UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

Or

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-32587

PHARMATHENE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-2726770**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Park Place, Suite 450, Annapolis, MD	**21401**
(Address of principal executive offices)	(Zip Code)

(410) 269-2600

(Registrant's telephone number, including area code)

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, 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.

Large Accelerated Filer ☐	Accelerated Filer x
Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: The number of shares of the registrant's Common Stock, par value $0.0001 per share, outstanding as of May 2, 2013 was 49,460,686.

PHARMATHENE, INC.

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Item 1. Financial Statements

PHARMATHENE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,873,411	$ 12,701,517
Accounts receivable (billed)	1,865,916	2,432,641
Unbilled accounts receivable	3,713,797	4,114,442
Prepaid expenses and other current assets	614,388	547,245
Total current assets	19,067,512	19,795,845
Property and equipment, net	456,842	483,976
Other long-term assets and deferred costs	99,578	113,130
Goodwill	2,348,453	2,348,453
Total assets	$ 21,972,385	$ 22,741,404
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,289,627	$ 1,697,280
Accrued expenses and other liabilities	3,294,315	2,328,877
Deferred revenue	874,404	1,381,755
Current portion of long-term debt	999,996	749,997
Short-term debt	1,329,233	1,330,507
Total current liabilities	7,787,575	7,488,416
Other long-term liabilities	580,238	579,427
Long-term debt, less current portion	1,460,417	1,704,108
Derivative instruments	2,201,390	1,295,613
Total liabilities	12,029,620	11,067,564
Stockholders' equity:		
Common stock, $0.0001 par value; 100,000,000 shares authorized; 48,416,483 and 48,352,651 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	4,842	4,835
Additional paid-in-capital	210,877,892	210,495,905
Accumulated other comprehensive loss	(219,012)	(217,328)
Accumulated deficit	(200,720,957)	(198,609,572)
Total stockholders' equity	9,942,765	11,673,840
Total liabilities and stockholders' equity	$ 21,972,385	$ 22,741,404

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

PHARMATHENE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31,	
	2013	**2012**
Contract revenue	$ 6,475,138	$ 6,149,052
Operating expenses:		
Research and development	5,233,475	4,705,357
General and administrative	2,279,795	2,948,481
Depreciation and amortization	52,602	85,910
Total operating expenses	7,565,872	7,739,748
Loss from operations	(1,090,734)	(1,590,696)
Other income (expense):		
Interest income	783	2,988
Interest expense	(99,791)	(3,028)
Other income (expense)	(6,123)	52,915
Change in fair value of derivative instruments	(905,777)	(991,662)
Total other income (expense)	(1,010,908)	(938,787)
Net loss before income taxes	(2,101,642)	(2,529,483)
Income tax expense	(9,743)	(150,405)
Net loss	$ (2,111,385)	$ (2,679,888)
Basic and diluted net loss per share	$ (0.04)	$ (0.06)
Weighted average shares used in calculation of basic and diluted net loss per share	48,359,181	48,269,894

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

PHARMATHENE, INC

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS

	Three months ended March 31,	
	2013	**2012**
Net Loss	$ (2,111,385)	$ (2,679,888)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(1,684)	13,369
Comprehensive loss	$ (2,113,069)	$ (2,666,519)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

PHARMATHENE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	2013	**2012**
Operating activities		
Net loss	$ (2,111,385)	$ (2,679,888)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative instruments	905,777	991,662
Depreciation and amortization expense	52,602	85,910
Gain on the disposal of property and equipment	-	(66,626)
Deferred income tax expenses	9,743	150,405
Non-cash interest expense	32,431	-
Share-based compensation expense	328,581	548,664
Changes in operating assets and liabilities:		
Accounts receivable	566,725	3,278,062
Unbilled accounts receivable	400,645	(1,254,867)
Prepaid expenses and other current assets	39,486	137,362
Accounts payable	(407,653)	(35,280)
Accrued expenses and other liabilities	950,800	131,338
Deferred revenue	(507,351)	(495,372)
Net cash provided by operating activities	260,401	791,370
Investing activities		
Purchase of property and equipment	(25,468)	-
Proceeds from the sale of property and equipment	-	67,400
Net cash provided (used) by investing activities	(25,468)	67,400
Financing activities		
Proceeds from issuance of long-term debt	-	2,500,000
Net (repayment of) proceeds from revolving credit agreement	(1,274)	857,808
Deferred financing costs	-	(220,234)
Controlled equity offering issuance costs	(112,500)	-
Change in restricted cash requirements	-	100,000
Proceeds from issuance of common stock	53,413	-
Other	-	(32,960)
Net cash (used) provided by financing activities	(60,361)	3,204,614
Effects of exchange rates on cash	(2,678)	4,034
Increases in cash and cash equivalents	171,894	4,067,418
Cash and cash equivalents, at beginning of period	12,701,517	11,236,771
Cash and cash equivalents, at end of period	$ 12,873,411	$ 15,304,189
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 67,360	$ 3,028
Noncash financing activities		
Value of warrants issued to lender in connection with loan	$ -	$ 69,876

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

PHARMATHENE, INC.

Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2013

Note 1 - Organization and Business

We are a biopharmaceutical company focused on developing biodefense countermeasure applications. We are subject to those risks associated with any biopharmaceutical company that has substantial expenditures for research and development. There can be no assurance that our research and development projects will be successful, that products developed will obtain necessary regulatory approval, or that any approved product will be commercially viable. In addition, we operate in an environment of rapid technological change and are largely dependent on the services and expertise of our employees, consultants and other third parties.

Historically, we have performed under government contracts and grants and raised funds from investors to sustain our operations.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

Our unaudited condensed consolidated financial statements include the accounts of PharmAthene, Inc. and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Our unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly our financial position, results of operations and cash flows. The unaudited condensed consolidated balance sheet at December 31, 2012 has been derived from audited consolidated financial statements at that date. The interim results of operations are not necessarily indicative of the results that may occur for the full fiscal year. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to instructions, rules and regulations prescribed by the U.S. Securities and Exchange Commission. We believe that the disclosures provided herein are adequate to make the information presented not misleading when these unaudited condensed consolidated financial statements are read in conjunction with the Consolidated Financial Statements and Notes included in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission. We currently operate in one business segment.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Our unaudited condensed consolidated financial statements include significant estimates for the expected economic life and value of our intangible assets, the amount of our net operating losses, our share-based compensation, the value of our financial instruments, among other things. Because of the use of estimates inherent in the financial reporting process, actual results could differ significantly from those estimates.

Foreign Currency Translation

The functional currency of our wholly owned foreign subsidiaries is their local currency. Assets and liabilities of our foreign subsidiaries are translated into United States dollars based on exchange rates at the end of the reporting period. Income and expense items are translated at the weighted average exchange rates prevailing during the reporting period. Translation adjustments for subsidiaries that have not been sold, substantially liquidated or otherwise disposed of, are accumulated in other comprehensive income (loss), a component of stockholders' equity. Foreign currency translation adjustments are the sole component of accumulated other comprehensive loss at March 31, 2013 and December 31, 2012. Transaction gains or losses are included in the determination of net loss.

Comprehensive Loss and Accumulated Other Comprehensive Income

Comprehensive loss includes the total of our net loss and all other changes in equity other than transactions with owners, including (i) changes in equity for cumulative translation adjustments resulting from the consolidation of foreign subsidiaries as the financial statements of the subsidiaries located outside of the United States are accounted for using the local currency as the functional currency, and (ii) unrealized gains and losses on short term available-for-sale investments.

Cash and Cash Equivalents

Cash and cash equivalents are stated at market value. We consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Revolving Line of Credit and Term Loan

As discussed further in Note 6, we entered into a loan agreement with General Electric Capital Corporation ("GE Capital") in March 2012. As part of that agreement, we issued stock purchase warrants to GE Capital that expire in March 2022. The fair value of the warrants was charged to additional paid-in-capital, resulting in a debt discount to the Term Loan at the date of issuance. The debt discount and the financing costs, incurred in connections with the agreement, are being amortized over the term of the loan using the effective interest method. The amortization of both the debt discount and deferred financing costs are included in interest expense in the unaudited condensed consolidated statements of operations.

Significant Customers and Accounts Receivable

Our primary customers are the U.S. Department of Defense (the "DoD") - Chemical Biological Medical Systems ("CBMS"), and the Biomedical Advanced Research and Development Authority ("BARDA"). As of March 31, 2013 and December 31, 2012, the Company's trade receivable and unbilled receivable balances were comprised solely of receivables from CBMS and BARDA.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net identifiable assets associated with acquisitions. We review the recoverability of goodwill annually as of December 31st by comparing our market value (as measured by our stock price multiplied by the number of outstanding shares as of the end of the year) to the net book value of our equity. If our market value exceeds our net book value, no further analysis is required. Changes in our business strategy or adverse changes in market conditions could impact the impairment analyses and require the recognition of an impairment charge equal to the excess of the carrying value over its estimated fair value. We completed our last annual impairment assessment of goodwill as of December 31, 2012 and determined that there was no impairment as of that date.

