

Edgar Filing: Cyclacel Pharmaceuticals, Inc. - Form S-3/A

Cyclacel Pharmaceuticals, Inc.
Form S-3/A
February 12, 2007
Table of Contents

As filed with the Securities and Exchange Commission on February 12, 2007

Registration No. 333-140034

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-Effective Amendment No. 2

FORM S-3/A

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

CYCLACEL PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

91-1707622
(I.R.S. Employer
Identification Number)

200 Connell Drive, Suite 1500
Berkeley Heights, NJ 07922
(908) 517-7330

(Address, including zip code, and telephone number, including area code, of
registrant's principal executive offices)

Spiro Rombotis
Chief Executive Officer
Cyclacel Pharmaceuticals, Inc.
200 Connell Drive, Suite 1500
Berkeley Heights, NJ 07922
(908) 517-7330

(Name, address, including zip code, and telephone number, including area code,
of agent for service)

Edgar Filing: Cyclacel Pharmaceuticals, Inc. - Form S-3/A

With a copy to:

Joel I. Papernik, Esq.

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

The Chrysler Center

666 Third Avenue

New York, New York 10017

(212) 935-3000

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered ⁽¹⁾	Proposed Maximum Aggregate Offering Price ⁽²⁾⁽³⁾	Amount of Registration Fee ⁽⁴⁾
Common Stock, \$0.001 par value per share	(5)	(5)
Preferred Stock, \$0.001 par value per share	(5)	(5)
Warrants	(5)	(5)
Debt Securities	(5)	(5)
Total	\$75,000,000	\$8,025*

* Previously Paid

(1)

There are being registered hereunder such indeterminate number of shares of common stock, such indeterminate number of shares of preferred stock, such indeterminate number of warrants to purchase common stock, and such indeterminate number of debt securities as shall have an aggregate initial offering price not to exceed \$75,000,000. If any debt securities are issued at an original issue discount, then the offering price of such debt securities shall be in such greater principal amount as shall result in an aggregate initial offering price not to exceed \$75,000,000, less the aggregate dollar amount of all securities previously issued hereunder. Any securities registered hereunder may be sold separately or as units with other securities registered hereunder. The securities registered also include such indeterminate amounts and numbers of common stock as may be issued upon conversion of preferred stock or pursuant to the antidilution provisions of any such securities. The securities registered also include such indeterminate amounts and numbers of common stock as may be issued upon exercise of warrants or pursuant to the antidilution provisions of any such securities. The securities registered also include such indeterminate amounts and numbers of common stock and debt securities as may be issued upon conversion of or exchange for debt securities that provide for conversion or exchange, upon exercise of warrants or pursuant to the anti-dilution provisions of any such securities.

- (2) In United States dollars or the equivalent thereof in any other currency, currency unit or units, or composite currency or currencies.
- (3) The proposed maximum per unit and aggregate offering prices per class of security will be determined from time to time by the Registrant in connection with the issuance by the Registrant of the securities registered hereunder.
- (4) Estimated solely for purposes of determining the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
- (5) Not required to be included in accordance with General Instruction II.D of Form S-3.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the company shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), shall determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 12, 2007

PROSPECTUS

CYCLACEL PHARMACEUTICALS, INC.

\$75,000,000

COMMON STOCK

PREFERRED STOCK

WARRANTS

DEBT SECURITIES

We may, from time to time, issue up to \$75,000,000 aggregate principal amount of common stock, preferred stock, warrants and/or debt securities. We will specify in an accompanying prospectus supplement the terms of the securities. We may sell these securities to or through underwriters and also to other purchasers or through agents. We will set forth the names of any underwriters or agents in the accompanying prospectus supplement.

Our common stock is quoted on the Nasdaq Global Market under the symbol "CYCC." On February 9, 2007, the last reported sale price of our common stock was \$8.12 per share. Our preferred stock is quoted on the Nasdaq Capital Market under the symbol "CYCCP." On February 9, 2007, the last reported sale price of our preferred stock was \$5.30 per share.

Investing in our securities involves risks.
See "Risk Factors" on page 7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of securities unless it is accompanied by a prospectus supplement.

The date of this prospectus is February , 2007.

TABLE OF CONTENTS

	Page
<u>ABOUT THIS PROSPECTUS</u>	<u>2</u>
<u>PROSPECTUS SUMMARY</u>	<u>3</u>
<u>RISK FACTORS</u>	<u>7</u>
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>24</u>
<u>USE OF PROCEEDS</u>	<u>24</u>
<u>THE SECURITIES WE MAY OFFER</u>	<u>25</u>
<u>DESCRIPTION OF COMMON STOCK</u>	<u>25</u>
<u>DESCRIPTION OF PREFERRED STOCK</u>	<u>27</u>
<u>DESCRIPTION OF WARRANTS</u>	<u>36</u>

<u>DESCRIPTION OF DEBT SECURITIES</u>	<u>37</u>
<u>LEGAL OWNERSHIP OF SECURITIES</u>	<u>42</u>
<u>PLAN OF DISTRIBUTION</u>	<u>45</u>
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	<u>46</u>
<u>LEGAL MATTERS</u>	<u>46</u>
<u>EXPERTS</u>	<u>46</u>
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	<u>47</u>
<u>INCORPORATION OF DOCUMENTS BY REFERENCE</u>	<u>47</u>

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a “shelf” registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$75,000,000. We have provided to you in this prospectus a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. In any applicable prospectus supplements, we may add to, update or change any of the information contained in this prospectus.

2

Table of Contents

PROSPECTUS SUMMARY

The following is only a summary. We urge you to read the entire prospectus, including the more detailed consolidated financial statements, notes to the consolidated financial statements and other information included herein or incorporated by reference from our other filings with the SEC. Investing in our securities involves risks. Therefore, please carefully consider the information provided under the heading “Risk Factors” starting on page 7.

Our Business

We are a development-stage biopharmaceutical company dedicated to the discovery, development and eventual commercialization of novel, mechanism-targeted drugs to treat human cancers and other serious disorders. Our core area of expertise is in cell cycle biology, or the processes by which cells divide and multiply. We focus primarily on the discovery and development of orally available anticancer agents that target the cell cycle with the aim of slowing the progression or shrinking the size of tumors, and enhancing quality of life and improving survival rates of cancer patients. We have been focused on the cell cycle since our inception. We were founded in 1996 by Professor Sir David Lane, a recognized leader in the field of tumor suppressor biology who discovered the p53 protein, which operates as one of the body’s own anticancer “drugs” by inhibiting cell cycle targets. In 1999, we were joined by Professor David Glover, a recognized leader in the mechanism of mitosis or cell division who discovered, among other cell cycle targets, the mitotic kinases, Polo and Aurora, enzymes that act in the mitosis phase of the cell cycle. Our expertise in cell cycle biology is at the center of our business strategy.

We are generating several families of anticancer drugs that act on the cell cycle including cyclin dependent kinase (CDK) and Aurora kinase inhibitors. Although a number of pharmaceutical and biotechnology companies are currently attempting to develop CDK inhibitor drugs, we believe that our lead drug candidate, seliciclib, is the only orally available CDK inhibitor drug candidate currently in Phase II trials.

We are advancing three of our anticancer drug candidates, seliciclib, sapacitabine and CYC116 through in-house research and development activities. In addition we are progressing further novel drug series, principally for cancer, which are at earlier stages. Taken together, our pipeline covers all four phases of the cell cycle, which we believe will improve the chances of successfully developing and commercializing novel drugs that work on their own or in combination with approved conventional chemotherapies or with other targeted drugs to treat human cancers.

Our lead drug candidate, seliciclib, is a novel, first-in-class, orally available, CDK inhibitor. The compound selectively inhibits a spectrum of enzyme targets – CDK2/E, CDK2/A, CDK7 and CDK9 – that are central to the process of cell division and cell cycle control. Preclinical studies have shown that the drug works by inducing cell apoptosis, or cell suicide, in multiple phases of the cell cycle. To date, seliciclib has been evaluated in approximately 240 patients in several Phase I and II uncontrolled studies and has shown early signs of anti-cancer activity.

We have completed two Phase I trials that enrolled 24 healthy volunteers and three Phase I trials that enrolled a total of 84 cancer patients testing different doses and schedules. The primary toxicities observed were of a non-hematological nature including asthenia or weakness, elevation of liver enzymes, hypokalemia or decreased potassium levels, nausea and vomiting and elevation in creatinine. Although these trials were designed to test safety rather than efficacy of seliciclib given alone as monotherapy in patients with solid tumors who failed multiple previous treatments, several of these patients appeared to have benefited from seliciclib treatment.

