

SIGA TECHNOLOGIES INC
Form 10-Q
November 08, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2011

OR

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

For the Transition Period from _____ to _____

Commission File No. 0-23047

SIGA Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3864870
(I.R.S. Employer Identification No.)

35 East 62nd Street
New York, NY
(Address of principal executive offices)

10065
(zip code)

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

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

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

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

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

(Do not check if a smaller reporting company)

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

As of October 17, 2011, the registrant had 51,418,518 shares of common stock outstanding.

SIGA TECHNOLOGIES, INC.
FORM 10-Q

TABLE OF CONTENTS

	Page No.
PART I – FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements	2
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk	14
Item 4. Controls and Procedures	15
PART II – OTHER INFORMATION	
Item 1. Legal Proceedings	16
Item 1A. Risk Factors	16
Item 2. Unregistered Sale of Equity Securities and Use of Proceeds	32
Item 3. Defaults upon Senior Securities	32
Item 4. Reserved	32
Item 5. Other Information	32
Item 6. Exhibits	32
SIGNATURES	33

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements.

SIGA TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 12,409,958	\$ 6,332,053
Short term investments	-	14,999,350
Accounts receivable	1,708,294	3,002,144
Prepaid expenses and other current assets	420,467	369,017
Total current assets	14,538,719	24,702,564
Property, plant and equipment, net	794,468	1,150,257
Goodwill	898,334	898,334
Deferred income tax asset	34,180,825	-
Other assets	371,748	280,648
Total assets	\$ 50,784,094	\$ 27,031,803
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,218,881	\$ 2,884,259
Accrued expenses and other current liabilities	1,476,875	1,378,921
Total current liabilities	3,695,756	4,263,180
Common stock warrants	1,024,981	10,524,660
Deferred income tax liability	-	175,175
Other liabilities	83,699	-
Total liabilities	4,804,436	14,963,015
Stockholders' equity		
Common stock (\$.0001 par value, 100,000,000 shares authorized, 51,418,518 and 49,019,433 issued and outstanding at September 30, 2011, and December 31, 2010, respectively)	5,142	4,902
Additional paid-in capital	149,087,836	134,524,304
Accumulated other comprehensive income	-	4,067
Accumulated deficit	(103,113,320)	(122,464,485)
Total stockholders' equity	45,979,658	12,068,788
Total liabilities and stockholders' equity	\$ 50,784,094	\$ 27,031,803

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

SIGA TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenues				
Research and development	\$ 3,577,948	\$ 6,631,857	\$ 7,765,725	\$ 16,153,821
Operating expenses				
Selling, general and administrative	3,968,605	1,389,259	17,569,201	5,591,875
Research and development	5,170,413	7,419,749	12,572,078	18,176,733
Patent preparation fees	482,074	234,511	1,236,949	860,511
Total operating expenses	9,621,092	9,043,519	31,378,228	24,629,119
Operating loss	(6,043,144)	(2,411,662)	(23,612,503)	(8,475,298)
Decrease (increase) in fair value of common stock warrants	4,726,054	(2,018,644)	8,528,863	(6,142,912)
Other income, net	329	-	12,429	-
Loss before benefit from income taxes	(1,316,761)	(4,430,306)	(15,071,211)	(14,618,210)
Benefit from income taxes	1,527,275	-	34,422,376	-
Net income (loss)	\$ 210,514	\$ (4,430,306)	\$ 19,351,165	\$ (14,618,210)
Basic earnings (loss) per share	\$ 0.00	\$ (0.10)	\$ 0.38	\$ (0.33)
Diluted earnings (loss) per share	\$ 0.00	\$ (0.10)	\$ 0.20	\$ (0.33)
Weighted average shares outstanding, basic	50,806,284	45,509,375	50,739,475	44,110,885
Weighted average shares outstanding: diluted	51,987,253	45,509,375	54,324,977	44,110,885