Revenue Recognition

We generate our revenue from different types of contractual arrangements: cost-plus-fee contracts, cost reimbursable grants and fixed price contracts.

Revenues on cost-plus-fee contracts are recognized in an amount equal to the costs incurred during the period plus an estimate of the applicable fee earned. The estimate of the applicable fee earned is determined by reference to the contract: if the contract defines the fee in terms of risk-based milestones and specifies the fees to be earned upon the completion of each milestone, then the fee is recognized when the related milestones are earned, as further described below; otherwise, we estimate the fee earned in a given period by using a proportional performance method based on costs incurred during the period as compared to total estimated project costs and application of the resulting fraction to the total project fee specified in the contract.

Under the milestone method of revenue recognition, milestone payments (including milestone payments for fees) contained in research and development arrangements are recognized as revenue when: (i) the milestones are achieved; (ii) no further performance obligations with respect to the milestone exist; (iii) collection is reasonably assured; and (iv) substantive effort was necessary to achieve the milestone.

Milestones are considered substantive if all of the following conditions are met:

- it is commensurate with either our performance to meet the milestone or the enhancement of the value of the delivered item or items as a result of a specific outcome resulting from our performance to achieve the milestone,
- it relates solely to past performance,
- the value of the milestone is reasonable relative to all the deliverables and payment terms (including other potential milestone consideration) within the arrangement.

If a milestone is deemed not to be substantive, the Company recognizes the portion of the milestone payment as revenue that correlates to work already performed; the remaining portion of the milestone payment is deferred and recognized as revenue as the Company completes its performance obligations.

Revenue on fixed price contracts (without substantive milestones as described above) is recognized on the percentage-of-completion method. The percentage-of-completion method recognizes income as the contract progresses (generally related to the costs incurred in providing the services required under the contract). The use of the percentage-of-completion method depends on the ability to make reasonable dependable estimates and the fact that circumstances may necessitate frequent revision of estimates does not indicate that the estimates are unreliable for the purpose for which they are used.

As a result of our revenue recognition policies and the billing provisions contained in our contracts, the timing of customer billings may differ from the timing of recognizing revenue. Amounts invoiced to customers in excess of revenue recognized are reflected on the balance sheet as deferred revenue. Amounts recognized as revenue in excess of amounts billed to customers are reflected on the balance sheet as unbilled accounts receivable.

We analyze each cost reimbursable grant to determine whether we should report such reimbursements as revenue or as an offset to our expenses incurred. For the three months ended March 31, 2013 and 2012, we recorded approximately $0.02 million and $0.5 million, respectively, of costs reimbursed by the government as an offset to research and development expenses.

Share-Based Compensation

We expense the estimated fair value of share-based awards granted to employees under our stock compensation plans. The fair value of stock options is determined at the grant date using an option pricing model. We have estimated the fair value of each stock option award using the Black-Scholes option pricing model. The Black-Scholes model considers, among other factors, the expected life of the award and the expected volatility of our stock price. The value of the award that is ultimately expected to vest is recognized as expense on a straight line basis over the employee's requisite service period.

The fair value of restricted stock grants is determined based on the closing price of our common stock on the award date and is recognized as expense ratably over the requisite service period.

Employee share-based compensation expense recognized in the three months ended March 31, 2013 and 2012 was calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures at a rate of approximately 12%, based on historical forfeitures.

Share-based compensation expense for the three months ended March 31, 2013 and 2012 was:

	Three months ended March 31,	
	2013	2012
Research and development	$ 88,634	$ 117,067
General and administrative	239,947	431,597
Total share-based compensation expense	$ 328,581	$ 548,664

During the three months ended March 31, 2013, we granted 60,000 options to employees and consultants and made no restricted stock grants. During the three months ended March 31, 2012, we granted 15,948 options to employees and made no restricted stock grants. At March 31, 2013, we had total unrecognized share-based compensation expense related to unvested awards of approximately $2.0 million net of estimated forfeitures, which we expect to recognize as expense over a weighted-average period of 2.25 years.

Income Taxes

We account for income taxes using the asset and liability approach, which requires the recognition of future tax benefits or liabilities on the temporary differences between the financial reporting and tax bases of our assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized. We also recognize a tax benefit from uncertain tax positions only if it is “more likely than not” that the position is sustainable based on its technical merits. Our policy is to recognize interest and penalties on uncertain tax positions as a component of income tax expense.

Income tax expense was $9,743 and $150,405 during the three months ended March 31, 2013 and 2012, respectively. Income tax expense is a result of the difference between the treatment of goodwill for income tax purposes and for U.S. GAAP, resulting in a deferred tax liability, which cannot offset deferred tax assets. This deferred tax liability is included in our condensed consolidated balance sheet in other long-term liabilities.

Basic and Diluted Net Loss Per Share

Income (loss) per share: Basic income (loss) per share is computed by dividing consolidated net income (loss) by the weighted average number of common shares outstanding during the period, excluding unvested restricted stock.

For periods of net income when the effects are not anti-dilutive, diluted earnings per share is computed by dividing our net income by the weighted average number of shares outstanding and the impact of all potential dilutive common shares, consisting primarily of stock options, unvested restricted stock and stock purchase warrants. The dilutive impact of our dilutive potential common shares resulting from stock options and stock purchase warrants is determined by applying the treasury stock method.

For the periods of net loss, diluted loss per share is calculated similarly to basic loss per share because the impact of all dilutive potential common shares is anti-dilutive due to the net losses. A total of approximately 11.6 million and 11.5 million potential dilutive securities have been excluded in the calculation of diluted net loss per share in the three months ended March 31, 2013 and 2012, respectively, because their inclusion would be anti-dilutive.

Recent Accounting Pronouncements

We have evaluated all Accounting Standards Updates through the date the unaudited condensed consolidated financial statements were issued and believe the adoption of these will not have a material impact on our results of operations, financial position, or cash flows.

Note 3 - Fair Value Measurements

We define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We report assets and liabilities that are measured at fair value using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.

- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At each reporting period, we perform a detailed analysis of our assets and liabilities that are measured at fair value. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

We have segregated our financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below. We have no non-financial assets and liabilities that are measured at fair value on a recurring basis. As of March 31, 2013 and 2012 we had Level 3 derivative liabilities of approximately $2.2 million and $2.9 million, respectively.

The following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis:

	As of March 31, 2013			
	Level 1	Level 2	Level 3	Balance
Liabilities				
Derivatives instruments	$ -	$ -	$ 2,201,390	$ 2,201,390

	As of December 31, 2012			
	Level 1	Level 2	Level 3	Balance
Liabilities				
Derivatives instruments	$ -	$ -	$ 1,295,613	$ 1,295,613

The following table sets forth a summary of changes in the fair value of the Company's Level 3 liabilities for the three months ended March 31, 2013:

Description	Balance as of December 31, 2012	Unrealized Losses	Balance as of March 31, 2013
Derivative liabilities related to stock purchase warrants	$ 1,295,613	$ 905,777	$ 2,201,390

The following table sets forth a summary of changes in the fair value of the Company's Level 3 liabilities for the three months ended March 31, 2012:

Description	Balance as of December 31, 2011	Unrealized Losses	Balance as of March 31, 2012
Derivative liabilities related to stock purchase warrants	$ 1,886,652	$ 991,662	$ 2,878,314

At March 31, 2013 and 2012, derivative liabilities are comprised of warrants to purchase 2,899,991 shares of common stock. The warrants are considered to be derivative liabilities due to the presence of net settlement features and, as a result, are recorded at fair value at each balance sheet date, with changes in fair value recorded in the unaudited condensed consolidated statements of operations. The fair value of our warrants is determined based on the Black-Scholes option pricing model. Use of the Black-Scholes option pricing model requires the use of unobservable inputs such as the expected term, anticipated volatility and expected dividends.

Quantitative Information about Level 3 Fair Value Measurements

Fair Value at 3/31/2013	Valuation Technique	Unobservable Inputs
$ 2,201,390	Black-Scholes option pricing model	Expected term
		Expected dividends
		Anticipated volatility

Changes in any of the assumptions related to the unobservable inputs identified above may change the stock purchase warrants' fair value; increases in expected term, anticipated volatility and expected dividends generally result in increases in fair value, while decreases in the unobservable inputs generally result in decreases in fair value. Gains and losses on the fair value adjustments for these derivative instruments are classified in other expenses as the change in fair value of derivative instruments in our unaudited condensed consolidated statements of operations. The $0.9 million change in the market value of derivative instruments during the three-month period ended March 31, 2013 is due primarily to the change in the closing price of PharmAthene stock, which was $1.12 per share as of December 31, 2012 and $1.70 per share as of March 28, 2013. The $1.0 million change in the market value of derivative instruments during the three-month period ended March 31, 2012 is due primarily to the change in the closing price of PharmAthene stock, which was $1.27 per share as of December 30, 2011 and $1.77 per share as of March 30, 2012.

