
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2011

OR

☐ **Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period from _____ to _____

Commission File No. 0-23047

SIGA Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3864870

(I.R.S. Employer Identification No.)

35 East 62nd Street

New York, NY

(Address of principal executive offices)

10065

(zip code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐.

(Do not check if a smaller reporting company)

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

As of April 22, 2011, the registrant had 50,501,142 shares of common stock outstanding.

SIGA TECHNOLOGIES, INC.
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PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements.

SIGA TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,835,915	\$ 6,332,053
Short term investments	14,999,550	14,999,350
Accounts receivable	1,245,241	3,002,144
Prepaid expenses	343,141	369,017
Total current assets	20,423,847	24,702,564
Property, plant and equipment, net	1,024,517	1,150,257
Goodwill	898,334	898,334
Other assets	280,648	280,648
Total assets	\$ 22,627,346	\$ 27,031,803
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,293,459	\$ 2,884,259
Accrued expenses	824,564	1,188,158
Deferred revenue	168,153	190,763
Total current liabilities	3,286,176	4,263,180
Common stock warrants	7,790,886	10,524,660
Deferred income tax liability	188,062	175,175
Total liabilities	11,265,124	14,963,015
Stockholders' equity		
Common stock (\$.0001 par value, 100,000,000 shares authorized, 50,381,142 and 49,019,433 issued and outstanding at March 31, 2011, and December 31, 2010, respectively)	5,038	4,902
Additional paid-in capital	138,522,944	134,524,304
Accumulated other comprehensive income	-	4,067
Accumulated deficit	(127,165,760)	(122,464,485)
Total stockholders' equity	11,362,222	12,068,788
Total liabilities and stockholders' equity	\$ 22,627,346	\$ 27,031,803

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

SIGA TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,	
	2011	2010
Revenues		
Research and development	\$ 1,696,721	\$ 5,075,211
Operating expenses		
Selling, general and administrative	4,250,056	1,968,791
Research and development	3,566,278	5,827,023
Patent preparation fees	341,827	320,339
Total operating expenses	8,158,161	8,116,153
Operating loss	(6,461,440)	(3,040,942)
Decrease (increase) in fair value of common stock warrants	1,762,958	(1,896,186)
Other (expense) income, net	(2,793)	-
Net loss	\$ (4,701,275)	\$ (4,937,128)
Weighted average shares outstanding: basic and diluted	49,959,345	43,196,362
Net loss per share: basic and diluted	\$ (0.09)	\$ (0.11)

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

SIGA TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (4,701,275)	\$ (4,937,128)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and other amortization	165,182	128,439
(Decrease) increase in fair value of warrants	(1,762,958)	1,896,186
Stock based compensation	1,181,252	244,662
Changes in assets and liabilities:		
Accounts receivable	1,756,903	(903,074)
Accrued interest on short-term investments	(5,819)	
Prepaid expenses	25,876	976,622
Other assets	-	(71,497)
Deferred revenue	(22,610)	(908,023)
Accounts payable and accrued expenses	(954,394)	389,302
Deferred income taxes	12,887	-
Net cash used in operating activities	<u>(4,304,956)</u>	<u>(3,184,511)</u>
Cash flows from investing activities:		
Capital expenditures	(43,509)	(168,314)
Proceeds from maturity of short term investments	15,000,000	-
Purchases of short term investments	(14,994,381)	(3,749,302)
Net cash used in investing activities	<u>(37,890)</u>	<u>(3,917,616)</u>
Cash flows from financing activities:		
Net proceeds from exercise of warrants and options	1,846,708	1,113,841
Net cash provided by financing activities	<u>1,846,708</u>	<u>1,113,841</u>
Net decrease in cash and cash equivalents	(2,496,138)	(5,988,286)
Cash and cash equivalents at beginning of period	6,332,053	14,496,313
Cash and cash equivalents at end of period	<u>\$ 3,835,915</u>	<u>\$ 8,508,027</u>
Supplemental disclosure of non-cash financing activities:		
Reclass of common stock warrant liability to additional paid-in capital upon exercise	<u>\$ 970,816</u>	<u>\$ -</u>

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

SIGA TECHNOLOGIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim Condensed Consolidated Financial Statements

The condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC") for quarterly reports on Form 10-Q and should be read in conjunction with the Company's consolidated audited financial statements and notes thereto for the year ended December 31, 2010, included in the 2010 Annual Report on Form 10-K. All terms used but not defined elsewhere herein have the meaning ascribed to them in the Company's 2010 Annual Report on Form 10-K filed on March 9, 2011. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair statement of the results of the interim periods presented have been included. The 2010 year-end balance sheet data was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results expected for the full year.