3

Table of Contents

Seliciclib was shown in a further Phase I study sponsored and conducted by independent investigators to have clinical antitumor activity in patients with nasopharyngeal cancer, measured as a decrease in the size of primary tumor and involved lymph nodes, as well as an increase in tumor cell deaths by biomarker analyses. Four Phase II trials have been conducted in cancer patients to evaluate the tolerability and antitumor activities of seliciclib alone or in combination with standard chemotherapies used in the treatment of advanced non-small cell lung cancer, or NSCLC, or breast cancer. Interim data from two Phase II open-label studies of a total of 54 patients with NSCLC, suggest that seliciclib treatment did not aggravate the known toxicities of standard first and second-line chemotherapies nor appear to cause unexpected toxicities, although these trials were not designed to provide statistically significant comparisons. The combination of seliciclib with standard dose of capecitabine was not well tolerated in patients with advanced breast cancer. The Phase II open-label trials of seliciclib have been closed and we expect to report final data within the first quarter of 2007.

Based on our observations of tolerability and antitumor activity of seliciclib in the clinical trials conducted to date, the oral availability of seliciclib, the recommendation of a NSCLC expert panel, and regulatory and marketing considerations, seliciclib is currently being evaluated in the APPRAISE trial, a Phase IIb randomized double-blinded study to evaluate the safety and efficacy of the drug as a third line treatment in patients with NSCLC. The trial, which is expected to enroll approximately 200 patients, is using a randomized discontinuation trial design. We have retained worldwide rights to commercialize seliciclib.

Our second drug candidate, sapacitabine, is an orally available prodrug of CNDAC, which is a novel nucleoside analog, or a compound with a structure similar to a nucleoside. A prodrug is a compound that has a therapeutic effect after it is metabolized within the body. CNDAC has a significantly longer residence time in the blood when it is produced in the body through metabolism of sapacitabine than when it is given directly. Sapacitabine acts through a dual mechanism whereby the compound interferes with DNA synthesis by causing single-strand DNA breaks and induces arrest of the cell division cycle at G2 phase. A number of nucleoside drugs, such as gemcitabine, or Gemzar®;

Eli Lilly, are in wide use as conventional chemotherapies. Both sapacitabine and its major metabolite, CNDAC, have demonstrated potent anti-tumor activity in both blood and solid tumors in preclinical studies. In a liver metastatic mouse model, sapacitabine was shown to be superior to gemcitabine or 5-FU, two widely used nucleoside analogs, in delaying the onset and growth of liver metastasis.

Two Phase I studies of sapacitabine have been completed in the United States by Sankyo, from which we in-licensed sapacitabine, evaluating 87 patients in refractory solid tumors. A Phase Ib dose escalation clinical trial is currently in progress in the United States for the treatment of patients with refractory solid tumors or lymphomas. Preliminary results from this study were reported at the 18th EORTC-NCI-AACR Molecular Targets and Cancer Therapeutics meeting in November 2006. The primary objective of the study was to evaluate the safety profile of sapacitabine administered twice daily for 14 consecutive days or 7 consecutive days every 21 days. Of the 37 treated patients, 28 received the drug twice daily for 14 days and 9 received the drug twice daily for 7 days. The dose-limiting toxicity was reversible myelosuppression. One patient treated at the maximum tolerated dose died of candida sepsis in the setting of grade 4 neutropenia and thrombocytopenia. Non-hematological toxicities were mostly mild to moderate. The best response by investigator assessment was stable disease in 13 patients with five with NSCLC, two with breast cancer, two with ovarian cancer and one each with colorectal cancer, adenocarcinoma of unknown primary, gastrointestinal stroma tumor and parotid acinar carcinoma. The primary toxicity was reversible myelosuppression.

Sapacitabine is also currently being evaluated in a Phase I clinical trial in advanced leukemias and myelodysplastic syndromes, or MDS. The Phase I study is being conducted by Dr. Hagop Kantarjian, Professor of Medicine and Chairman of the Leukemia Department at M.D. Anderson Cancer Center in Houston, Texas. The study's primary objective is to determine the maximum tolerated dose, or MTD, of sapacitabine administered twice daily, or b.i.d., by mouth for

4

Table of Contents

seven consecutive days every 21 days. As of November 2006, 26 patients were enrolled and 25 patients have received at least one dose of sapacitabine. Preliminary interim data are available on 22 patients, of which nine had de novo acute myelogenous leukemia, or AML; seven had AML preceded by MDS; three had MDS-refractory anemia with excess blasts, or MDS-RAEB; and one each had treatment-related AML, acute lymphocytic leukemia, or ALL and chronic lymphocytic leukemia or CLL. The median age is 62 ranging from 39 to 91. Twenty-one patients received prior chemotherapy and one elderly patient (aged 91) did not receive any prior chemotherapy. The median number of prior chemotherapy regimens is two, ranging from one to four. Fifteen patients were previously treated with Ara-C-containing regimens of which nine had de novo AML and six had AML preceded by MDS. Six patients were previously treated with decitabine of which three had MDS-RAEB, and one each had de novo AML, AML preceded by MDS, and treatment-related AML. One patient treated at the dose level of 275 mg b.i.d. experienced a dose limiting toxicity, or DLT consisting of Grade 3 diarrhea and Grade 3 neutropenic colitis, which resolved after cessation of dosing and medical treatment. No DLTs were reported in the remaining five patients treated at 275 mg b.i.d. Dose escalation continues and the MTD has not been reached at the dose level of 325 mg b.i.d., which is approximately four times the recommended Phase II dose for solid tumor patients. To date, the best response to sapacitabine was reduction in bone marrow blast counts to 5% or less, which was observed in seven patients of which three had de novo AML, two had AML preceded by MDS, and two had MDS-RAEB. We expect to start Phase II evaluation of sapacitabine in 2007. We have retained worldwide rights to commercialize sapacitabine with the exception of Japan where Sankyo has a right of first refusal to market the drug under terms to be negotiated.

We have selected CYC116 as a lead development candidate from our Aurora kinase inhibitor program. In this program, several compounds have demonstrated efficacy by oral administration in hematological and solid tumor models with a mechanism consistent with inhibition of the target. We submitted in December 2006 an Investigational New Drug, or IND application, with the Food and Drug Administration, or FDA, to begin clinical trials of CYC116, an orally-active inhibitor of Aurora kinases A & B and VEGFR2, for the treatment of cancer. Aurora kinases are a family of serine/threonine protein kinases that are only expressed in actively dividing cells and are crucial for the process of cell division, or mitosis. These proteins, which have been found to be over-expressed in many types of cancer, have generated significant scientific and commercial interest as cancer drug targets. Aurora kinases were discovered by Professor David Glover, Chief Scientist of Cyclacel's Polgen Division. VEGFR2 is a receptor protein that is part of an important and validated pathway in angiogenesis, or blood vessel formation. We have retained worldwide rights to commercialize CYC116.

In our development programs, we have been an early adopter in the use of biomarker analysis to help evaluate whether our drug candidates are having their intended effect through their assumed mechanisms. Biomarkers are proteins or other substances whose presence in the blood can serve as an indicator or marker of diseases. Biomarker data from early clinical trials may also enable us to design subsequent trials more efficiently and to monitor patient compliance with trial protocols. We believe that in the longer term biomarkers may allow the selection of patients more likely to respond to its drugs for clinical trial and marketing purposes and increase the benefit to patients.

Our approach to drug discovery and development relies on proprietary genomic technology to identify gene targets, which are then progressed by means of structure-based design techniques through to the development stage. This approach is exemplified by our Aurora kinase and Plk, or Polo-like kinase, inhibitor programs. Fundamentally, this approach to drug discovery and design aims to improve our ability to select promising drug targets in the early stages of the process so as to decrease compound attrition rates during the later, more expensive stages of drug development. We devote more resources initially to enrich the target selection process, so that we focus our efforts on targets that have a higher probability of yielding successful drug candidates. To this end, we have assembled an integrated suite of sophisticated discovery and design technologies, together with highly skilled personnel.

5

Table of Contents

Our corporate headquarters are located at 200 Connell Drive, Suite 1500, Berkeley Heights, NJ 07922; telephone number (908) 517-7330, where our medical and regulatory functions are also located. Our primary research facility is located in Dundee, Scotland which is the center of our structure-based drug design and development programs. A second research facility is located in Cambridge, England and is home to our Polgen division, which is focused on discovering the function of new cancer genes and validating their use as potential druggable targets.

6

Table of Contents

RISK FACTORS

The following factors should be considered carefully in evaluating whether to purchase shares of Cyclacel common stock. These factors should be considered in conjunction with any other information included or incorporated by reference herein, including in conjunction with forward-looking statements made herein. See “Where You Can Find More Information” on page 47.

RISKS RELATED TO OUR BUSINESS

We are at an early stage of development as a company and we do not have, and may never have, any products that generate revenues.