Assets Measured at Fair Value on a Nonrecurring Basis

The Company measures its long-lived assets, including, property and equipment and goodwill, at fair value on a nonrecurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. (see Note 2). As of March 31, 2013, the Company had no other assets or liabilities that were measured at fair value on a nonrecurring basis.

Note 4 - Commitments and Contingencies

SIGA Litigation

In December 2006, we filed a complaint against SIGA Technologies, Inc. ("SIGA") in the Delaware Court of Chancery. The complaint alleged, among other things, that we have the right to license exclusively development and marketing rights for SIGA's drug candidate, Arestvyr™ (Tecovirimat), pursuant to a merger agreement between the parties that was terminated in 2006. The complaint also alleged that SIGA failed to negotiate in good faith the terms of such a license pursuant to the terminated merger agreement.

In September 2011, the Court issued an opinion in the case finding that SIGA had breached certain contractual obligations to us and upholding our claims of promissory estoppel. The Court awarded us the right to receive 50% of all net profits (as defined in the court's final judgment) related to the sale of Arestvyr™ and related products for 10 years following initial commercial sale of the drug once SIGA earns $40 million in net profits from the sale of Arestvyr™ and related products. The Court also awarded us one-third of our reasonable attorney's fees and expert witness fees, which amounts to approximately $2.4 million plus interest. In May 2012, the Court issued its final judgment. SIGA has appealed aspects of the decision to the Delaware Supreme Court. In response, we cross-appealed other aspects of the decision. In January 2013, the Delaware Supreme Court heard oral argument in the case.

We can provide no assurances that SIGA will not prevail on its appeal, that we will be successful in our appeal, and that the Delaware Supreme Court will not overturn the trial court's decision awarding us a 10 year 50% net profit of the sales of Arestvyr™ and related products (once SIGA retains the first $40 million in net profit). We have not yet recorded any amount due from SIGA in relation to this case.

Vendor Litigation

One of our vendors mishandled the storage of certain biological materials. While we have been engaged in discussions with the vendor to address our concerns, so far we have not come to agreement. The vendor filed suit against us in Delaware state court seeking a declaration that they are not liable for damages and seeking damages from us for allegedly not maintaining the required amount and type of insurance. We filed suit against the vendor in Maryland state court seeking damages related to the loss of the property. We believe we did maintain the appropriate amount and type of insurance, that in no event did we harm the vendor, and thus their damages claim is without merit. We plan to vigorously defend against their claims while pursuing our own.

Government Contracting

Payments to the Company on cost-plus-fee contracts are provisional and are subject to adjustment upon audit by the Defense Contract Audit Agency and BARDA. In our opinion, adjustments that may result from audits are not expected to have a material effect on our financial position, results of operations, or cash flows.

Registration Rights Agreements

We entered into a Registration Rights Agreement with the investors who participated in the July 2009 private placement of convertible notes and related warrants. We subsequently filed two registration statements on Form S-3 with the Securities and Exchange Commission to register the shares underlying the convertible notes and related warrants, which registration statements have been declared effective. We are obligated to maintain the registration statements effective until the date when all shares underlying the convertible notes and related warrants (and any other securities issued or issuable with respect to in exchange for such shares) have been sold. The convertible notes were converted or extinguished in 2010, although the related warrants remain outstanding. The warrants will expire on January 28, 2015.

We have separate registration rights agreements with investors, under which we have obligations to keep the corresponding registration statements effective until the registrable securities (as defined in each agreement) have been sold, and under which we may have separate obligations to file registration statements in the future on either a demand or "piggy-back" basis or both.

Under the terms of the convertible notes, which were converted or extinguished in 2010, if after the 2nd consecutive business day (other than during an allowable blackout period) on which sales of all of the securities required to be included on the registration statement cannot be made pursuant to the registration statement (a "Maintenance Failure"), we will be required to pay to each selling stockholder a one-time payment of 1.0% of the aggregate principal amount of the convertible notes relating to the affected shares on the initial day of a Maintenance Failure. Our total maximum obligation under this provision at March 31, 2013, would be approximately $0.2 million.

Following a Maintenance Failure, we will also be required to make to each selling stockholder monthly payments of 1.0% of the aggregate principal amount of the convertible notes relating to the affected shares on every 30th day after the initial day of a Maintenance Failure, in each case prorated for shorter periods and until the failure is cured. Our total maximum obligation under this provision would be approximate $0.2 million for each month until the failure, if it occurs, is cured.

Note 5 - Stockholders' Equity

Long-Term Incentive Plan

In 2007, the Company's stockholders approved the 2007 Long-Term Incentive Compensation Plan (the "2007 Plan") which provides for the granting of incentive and non-qualified stock options, stock appreciation rights, performance units, restricted common awards and performance bonuses (collectively "awards") to Company officers and employees. Additionally, the 2007 Plan authorizes the granting of non-qualified stock options and restricted stock awards to Company directors and to independent consultants.

In 2008, the Company's shareholders approved amendments to the 2007 Plan, increasing from 3.5 million shares to 4.6 million shares the maximum number of shares authorized for issuance under the plan and adding an evergreen provision pursuant to which the number of shares authorized for issuance under the plan will increase automatically in each year, beginning in 2009 and continuing through 2015, according to certain limits set forth in the 2007 Plan. At March 31, 2013, there are approximately 9.3 million shares approved for issuance under the 2007 plan, of which approximately 2.6 million shares are available to be issued. The Board of Directors in conjunction with management determines who receives awards, the vesting conditions and the exercise price. Options may have a maximum term of ten years.

Warrants Classified as Equity

In connection with the July 2009 private placement, we issued warrants to purchase an aggregate of 2,572,775 shares of the Company's common stock at an exercise price of $2.50 per share. The warrants will expire on January 28, 2015. Also outstanding are warrants to purchase an aggregate of 100,778 shares of common stock at $3.97 per share, which will expire on March 30, 2017.

In connection with the March 30, 2012, debt financing (see Note 6), we issued warrants to purchase an aggregate of 46,584 shares of the Company's common stock at an exercise price of $1.61 per share to GE Capital Equity Investments, Inc. The relative fair value attributable to the warrants of $69,876 was recorded in equity during the quarter ended March 31, 2012. The warrants will expire on March 30, 2022.

Warrants

At March 31, 2013 and 2012 there were warrants outstanding to purchase 5,620,128 shares of our common stock, respectively. The warrants outstanding as of March 31, 2013 and 2012 were as follows:

Number of Common Shares Underlying Warrants	Issue Date/Exercisable Date	Exercise Price	Expiration Date
100,778(1)	Mar-07 / Mar-07	$ 3.97	Mar-17
705,354(2)	Mar-09 / Sep-09	$ 3.00	Sep-14
2,572,775(1)	Jul-09 / Jan-10	$ 2.50	Jan-15
500,000(2)	Apr-10 / Oct-10	$ 1.89	Oct-15
1,323,214(2)	Jul-10 / Jan-11	$ 1.63	Jan-17
371,423(2)	Jun-11 / Jun-11	$ 3.50	Jun-16
46,584(1)	Mar-12 / Mar-12	$ 1.61	Mar-22
5,620,128			

(1) These warrants to purchase common stock are classified as equity.

(2) These warrants to purchase common stock are classified as derivative liabilities. The fair value of these liabilities (see note 3) is remeasured at the end of every reporting period and the change in fair value is reported in the unaudited condensed consolidated statements of operations as other income (expense).

Note 6 – Financing Transactions

Controlled Equity Offering

On March 25, 2013, we entered into a controlled equity offering with a sales agent pursuant to which we may offer and sell, from time to time, through the agent shares of our common stock having an aggregate offering price of up to $15.0 million. Under the arrangement, the agent may sell shares by any method permitted by law and deemed to be an “at-the-market” offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, including sales made directly on NYSE MKT, or any other existing trading market for our Common Stock or to or through a market maker. We are not obligated to sell any shares under the arrangement. Subject to the terms and conditions of that agreement, the agent will use commercially reasonable efforts, consistent with its normal trading and sales practices and applicable state and federal law, rules and regulations and the rules of NYSE MKT, to sell shares from time to time based upon our instructions. We are obligated to pay the agent a commission of 3.0% of the aggregate gross proceeds from each sale of shares. Total expenses incurred for the offering, excluding commission payable to the agent, were approximately $277,000. Through March 31, 2013, we sold 19,900 shares of our common stock under this arrangement, which did not settle until April 2013, that resulted in net proceeds to the company of approximately $33,000. As of March 31, 2013, aggregate gross sales for additional common stock of approximately $14.97 million remained available under the arrangement.

Loan Agreement with GE Capital

On March 30, 2012, we entered into a Loan Agreement with GE Capital. The Loan Agreement provides for a senior secured debt facility including a $2.5 million term loan and a revolving line of credit of up to $5 million based on our outstanding qualified accounts receivable. On March 30, 2012, the term loan was funded for an aggregate amount of $2.5 million.