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

2. Research Agreements

The Company obtains funding in the form of grants or contracts (collectively, the "Grants") from various agencies of the U.S. Government to support its research and development activities. Currently, the Company has five active Grants with varying expiration dates through August 2013 that provide for aggregate research and development funding for specific projects of approximately \$97.1 million, as amended. Through March 31, 2011, the Company has recognized \$36.3 million of revenue from the Grants. As a result, the Company currently has approximately \$60.8 million from existing Grants available to support future research and development activities. Included in these amounts is a five-year \$6.5 million grant awarded by the National Institute of Allergy and Infectious Diseases ("NIAID") on May 3, 2011. The Grants contain customary terms and conditions including the U.S. Government's right to terminate or restructure a grant for convenience at any time.

3. Per Share Data

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

The Company incurred losses for the three months ended March 31, 2011 and 2010, and as a result, certain equity instruments are excluded from the calculation of diluted loss per share. At March 31, 2011 and 2010, outstanding options to purchase 4,291,628 and 5,766,352 shares, respectively, of the Company's common stock with exercise prices ranging from \$0.94 to \$15.29 have been excluded from the computation of diluted loss per share as the effect of such shares is anti-dilutive. At March 31, 2011 and 2010, outstanding warrants to purchase 2,337,772 and 5,003,141 shares, respectively, of the Company's common stock, with exercise prices ranging from \$1.18 to \$4.91 have been excluded from the computation of diluted loss per share as they are anti-dilutive.

4. Stockholders' Equity

As of March 31, 2011, the Company's authorized share capital consisted of 110,000,000 shares, of which 100,000,000 are designated common shares and 10,000,000 are designated preferred shares. The Company's Board of Directors is authorized to issue preferred shares in series with rights, privileges and qualifications of each series determined by the Board.

In 2006 and 2005 the Company sold shares of its common stock and warrants to purchase shares of common stock. In 2006, the Company issued warrants to acquire 1,000,000 shares of common stock with an initial exercise price of \$4.99 per share (the "2006 Warrants"). In 2005, the Company issued warrants to acquire 1,000,000 shares of common stock with an initial exercise price of \$1.18 per share (the "2005 Warrants"). As of December 31, 2010, all of the 2005 Warrants were exercised. The 2006 Warrants may be exercised through and including October 19, 2013. Due to the effect of certain anti-dilution provisions in such warrants, the Company adjusted the number of shares issuable under the 2006 Warrants by 652,038 through March 31, 2011. The exercise prices of the warrants issued in these placements were also adjusted. During the three months ended March 31, 2011, 100,000 of the 2006 Warrants were exercised. At March 31, 2011, 815,568 of the 2006 Warrants at an exercise price of \$2.92 were outstanding. The number of shares issuable pursuant to the warrants may be subject to further adjustment as a result of the effect of future equity issuances on anti-dilution provisions in the related warrant agreements.

The Company accounted for the 2006 and 2005 Warrants in accordance with the authoritative guidance which requires that free-standing derivative financial instruments that require net cash settlement be classified as assets or liabilities at the time of the transaction, and recorded at their fair value. Any changes in the fair value of the derivative instruments are reported in earnings or loss as long as the derivative contracts are classified as assets or liabilities. At March 31, 2011, the fair market value of the 2006 Warrants was \$7.8 million. The Company applied the Black-Scholes model to calculate the fair values of the respective derivative instruments using the contractual term of the warrants. Management estimates the expected volatility using a combination of the Company's historical volatility and the volatility of a group of comparable companies. For the three months ended March 31, 2011, the Company recorded a gain of \$1.8 million as a result of a decrease in fair value of the 2006 Warrants.

5. Comprehensive Income

Comprehensive income includes net loss adjusted for the change in net unrealized gain (loss) on short-term investments. For the three months ended March 31, 2011 and 2010, the components of comprehensive income were:

	Three Months Ended March 31,	
	2011	2010
Net loss	\$ (4,701,275)	\$ (4,937,128)
Unrealized gain on securities	-	1,323
Total comprehensive loss	\$ (4,701,275)	\$ (4,935,805)

6. Fair Value Measurements

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

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

The measurement of fair value requires the use of techniques based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations where inputs are observable or where significant value drivers are observable.
- Level 3 – Instruments where significant value drivers are unobservable to third parties.

