UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(Mark one)

☒ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003

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

For the transition period from _____ to _____.

Commission file number 000-28637

BIOSANTE PHARMACEUTICALS, INC.

(Name of small business issuer in its charter)

Delaware	**58-2301143**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 Barclay Boulevard **Lincolnshire, Illinois** (Address of principal executive offices)	**60069** (Zip Code)

(847) 478-0500
(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.0001 per share	**The American Stock Exchange**

Securities registered under Section 12(g) of the Exchange Act:

None

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 o

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

The issuer's revenues for the fiscal year ended December 31, 2003 were $65,494.

As of March 15, 2004, 14,309,786 shares of common stock of the registrant were outstanding, and the aggregate market value of the common stock of the registrant as of that date (based upon the last reported sale price of the common stock on that date as reported by the American Stock Exchange), excluding outstanding shares beneficially owned by directors and executive officers, was $51,276,768.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-KSB incorporates by reference information (to the extent specific sections are referred to herein) from the registrant's Proxy Statement for its 2004 Annual Meeting of Stockholders to be held June 22, 2004.

Transitional Small Business Disclosure Format (check one): YES o NO ☒

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PART I

This Form 10-KSB contains forward-looking statements. For this purpose, any statements contained in this Form 10-KSB that are not statements of historical fact may be deemed to be forward-looking statements. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "will," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential" or "continue" or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including those listed below under the heading "Item 1. Description of Business – Forward-Looking Statements." These factors may cause our actual results to differ materially from any forward-looking statement.

As used in this Form 10-KSB, references to "BioSante," the "company," "we," "our" or "us," unless the context otherwise requires, refer to BioSante Pharmaceuticals, Inc.

We own or have the rights to use various trademarks, trade names or service marks, including BioSante®, BioVant™, NanoVant™, CAP-Oral™, BioAir™, Bio-T-Gel™, Bio-E-Gel™, Bio-E/P-Gel™, LibiGel™ and LibiGel-E/T™.

Item 1. DESCRIPTION OF BUSINESS

General

We are a development stage biopharmaceutical company that is developing a pipeline of hormone therapy products to treat men and women. We also are engaged in the development of our proprietary calcium phosphate nanotechnology, or CAP, for vaccine adjuvants or immune system boosters, drug delivery systems and the purification of the milk of transgenic animals.

Our hormone therapy products, most of which we license on an exclusive basis from Antares Pharma, Inc., address a variety of hormone therapies for symptoms that affect both men and women. Symptoms addressed by these hormone therapies include impotence, lack of sex drive, muscle weakness and osteoporosis in men and menopausal symptoms in women including hot flashes, vaginal atrophy, decreased libido and osteoporosis.

The products we in-license from Antares are gel formulations of testosterone (the natural male hormone), estradiol (the natural female hormone), combinations of estradiol and testosterone and estradiol and progestogen (another female hormone). The gels are designed to be quickly absorbed through the skin after application on the arms, shoulders, abdomen or thighs, delivering the hormone to the bloodstream evenly and in a non-invasive, painless manner. The gels are formulated to be applied once per day and to be absorbed into the skin without a trace of residue.

The following is a list of our hormone therapy gel products in development:

- Bio-T-Gel – once daily transdermal bioidentical testosterone gel in clinical development for treatment of hypogonadism, or testosterone deficiency, in men.
- Bio-E-Gel – once daily transdermal bioidentical estrogen gel in clinical development for treatment of menopausal symptoms in women.
- LibiGel – once daily transdermal bioidentical testosterone gel in clinical development for treatment of female sexual dysfunction (FSD).

- Bio-E/P-Gel – once daily transdermal combination gel of bioidentical estrogen and a progestogen in clinical development for treatment of menopausal symptoms in women.

- LibiGel-E/T – once daily transdermal combination gel of bioidentical estrogen and bioidentical testosterone in development for treatment of FSD in menopausal women.

Our CAP technology, a portion of which we license on an exclusive basis from the University of California, is based on the use of extremely small, solid, uniform particles, which we call "nanoparticles," as adjuvants or immune system boosters, for drug delivery and to purify the milk of transgenic animals. We have identified three potential initial applications for our CAP technology:

- the creation of improved versions of current vaccines and of new vaccines by the "adjuvant" activity of our proprietary nanoparticles that enhance the ability of a vaccine to stimulate an immune response and allow for delivery of the vaccine via non-injectable routes of administration;

- the creation of oral and inhaled forms of drugs that currently must be given by injection (*e.g.*, insulin); and

- the purification of the milk of transgenic animals, in which protein pharmaceuticals are grown.