Under the terms of the revolving line of credit, the Company may draw down from the revolving line of credit up to 85% of qualified billed accounts receivable and 80% of qualified unbilled accounts receivable. As of March 31, 2013, the total amount available to draw was approximately $2.3 million, of which $1.3 million was drawn and outstanding.

The fixed interest rate on the term loan is 10.14% per annum. The revolving line of credit has an adjustable interest rate based upon the 3-month London Interbank Offered Rate (LIBOR), with a floor of 1.5%, plus 5%. As of March 31, 2013, the interest rate was 6.5%. Both the term loan and the revolving line of credit mature in September 2015. Payments on the term loan were originally interest-only for the first 10 months, which has since been extended to 12 months pursuant to terms of the agreement. Subsequently, the term loan will fully amortize over its remaining term as of March 31, 2013. Principal payments on the term loan are scheduled as follows:

Year	Principal Payments
2013	$749,997
2014	999,996
2015	750,007
	$2,500,000

The term loan, net of discount of $39,587, is recorded on the 2013 condensed consolidated balance sheet, net of debt discount, as follows:

Current portion of long-term debt	$	999,996
Long-term debt, less current portion	$	1,460,417

If we prepay the term loan and terminate the revolving line of credit prior to the scheduled maturity date, we are obligated to pay a prepayment premium equal to 3% of the then outstanding principal amount of the term loan if prepaid during the first two years of the loan and 2% if prepaid during the third year or thereafter. In addition, we are obligated to pay a final payment fee of 3% of the term loan balance. The final payment fee is being accrued and expensed over the term of the agreement, using the effective interest method and is included in other long-term liabilities on the condensed consolidated balance sheet.

Our obligations under the Loan Agreement are collateralized by a security interest in substantially all of our assets. While the security interest does not, except in limited circumstances, cover our intellectual property, it does cover any proceeds received by us from the use or sale of our intellectual property.

In connection with the Loan Agreement, we issued GE Capital warrants to purchase 46,584 shares of the Company's common stock at an exercise price of $1.61 per share. The warrants are exercisable immediately and subject to customary and standard anti-dilution adjustments. The warrants are classified in equity and, as a result, the fair value of the warrants was charged to additional paid-in capital resulting in a debt discount at the date of issuance. The debt discount is being amortized over the term of the loan agreement using the effective interest method. Financing costs incurred in connection with this agreement are also being amortized over the term of the agreement using the effective interest method.

The fair value of the Company's outstanding borrowings under its revolving credit facility at March 31, 2013 was consistent with its carrying value as of that date primarily due to the short term nature of the Revolver's repayment terms. The Company determined the fair value of the Term Loan approximated its carrying value as of March 31, 2013.

Note 7 – Subsequent Events

Subsequent to March 31, 2013, we sold 1,030,870 shares of our common stock under the controlled equity offering, which resulted in net proceeds of approximately $1.63 million. (See Note 6). Aggregate gross proceeds of up to approximately $13.29 million remain available under the arrangement.

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. This information may involve known and unknown risks, uncertainties and other factors that are difficult to predict and may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, risk associated with the following:

- *the reliability of the results of the studies relating to efficacy and safety, and possible adverse effects resulting from the administration, of the Company's product candidates;*
- *funding delays, reductions in or elimination of U.S. government funding and/or non-renewal of expiring funding for one or more of our development programs;*
- *the award of government contracts to our competitors or delays caused by third parties challenging government contract awards to us;*
- *unforeseen safety and efficacy issues;*
- *challenges related to the development, technology transfer, scale-up, and/or process validation of manufacturing processes for our product candidates; and*
- *unexpected determinations that these product candidates prove not to be effective and/or capable of being marketed as products;*

as well as risks detailed under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and in our other reports filed with the U.S. Securities and Exchange Commission (the "SEC") from time to time thereafter. In particular, there can be no assurance that the Company will prevail in the appeal to the Delaware Supreme Court of the ruling of the Delaware Court of Chancery awarding PharmAthene 50% of all net profits (as defined in the court's final judgment) related to the sale of Arestvyr™ (formerly called ST-246®) and related products for 10 years following initial commercial sale of the drug once SIGA earns $40 million in net profits from the sale of Arestvyr™ and related products. Further, the timing and amount of any future sales and revenues of Arestvyr™ is uncertain. Significant additional non-clinical animal studies, human clinical trials, and manufacturing development work remain to be completed for all our products candidates, including Valortim® and rBChE, and with FDA's August 2012 clinical hold of SparVax®, it is unclear when, if ever, we can re-initiate human clinical trials for that product candidate. At this point future government funding to support the development of Valortim® is unlikely and remains uncertain. It is also uncertain whether any of our product candidates will be shown to be safe and effective and approved by regulatory authorities for use in humans. Forward-looking statements describe management's current expectations regarding our future plans, strategies and objectives and are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," "potential" or "plan" or the negative of these words or other variations on these words or comparable terminology. Such statements include, but are not limited to:

- *statements about potential future government contract or grant awards;*
- *potential payments under government contracts or grants;*
- *potential regulatory approvals;*
- *future product advancements; and*
- *anticipated financial or operational results.*

Forward-looking statements are based on assumptions that may be incorrect, and we cannot assure you that the projections included in the forward-looking statements will come to pass.

We have based the forward-looking statements included in this Quarterly Report on Form 10-Q on information available to us on the date of this Quarterly Report, and we assume no obligation to update any such forward-looking statements, other than as required by law. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we, in the future, may file with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements which present our results of operations for the three months ended March 31, 2013 and 2012, as well as our financial positions at March 31, 2013 and December 31, 2012, contained elsewhere in this Quarterly Report on Form 10-Q. The following discussion should also be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2012, filed on March 13, 2013, including the consolidated financial statements contained therein.

Overview

We are a biodefense company engaged in the development and commercialization of next generation medical countermeasures against biological and chemical threats. Our current biodefense portfolio includes the following product candidates:

- SparVax®, a next generation recombinant protective antigen ("rPA") anthrax vaccine,
- rBChE (recombinant butyrylcholinesterase) bioscavanger, a medical countermeasure for nerve agent poisoning by organophosphorous compounds, including nerve gases and pesticides, and
- Valortim®, a fully human monoclonal antibody for the prevention and treatment of anthrax infection.

In addition, we were awarded by the Delaware Court of Chancery in September 2011 the right to receive 50% of all net profits (as defined in the court's final judgment) related to the sale of SIGA Technologies, Inc.'s (SIGA) Arestvyr™ (formerly known as ST-246®) and related products for 10 years following initial commercial sale of the drug once SIGA earns $40 million in net profits from the sales of Arestvyr™ and related products. In May 2012, the Court issued its final judgment. SIGA has appealed aspects of the decision to the Delaware Supreme Court. In response, we have cross-appealed other aspects of the decision. In January 2013, the Delaware Supreme Court heard oral argument in the case.

Critical Accounting Policies

A "critical accounting policy" is one that is both important to the portrayal of our financial condition and results of operations and that requires management's most difficult, subjective or complex judgments. Such judgments are often the result of a need to make estimates about the effect of matters that are inherently uncertain. The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. We believe that the disclosures provided herein are adequate to make the information presented not misleading when these unaudited condensed consolidated financial statements are read in conjunction with the Consolidated Financial Statements and Notes included in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission.

There were no significant changes in critical accounting policies from those at December 31, 2012.

Results of Operations

Revenue

We recognized revenue of $6.5 million and $6.1 million during the three months ended March 31, 2013 and 2012, respectively.

	Three months ended March 31,		
Revenue ($ in millions)	2013	2012	% Change
SparVax®	$ 5.1	$ 5.2	-1.9%
rBChE bioscavanger	1.4	0.8	75.0%
Valortim®	0.0	0.1	-100.0%
Total Revenue	$ 6.5	$ 6.1	6.6%

Our revenue was derived primarily from contracts with the U.S. government for the development of SparVax®, and our rBChE bioscavanger. Our revenue in the three months ended March 31, 2013 changed from the comparable period of 2012 primarily due to the following:

- Under our contract for the development of SparVax®, we recognized approximately $5.1 million and $5.2 million of revenue for the three months ended March 31, 2013 and 2012, respectively. During the quarter ended March 31, 2013 revenue was primarily attributable to work related to manufacturing process characterization, ongoing stability testing of bulk drug substance (BDS) and final drug product (FDP), immunopotency assay development, and the completion of a rabbit dose ranging efficacy study. During the quarter ended March 31, 2012 revenue for the Company's SparVax® program was primarily attributable to work related to the manufacture of final drug product of SparVax® as well as activities related to the Phase 2 clinical trial planned to commence later in 2012 and the completion of certain activities related to the development of analytical assays. Milestone revenue for the three months ended March 31, 2013 was $0.07 million and for the three months ended March 31, 2012 was $0.9 million. During the quarter, we submitted our complete response to the FDA in response to a clinical hold notification for our proposed Phase II clinical trial of SparVax®.