We are at an early stage of development as a company and have a limited operating history on which to evaluate our business and prospects. Since beginning operations in 1997, we have not generated any product revenues. We currently have no products for sale and we cannot guarantee that we will ever have any marketable products. We must demonstrate that our drug candidates satisfy rigorous standards of safety and efficacy for their intended uses before the Food and Drug Administration, or FDA, and other regulatory authorities in the United States, the European Union and elsewhere. Significant additional research, preclinical testing and clinical testing is required before we can file applications with the FDA or other regulatory authorities for premarket approval of our drug candidates. In addition, to compete effectively, our drugs must be easy to administer, cost-effective and economical to manufacture on a commercial scale. We may not achieve any of these objectives. Seliciclib and sapacitabine, our most advanced drug candidates for the treatment of cancer, are currently our only drug candidates in clinical trials and we cannot be certain that the clinical development of these or any other drug candidates in preclinical testing or clinical development will be successful, that they will receive the regulatory approvals required to commercialize them or that any of our other research and drug discovery programs will yield a drug candidate suitable for investigation through clinical trials. Our commercial revenues, if any, will be derived from sales of drugs that we do not expect to become marketable for several years, if at all.

We have a history of operating losses and we may never become profitable. Our stock is a highly speculative investment.

We have incurred operating losses in each year since beginning operations in 1997 due to costs incurred in connection with our research and development activities and general and administrative costs associated with our operations, and we may never achieve profitability. As of September 30, 2006, our accumulated deficit was \$132.7 million. Our net loss from inception through September 30, 2006 was \$170.9 million. Our initial drug candidates are in the early stages of clinical testing and we must conduct significant additional clinical trials before we can seek the regulatory approvals necessary to begin commercial sales of our drugs. We expect to incur continued losses for several years, as we continue our research and development of our initial drug candidates, seek regulatory approvals and commercialize any approved drugs. If our initial drug candidates are unsuccessful in clinical trials or we are unable to obtain regulatory approvals, or if our drugs are unsuccessful in the market, we will not be profitable. If we fail to become and remain profitable, or if we are unable to fund our continuing losses, you could lose all or part of your investment.

We will need to raise substantial additional capital to fund our operations and if we fail to obtain additional funding, we may be unable to complete the development and commercialization of our drug candidates or continue our research and development programs.

We have funded all of our operations and capital expenditures with proceeds from the issuance of public equity securities, private placements of our securities, interest on investments, government grants and research and development tax credits. In order to conduct the lengthy and expensive research, preclinical testing and clinical trials necessary to complete the development and marketing of our drug candidates, we will require substantial additional funds. Based on our current operating plans, we expect our existing resources to be sufficient to fund our planned operations for at least the next 12 months. To meet these financing requirements, we may raise funds through public or private

Table of Contents

equity offerings, debt financings or strategic alliances. Raising additional funds by issuing equity or convertible debt securities will cause our shareholders to experience substantial dilution in their ownership interests and new investors may have rights superior to the rights of our other stockholders. Raising additional funds through debt financing, if available, may involve covenants that restrict our business activities and options. To the extent that we raise additional funds through collaborations and licensing arrangements, we may have to relinquish valuable rights to our drug discovery and other technologies, research programs or drug candidates, or grant licenses on terms that may not be favorable to us. Additional funding may not be available to us on favorable terms, or at all. If we are unable to obtain additional funds, we may be forced to delay or terminate our clinical trials and the development and marketing of our drug candidates.

Clinical trials are expensive, time consuming and subject to delay.

Clinical trials are expensive and complex, can take many years and have uncertain outcomes. We estimate that clinical trials of our most advanced drug candidates will continue for several years, but may take significantly longer to complete. The designs used in some of our trials have not been used widely by other pharmaceutical companies. Failure can occur at any stage of the testing and we may experience numerous unforeseen events during, or as a result of, the clinical trial process that could delay or prevent commercialization of our current or future drug candidates, including but not limited to:

- delays in securing clinical investigators or trial sites for our clinical trials;
- delays in obtaining institutional review board, or IRB, and other regulatory approvals to commence a clinical trial;
- slower than anticipated rates of patient recruitment and enrollment, or reaching the targeted number of patients;
- negative or inconclusive results from clinical trials;
- unforeseen safety issues;
- uncertain dosing issues;
- introduction of new therapies or changes in standards of practice or regulatory guidance that render our clinical trial endpoints or the targeting of our proposed indications obsolete;
- inability to monitor patients adequately during or after treatment or problems with investigator or patient compliance with the trial protocols;
- inability to replicate in large controlled studies safety and efficacy data obtained from a limited number of patients in uncontrolled trials; and
- inability or unwillingness of medical investigators to follow our clinical protocols.

If we suffer any significant delays, setbacks or negative results in, or termination of, our clinical trials, we may be unable to continue development of our drug candidates or generate revenue and our development costs could increase significantly.

Adverse events have been observed in our clinical trials and may force us to stop development of our product candidates or prevent regulatory approval of our product candidates.

Adverse or inconclusive results from our clinical trials may substantially delay, or halt entirely, any further development of our drug candidates. Many companies have failed to demonstrate the safety or effectiveness of drug

candidates in later stage clinical trials notwithstanding favorable results in early stage clinical trials. Previously unforeseen and unacceptable side effects could interrupt, delay or halt clinical trials of our drug candidates and could result in the FDA or other regulatory authorities denying approval of our drug candidates. We will need to demonstrate safety and efficacy for specific indications of use, and monitor safety and compliance with clinical trial protocols throughout the development process. To date, long-term safety and efficacy has not been

8

Table of Contents

demonstrated in clinical trials for any of our drug candidates. Toxicity and “severe adverse effects” as defined in trial protocols have been noted in preclinical and clinical trials involving certain of our drug candidates. For example, elevations of liver enzymes and decrease in potassium levels have been observed in some patients receiving our lead drug candidate, seliciclib and neutropenia was observed in patients receiving sapacitabine. In addition, we may pursue clinical trials for seliciclib in more than one indication. There is a risk that severe toxicity observed in a trial for one indication could result in the delay or suspension of all trials involving the same drug candidate. We are currently conducting Phase IIb clinical trials to test the safety and efficacy of seliciclib in the treatment of non small cell lung cancer. Independent investigators are conducting Phase I clinical trials to test the safety of sapacitabine in patients with advanced cancers. If these trials or any future trials are unsuccessful, our business and reputation could be harmed and our share price could be negatively affected.

Even if we believe the data collected from clinical trials of our drug candidates are promising with respect to safety and efficacy, such data may not be deemed sufficient by regulatory authorities to warrant product approval. Clinical data can be interpreted in different ways. Regulatory officials could interpret such data in different ways than we do which could delay, limit or prevent regulatory approval. The FDA, other regulatory authorities or we may suspend or terminate clinical trials at any time. Any failure or significant delay in completing clinical trials for our drug candidates, or in receiving regulatory approval for the commercialization of our drug candidates, may severely harm our business and reputation.

If our understanding of the role played by CDKs or Aurora kinases in regulating the cell cycle is incorrect, this may hinder pursuit of our clinical and regulatory strategy.

We have programs to develop small molecule inhibitors of cyclin dependent kinases (CDK) and Aurora kinases. Our lead drug candidate, seliciclib, is a CDK inhibitor, and CYC116 is an Aurora kinase inhibitor, based on our understanding of CDK and Aurora kinase inhibitors. Although a number of pharmaceutical and biotechnology companies are attempting to develop CDK or Aurora inhibitor drugs for the treatment of cancer, no CDK or Aurora kinase inhibitor has yet reached the market. Our seliciclib program relies on our understanding of the interaction of CDKs with other cellular mechanisms that regulate key stages of cell growth. If our understanding of the role played by CDKs or Aurora kinase inhibitors in regulating the cell cycle is incorrect, our lead drug and CYC116 may fail to produce therapeutically relevant results, hindering our ability to pursue our clinical and regulatory strategy.