The Company uses model-derived valuations where inputs are observable in active markets to determine the fair value of certain common stock warrants on a recurring basis and classify such warrants in Level 2. The Company utilizes the Black-Scholes model consisting of the following variables: (i) the closing price of SIGA's common stock; (ii) the expected remaining life of the warrant; (iii) the expected volatility using a weighted-average of historical volatilities from a combination of SIGA and comparable companies; and (iv) the risk-free market rate. At March 31, 2011 and December 31, 2010, the fair value of such warrants is \$7,790,886 and \$10,524,660, respectively, and included in long-term liabilities.

As of March 31, 2011, the Company held approximately \$15.0 million in United States Treasury Bills, classified as a Level 1 security. SIGA does not hold any Level 3 securities.

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

7. Stock Compensation Plans

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

For the three months ended March 31, 2011 and 2010, the Company recorded compensation expense of approximately \$1.2 million and \$245,000, respectively, related to employees and directors stock options. The total fair value of options vested during the three months ended March 31, 2011 and 2010, was approximately \$682,000 and \$99,000, respectively. The total compensation cost not yet recognized related to non-vested awards at March 31, 2011 is \$2.3 million. The weighted average period over which total compensation cost is expected to be recognized is 1.6 years.

8. Related Party Transactions

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

A member of the Company's Board of Directors is a member of the Company's outside counsel. During the three months ended March 31, 2011 and 2010, the Company incurred costs of \$1.2 million and \$0.8 million, respectively, related to services provided by the outside counsel. On March 31, 2011, the Company's outstanding payables included \$1.2 million payable to the outside counsel.

9. Commitments and Contingencies

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

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

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

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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

Overview

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

Results of Operations

Three months ended March 31, 2011 and 2010

Revenue from research and development grants and contracts was \$1.7 million and \$5.1 million for the three months ended March 31, 2011 and 2010, respectively. The decrease of \$3.4 million is mostly due to a \$3.2 million decrease in revenue generated from our federal grants and contracts supporting the development of ST-246®. Also contributing to the revenue decrease was the conclusion of certain federal grants mainly related to Lassa fever.

Selling, general and administrative (“SG&A”) expenses for the three months ended March 31, 2011 and 2010 were \$4.3 million and \$2.0 million, respectively, reflecting an increase of approximately \$2.3 million. The increase in SG&A expenses mainly relates to a \$1.4 million increase in employee compensation, which includes non-cash stock-based compensation of approximately \$961,000, and an increase of approximately \$722,000 in legal fees.

Research and development (“R&D”) expenses were \$3.6 million for the three months ended March 31, 2011, a decrease of \$2.2 million from the \$5.8 million incurred for the three months ended March 31, 2010. The decrease is mainly due to a \$3.0 million decrease in expenditures supporting the development of ST-246® offset by an increase in employee compensation expense of approximately \$496,000. The increase in compensation expense is primarily due to the hiring of additional R&D personnel.

During the three months ended March 31, 2011 and 2010, we spent \$1.0 million and \$4.1 million, respectively, on the development of ST-246®. For the three months ended March 31, 2011, we spent \$396,000 on internal human resources dedicated to the drug’s development and \$601,000 mainly on clinical testing. For the three months ended March 31, 2010, we spent \$457,000 on internal human resources and \$3.6 million mainly on manufacturing and clinical testing. From inception of the ST-246® development program to-date, we invested a total of \$39.3 million in the program, of which \$7.3 million supported internal human resources and \$32.0 million was used mainly for manufacturing, clinical and pre-clinical work. These resources reflect research and development expenses directly related to the program. The costs exclude additional expenditures such as patent costs, allocation of indirect expenses, and other services provided by the NIH and the DoD.

During the three months ended March 31, 2011, we spent \$300,000 for the development of drug candidates for dengue fever and Lassa fever of which \$114,000 was spent mainly on human resources and \$186,000 was spent mainly on the optimization and chemistry of the lead antiviral compounds. For the three months ended March 31, 2010, we spent \$230,000 for dengue fever, Lassa virus and other drug candidates for certain arenavirus pathogens and hemorrhagic fevers, of which \$121,000 was mainly for internal human resources and \$108,000 for medicinal chemistry and pre-clinical testing of our drug candidates. From inception of our programs to develop drug candidates for certain hemorrhagic fevers in addition to dengue fever, to-date, we spent a total of \$8.5 million related to the programs, of which \$2.6 million and \$5.9 million were expended on internal human resources and pre-clinical work, respectively. These resources reflect research and development expenses directly related to the programs. They exclude additional expenditures such as patent costs, allocation of indirect expenses, and other services provided by the NIH and the DoD.