The following is a list of our CAP products in development:

- BioVant — proprietary CAP adjuvant technology in development for improved versions of current vaccines and new vaccines against cancer, viral and bacterial infections and autoimmune diseases, among others including biodefense vaccines such as anthrax and ricin.

- CAP-Oral — a delivery system using CAP technology for oral administration of proteins and other therapies that currently must be injected.

- BioAir — a delivery system using CAP technology for inhalable versions of proteins and other therapies that currently must be injected.

- CAP biotechnology production — use of CAP technology in a new patented process for purifying the milk of transgenic animals in order to extract therapeutic proteins.

Our company, which was initially formed as a corporation organized under the laws of the Province of Ontario on August 29, 1996, was continued as a corporation under the laws of the State of Wyoming on December 19, 1996 and pursuant to stockholder approval was reincorporated in Delaware on June 26, 2001. Our company is the continuing corporation resulting from an amalgamation, or consolidation, of three companies — our company, which was previously named "Ben-Abraham Technologies Inc.," Structured Biologicals Inc., a corporation organized under the laws of the Province of Ontario, and 923934 Ontario Inc., a corporation organized under the laws of the Province of Ontario and a wholly owned subsidiary of Structured Biologicals. The amalgamation was approved by our stockholders on November 27, 1996 and the articles of arrangement were filed and became effective as of December 6, 1996. In November 1999, our stockholders approved the change of our corporate name from Ben-Abraham Technologies Inc. to BioSante Pharmaceuticals, Inc.

Business Strategy

Our goal is to develop and commercialize our hormone therapy products and develop our CAP technology into a wide range of pharmaceutical products. Key elements of our strategy to obtain this goal are to:

- ***Pursue the development of our hormone therapy products***. We are focused on building a pipeline of hormone therapy products for the treatment of human hormone deficiencies. Human clinical trials have begun on four of our proposed hormone therapy products, a necessary step in the process of obtaining approval from the U.S. Food and Drug Administration, or FDA, to market the products. Our proposed Bio-E-Gel product is currently in a pivotal Phase III clinical trial. Our proposed LibiGel product is in a Phase II clinical trial. Our proposed Bio-T-Gel is also currently in a clinical trial.

- ***Continue to develop our nanoparticle-based CAP platform technology and seek assistance in the development through corporate partner sublicenses***. We are seeking opportunities to enter into business collaborations, joint ventures or sublicenses with companies that have businesses or technologies complementary to our CAP technology business, such as vaccine and/or drug delivery pharmaceutical or biotechnology companies, transgenic milk companies, and with various governmental entities focused on developing new vaccines and alternative drug delivery systems. We believe that this partnering strategy will enable us to capitalize on our partners' strengths in product development, manufacturing and commercialization and thereby enable us to introduce into the market products incorporating our CAP technology sooner than which we otherwise would be able. In addition, these collaborations have and will significantly reduce our cash requirements for developing and commercializing products incorporating our CAP technology.

- ***Implement business collaborations or joint ventures with other pharmaceutical and biotechnology companies***. We intend to seek opportunities to enter into business collaborations or joint ventures with entities that have businesses or technologies complementary to our business.

- ***License or otherwise acquire other drugs that will add value to our current product portfolio***. We will consider opportunities to in-license or otherwise acquire other products in the late-stage development phase or products already on the market. In reviewing these opportunities, we consider products that cover therapeutic areas treated by a limited number of physicians and drugs that are in or require human clinical trials that involve a limited number of patients and not a significant amount of time and cost needed to complete them. We believe that products that are currently in or ready for human clinical trials would decrease the risks associated with product development and would likely shorten the time before we can introduce the products into the market. In addition to late-stage development products, we would also consider opportunities to in-license or otherwise acquire products that (1) have FDA approval, (2) have been or are about to be commercially introduced into the U.S. markets, (3) have a concentrated physician prescriber audience, and (4) have the potential to generate significant sales. This element of our strategy is of a lower priority than the others since we currently have a full portfolio in development.