If we fail to enter into and maintain successful strategic alliances for our drug candidates, we may have to reduce or delay our drug candidate

developmentttom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;">

\$
(7,936,898

)

\$

(8,382,447

)

Earnings (loss) per share: basic and diluted

\$

(0.06

)

\$

(0.07

)

\$

(0.15

)

\$

(0.16

)

Weighted average shares outstanding: basic and diluted

52,214,824

51,638,352

51,965,868

51,638,061

Net income (loss)

\$

(3,061,080

)

\$

(3,766,838

)

\$

(7,936,898
)

\$
(8,382,447
)

Change in net unrealized gain (loss) on short-term investments

—

—

—

(4,067
)
Comprehensive income (loss)
\$
(3,061,080
)

\$
(3,766,838
)

\$
(7,936,898
)

\$
(8,386,514
)

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

3

Table of Contents

SIGA TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$(7,936,898)	\$(8,382,447)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and other amortization	202,759	208,973
Increase (decrease) in fair value of warrants	(6,090)	94,798
Stock based compensation	1,160,572	956,883
Amortization of debt discount	25,649	—
Changes in assets and liabilities:		
Accounts receivable	(53,478,454)	(881,827)
Inventory	(810,580)	(8,859,970)
Deferred costs	(11,393,220)	(1,687,599)
Prepaid expenses	8,402	(185,161)
Other assets	93,063	7,501
Deferred income taxes, net	(4,244,778)	(3,593,439)
Accounts payable, accrued expenses and other liabilities	7,469,209	7,598,090
Deferred revenue	62,017,215	1,991,499
Net cash provided by (used in) operating activities	(6,893,151)	(12,732,699)
Cash flows from investing activities:		
Capital expenditures	(358,541)	(245,189)
Collateral for surety bond	—	(1,347,956)
Net cash provided by (used in) investing activities	(358,541)	(1,593,145)
Cash flows from financing activities:		
Net proceeds from exercise of warrants and options	1,375,023	1,690
Payment of common stock tendered for employee tax obligations	(178,093)	—
Proceeds from the issuance of debt	7,000,000	—
Net cash provided by (used in) financing activities	8,196,930	1,690
Net increase (decrease) in cash and cash equivalents	945,238	(14,324,154)
Cash and cash equivalents at beginning of period	32,017,490	49,256,930
Cash and cash equivalents at end of period	\$32,962,728	\$34,932,776
Supplemental disclosure of non-cash financing activities:		
Reclass of common stock warrant liability to additional paid-in capital upon warrant exercise	\$492,191	\$—
Remaining grant-date fair value of warrants recorded as other assets	\$251,397	\$—

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

SIGA TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Condensed Consolidated Financial Statements

The financial statements are presented in accordance with generally accepted accounting principles 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 audited financial statements and notes thereto for the year ended December 31, 2012, included in the 2012 Annual Report on Form 10-K/A. All terms used but not defined elsewhere herein have the meaning ascribed to them in the Company’s 2012 Annual Report on Form 10-K/A filed on May 14, 2013. 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 2012 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 and six months ended June 30, 2013 are not necessarily indicative of the results expected for the full year.

The 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. As of July 31, 2013, the Company has delivered an aggregate of approximately 590,000 courses of Arestvyr™ (tecovirimat), also known as ST-246®, to the U.S. Strategic National Stockpile (the “Strategic Stockpile”). As a result, SIGA has met a key requirement of its procurement contract with the Biomedical Advanced Research and Development Authority (“BARDA”) (refer to Note 2) and expects to receive payment of approximately \$79 million in the third quarter of 2013 for the courses of product delivered to date. Management believes that the funds expected to be generated from its procurement contract, together with existing capital resources and continuing government grants and contracts, will be sufficient to support its operations beyond the next twelve months.

2. Procurement Contract and Research Agreements

Procurement Contract

In May 2011, the Company signed a contract with BARDA (the “BARDA Contract”) pursuant to which SIGA agreed to deliver two million courses of Arestvyr to the Strategic Stockpile. The base contract, worth approximately \$463 million, includes \$54 million related to development and supportive activities and contains various options to be exercised at BARDA’s discretion. The period of performance for development and supportive activities runs until 2020. As originally issued, the BARDA Contract included an option for the purchase of up to 12 million additional courses of Arestvyr; however, following a protest by a competitor of the Company, BARDA issued a contract modification on June 24, 2011 pursuant to which it deleted the option to purchase the additional courses. Under the BARDA Contract as modified, BARDA has agreed to buy from SIGA 1.7 million courses of Arestvyr. Additionally, SIGA will contribute to BARDA 300,000 courses manufactured primarily using federal funds provided by the U.S. Department of Health and Human Services (“HHS”) under prior development contracts. The BARDA Contract as modified also contains options that will permit SIGA to continue its work on pediatric and geriatric versions of the drug as well as use Arestvyr for smallpox prophylaxis. As described in Note 12, the amount of profits SIGA will retain pursuant to the BARDA Contract is subject to the outcome of the litigation in Delaware between SIGA and PharmAthene.

In the fourth quarter of 2011, SIGA received approximately \$41 million in advance payments under the BARDA Contract. In October 2012, SIGA received FDA concurrence with respect to its product labeling strategy in accordance with the BARDA Contract and during the fourth quarter of 2012, the Company received the related

milestone payment of approximately \$12.3 million. In May 2013, BARDA notified SIGA that the Company had successfully completed the milestone requirements for the Final Drug Product Commercial Validation batches and report and during the second quarter of 2013, the Company received the related milestone payment of approximately \$8.2 million.

The BARDA Contract is a multiple deliverable arrangement including delivery of courses and covered research and development activities. The BARDA Contract provides certain product replacement rights with respect to delivered courses. For this reason, recognition of revenue that might otherwise occur upon delivery of courses is expected to be deferred until the Company's obligations related to potential replacement of delivered courses are satisfied. Furthermore, payment for delivered courses and reimbursement of amounts the Company spends on covered research services were not contractually due to commence until after the Company delivered the first 500,000 courses. Accordingly the Company has deferred revenue for all amounts under the BARDA Contract received to date. With the delivery of more than 500,000 courses, the Company expects to begin to recognize revenue

Table of Contents

in the third quarter of 2013 with respect to BARDA's obligation to reimburse the cost of covered research and development services. Cash inflows related to procurement activities are expected to continue to be recorded as deferred revenue. In addition, direct costs incurred by the Company to fulfill the requirements under the BARDA Contract are being deferred and will be recognized as expenses over the same period that the related deferred revenue is recognized as revenue.

As of June 30, 2013 and December 31, 2012, deferred direct costs under the BARDA Contract of approximately \$14.2 million and \$2.8 million, respectively, are included in deferred costs on the consolidated balance sheets. As of June 30, 2013, the Company recorded \$57.6 million as receivables from long term contract and deferred revenue, respectively, for the delivery of approximately 390,000 courses of Arestvyr to the Strategic Stockpile in March and May 2013 and research and development services provided since inception of the BARDA Contract.

In July 2013, the Company delivered approximately 200,000 courses of Arestvyr to the Strategic Stockpile. With the cumulative delivery of 590,000 courses, SIGA has invoiced BARDA for approximately \$79 million for delivered product and approximately \$5 million for research and development services. The Company expects to receive payment during the third quarter.

Research Agreements

The Company obtains funding from the contracts and grants it obtains from various agencies of the U.S. Government to support its research and development activities. In addition to the BARDA Contract, the Company currently has one contract and two grants with varying expiration dates through July 2016 that provide for potential future aggregate research and development funding for specific projects of approximately \$16.4 million. This amount includes, among other things, options that may or may not be exercised at the U.S. government's discretion. Moreover, the contract and 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. Equity and Financial Instruments

On June 30, 2013, 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.

At June 30, 2013 and December 31, 2012, the fair market value of outstanding warrants recorded as liabilities was \$492,757 and \$991,039 (revised), respectively. 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 June 30, 2013 and June 30, 2012, the Company recorded gains of \$980,289 and \$904,731 (revised), respectively, as a result of net decreases in fair value for warrants outstanding during the respective periods.

On April 30, 2013, SIGA entered into a Services Agreement with M&F for certain professional and administrative services. The Services Agreement has a term of three years. As consideration for the Services Agreement, SIGA issued warrants to M&F to acquire 250,000 shares of common stock at an exercise price of \$3.29 per share. The warrants are fully vested, immediately exercisable and remain exercisable for two years from issuance. As the warrants are immediately exercisable, the grant-date fair value, determined using the Black-Scholes model as previously described, is recorded as an asset with a corresponding increase to equity. The asset is amortized over the

contractual term of the warrant.

2008 Financing

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

In 2009, SIGA issued to M&F 816,993 shares of common stock and 326,797 warrants to acquire common stock in exchange for total proceeds of \$2.5 million. The warrants are exercisable for a term of four years from issuance and had an exercise price of

Table of Contents

\$3.519 per share, prior to anti-dilution adjustments. On April 29, 2013, 202,451 of the aforementioned warrants issued in 2009 expired.

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

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

2006 Placements

In 2006, the Company issued 1,000,000 warrants with an initial exercise price of \$4.99 per share (the “2006 Warrants”). The 2006 Warrants may be exercised through and including October 19, 2013. At June 30, 2013 and December 31, 2012, 407,784 and 815,568, respectively, of the 2006 Warrants at an exercise price of \$2.92 were outstanding. In March 2013, 407,784 of the 2006 Warrants were exercised. 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.

