing price January 31st 2003 with an expiration of 36 months from time of issuance..

7.3.2. Upon renewal of marketing agreement 12 months from commencement of this agreement fully vested and unencumbered, one hundred thousand (100,000) warrants for SIGA (NASDAQ) stock at a strike price of Fair Market Value at time of renewal and with an expiration of 36 months.

7.4. The cost of printing and distribution of all public relations material shall be born solely by SIGA Technologies

7.5. SIGA understands and agrees that the provision of any information to Four Star Group is solely for the purpose of an independent marketing evaluation, and does not guarantee that any future business opportunities, sales, or contracts will result from the work conducted by Four Star Group. SIGA will reimburse Four Star Group for all costs associated with due diligence and the development of a final report containing an analysis of the marketability of the products and services offered by SIGA.

8. MISCELLANEOUS

8.1. SIGA Technology shall not, for a period of twenty four (24) months, directly or indirectly, solicit or encourage any employee, agent, or consultant of EIN, its partners (i.e. Gray Hawk) divisions (i.e. Four Star Group) to leave the "employ" of EIN for any reason, nor shall SIGA employ such employee in its, a competing or other business endeavor.

8.2. The parties represent, warrant and acknowledge that they have carefully read this Agreement, they know and understand its contents, have consulted with an attorney of their choice, and have signed this Agreement of their own free will and have the authority to execute this document on behalf of their respective entities.

8.3. All notices and communications provided for hereunder shall be in writing and shall be mailed return receipt, or faxed or hand delivered to the business address of the respective party, effective upon deposit.

8.4. A party who sues under this Proposal shall pay all costs and reasonable attorney's fees if unsuccessful.

8.5. Each party agrees to waives any judicial interpretation of this Agreement which would create a presumption against the other as a result of its being the drafter of any provision of this Agreement.

8.6. The parties agree that all abbreviations, captions, numbering, headings and titles are for the convenience of the Parties and shall not effect the Agreement's judicial interpretation and further that all words and terms shall be given their English meaning as set forth in the latest edition of Webster's Unabridged International Dictionary.

8.7. This Agreement shall be venued, construed and interpreted in accordance with the laws of the State of New York.

8.8. This Agreement constitutes the entire agreement and understanding between the parties, and there are no other written or oral representations taken into consideration in this Agreement.

Accepted for SIGA Technologies,	Accepted for Four Star Group
/s/ Thomas N. Konatich	/s/ Edward Lee Rapp
Name	Edward Lee Rapp
_____	Director Marketing Operations
Title	
_____	February 5, 2003
Date 2/5/03	

[STAMP for Thomas N. Konatich
Vice President and
Chief Financial Officer]

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8 (Nos. 333-35992 and 333-56216) and Forms S-3 (Nos. 333-36682, 333-43750, 333-64414, 333-72554, 333-74390 and 333-103231) of SIGA Technologies, Inc. of our report dated February 14, 2003 relating to the financial statements, which appears in this Form 10-KSB.

PricewaterhouseCoopers LLP

March 31, 2003
New York, New York

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of SIGA Technologies, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas N. Konatich, Acting Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas N. Konatich

Thomas N. Konatich
Acting Chief Executive Officer
and Chief Executive Officer
March 31, 2003