Description of Our Hormone Therapy Products

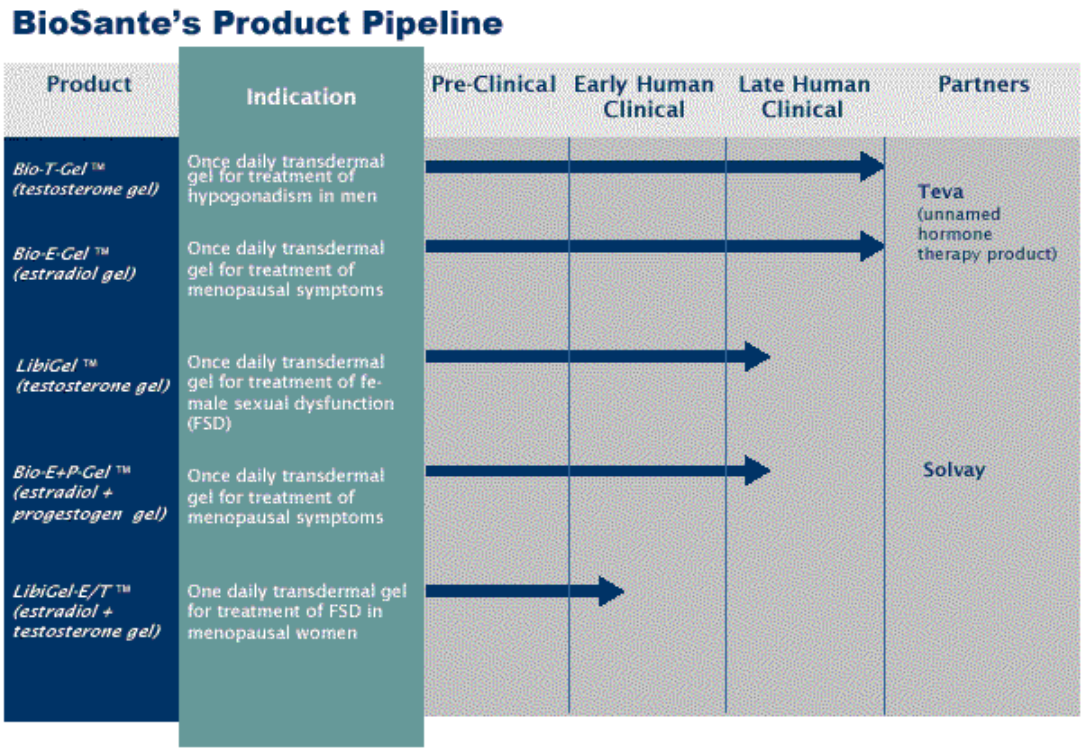
We are focused on building a pipeline of hormone therapy products to treat hormone deficiencies in men and women. Our hormone therapy products are gel formulations of bioidentical testosterone (the natural

male hormone), bioidentical estradiol (the natural female hormone), a combination of bioidentical estradiol and bioidentical testosterone and a combination of bioidentical estradiol and a progestogen (another female hormone). The gels are designed to be quickly absorbed through the skin after application on the arms, shoulders, abdomen or thighs, delivering the hormone to the bloodstream evenly and in a non-invasive, painless manner. The gels are formulated to be applied once per day and to be absorbed into the skin without a trace of residue.

We believe our hormone therapy products have a number of benefits, including the following:

- our transdermal gels can be spread over areas of skin where they dry rapidly and decrease the chance for skin irritation versus hormone dermal patches;
- our transdermal gels may have fewer side effects than many pills which have been known to cause gallstones, blood clots and complications related to metabolism;
- adding progestogen to estrogen may reduce the potential risks of endometrial cancer and endometrial hyperplasia of estrogen therapy alone when the uterus is intact;
- our transdermal gels have been shown to be well absorbed, thus allowing clinical hormone levels to reach the systemic circulation;
- hormone therapy using gels may allow for better dose adjustment than either dermal patches or oral tablets or capsules; and
- clinical trials involving the hormone products are expected to be relatively small requiring fewer patients than most drug development projects, which should keep our costs, time and risks associated with the FDA approval process at a comparatively lower level.

The following table provides an overview of the status of our hormone therapy products in development:



Testosterone deficiency in men is known as hypogonadism. Low levels of testosterone may result in lethargy, depression, decreased sex drive, impotence, low sperm count and increased irritability. Men with severe and prolonged reduction of testosterone may also experience loss of body hair, reduced muscle mass, osteoporosis and bone fractures due to osteoporosis. Approximately five million men in the United States, primarily over age 40, have lower than normal levels of testosterone. Testosterone therapy has been shown to restore levels of testosterone with minimal side effects.

Prior to 2000, testosterone often was delivered through injections or transdermal, or skin, patches. Delivery of testosterone through transdermal patches was developed primarily to promote the therapeutic effects of testosterone therapy without the often painful side effects associated with testosterone injections. Transdermal patches, however, have a physical presence and have been associated with skin irritation. Our testosterone formulated gel product for men, Bio-T-Gel, is designed to deliver testosterone without the pain of injections and the physical presence, skin irritation and discomfort associated with transdermal patches. We are aware of two gel testosterone products for men currently on the market in the United States and several in development.