4. Per Share Data

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

The following is a reconciliation of the basic and diluted net income (loss) per share computation:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012 (Revised)	2013	2012 (Revised)
Net income (loss) for basic and diluted EPS	\$(3,061,080)	\$(3,766,838)	\$(7,936,898)	\$(8,382,447)
Weighted-average shares for basic and diluted	52,214,824	51,638,352	51,965,868	51,638,061
Earnings (loss) per share for basic and diluted	\$(0.06)	\$(0.07)	\$(0.15)	\$(0.16)

The Company incurred losses for the three and six months ended June 30, 2013 and 2012 and as a result, certain equity instruments are excluded from the calculation of diluted earnings (loss) per share as the effect of such shares is anti-dilutive. The weighted average number of equity instruments excluded consist of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Stock Options	2,799,122	2,830,810	2,809,465	2,815,345
Stock-Settled Stock Appreciation Rights	447,156	461,462	449,423	377,913
Restricted Stock Units	977,409	372,637	990,240	240,824
Warrants	1,875,743	2,253,902	2,034,477	2,273,281

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

Table of Contents

5. Fair Value of Financial Instruments

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

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

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

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

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

The Company uses model-derived valuations where inputs are observable in active markets to determine the fair value of certain common stock warrants on a recurring basis and classify such 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 June 30, 2013 and December 31, 2012, the fair value of liability classified warrants were as follows:

	June 30, 2013	December 31, 2012 (Revised)
Common stock warrants, current	\$243,199	\$333,793
Common stock warrants, non-current	249,558	657,246
	\$492,757	\$991,039

At June 30, 2013 and December 31, 2012, the Company also had \$12.0 million and \$5 million in outstanding debt, respectively. The fair value of this debt is a Level 2 measurement. The fair value of the loan approximates carrying value at June 30, 2013. For the three and six months ended June 30, 2013 and 2012, SIGA did not hold any Level 3 securities.

6. Related Party Transactions

On December 1, 2009, the Company entered into an Office Services Agreement with an affiliate of M&F to occupy office space for approximately \$8,000 per month. An amendment in February 2012 increased the monthly payment to \$12,000 to appropriately reflect expanded use of space. The Office Services Agreement was canceled effective March 31, 2013.

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

Services Agreement that is described in the previous paragraph, and occupancy commenced on April 1, 2013. The sublease allows for a free rent period of five months beginning April 1, 2013; subsequent to the free rent period, monthly rent payments are scheduled to be \$60,000 for the first five years and \$63,000 for the next two years. Rent payments under the lease and sublease are subject to customary rent escalation clauses.

In April 2013, the Company entered into a Services Agreement with M&F and a warrant agreement with M&F (refer to Note 3).

A member of the Company's Board of Directors is a member of the Company's outside counsel. During the six months ended June 30, 2013 and 2012, the Company incurred costs of \$789,000 and \$875,000, respectively, related to services provided by the outside counsel. On June 30, 2013, the Company's outstanding payables included \$256,000 payable to the outside counsel.

Table of Contents

7. Inventory

As of June 30, 2013 and December 31, 2012, the Company has \$18.5 million and \$17.6 million of work-in-process inventory, respectively. During the six months ended June 30, 2013, the Company delivered approximately 390,000 courses to the Strategic Stockpile; due to the deferral of revenue under the BARDA Contract (refer to Note 2), the amount of cost of goods sold for delivered courses is recorded as deferred costs in the balance sheet. The value of in-process inventory represents the costs incurred to manufacture Arestvyr under the BARDA Contract. Certain of the existing units of Arestvyr were initially manufactured prior to the point at which future commercialization was probable; thus, such cost was expensed as research and development in those respective periods. Additional costs incurred to complete production of courses of Arestvyr will be recorded as inventory and reclassified to deferred costs upon delivery to the extent related revenue is deferred.

8. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	June 30, 2013	December 31, 2012
Laboratory equipment	\$2,388,086	\$2,305,410
Leasehold improvements	2,887,415	2,817,123
Computer equipment	540,890	458,421
Furniture and fixtures	468,391	345,287
	6,284,782	5,926,241
Less - accumulated depreciation	(5,141,131)	(4,938,372)
Property, plant and equipment, net	\$1,143,651	\$987,869

9. Accrued Expenses

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2013	December 31, 2012
Loss contingency	\$2,561,374	\$2,491,981
Bonus	803,590	250,000
Professional fees	560,156	579,609
Vacation	363,565	328,463
Other	1,214,065	633,796
Accrued expenses and other current liabilities	\$5,502,750	\$4,283,849

10. Income Taxes

Deferred tax assets, net were \$48.0 million on June 30, 2013 and \$43.7 million on December 31, 2012, respectively, net of valuation allowances of \$4.3 million and \$4.3 million, respectively. For the three and six months ended June 30, 2013, the Company incurred net losses for tax purposes and consequently recognized an income tax benefit of \$2.0 million and \$4.2 million, respectively. For the three and six months ended June 30, 2012, the Company incurred net losses for tax purposes and consequently recognized an income tax benefit of \$1.7 million and \$3.6 million, respectively.

The recognition of a valuation allowance for deferred taxes requires management to make estimates and judgments about the Company's future profitability which are inherently uncertain. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. If the current estimates of future taxable income are reduced or not realized, for example,

based on the outcome of the PharmAthene litigation described in Note 12, the Company's assessment regarding the realization of deferred tax assets could change. Future changes in the estimated amount of deferred taxes expected to be realized will be reflected in the Company's financial statements in the period the estimate is changed with a corresponding adjustment to operating results. Changes in estimates may occur often and can have a significant favorable or unfavorable impact on the Company's operating results from period to period.

11. Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued new guidance on the reporting of reclassifications from accumulated other comprehensive income to net income. The new guidance does not change the requirements for reporting net income or other comprehensive income in financial statements but requires disclosures regarding the reclassification of accumulated other comprehensive income by component into net income. The Company's adoption of this guidance on January 2, 2013 did not have a material effect on our financial statements.

In July 2013, the FASB issued new guidance on the financial statement presentation of unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not anticipate a material impact to the Company's financial position, results of operations or cash flows as a result of this change.

12. Legal Proceedings

In December 2006, PharmAthene, Inc. ("PharmAthene") filed an action against SIGA in the Delaware Court of Chancery (the "Court" or "Court of Chancery") captioned PharmAthene, Inc. v. SIGA Technologies, Inc., C.A. No. 2627-N. In its amended complaint, PharmAthene asked the Court to order the Company to enter into a license agreement with PharmAthene with respect to ST-246, now also known as Arestvyr, to declare that the Company is obliged to execute such a license agreement, and to award damages resulting from the Company's supposed breach of that obligation. PharmAthene also alleged that the Company breached an obligation to negotiate such a license agreement in good faith, and sought damages for promissory estoppel and unjust enrichment based on supposed information, capital, and assistance that PharmAthene allegedly provided to the Company during the negotiation process. The Court tried the case in January 2011.

In September 2011, the Court issued its post-trial opinion. The Court denied PharmAthene's requests for specific performance and expectation damages measured by the present value of estimated future profits. Nevertheless, the Court held that the Company breached its duty to negotiate in good faith and was liable under the doctrine of promissory estoppel. The Court consequently awarded to PharmAthene what the Court described as an equitable payment stream or equitable lien consisting of fifty percent of

Table of Contents

the net profits that the Company achieves from sales of ST-246 after the Company secures \$40 million in net profits, for ten years following the first commercial sale. In addition, the Court awarded PharmAthene one-third of its reasonable attorneys' fees and expert witness expenses.

In May 2012, the Court entered its final order and judgment in this matter, implementing its post-trial opinion. Among other things, the final order and judgment provided that (a) net profits would be calculated in accordance with generally accepted accounting principles applied consistently with how they are applied in the preparation of the Company's financial statements, (b) the net profits calculation would take into account expenses relating to ST-246 commencing with the Company's acquisition of ST-246 in August 2004, and (c) PharmAthene could recover \$2.4 million of attorneys' fees and expenses. As of June 30, 2013, SIGA has recorded a \$2.6 million loss contingency with respect to the fee, expense and interest portion of the judgment.

In June 2012, the Company appealed to the Supreme Court of the State of Delaware the final order and judgment and certain earlier rulings of the Court of Chancery. Shortly thereafter, PharmAthene filed its cross-appeal. The Company obtained a stay of enforcement of the fee and expense portion of the judgment by filing a surety bond for the amount of the judgment plus post-judgment interest. The Company posted \$1.3 million as collateral for the surety bond which is recorded in other assets as of June 30, 2013. The parties briefed the issues, and argued before the Delaware Supreme Court, en banc, on January 10, 2013.

On May 24, 2013, the Supreme Court of Delaware issued its decision, affirming the Delaware Court of Chancery's judgment in part, reversing it in part, and remanding to Vice Chancellor Parsons. The Supreme Court affirmed the Chancery Court determination that the Company had breached its contractual obligation to negotiate in good faith; reversed the promissory estoppel holding; and, reversed the Vice Chancellor's equitable damages award. The Supreme Court held that the trial judge may award expectation damages for breach of the contractual duty to negotiate in good faith if such damages are proven with reasonable certainty, and remanded to the Chancery Court for consideration of damages consistent with that holding. The Supreme Court also reversed the Chancery Court's award of attorney fees and expert witness fees because they were predicated in part on a now-reversed finding of liability on PharmAthene's promissory estoppel claim. The Supreme Court held that the Chancery Court could reevaluate on remand an alternative award, if any, of attorneys' fees and expert testimony expenses consistent with the Supreme Court's opinion. Finally, the Supreme Court declined to consider all claims raised in PharmAthene's cross appeal because it affirmed the Chancery Court's finding that the Company was liable for breaching its contractual obligation to negotiate in good faith. On June 11, 2013, the Supreme Court issued its mandate to the Court of Chancery with the decision described above.