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

SIGA TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ 19,351,165	\$ (14,618,210)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and other amortization	465,268	463,174
(Decrease) increase in fair value of warrants	(8,528,863)	6,142,912
Stock based compensation	10,753,041	1,287,073
Changes in assets and liabilities:		
Accounts receivable	1,293,850	1,044,625
Accrued interest on short-term investments	(7,722)	-
Prepaid expenses	14,926	1,203,585
Other assets	(91,100)	30,038
Deferred income taxes, net	(34,422,376)	-
Accounts payable and accrued expenses	(567,424)	(1,590,301)
Other liabilities	83,699	(1,357,360)
Net cash used in operating activities	(11,655,536)	(7,394,464)
Cash flows from investing activities:		
Capital expenditures	(113,546)	(532,996)
Proceeds from maturity of short term investments	40,000,000	17,500,000
Purchases of short term investments	(24,992,928)	(26,240,640)
Net cash provided by (used in) investing activities	14,893,526	(9,273,636)
Cash flows from financing activities:		
Net proceeds from exercise of warrants and options	3,933,851	2,383,564
Proceeds from issuance of securities	-	5,500,000
Repurchase of common stock	(1,093,936)	-
Net cash provided by financing activities	2,839,915	7,883,564
Net increase (decrease) in cash and cash equivalents	6,077,905	(8,784,536)
Cash and cash equivalents at beginning of period	6,332,053	14,496,313
Cash and cash equivalents at end of period	\$ 12,409,958	\$ 5,711,777
Supplemental disclosure of non-cash financing activities:		
Reclass of common stock warrant liability to additional paid-in capital upon exercise	\$ 970,816	\$ -

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

SIGA TECHNOLOGIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim Condensed Consolidated Financial Statements

The condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (the “SEC”) for quarterly reports on Form 10-Q and should be read in conjunction with the Company’s consolidated audited financial statements and notes thereto for the year ended December 31, 2010, included in the 2010 Annual Report on Form 10-K. All terms used but not defined elsewhere herein have the meaning ascribed to them in the Company’s 2010 Annual Report on Form 10-K filed on March 9, 2011. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair statement of the results of the interim periods presented have been included. The 2010 year-end balance sheet data was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the results expected for the full year.

The accompanying condensed consolidated financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred cumulative net losses and expects to incur additional expense to perform further research and development activities. The Company has limited capital resources and will need additional funds to complete the development of our products. Management plans to fund continuing development work and operations through sources of cash that may include: collaborative agreements, strategic alliances, research grants, future equity and debt financing, and procurement contracts. There is no assurance that we will be successful in obtaining future sources of cash on commercially reasonable terms. Management believes that existing funds combined with cash flows primarily from our procurement contract with BARDA (see Note 2) and continuing government grants and contracts will be sufficient to support its operations for at least the next twelve months. As discussed in Note 11, our ability to support our operations may be adversely affected by the resolution of a pending dispute. The success of the Company is dependent upon generating commercial sales and the Company’s ability to obtain adequate future funding. If the Company is unable to raise adequate capital and/or achieve profitable operations, future operations might need to be scaled back or discontinued. The financial statements do not include any adjustments relating to the recoverability of the carrying amount of recorded assets and liabilities that might result from the outcome of these uncertainties.

2. ST-246® BARDA Agreement

In May 2011, we signed a five-year contract with the U.S. Biomedical Advanced Research and Development Authority (“BARDA”), pursuant to which we agreed to deliver two million courses of ST-246 to the U.S. Strategic National Stockpile (“SNS”). Under the BARDA Contract, we will sell to BARDA 1.7 million courses of ST-246 and provide other services for a base contract price of approximately \$435 million (the BARDA Contract was modified to include certain additional services). SIGA will also contribute to BARDA 300,000 courses of ST-246 manufactured using federal funds provided by the U.S. Department of Health and Human Services (“HHS”) under prior development contracts. In addition, the BARDA Contract contains options that, if exercised, will permit us to continue our work on pediatric and geriatric versions of the drug as well as use of ST-246 for smallpox prophylaxis for which we will receive additional consideration. As discussed in Note 11, the amount of consideration we are likely to receive pursuant to the BARDA Contract is dependent upon resolution of a pending dispute.

As originally issued, the BARDA Contract included an option for the purchase of up to 12 million additional courses of ST-246; however, following a protest by a competitor of ours, BARDA issued a contract modification in June 2011 pursuant to which it deleted the option to purchase the additional courses.