During the three months ended March 31, 2011, we spent \$397,000 to support the development of a broad-spectrum antiviral drug candidate, of which \$83,000 was spent mainly on internal human resources, and \$314,000 mainly on the optimization and chemistry of lead antiviral compounds. For the three months ended March 31, 2010, \$50,000 was incurred mainly on internal human resources and \$105,000 was incurred to support medicinal chemistry. From the inception of our program to develop a broad-spectrum antiviral drug, to-date, we have spent a total of \$3.1 million related to the program, of which \$770,000 was expended on internal human resources, \$1.2 million spent to support medicinal chemistry and the optimization of lead antiviral compounds, and \$1.1 million for purchases of machinery to support these studies. These resources reflect expenses directly related to the program. The costs exclude additional expenditures such as patent costs, allocation of indirect expenses, and other services provided by the NIH and DoD.

Many of our product programs are in the early stage of development. As a result, we cannot make reasonable estimates of the potential cost for most of our programs to be completed or the time it will take to complete the programs. Our lead product, ST-246, is an orally administered anti-viral drug that targets the smallpox virus. In December 2005, the FDA accepted our IND application for ST-246® and granted it Fast-Track status. In December 2006, the FDA granted Orphan Drug designation to ST-246, for the prevention as well as the treatment of smallpox. We expect that costs to complete the development of ST-246® for adult therapeutic use will approximate \$15 million to \$20 million, that the development could be completed within 24 months, and that a New Drug Application could be filed as the development process is completed. There is a high risk of non-completion of any program, including ST-246, because of the lead time to program completion, scientific issues that may arise and uncertainty of the costs.

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

Patent preparation expenses increased to \$342,000 for the three months ended March 31, 2011, from \$320,000 for the same period in the prior year mainly as a result of our increased efforts to protect our lead drug candidates in expanded geographic territories including South Africa, Japan, China and Europe.

Changes in the fair value of warrants to acquire SIGA's common stock are recorded as gains or losses. For the three months ended March 31, 2011 and 2010, we recorded a gain of \$1.8 million and a loss of \$1.9 million, respectively, reflecting changes in the fair market value of warrants to purchase common stock during the respective three-month periods. The warrants were recorded at fair market value and classified as liabilities.

Liquidity and Capital Resources

On March 31, 2011, we had \$3.8 million in cash and cash equivalents and \$15.0 million in short-term investments.

As previously reported, we were awarded a \$2.8 million contract with options for up to \$9.9 million from the Department of Defense's Transformational Medical Technologies (TMT) through the Defense Threat Reduction Agency ("DTRA"). We were recently advised that DTRA does not intend to exercise any of the available options. Consequently, we expect this contract to conclude during the second quarter of 2011 upon our utilization of the remaining funds available under the base contract.

On May 3, 2011, we were notified that we were awarded a five-year \$6.5 million grant from the National Institute of Allergy and Infectious Diseases ("NIAID") to support the Company's continued development of antiviral therapeutics for the dengue virus.

Operating activities

Net cash used in operations during the three months ended March 31, 2011 and 2010 was approximately \$4.3 million and \$3.2 million, respectively. The increase in net cash used in operating activities was due to the increase in litigation expenses in connection with the PharmAthene legal proceeding and an increase in payroll due to the hiring of certain personnel. Partially offsetting the increase in cash was a decrease in accounts receivable.

Investing activities

Net cash used in investing activities during the three months ended March 31, 2011 and 2010 was approximately \$38,000 and \$3.9 million, respectively. The decrease in net cash used in investing activities relates to capital expenditures and the timing of purchases and maturities of U.S. Treasury bills.

Financing activities

Cash provided by financing activities during the three months ended March 31, 2011 and 2010 was \$1.8 million and \$1.1 million, respectively, generated from exercises of options and warrants to purchase SIGA common stock.

Other

We have incurred cumulative net losses and expect to incur additional expense to perform further research and development activities. We currently do not have commercial products and have limited capital resources. We will need additional funds to complete the development of our products. We plan to fund continuing development work and operations through sources of cash that may include: collaborative agreements, strategic alliances, research grants, future equity and debt financing, and procurement contracts. There is no assurance that we will be successful in obtaining future sources of cash on commercially reasonable terms.