On June 26, 2013, the parties appeared before Vice Chancellor Parsons to discuss the remand, at which time PharmAthene declared its desire to supplement the record with further evidence. Following briefing, the parties expect the Chancery Court to hear argument on this PharmAthene motion in August. After the Chancery Court determines the scope of the record, we expect the Chancery Court to require further briefing by the parties on the remedy to be awarded.

No assurances can be given as to the Chancery Court's determinations on remand.

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 dispute or litigation pending, except as discussed above, that could have, individually or in the aggregate, a material adverse effect on its financial position, results of operations or cash flows.

Table of Contents

13. Revision of Consolidated Financial Statements

Subsequent to the issuance of its annual report on Form 10-K for the year ended December 31, 2012 as filed on March 6, 2013, the Company determined certain outstanding warrants to purchase common stock of the Company (the “Warrants”) should have been recorded as liabilities rather than equity and that non-cash charges resulting from required periodic “mark-to-market” adjustments of the Warrants also should have been recorded. For the year ended December 31, 2012 and the quarters therein, the quantitative and qualitative impact of the non-cash adjustments on net loss were not material and consequently, the Company revised prior period amounts as disclosed within the Form 10-K/A filed on May 14, 2013. As these are non-cash items, there is no impact to net cash used in operations for the three and six months ended June 30, 2012.

The effects of the revision on the unaudited financial statements are summarized below:

	December 31, 2012		
	As Originally Reported	Adjustments	Revised
ASSETS			
Current assets			
Cash and cash equivalents	\$32,017,490		\$32,017,490
Accounts receivable	970,288		970,288
Inventory	17,641,922		17,641,922
Prepaid expenses and other current assets	801,149		801,149
Deferred tax assets, net	33,515,327		33,515,327
Total current assets	84,946,176		84,946,176
Property, plant and equipment, net	987,869		987,869
Receivables from long-term contract	3,771,219		3,771,219
Deferred costs	2,841,534		2,841,534
Goodwill	898,334		898,334
Other assets	2,181,720		2,181,720
Deferred tax assets, net	10,209,278		10,209,278
Total assets	\$105,836,130	\$—	\$105,836,130
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$10,189,917		\$10,189,917
Accrued expenses and other current liabilities	4,283,849		4,283,849
Current common stock warrants	287,036	46,757	333,793
Current portion of long term debt	954,738		954,738
Total current liabilities	15,715,540	46,757	15,762,297
Deferred revenue	57,052,020		57,052,020
Common stock warrants	—	657,246	657,246
Long term debt	3,955,262		3,955,262
Other liabilities	166,303		166,303
Total liabilities	76,889,125	704,003	77,593,128
Stockholders' equity			
Common stock	5,164		5,164
Additional paid-in capital	152,340,303	15,248,071	167,588,374
Accumulated deficit	(123,398,462)	(15,952,074)	(139,350,536)

Edgar Filing: Cyclacel Pharmaceuticals, Inc. - Form S-3/A

Total stockholders' equity	28,947,005	(704,003) 28,243,002
Total liabilities and stockholders' equity	\$105,836,130	\$—	\$105,836,130

Table of Contents

Three Months Ended June 30, 2012			
	As Originally Reported	Adjustments	Revised
Revenues			
Research and development	\$2,701,164		\$2,701,164
Operating expenses			
Selling, general and administrative	3,474,691		3,474,691
Research and development	5,182,516		5,182,516
Patent preparation fees	376,320		376,320
Total operating expenses	9,033,527	—	9,033,527
Operating loss	(6,332,363)	—	(6,332,363)
Decrease (increase) in fair value of common stock warrants	325,012	579,719	904,731
Other income, net	74		74
Loss before benefit from income taxes	(6,007,277)	579,719	(5,427,558)
Benefit from income taxes	1,660,720		1,660,720
Net income (loss)	\$(4,346,557)	\$579,719	\$(3,766,838)
Basic and diluted earnings (loss) per share	\$(0.08)	\$0.01	\$(0.07)
Weighted average shares outstanding: basic and diluted	51,638,352	—	51,638,352
Six Months Ended June 30, 2012			
	As Originally Reported	Adjustments	Revised
Revenues			
Research and development	\$4,166,916		\$4,166,916
Operating expenses			
Selling, general and administrative	5,688,568		5,688,568
Research and development	9,647,054		9,647,054
Patent preparation fees	712,618		712,618
Total operating expenses	16,048,240	—	16,048,240
Operating loss	(11,881,324)	—	(11,881,324)
Decrease (increase) in fair value of common stock warrants	(111,801)	17,003	(94,798)
Interest expense	—		—
Other income, net	236		236
Loss before benefit from income taxes	(11,992,889)	17,003	(11,975,886)
Benefit from income taxes	3,593,439		3,593,439
Net income (loss)	\$(8,399,450)	\$17,003	\$(8,382,447)
Basic and diluted earnings (loss) per share	\$(0.16)	\$—	\$(0.16)
Weighted average shares outstanding: basic and diluted	51,638,061	—	51,638,061

Table of Contents

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

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

Revision

As discussed in Note 13 to this filing, the Company amended and revised its consolidated balance sheet at December 31, 2012 and statements of operations and of cash flows for the three and six months ended June 30, 2012. The following discussion and analysis of our financial condition and results of operations is based on and takes into account the revised amounts. For this reason, the data set forth in this section may not be comparable to discussion and data in our previously filed Quarterly Reports on Form 10-Q.

Overview

We are a pharmaceutical company specializing in the development and commercialization of pharmaceutical solutions for some of the most lethal disease-causing pathogens in the world - smallpox, Ebola, dengue, Lassa fever and other dangerous viruses. Our business is to discover, develop, manufacture and commercialize drugs to prevent and treat these high-priority threats. Our mission is to disarm dreaded viral diseases and create robust, modern biodefense countermeasures.

Lead Product - Arestvyr

Our lead product, Arestvyr (tecovirimat), also known as ST-246, is an orally administered antiviral drug that targets orthopoxviruses. On May 13, 2011, we signed the BARDA Contract pursuant to which we agreed to deliver two million courses of Arestvyr to the Strategic Stockpile. The base contract, worth approximately \$463 million, includes \$54 million related to development and supportive activities and contains various options to be exercised at BARDA's discretion. The period of performance for development and supportive activities runs until 2020. As originally issued, the BARDA Contract included an option for the purchase of up to 12 million additional courses of Arestvyr; however, following a protest by a competitor of the Company, BARDA issued a contract modification on June 24, 2011 pursuant to which it deleted the option to purchase the additional courses. Under the BARDA Contract as modified, BARDA has agreed to buy from SIGA 1.7 million courses of Arestvyr. Additionally, SIGA will contribute to BARDA 300,000 courses manufactured primarily using federal funds provided by HHS under prior development contracts. The BARDA Contract as modified also contains options that will permit SIGA to continue its work on pediatric and geriatric formulations of the drug as well as use Arestvyr for smallpox prophylaxis. As discussed in Part II, Item 1, "Legal Proceedings", the amount of profits we will retain pursuant to the BARDA Contract is subject to the outcome of the litigation in Delaware between SIGA and PharmAthene.

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

Critical Accounting Estimates

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements, which we discuss under the heading "Results of Operations" following this

section of our Management's Discussion and Analysis. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates include the valuation of stock-based awards including options and warrants, revenue recognition, impairment of assets and income taxes. Information regarding our critical accounting policies and estimates appear in Item 7, Management's Discussion of Analysis and Financial Condition and Results of Operation, included in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed on March 6, 2013, as amended by the Form 10-K/A filed May 14, 2013. During the six months ended June 30, 2013, there were no significant changes to any critical accounting policies or to the related estimates and judgments involved in applying these policies.

Table of Contents

Results of Operations

Revenues from research and development contracts and grants for the three months ended June 30, 2013 and 2012 were \$965,000 and \$2.7 million, respectively. The decrease of \$1.7 million, or 64%, is primarily attributable to a \$1.0 million decrease in revenues from our federal contracts supporting the development of Arestvyr, and a \$751,000 decrease in revenues related to lower usage of the dengue and Lassa fever federal grants.

Revenues from contracts and grants for the six months ended June 30, 2013 and 2012 were \$2.3 million and \$4.2 million, respectively. The decline in revenue is due to a \$1.1 million decrease in revenues from federal contracts supporting the development of Arestvyr, including the conclusion of a federal grant supporting the development of Arestvyr in conjunction with vaccine, and a \$730,000 decrease in revenues related to lower usage of dengue and Lassa fever federal grants in the second quarter of 2012.