- We recognized approximately $1.4 million and $0.8 million related to work on our second generation rBChE bioscavanger in the first three months of 2013 and 2012, respectively, under the $5.7 million August 2011 Firm Fixed Price contract with the DoD for the development of the advanced expression system for rBChE. In the first three months of 2012 our activities related to clone generation and initiation of process development, while in the comparable 2013 period we continued with the process development work and focused on material generation for non-clinical studies.

Research and Development Expenses

Our research and development expenses were $5.2 million and $4.7 million for the three months ended March 31, 2013 and 2012, respectively. These expenses resulted from research and development activities in both periods related primarily to our SparVax® and rBChE bioscavanger programs. Direct expenses included salaries and other costs of personnel, raw materials and supplies, and an allocation of indirect expenses. We also incurred third-party costs, such as contract research, consulting and clinical development costs for individual projects. Research and development expenses for the three months ended March 31, 2013 and 2012 were net of cost reimbursements under certain of our government grants of $0.02 million and $0.5 million, respectively.

Research and development expenses for the three months ended March 31, 2013 and 2012 were attributable to research programs as follows:

	Three Months ended March 31,		
Research and Development Expenses ($ in millions)	2013	2012	% Change
SparVax® and Valortim®	$ 4.4	$ 4.2	4.8%
rBChE bioscavenger	0.8	0.4	100.0%
Internal research and development	0.0	0.1	-100.0%
Total research and development expenses	$ 5.2	$ 4.7	10.6%

For the three months ended March 31, 2013, research and development expenses increased $0.5 million from the same period in the prior year, due to increased costs related to our SparVax® program, as a result of the completion of a significant number of BDS process characterization activities and the conduct of activities required to address the FDA clinical hold issues, and our rBChE bioscavanger program. These increases were offset by the reduction in direct costs related to our Valortim® program as a result of the completion of work under the contract in the first quarter of 2012.

General and Administrative Expenses

General and administrative functions include executive management, finance and administration, government affairs and regulations, corporate development, human resources, legal, and compliance. For each function, we may incur expenses such as salaries, supplies and third-party consulting and other external costs and non-cash expenditures such as expense related to stock option and restricted share awards. An allocation of indirect costs such as facilities, utilities and other administrative overhead is also included in general and administrative expenses.

Expenses associated with general and administrative functions were $2.3 million for the three months ended March 31, 2013 and $2.9 million for the three months ended March 31, 2012. The $0.6 million dollar decrease from the same period in the prior year, was principally due to reduced labor and associated share-based compensation costs and lower professional and consulting fees.

Depreciation and Amortization

Depreciation and amortization expenses were approximately $0.1 million for the three months ended March 31, 2013 and 2012, respectively.

Other Income (Expense)

Other income (expense) primarily consists of income on our investments, interest expense on our debt and other financial obligations, changes in fair value of our derivative financial instruments, foreign currency transaction gains or losses, and the gain on the disposal of property and equipment.

Other expense in 2013 was $1.01 million, compared to $0.94 million in 2012, an increase of $0.07 million. The increase was primarily the result of (i) $0.1 million of additional interest expense in 2013 generated from our loans with GE Capital, (ii) a $0.07 million gain in 2012 on the disposal of property and equipment, and (iii) a $0.1 million difference in losses related to the changes in fair value of our derivative instruments.

Income Taxes

Income tax expense was $0.01 million and $0.15 million during the three months ended March 31, 2013 and 2012, respectively. Income tax expense in 2012 resulted from the difference between the treatment of goodwill for income tax purposes and for U.S. Generally Accepted Accounting Principles.

Liquidity and Capital Resources

Overview

Our primary source of cash during the first quarter 2013 was provided by our operating activities. Our future capital requirements will depend on many factors, including, the progress of our research and development programs; the progress of pre-clinical and clinical testing; the time and cost involved in obtaining regulatory approval; the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights; changes in our existing research relationships; competing technological and marketing developments; our ability to establish collaborative arrangements and to enter into licensing agreements and contractual arrangements with others; and any future change in our business strategy. These cash requirements could change materially as a result of shifts in our business and strategy. The need to raise additional capital will depend on many factors, including but not limited to, our future cash requirements, future contract funding, whether SIGA prevails in its appeal challenging the trial court ruling awarding us an interest in a portion of the net profits of Arestvyr™, the timing, amount, and profitability of sales of Arestvyr™, if any (including the timing of SIGA's recognition of revenue related thereto), and if the trial court ruling is upheld, our ability to collect our portion of net profits related to Arestvyr™.

For the three months ended March 31, 2013 and 2012, we generated positive cash flows from operations, however, historically, we have not generated positive cash flows from operations. To bridge the gap between payments made to us under our government contracts and grants and our operating and capital needs, we have had to rely on a variety of financing sources, including the issuance of equity securities and equity-linked securities and proceeds from loans and other borrowings. On March 25, 2013, we entered into a controlled equity offering pursuant to which we may offer and sell, from time to time, through a sales agent, shares of our common stock having an aggregate offering price of up to $15.0 million. (See *Financing Activities* below). For the foreseeable future, we will continue to need these types of financing vehicles and potentially others to help fund our future operating and capital requirements.

Global economic uncertainty continues to make capital markets more volatile and is threatening to once again tighten the credit markets. As a result, there can be no assurances that we would be successful in obtaining sufficient financing on commercially reasonable terms or at all. In addition, due to the U.S. government's continuing substantial efforts to stabilize the economy, the U.S. government may be forced or choose to reduce or delay spending in the biodefense field, which could decrease the likelihood of future government contract awards, the likelihood that the government will exercise its right to extend any of its existing contracts with us and/or the likelihood that the government would procure products from us.

Our unaudited condensed consolidated financial statements have been prepared on a basis which assumes that we 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 and do not include any adjustments that might result if the carrying amount of recorded assets and liabilities are not realized.

Sources and Uses of Cash

Cash and cash equivalents were $12.9 million and $12.7 million at March 31, 2013 and December 31, 2012, respectively.

Cash Flows

The following table provides information regarding our cash flows for the three months ended March 31, 2013 and 2012:

	Three months ended March 31,	
	2013	2012
Net cash provided by (used in):		
Operating activities	$ 260,401	$ 791,370
Investing activities	(25,468)	67,400
Financing activities	(60,361)	3,204,614
Effects of exchange rates on cash	(2,678)	4,034
Total increase in net cash	$ 171,894	$ 4,067,418

Operating Activities

Net cash provided by operating activities was $0.3 million and $0.8 million and for the three months ended March 31, 2013 and 2012, respectively.

Net cash provided by operating activities during the three months ended March 31, 2013 reflects our net loss of $2.1 million, adjusted for the increase in the fair value of derivative instruments of $0.9 million and other noncash expenses of $0.4 million. A decrease in receivables (billed and unbilled) of approximately $1.0 million and an increase in accrued expenses and other liabilities of $1.0 million was partially offset by a decrease in accounts payable of $0.4 million and deferred revenue of $0.5 million.

Net cash provided by operations during the three months ended March 31, 2012 reflects our net loss of $2.7 million, adjusted for the increase in the fair value of derivative instruments of $1.0 million and other noncash expenses of $0.8 million. A decrease in accounts receivable of $3.3 million was partially offset by an increase in unbilled accounts receivable of $1.3 million.

Investing Activities

There were no significant investing activities during the three months ended March 31, 2013 and March 31, 2012.

Financing Activities

Net cash used by financing activities was $0.06 million for the three months ended March 31, 2013, as compared to, $3.2 million provided by financing activities for the three months ended March 31, 2012.

Net cash used by financing activities for the three months ended March 31, 2013 was principally the result of issuance costs incurred in connection with the controlled equity offering which were partially offset from proceeds received from the issuance of common stock in connection with stock option exercises. The majority of our cash provided by financing for the three months ended March 30, 2012, was a result of us entering into a senior fully-secured debt facility with GE Capital as described in Note 6 to the unaudited condensed consolidated financial statements, which is included in Part 1 of this Form 10-Q.