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

Off-Balance Sheet Arrangements

SIGA does not have any off-balance sheet arrangements.

Safe Harbor Statement

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, including statements regarding the safety and efficacy of potential products, the timelines for bringing such products to market, the pursuit of the BARDA Smallpox RFP and the availability of funding sources for continued development of such products. Forward-looking statements are based on management's estimates, assumptions and projections, and are subject to uncertainties, many of which are beyond the control of SIGA. Actual results may differ materially from those anticipated in any forward-looking statement. Factors that may cause such differences include (i) the risk that potential products that appear promising to SIGA or its collaborators cannot be shown to be efficacious or safe in subsequent pre-clinical or clinical trials, (ii) the risk that SIGA or its collaborators will not obtain appropriate or necessary governmental approvals to market these or other potential products, (iii) the risk that SIGA may not be able to obtain anticipated funding for its development projects or other needed funding, (iv) the risk that SIGA may not be able to secure funding from anticipated government contracts and grants, (v) the risk that SIGA may not be able to secure or enforce sufficient legal rights in its products, including patent protection for its products, (vi) the risk that any challenge to our patent and other property rights, if adversely determined, could affect our business and, even if determined favorably, could be costly, (vii) the risk that regulatory requirements applicable to SIGA's products may result in the need for further or additional testing or documentation that will delay or prevent seeking or obtaining needed approvals to market these products, (viii) the risk that BARDA may not complete a procurement of a smallpox antiviral for the strategic national stockpile, or may complete it on different terms other than those announced to date, (ix) the risk that any contractual award we receive to supply a smallpox antiviral may be subject to one or more protests which may cause such contract to be delayed or overturned, (x) the risk that the volatile and competitive nature of the biotechnology industry may hamper SIGA's efforts, (xi) the risk that the changes in domestic and foreign economic and market conditions may adversely affect SIGA's ability to advance its research or its products, and (xii) the effect of federal, state, and foreign regulation on SIGA's businesses. More detailed information about SIGA and risk factors that may affect the realization of forward-looking statements, including the forward-looking statements in this presentation, is set forth in SIGA's filings with the Securities and Exchange Commission, including SIGA's Annual Report on Form 10-K, for the fiscal year ended December 31, 2010, and in other documents that SIGA has filed with the Commission. SIGA urges investors and security holders to read those documents free of charge at the Commission's Web site at <http://www.sec.gov>. Interested parties may also obtain those documents free of charge from SIGA. Forward-looking statements speak only as of the date they are made, and except for our ongoing obligations under the United States of America federal securities laws, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

Item 3 Quantitative and Qualitative Disclosures About Market Risk.

Our investment portfolio includes cash, cash equivalents and short-term investments. Our main investment objectives are the preservation of investment capital and the maximization of after-tax returns on our investment portfolio. We believe that our investment policy is conservative, both in the duration of our investments and the credit quality of the investments we hold. We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions to manage exposure to interest rate changes. Accordingly, we believe that, while the securities we hold are subject to changes in the financial standing of the issuer of such securities and our interest income is sensitive to changes in the general level of U.S. interest rates, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

Item 4 Controls and Procedures.**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2011. The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934. Management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2011, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time specified in the SEC’s rules and forms.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

Item 1A. Risk Factors.

There are no material changes to the Risk Factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Reserved.

Item 5. Other Information.

None.

Item 6. Exhibits.

- * 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- * 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- * 32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- * 32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- * Filed herein

SIGNATURES

Pursuant to the requirements 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: May 5, 2011

By: /s/ Daniel J. Luckshire

Daniel J. Luckshire
Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eric A. Rose, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of SIGA Technologies, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2011

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

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel J. Luckshire, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SIGA Technologies, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2011

By: /s/ Daniel J. Luckshire
Daniel J. Luckshire
Executive Vice President and
Chief Financial Officer

**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 Quarterly Report on Form 10-Q of SIGA Technologies, Inc. (the "Company") for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric A. Rose, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities 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.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

May 5, 2011

/s/ Eric A. Rose

Eric A. Rose, M.D.
Chairman and
Chief Executive Officer

**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 Quarterly Report on Form 10-Q of SIGA Technologies, Inc. (the "Company") for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel J. Luckshire, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities 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.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

May 5, 2011

/s/ Daniel J. Luckshire

Daniel J. Luckshire
Executive Vice President and
Chief Financial Officer