Selling, general and administrative expenses ("SG&A") for the three months ended June 30, 2013 and 2012 were \$3.2 million and \$3.5 million, respectively, reflecting a decrease of approximately \$309,000 or 9%. The decrease in SG&A expenses primarily relates to the impact of \$372,000 loss contingency expense that was recorded in the second quarter of 2012.

SG&A for the six months ended June 30, 2013 and 2012 were \$6.2 million and \$5.7 million, respectively, reflecting an increase of approximately \$509,000 or 9%. The increase in SG&A expenses is mainly attributable to a \$711,000 increase in employee compensation, which is related to an uptick in corporate headcount and an increase in non-cash stock compensation expense, partially offset by the impact of a \$372,000 loss contingency expense that was recorded in the second quarter of 2012.

Research and development ("R&D") expenses were \$3.1 million for the three months ended June 30, 2013, a decrease of approximately \$2.1 million or 40% from the \$5.2 million incurred during the three months ended June 30, 2012. The decrease was mostly attributable to a decrease in direct vendor-related expenses supporting the development of Arestvyr, dengue antivirals and Lassa fever antivirals.

R&D expenses were \$6.8 million for the six months ended June 30, 2013, a decrease of approximately \$2.9 million or 30% from the \$9.6 million incurred during the six months ended June 30, 2012. The decrease was primarily due to a decrease in expenses related to the development of Arestvyr and Lassa fever antivirals.

During the six months ended June 30, 2013 and 2012, we incurred direct costs of \$2.5 million and \$4.5 million, respectively, on the development of Arestvyr. For the six months ended June 30, 2013, we spent approximately \$326,000 on internal human resources dedicated to the drug's development and \$2.1 million mainly on manufacturing and clinical testing. During the six months ended June 30, 2012, we spent \$658,000 on internal human resources dedicated to the drug's development and \$3.8 million mainly on clinical testing and manufacturing. From inception of the ST-246 development program to-date, we have invested a total of \$55.1 million in the program, of which \$10.0 million supported internal human resources and \$45.2 million were used mainly for manufacturing, clinical and pre-clinical work. These resources reflect research and development expenses directly related to the program. They exclude additional expenditures such as patent costs, allocation of indirect expenses, and other services provided by BARDA, NIH and the Department of Defense ("DoD").

During the six months ended June 30, 2013, we spent approximately \$1.0 million to support the development of drug candidates for dengue fever, Lassa fever and other drug candidates for certain arenavirus pathogens and hemorrhagic fevers, of which \$606,000 was spent mainly on human resources and \$402,000 was spent on chemistry and certain laboratory equipment. During the six months ended June 30, 2012, we spent \$1.3 million for the development of drug candidates for dengue fever and Lassa fever, of which \$583,000 was spent mainly on human resources and \$723,000

was spent mainly on the optimization and chemistry of the lead antiviral compounds. From inception of these programs to date, we have spent a total of \$13.5 million related to the programs, of which \$5.0 million, \$8.1 million and \$299,000 were expended on internal human resources, pre-clinical work and equipment, 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 BARDA, NIH and DoD.

The majority of our product programs are in the early stage of development. As a result, we cannot make reasonable estimates of the potential cost for most of our programs to be completed or the time it will take to complete the programs. There is a high risk of non-completion of any program because of the lead time to program completion, scientific issues that may arise and uncertainty of the costs. However, we could receive additional grants, contracts or technology licenses in the short-term. The potential cash and timing is not known and we cannot be certain if they will ever occur. 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.

Table of Contents

Patent preparation expenses for the three and six months ended June 30, 2013 were \$301,000 and \$759,000, respectively. These expenses reflect our ongoing efforts to protect our lead drug candidates in expanded geographic territories.

Changes in the fair value of certain warrants to acquire common stock are recorded as gains or losses. For the three and six months ended June 30, 2013, we recorded gains of \$980,000 and \$6,000, respectively, reflecting changes in the fair market value of warrants to purchase common stock during the respective periods. The warrants to purchase our common stock were recorded at fair market value and classified as liabilities. For the three and six months ended June 30, 2012, we recorded a gain of \$905,000 (revised) and a loss of \$95,000 (revised), respectively.

Interest expense for the three and six months ended June 30, 2013 was \$376,000 and \$750,000, reflecting interest on outstanding long-term debt and certain vendor payable arrangements. There was no interest expense for the three and six months ended June 30, 2012.

For the three and six months ended June 30, 2013, we incurred net losses for tax purposes and consequently, recognized an income tax benefit of \$2.0 million and \$4.2 million, respectively. For the three and six months ended June 30, 2012, the benefit from income taxes of \$1.7 million and \$3.6 million mainly reflects the tax benefit from net losses offset by an increase to the valuation allowance based on current estimates of pre-tax income. If the current estimates of future taxable income are reduced or not realized, for example, based on the outcome of the litigation in Delaware between SIGA and PharmAthene litigation as described in Part II, Item 1, "Legal Proceedings," the Company's assessment regarding the realization of deferred tax assets could change. Future changes in the estimated amount of deferred taxes expected to be realized will be reflected in the Company's financial statements for the period in which the estimate is changed with a corresponding adjustment to operating results. Changes in estimates may occur often and can have a significant favorable or unfavorable impact on the Company's operating results from period to period.

The recognition of a valuation allowance for deferred taxes requires management to make estimates and judgments about our future profitability which are inherently uncertain. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. If the current estimates of future taxable income are reduced or not realized, for example, based on the PharmAthene litigation described in Part II, Item 1, "Legal Proceedings," the Company's assessment regarding the realization of deferred tax assets could change. Future changes in the estimated amount of deferred taxes expected to be realized will be reflected in the Company's financial statements in the period the estimate is changed with a corresponding adjustment to operating results. Changes in estimates may occur often and can have a significant favorable or unfavorable impact on the Company's operating results from period to period.

Liquidity and Capital Resources

On June 30, 2013, we had \$32.9 million in cash and cash equivalents compared with \$32.0 million at December 31, 2012.

Subsequent to the balance sheet date, the Company has delivered an aggregate of approximately 590,000 courses of Arestvyr™ (tecovirimat), also known as ST-246®, to the U.S. Strategic National Stockpile (the "Strategic Stockpile"). As a result, SIGA has met a key requirement of its procurement contract with the Biomedical Advanced Research and Development Authority ("BARDA") and expects to receive payment of approximately \$79 million in the third quarter of 2013 for the courses of product delivered to date.

During the six months ended June 30, 2013, we received an \$8.2 million milestone payment under the BARDA Contract for successfully completing the milestone requirements for the Final Drug Product Commercial Validation

batches and report. Additionally, we received \$7.0 million in the second quarter of 2013 from a revolving line of credit. During the year ended December 31, 2012, we received a \$12.3 million milestone payment upon receiving FDA concurrence with respect to the product labeling strategy under the BARDA Contract and received net proceeds of \$4.9 million from the issuance of debt after deducting the discount and issue costs.

Borrowings under the revolving line of credit are due for repayment as we collect on eligible outstanding accounts receivable. As previously mentioned, we expected to receive payment in the third quarter of 2013.

Table of Contents

Operating activities

Net cash used in operations for the six months ended June 30, 2013 and 2012 was \$6.9 million and \$12.7 million, respectively. The decrease in cash used in operating activities relates to the timing of expenditures for the manufacture of Arestvyr in addition to development and supportive activities for Arestvyr in performance of the BARDA Contract. On June 30, 2013 and 2012, our accounts receivable balance was \$58.2 million and \$3.5 million, respectively. The increase in accounts receivable primarily reflects approximately \$52 million for the delivery of Arestvyr to the Strategic Stockpile in March and May 2013. Our accounts payable, accrued expenses and other current liabilities balance were \$21.8 million and \$14.5 million on June 30, 2013 and 2012, respectively. The amounts outstanding in both periods are mainly due to outstanding payables to contract manufacturing organizations for work-in-process inventory and to vendors for research and development services under the BARDA Contract.

Investing activities

Capital expenditures during the six months ended June 30, 2013 and 2012 were approximately \$359,000 and \$245,000, respectively, reflecting purchases of fixed assets in the ordinary course of business and, in 2013, expenditures for certain furniture and equipment for the new office space in New York.

Financing activities

Cash provided by financing activities was \$8.2 million and \$2,000, during the six months ended June 30, 2013 and 2012, respectively. In May 2013, we received \$7 million of available funds under a revolving line of credit. Moreover, in the six months ended June 30, 2013, we received \$1.4 million from exercises of options and warrants to purchase common stock.