On March 25, 2013, we entered into a controlled equity offering pursuant to which we may offer and sell, from time to time, through a sales agent, shares of our common stock having an aggregate offering price of up to $15.0 million. Under the arrangement, the agent may sell shares by any method permitted by law and deemed to be an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, including sales made directly on NYSE MKT, on any other existing trading market for the Common Stock or to or through a market maker. We are not obligated to sell any shares under the Sales Agreement. We are obligated to pay the agent a commission of 3.0% of the aggregate gross proceeds from each sale of shares. See additional discussion in Note 6 to the unaudited condensed consolidated financial statements which are included in Part 1 of this Form 10-Q.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

The following are contractual commitments at March 31, 2013:

Contractual Obligations(1)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 years
Operating facility leases	$ 3,429,900	$ 803,500	$ 1,631,200	$ 995,200	$ -
Research and development agreements	4,760,000	4,760,000	-	-	-
Term loan, principal payments only	2,500,000	999,996	1,500,004	-	-
Total contractual obligations	$ 10,689,900	$ 6,563,496	$ 3,131,204	$ 995,200	$ -

(1) This table does not include any royalty payments relating to future sales of products subject to license agreements the Company has entered into in relation to its in-licensed technology, as the timing and likelihood of such payments are not known. In addition, the table does not include the final payment fee of $75,000 on the term loan, which is being accrued and expensed over the term of the agreement, using the effective interest method, or the debt discount, which is being amortized over the term of the agreement. The debt discount and final payment accrual at March 31, 2013 were $39,587 and $32,009 respectively. See additional discussion in Note 6 to the unaudited condensed consolidated financial statements which are included in Part 1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our exposure to market risk is currently confined to our cash and cash equivalents and our revolving line of credit. We currently do not hedge interest rate exposure or foreign currency exchange exposure. We have not used derivative financial instruments for speculation or trading purposes.

The Company's current operations in foreign countries are minimal. We have closed our active operations in Canada and maintain only nominal operations in the United Kingdom. A 10% change in exchange rates (against the U.S. dollar) would not have a material impact on earnings, fair values or cash flow.

Because of the short-term maturities of our cash and cash equivalents, we do not believe that an increase in market interest rates would have a significant impact on their realized value. Our term loan with GE Capital is at a fixed 10.14% rate. Because of the fixed rate, a change in market interest rates would not have a material impact on interest expense associated with the loan. The interest rate on the revolving line of credit is variable; therefore, a 1% increase in market interest rates above the interest rate floor of 1.5%, would increase interest expense associated with the line by $50,000 if the maximum amount of the line ($5.0 million) was drawn for a full year.

The change in fair value of our derivative instruments is calculated utilizing the Black-Scholes model; therefore, a 10% increase/decrease in the closing price of PharmAthene's common stock at March 31, 2013, would result in a change in fair value of derivative instruments and our earnings of approximately $0.3 million.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2013. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

Our management, including our principal executive and principal financial officers, has evaluated any changes in our internal control over financial reporting that occurred during the quarterly period ended March 31, 2013, and has concluded that there was no change that occurred during the quarterly period ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Except as noted below, we are not a defendant in any legal proceedings.

In December 2006, we filed a complaint against SIGA Technologies, Inc. ("SIGA") in the Delaware Court of Chancery. The complaint alleged, among other things, that we have the right to license exclusively development and marketing rights for SIGA's drug candidate, Arestvyr™ (Tecovirimat), pursuant to a merger agreement between the parties that was terminated in 2006. The complaint also alleged that SIGA failed to negotiate in good faith the terms of such a license pursuant to the terminated merger agreement.

In September 2011, the Court issued an opinion in the case finding that SIGA had breached certain contractual obligations to us and upholding our claims of promissory estoppel. The Court awarded us the right to receive 50% of all net profits (as defined in the court's final judgment) related to the sale of Arestvyr™ and related products for 10 years following initial commercial sale of the drug once SIGA earns $40 million in net profits from the sale of Arestvyr™ and related products. The Court also awarded us one-third of our reasonable attorney's fees and expert witness fees, which amounts to approximately $2.4 million plus interest. In May 2012, the Court issued its final judgment. SIGA has appealed aspects of the decision to the Delaware Supreme Court. In response, we cross-appealed other aspects of the decision. In January 2013, the Delaware Supreme Court heard oral argument in the case.

We can provide no assurances that SIGA will not prevail on its appeal, that we will be successful in our appeal, and that the Delaware Supreme Court will not overturn the trial court's decision awarding us a 10 year 50% net profit of the sales of Arestvyr™ and related products (once SIGA retains the first $40 million in net profit). We have not yet recorded any amount due from SIGA in relation to this case.

One of our vendors mishandled the storage of certain biological materials. While we have been engaged in discussions with the vendor to address our concerns, so far we have not come to agreement. The vendor filed suit against us in Delaware state court seeking a declaration that they are not liable for damages and seeking damages from us for allegedly not maintaining the required amount and type of insurance. We filed suit against the vendor in Maryland state court seeking damages related to the loss of the property. We believe we did maintain the appropriate amount and type of insurance, that in no event did we harm the vendor, and thus their damages claim is without merit. We plan to vigorously defend against their claims while pursuing our own.

Item 1A. Risk Factors

Investing in our securities involves risks. In addition to the other information in this quarterly report on Form 10-Q, stockholders and potential investors should carefully consider the risks and uncertainties discussed in the section "Item 1A. Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2012. If any of the risks and uncertainties set forth in our 2012 annual report on Form 10-K actually materialize, our business, financial condition and/or results of operations could be materially adversely affected, the trading price of our common stock could decline and a stockholder could lose all or part of his or her investment. The risks and uncertainties set forth in our 2012 annual report on Form 10-K are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations.

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

None.

Item 3. Default upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None.

Item 6. Exhibits.

No.	Description
10.30.4	Amendment to Employment Agreement, dated as of December 23, 2010, between the Company and Eric I. Richman (2)
10.61	Controlled Equity Offering^{SM} Sales Agreement between PharmAthene, Inc. and Cantor Fitzgerald & Co. dated March 25, 2013. (1)
10.62	Employment Agreement, dated as of April 18, 2008, between the Company and Francesca Cook.
31.1	Certification of Principal Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
31.2	Certification of Principal Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350
(101)	The following condensed consolidated financial statements from the PharmAthene, Inc. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, formatted in Extensive Business Reporting Language ("XBRL"): (i) Condensed Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012, (ii) Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012, (iii) Unaudited Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2013 and 2012, (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012, and (v) Notes to consolidated financial statements.*
101.INS	Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
(1)	Incorporated by reference to the Current Report on Form 8-K filed by the Registrant on March 25, 2013
(2)	Incorporated by reference to the Current Report on Form 8-K filed by the Registrant on December 30, 2010

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused the report to be signed on its behalf by the undersigned, thereunto duly authorized.

PHARMATHENE, INC.

Dated: May 8, 2013

By: /s/ Eric I. Richman
Eric I. Richman
President and Chief Executive Officer

Dated: May 8, 2013

By: /s/ Linda L. Chang
Linda L. Chang
Chief Financial Officer

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (this "**Agreement**") is made and entered into this April 18, 2008 by and between Francesca Cook (the "**Executive**") and **PharmAthene, Inc.**, a Delaware corporation (the "**Company**").

W I T N E SS E T H:

WHEREAS, the Company desires to employ the Executive and the Executive desires to accept employment with the Company subject to the terms and conditions herein agreed upon:

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and obligations hereinafter set forth, the parties hereto hereby agree as follows:

1. **Employment; Term**. The Company hereby agrees to employ the Executive and the Executive hereby accepts employment with the Company upon the terms and conditions hereinafter set forth for the period commencing on April 18, 2008 (the "**Effective Date**") and ending on the first anniversary of such date. The term of this Agreement shall be automatically extended for an additional year on each anniversary of the date hereof unless written notice of non-extension is provided by either party to the other party at least 90 days prior to such anniversary. The period of the Executive's employment under this Agreement, as it may be terminated or extended from time to time as provided herein is referred to as the "**Employment Period**."

2. **Position and Duties**.

a. **Position and Duties Generally**. The Executive shall be employed by the Company in the position of Vice President, Policy & Government Affairs and shall faithfully render such executive, managerial, administrative and other services as are customarily associated with and incident to such position and as the Company may from time to time reasonably require consistent with such position. The Executive shall report to the President and CEO, David P. Wright.

b. **Other Positions**. The Executive shall hold such other positions and executive offices with the Company and/or of any of the Company's subsidiaries or affiliates as may from time to time be authorized by the Board. The Executive shall not be entitled to any compensation other than the compensation provided for herein for serving during the Employment Period in any other office or position of the Company or any of its subsidiaries or affiliates, unless the Compensation Committee specifically approves such additional compensation.

c. **Devotion to Employment**. Except for vacation time taken in accordance with the Company's vacation policy in effect from time to time and in accordance with the terms of this Agreement and for absences due to temporary illness, the Executive shall be a full-time employee of the Company and shall devote full time, attention and efforts during the Employment Period to the business of the Company and the duties required of him in his position. During the Employment Period, the Executive shall not be engaged in any other business activity which, in the reasonable judgment of the Board or its designee, conflicts with the duties of the Executive hereunder, whether or not such activity is pursued for gain, profit or other pecuniary advantage.

3. Compensation; Reimbursement.

a. **Base Salary**. For the Executive's services, the Company shall pay to the Executive an annual base salary of not less than $231,612.00 per annum, payable in equal periodic installments according to the Company's customary payroll practices, but no less frequently than monthly. The Executive's base salary shall be subject to review annually by the Compensation Committee and shall be subject to increase at the option and sole discretion of the Compensation Committee.

b. **Bonus**. The Executive shall be eligible to receive at the sole discretion of the Compensation Committee, an annual cash bonus of up to an additional 30% of the Executive's base salary. In addition, the Executive may be eligible for additional bonuses at the option and sole discretion of the Compensation Committee based upon the achievement of certain pre-determined performance milestones.

c. **Benefits Generally**.

i. In addition to the salary and cash bonus described above, the Executive shall be entitled during the Employment Period to participate in such employee benefit plans and programs of the Company, and shall be entitled to such other fringe benefits, as are from time to time made available by the Company generally to employees of the level, position, tenure, salary, age, health and other qualifications of the Executive including, without limitation, medical, dental and vision insurance coverage for the Executive and the Executive's dependents, disability, death benefit and life insurance and pension plans.

ii. Without limiting the generality of the foregoing, the Executive shall be eligible for such awards, if any, including stock and stock options under the Company's 2007 Long-Term Incentive Plan or such other plan as the Company may from time to time put into effect as shall be granted to the Executive by the Compensation Committee or other appropriate designee of the Board acting in its sole discretion.

iii. The Executive acknowledges and agrees that the Company does not guarantee the adoption or continuance of any particular employee benefit plan and participation by the Executive in any such plan or program shall be subject to the rules and regulations applicable thereto.

d. **Vacation**. The Executive shall be entitled to 20 days of vacation in each calendar year.

e. **Expenses**. The Company shall reimburse the Executive in accordance with the practices in effect from time to time for other officers or staff personnel of the Company for all reasonable and necessary business and travel expenses and other disbursements incurred by the Executive for or on behalf of the Company in the performance of the Executive's duties hereunder, upon presentation by the Executive to the Company of appropriate supporting documentation.

f. **Perquisites**. The Executive shall be entitled to those perquisites as the Company shall make available from time to time to other executive officers of the Company, which shall include, without limitation, the costs associated with the use of an automobile in an amount not to exceed $1,000 per month and the costs for Executive's use of a cellular telephone and personal digital assistant to the extent such equipment is used for business purposes.

4. **Death; Disability.** In the event that the Executive dies or is incapacitated or disabled by accident, sickness or otherwise, so as to render the Executive mentally or physically incapable of performing the services required to be performed by the Executive under this Agreement for a period that would entitle the Executive to qualify for long-term disability benefits under the Company's then-current long-term disability insurance program or, in the absence of such a program, for a period of 120 consecutive days or longer (such condition being herein referred to as a "**Disability**") then (i) in the case of the Executive's death, the Executive's employment shall be deemed to terminate on the date of the Executive's death and (ii) in the case of a Disability, the Company, at its option, may terminate the employment of the Executive under this Agreement immediately upon giving the Executive notice to that effect. The determination to terminate the Executive in the event of a Disability shall be made by the Board or the Board's designee. In the case of a Disability, until the Company shall have terminated the Executive's employment hereunder in accordance with the foregoing, the Executive shall be entitled to receive compensation provided for herein notwithstanding any such physical or mental disability.

5. **Termination For Cause**. The Company may terminate the employment of the Executive hereunder at any time during the Employment Period for "cause" (such termination being herein referred to as a "**Termination for Cause**") by giving the Executive notice of such termination, which termination shall be effective on the date of such notice or such later date as may be specified by the Company. For purposes of this Agreement, "**Cause**" means (i) the Executive's willful and substantial misconduct that is materially injurious to the Company and is either repeated after written notice from the Company specifying the misconduct or is continuing and not corrected within 20 days after written notice form the Company specifying the misconduct, (ii) the Executive's repeated neglect of duties or failure to act which can reasonably be expected to affect materially and adversely the business or affairs of the Company after written notice from the Company specifying the neglect or failure to act, (iii) the Executive's material breach of any of the agreements contained in Sections 11, 12, 13 or 14 hereof or of any of the Company's policies, (iv) the commission by the Executive of any material fraudulent act with respect to the business and affairs of the Company, (v) the Executive's conviction of (or plea of nolo contendere to) a crime constituting a felony, (vi) demonstrable gross negligence, or (vii) habitual insobriety or use of illegal drugs by the Executive while performing the Executive's duties under this Agreement which adversely affects the Executives performance of the Executive's duties under this Agreement.

6. **Termination Without Cause**. The Company may terminate the employment of the Executive hereunder at any time without "cause" or fail to extend this Agreement pursuant to the terms hereof (such termination being herein referred to as "**Termination Without Cause**") by giving the Executive notice of such termination, upon the giving of which such termination shall take effect not later than 30 days from the date such notice is given.

7. **Voluntary Termination by Executive**. Any termination of the employment of the Executive by the Executive otherwise than as a result of death or Disability or for Good Reason (as defined below) (such termination being herein referred to as "**Voluntary Termination**"). A Voluntary Termination will be deemed to be effective immediately upon such termination.

8. **Termination by Executive for Good Reason**. Any termination of the employment of the Executive by the Executive for Good Reason which shall be deemed to be equivalent to a Termination without Cause. For purposes of this Agreement "**Good Reason**" means (i) any material breach by the Company of any of its obligations under this Agreement, (ii) any material reduction in the Executive's duties, authority or responsibilities without the Executive's consent, (iii) any assignment to the Executive of duties or responsibilities materially inconsistent with the Executive's position and duties contained in this Agreement without the Executive's consent, (iv) a relocation of the Company's principal executive offices or the Company determination to require the Executive to be based anywhere other than within 25 miles of the location at which the Executive on the date hereof performs the Executive's duties; (v) the taking of any action by the Company which would deprive the Executive of any material benefit plan (including, without limitation, any medical, dental, disability or life insurance); or (vi) the failure by the Company to obtain the specific assumption of this Agreement by any successor or assignee of the Company or any person acquiring substantially all of the Company's assets; provided, however, that the Executive may not terminate the Employment Period for Good Reason unless the Executive first provides the Company with written notice specifying the Good Reason and providing the Company with 20 days in which to remedy the stated reason.

9. **Effect of Termination of Employment**.

a. **Voluntary Termination; Termination For Cause**. Upon the termination of the Executive's employment as a result of the Executive's Voluntary Termination or a Termination For Cause, the Executive shall not have any further rights or claims against the Company under this Agreement except the right to receive (i) the unpaid portion of the base salary provided for in Section 3(a) hereof, computed on a pro rata basis to the date of termination, (ii) payment of the Executive's accrued but unpaid amounts and extension of applicable benefits in accordance with the terms of any incentive compensation, retirement, employee welfare or other employee benefit plans or programs of the Company in which the Executive is then participating in accordance with the terms of such plans or programs, and (iii) reimbursement for any expenses for which the Executive shall not have theretofore been reimbursed as provided in Section 3 hereof.

b. **Termination Without Cause; Termination for Good Reason**. Upon the termination of the Executive's employment as a result of a Termination Without Cause or for Good Reason, the Executive shall not have any further rights or claims against the Company under this Agreement except the right to receive (i) the payments and other rights provided for in Section 9(a) hereof and (ii) severance payments in the form of a continuation of the Executive's base salary as in effect immediately prior to such termination for a period of 6 (six) months following the effective date of such termination. To the extent that severance payments shall be payable under this Agreement such payments shall be in consideration for and only after the Executive executes a General Release containing terms reasonably satisfactory to the Company.

c. **Death and Disability**. Upon the termination of the Executive's employment as a result of death or Disability, neither the Executive nor the Executive's beneficiaries or estate shall have any further rights or claims against the Company under this Agreement except the right to receive the payments and other rights provided for in Section 9(a) hereof.

d. **Forfeiture of Rights**. In the event that, subsequent to termination of employment hereunder, the Executive (i) breaches any of the provisions of Sections 11, 12, 13 or 14 hereof or (ii) makes or facilitates the making of any adverse public statements or disclosures with respect to the business or securities of the Company, all payments and benefits to which the Executive may otherwise have been entitled shall immediately terminate and be forfeited, and any portion of such amounts as may have been paid to the Executive shall forthwith be returned to the Company.

10. **Disclosure of Confidential Information**. The Executive shall not, directly or indirectly, at any time during or after the Employment Period, disclose to any person, firm, corporation or other business entity, except as required by law, or use for any purpose except in the good faith performance of the Executive's duties to the Company, any Confidential Information (as herein defined). For purposes of this Agreement, "**Confidential Information**" means all trade secrets and other non-public information of a business, financial , marketing, technical or other nature pertaining to the Company or any subsidiary, including information of others that the Company or any subsidiary has agreed to keep confidential; provided, however, that Confidential Information shall not include any information that has entered or enters the public domain (other than through breach of the Executive's obligations under this Agreement) or which the Executive is required to disclose by law or legal process. Upon the Company's request at any time, the Executive shall immediately deliver to the Company all materials in the Executive's possession which contain Confidential Information.