Other

We have incurred cumulative net losses and expect to incur additional expenses to perform further research and development activities. As of July 31, 2013, we have delivered an aggregate of approximately 590,000 courses of Arestvyr™ (tecovirimat), also known as ST-246®, to the Strategic Stockpile. As a result, we met a key requirement of the BARDA Contract (refer to Note 2) and expect to receive payment of approximately \$79 million in the third quarter of 2013 for the courses of product delivered to date. We believe that the funds expected to be received from the BARDA Contract (see Note 2) together with our existing capital resources and continuing government contracts and grants will be sufficient to support our operations beyond the next twelve months. As discussed in Part II, Item 1, “Legal Proceedings”, our ability to support our operations may be adversely affected by the outcome in the litigation with PharmAthene. The financial statements do not include any adjustment relating to the recoverability of the carrying amount of recorded assets and liabilities that might result from the outcome of these uncertainties.

Off-Balance Sheet Arrangements

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

Safe Harbor Statement

Certain statements in this Quarterly Report are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, including statements relating to our performance under the BARDA Contract, our effort to seek approval and licensing from the United States Food and Drug Administration, the progress of our development programs and timelines for bringing products to market and the resolution of our ongoing litigation with PharmAthene, Inc. Forward-looking statements are subject to various known and unknown risks and uncertainties and SIGA cautions you that any forward-looking information provided by or on behalf of SIGA is not a guarantee of future performance. SIGA’s actual results could differ materially from those anticipated by such forward-looking statements due to a number of factors, some of which are beyond SIGA’s control, including, but not limited to, (i) the risk that potential products that appear promising to us or our collaborators cannot be shown to be

efficacious or safe in subsequent animal, pre-clinical or clinical trials, (ii) the risk that we or our collaborators will not obtain appropriate or necessary governmental approvals to market these or other potential products, (iii) the risk that we may not be able to obtain anticipated funding for our development projects or other needed funding, (iv) the risk that we may not complete performance under the BARDA contract on schedule or in accordance with the contractual terms, (v) the risk that we may not be able to secure or enforce sufficient legal rights in our products, including intellectual property protection, (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 our 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 one or more protests could be filed and upheld in whole or in part or other governmental action taken, in either case leading to a delay of performance under our contract with BARDA, or other governmental contracts, (ix) the risk that our BARDA contract is modified or canceled at the request or requirement of the U.S. Government, (x) the risk that the volatile and competitive nature of the biotechnology industry may hamper our efforts to develop or market our products, (xi) the risk that changes in domestic and foreign economic and market conditions may affect our ability to advance our research or products

Table of Contents

adversely, (xii) the effect of federal, state or foreign regulation, including drug regulation and international trade regulation, on our business, (xiii) the risk that our outstanding indebtedness may make it more difficult to obtain additional financing, (xiv) the risk that the U.S. Government's responses (including inaction) to the national and global economic situation, including possible courses of action related to the so-called "sequester," may affect our business adversely, (xv) the risk that our internal controls will not be effective in detecting or preventing a misstatement in our financial statements, (xvi) the risk that some amounts received and recorded as deferred revenue ultimately may not be recognized as revenue, (xvii) the risk that the recent remand to the Delaware Chancery Court could result in a burdensome new award of damages, (xviii) the risk that that remand may result in extended and expensive litigation, (xix) the risk that our litigation with PharmAthene may impede our efforts to continue to grow our company, and (xx) the risk that we may not be able to establish our intended positions or otherwise not prevail in any further court proceedings.

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, 2012, as amended by SIGA's Form 10-K/A as filed on May 14, 2013, 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. All forward-looking statements are current only as of the date on which such statements were made. We do not undertake any obligation to update publicly any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.

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 June 30, 2013. The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934. Management recognizes that any disclosure controls and procedures no matter how well designed and operated, can only provide reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on that evaluation, our Chief Executive Office and Chief Financial Officer have concluded that, our disclosure controls and procedures were not effective as of June 30, 2013 because of a material weakness in our internal control over financial reporting as more fully described in Part II - Item 9A of the Annual Report on Form 10-K/A for the year ended December 31, 2012.

Restatement of Consolidated Financial Statements

On May 8, 2013, the Company concluded, based on the recommendation of management, that the previously issued consolidated financial statements for the years ended December 31, 2011 and 2010 included in the Company’s most recently filed Form 10-K for the year ended December 31, 2012, filed on March 6, 2013, are no longer appropriate to rely upon because they failed to account for certain outstanding warrants to purchase common stock of the Company (the “Warrants”) as liabilities rather than equity and to account for non-cash charges resulting from the periodic “mark-to-market” adjustments of the Warrants. The Company determined to restate the aforementioned financial statements in its Form 10-K/A for the year ended December 31, 2012, filed on May 14, 2013, in order to correct this error and reflect the aforementioned liabilities and non-cash charges.

Changes in Internal Control over Financial Reporting

There has been no changes in our internal control over financial reporting during the quarter ended June 30, 2013 that materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Remediation Plan

Management has developed a remediation plan to address the material weakness in our internal control over financial reporting. Implementation of the remediation plan consists of redesigning existing quarterly control procedures to enhance management’s accounting for warrants issued by the Company.

Management believes the foregoing efforts will effectively remediate the material weakness. As the Company continues to evaluate and work to improve its internal control over financial reporting, management may execute additional measures to address potential control deficiencies or modify the remediation plan described above. Management will continue to review and make necessary changes to the overall design of the Company’s internal control environment, as well as to policies and procedures to improve the overall effectiveness of internal control over financial reporting.

Table of Contents

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 (the “Court” or “Court of Chancery”) captioned PharmAthene, Inc. v. SIGA Technologies, Inc., C.A. No. 2627-N. In its amended complaint, PharmAthene asked the Court to order us to enter into a license agreement with PharmAthene with respect to ST-246, also known as Arestvyr, to declare that we are obliged to execute such a license agreement, and to 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, and sought damages for promissory estoppel and unjust enrichment based on supposed information, capital, and assistance that PharmAthene allegedly provided to us during the negotiation process. The Court tried the case in January 2011.

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

In May 2012, the Court entered its final order and judgment in this matter, implementing its post-trial opinion. Among other things, the final order and judgment provided that (a) net profits would be calculated in accordance with generally accepted accounting principles applied consistently with how they are applied in the preparation of our financial statements, (b) the net profits calculation would take into account expenses relating to ST-246 commencing with our acquisition of ST-246 in August 2004, and (c) PharmAthene could recover \$2.4 million of attorneys’ fees and expenses. As of June 30, 2013, SIGA has recorded a \$2.6 million loss contingency with respect to the fee, expense and interest portion of the judgment.

In June 2012, we appealed to the Supreme Court of the State of Delaware the final order and judgment and certain earlier rulings of the Court of Chancery. Shortly thereafter, PharmAthene filed its cross-appeal. We obtained a stay of enforcement of the fee and expense portion of the judgment by filing a surety bond for the amount of the judgment plus post-judgment interest. We posted \$1.3 million as collateral for the surety bond which is recorded in other assets as of June 30, 2013. The parties briefed the issues and argued before the Delaware Supreme Court, en banc, on January 10, 2013.

On May 24, 2013, the Supreme Court of Delaware issued its decision, affirming the Delaware Court of Chancery’s judgment in part, reversing it in part, and remanding to Vice Chancellor Parsons. The Supreme Court affirmed the Chancery Court determination that the Company had breached its contractual obligation to negotiate in good faith; reversed the promissory estoppel holding; and, reversed the Vice Chancellor’s equitable damages award. The Supreme Court held that the trial judge may award expectation damages for breach of the contractual duty to negotiate in good faith if such damages are proven with reasonable certainty, and remanded to the Chancery Court for consideration of damages consistent with that holding. The Supreme Court also reversed the Chancery Court’s award of attorney fees and expert witness fees because they were predicated in part on a now-reversed finding of liability on PharmAthene’s promissory estoppel claim. The Supreme Court held that the Chancery Court could reevaluate on remand an alternative award, if any, of attorneys’ fees and expert testimony expenses consistent with the Supreme Court’s opinion. Finally, the Supreme Court declined to consider all claims raised in PharmAthene’s cross appeal because it affirmed the Chancery Court’s finding that the Company was liable for breaching its contractual obligation to negotiate in good faith. On June 11, 2013, the Supreme Court issued its mandate to the Court of Chancery with the decision described

above.

On June 26, 2013, the parties appeared before Vice Chancellor Parsons to discuss the remand, at which time PharmAthene declared its desire to supplement the record with further evidence. Following briefing, the parties expect the Chancery Court to hear argument on this PharmAthene motion in August. After the Chancery Court determines the scope of the record, we expect the Chancery Court to require further briefing by the parties on the remedy to be awarded.

No assurances can be given as to the Chancery Court's determinations on remand.

Item 1A. Risk Factors

Our results of operations and financial condition are subject to numerous risks and uncertainties described in our originally filed 2012 Annual Report on Form 10-K and amended filing on Form 10-K/A for the fiscal year ended December 31, 2012.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

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.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

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: August 5, 2013

By: /s/ Daniel J. Luckshire
Daniel J. Luckshire
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)