11. Restrictive Covenant.

a. **Term of Restrictive Covenant**. The Executive hereby acknowledges and recognizes that, during the Employment Period, the Executive shall be privy to trade secrets and Confidential Information critical to the Company's business and the Executive further acknowledges and recognizes that the Company would find it extremely difficult or impossible to replace the Executive and, accordingly, the Executive agrees that, in consideration of the benefits to be received by the Executive hereunder, the Executive shall not, from and after the date hereof, throughout the Employment Period, and for a period of 12 months following the termination of the Employment Period (i) directly or indirectly engage in the development, production, marketing or sale of products that compete (or, upon commercialization, would compete) with products of the Company being developed (so long as such development has not been abandoned), marketed or sold at the time of the termination of the Employment Period (such business or activity being herein referred to as a "**Competing Business**") whether such engagement shall be as an officer, director, owner, employee, partner, affiliate or other participant in any Competing Business, (ii) assist others in engaging in any Competing Business in the manner described in the foregoing clause (i), or (iii) induce other employees of the Company or any subsidiary thereof to terminate their employment with the Company or any subsidiary thereof or engage in any Competing Business or hire any employees of the Company or any subsidiary unless such persons have not been employees of the Company for at least 12 months.

b. **Sufficient Consideration**. The Executive understands that the foregoing restrictions may limit the ability of the Executive to earn a livelihood in a business similar to the business of the Company, but nevertheless believes that the Executive has received and shall receive sufficient consideration and other benefits, as an employee of the Company and as otherwise provided hereunder, to justify such restrictions which, in any event (given the education, skills and ability of the Executive), the Executive believes would not prevent the Executive from earning a living.

12. Non-Disparagement. The Executive shall not engage in conduct, through word, act, gesture or other means, or disclose any information to the public or any third party which (i) directly or indirectly discredits or disparages in whole or in part the company, its subsidiaries, divisions, affiliates and/or successors as well as the products and the respective officers, directors, stockholders and employees of each of them; (ii) is detrimental to the reputation, character or standing of these entities, their products or any of their respective officers, directors, stockholders and/or employees; or (iii) which generally reflects negatively on the management decisions, strategy or decision-making of these entities.

13. Company Right to Inventions. The Executive shall promptly disclose, grant and assign to the Company, for its sole use and benefit, any and all inventions, improvements, technical information and suggestions relating in any way to the business of the Company which the Executive may develop or acquire during the Employment Period (whether or not during usual working hours), together with all patent applications, letters patent, copyrights and reissues thereof that may at any time be granted for or upon any such invention, improvement or technical information. In connection therewith: (i) the Executive shall, without charge, but at the expense of the Company, promptly at all times hereafter execute and deliver such applications, assignments, descriptions and other instruments as may be necessary or proper in the opinion of the Company to vest title to any such inventions, improvements, technical information, patent applications, patents, copyrights or reissues thereof in the Company and to enable it to obtain and maintain the entire right and title thereto throughout the world, and (ii) the Executive shall render to the Company, at its expense (including a reasonable payment for the time involved in case the Executive is not then in its employ), all such assistance as it may require in the prosecution of applications for said patents, copyrights or reissues thereof, in the prosecution or defense of interferences which may be declared involving any said applications, patents or copyrights and in any litigation in which the Company may be involved relating to any such patents, inventions, improvements or technical information.

14. **Enforcement.** It is the desire and intent of the parties hereto that the provisions of this Agreement be enforceable to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, to the extent that a restriction contained in this Agreement is more restrictive than permitted by the laws of any jurisdiction where this Agreement may be subject to review and interpretation, the terms of such restriction, for the purpose only of the operation of such restriction in such jurisdiction, shall be the maximum restriction allowed by the laws of such jurisdiction and such restriction shall be deemed to have been revised accordingly herein.

15. **Remedies; Survival**.

a. **Injunctive Relief**. The Executive acknowledges and understands that the provisions of the covenants contained in Sections 11, 12, 13 and 14 hereof, the violation of which cannot be accurately compensated for in damages by an action at law, are of crucial importance to the Company, and that the breach or threatened breach of the provisions of this Agreement would cause the Company irreparable harm. In the event of a breach or threatened breach by the Executive of the provisions of Sections 11, 12, 13 or 14 hereof, the Company shall be entitled to an injunction restraining the Executive from such breach. Nothing herein contained shall be construed as prohibiting the Company from pursuing any other remedies available for any breach or threatened breach of this Agreement.

b. **Survival**. Notwithstanding anything contained in this Agreement to the contrary, the provisions of the Sections 3, 9, and 11 through 17 hereof shall survive the expiration or earlier termination of this Agreement until, by their terms, such provisions are no longer operative.

16. **Notices.** Notices and other communications hereunder shall be in writing and shall be delivered personally or sent by air courier or first class certified or registered mail, return receipt requested and postage prepaid, addressed as follows:

if to the Company:

PharmAthene, Inc.
One Park Place, Suite 450
Annapolis, Maryland 21401

with a copy to:
McCarter & English, LLP
Four Gateway Center
100 Mulberry Street
Newark, New Jersey 07102
Attention: Jeffrey Baumel, Esq.

if to the Executive to:

with a copy to :

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of delivery, if personally delivered; on the business day after the date when sent, if sent by air courier; and on the third business day after the date when sent, if sent by mail, in each case addressed to such party as provided in this Section 16 or in accordance with the latest unrevoked direction from such party.

17. **Binding Agreement; Benefit**. The provisions of this Agreement shall be binding upon, and shall inure to the benefit of, the respective heirs, legal representatives and successors of the parties hereto.

18. **Governing Law; Jurisdiction**. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland applicable to contract made and to be performed therein. Any action to enforce any of the provisions of this Agreement shall be brought in a court of the State of Maryland or in Federal court located within that State. The parties consent to the jurisdiction of such courts and to the service of process in any manner provided by Maryland law. Each party irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such court and any claim that such suit, action or proceeding brought in such court has been brought in an inconvenient forum and agrees that service of process in accordance with the foregoing shall be deemed in every respect effective and valid personal service of process upon such party.

19. **Waiver of Breach**. The waiver by either party of a breach of any provision of this Agreement by the other party must be in writing and shall not operate or be construed as a waiver of any subsequent breach by such other party.

20. **Entire Agreement; Amendments**. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements or understandings among the parties with respect thereof. This Agreement may be amended only by an agreement in writing signed by the parties hereto.

21. **Headings**. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

22. **Severability**. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

23. **409A Compliance**. The intent of the Executive and the Company is that the severance and other benefits payable to the Executive under this Agreement not be deemed "deferred compensation" under, and shall otherwise comply with, Section 409A of the Internal Revenue Code of 1986, as amended. The Executive and the Company agree to use reasonable best efforts to amend the terms of this Agreement from time to time as may be necessary to avoid the imposition of liability under Section 409A of the Code in any manner that does not materially alter the substantive rights and obligations of the parties hereunder.

24. **Executive's Acknowledgement**. The Executive acknowledges (a) that the Executive has had the opportunity to consult with independent counsel of his own choice concerning this Agreement and (b) that the Executive has read and understands the Agreement, is fully aware of its legal effect and has entered into it freely based on the Executive's own judgment.

25. **Assignment**. This Agreement is personal in its nature and the parties hereto shall not, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, that the provisions hereof shall inure to the benefit of, and be binding upon, each successor of the Company, whether by merger, consolidation, transfer of all or substantially all of its assets or otherwise.

26. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall for all purposes constitute one agreement which is binding on all of the parties hereto.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

EXECUTIVE

/s/ Francesca Cook
Francesca Cook

PHARMATHENE, INC.

By /s/ David P. Wright
Name: David P. Wright
Title: President and Chief Executive Officer

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to SEC Rule 13a-14(a)/15d-14(a)

I, Eric I. Richman, certify that:

1. I have reviewed this Form 10-Q of PharmAthene, Inc. for the period ended March 31, 2013;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2013

/s/ Eric I. Richman

Name: **Eric I. Richman**
Title: **Chief Executive Officer**

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to SEC Rule 13a-14(a)/15d-14(a)

I, Linda L. Chang, certify that:

1. I have reviewed this Form 10-Q of PharmAthene, Inc. for the period ended March 31, 2013;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2013

/s/ Linda L. Chang
Name: **Linda L. Chang**
Title: **Chief Financial Officer**

Exhibit 32.1

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

In connection with the Quarterly Report on Form 10-Q of PharmAthene, Inc. (the "Company") for the period ended March 31, 2013, as filed with the Securities and Exchange Commission (the "Report"), I, Eric I. Richman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric I. Richman

Eric I. Richman
Chief Executive Officer
May 8, 2013

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Exhibit 32.2

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

In connection with the Quarterly Report on Form 10-Q of PharmAthene, Inc. (the "Company") for the period ended March 31, 2013, as filed with the Securities and Exchange Commission (the "Report"), I, Linda L. Chang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Linda L. Chang
Linda L. Chang
Chief Financial Officer
May 8, 2013

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.