There are more than 40 million postmenopausal women in the U.S., and this group is expected to grow 25 percent by 2010. Menopause begins when the ovaries cease to produce estrogen, or when both ovaries are removed surgically prior to natural menopause. The most common physical symptoms of natural or surgical menopause and the resultant estrogen deficiency, are hot flashes, vaginal atrophy, decreased libido and osteoporosis. Hormone therapy in women decreases the chance that women will experience the symptoms of menopause due to estrogen deficiency. According to industry estimates, approximately

10 million women in the U.S. currently are receiving some form of estrogen or combined estrogen hormone therapy.

Estrogen is most commonly given orally in pill or tablet form. There are several potential side effects, however, with the use of oral estrogen, including insufficient absorption by the circulatory system, stomach upset, gallstones and blood clots. Although transdermal patches have been shown to avoid some of these problems, delivery of estrogen through transdermal patches, similar to testosterone patches have a physical presence and can result in skin irritation. Our estrogen formulated gel product, Bio-E-Gel, is designed to deliver estrogen without the skin irritation associated with, and the physical presence of, transdermal patches. Also, Bio-E-Gel contains bioidentical estradiol versus conjugated equine estrogen contained in the most commonly prescribed oral estrogen.

We also are developing a testosterone formulated gel product for women, LibiGel. Though generally characterized as a male hormone, testosterone also is present in women and its deficiency has been found to cause low libido or sex drive. Studies have shown that testosterone therapy in women can boost sexual desire and pleasure, increase bone density, raise energy levels and improve mood. According to a study published in the Journal of the American Medical Association, 43 percent of American women (about 40 million) experience some degree of impaired sexual function. Among the more than 1,400 women surveyed, 32 percent lacked interest in sex and 26 percent could not experience orgasm. The majority of women with FSD are postmenopausal, experiencing FSD due to hormonal changes following menopause, whether natural or surgical.

In addition to LibiGel, we are developing a combination gel product of testosterone and estradiol, LibiGel-E/T, for the treatment of FSD in menopausal women.

Through a sublicense agreement with Solvay Pharmaceuticals, B.V., Bio-E/P-Gel, a combined estrogen/progestogen gel product, is in development. Women whose uteri are intact often use a combined hormone therapy because evidence suggests adding progestogen to estrogen therapy may reduce the potential risks of endometrial cancer and endometrial hyperplasia associated with estrogen-alone therapy in women. In July 2002, the National Institutes of Health (NIH) released data from its Women's Health Initiative (WHI) study on the risks and benefits associated with long-term use of oral hormone therapy by healthy women. The NIH announced that it was discontinuing the arm of the study investigating the use of the estrogen/progestogen tablet combination from the WHI study because Prempro, the combination oral hormone therapy product used in the study, was shown to cause an increase in the risk of invasive breast cancer after an average follow-up period of 5.2 years. Both the estrogen and progestogen components of Prempro are different chemical entities than those used in our proposed gel, Bio-E/P-Gel, and the means of delivery into the system are significantly different. Prempro is an oral tablet formulation consisting of conjugated equine estrogen and medroxyprogesterone acetate as active ingredients. Our proposed Bio-E/P-Gel is a gel delivery system containing estradiol, which is identical to the estrogen produced naturally by a woman's ovaries, and progestogen, different than the type of progestogen in Prempro. The WHI study results do not necessarily apply to estrogen and progestogen administered through the transdermal route and to different hormones that may provide a different risk-benefit profile. In addition, the intended use for Bio-E/P-Gel is no more than two years.

In December 2002, we entered into a development and license agreement with Teva Pharmaceuticals USA, Inc., a wholly-owned subsidiary of Teva Pharmaceutical Industries Ltd., under which we collaborate with Teva USA on the development of one of our hormone therapy products for the U.S. market. Teva USA also is responsible for continued development, regulatory filings and all manufacturing and marketing associated with the product.

Our strategy with respect to our hormone therapy products is to conduct human clinical trials, which are required to obtain approval from the U.S. Food and Drug Administration and to market the products in the United States. Human clinical trials have begun on four of our hormone therapy products.

We have completed a Phase II/III clinical trial of Bio-E-Gel. The trial, conducted in the United States and Canada, was a double-blind placebo-controlled study of 161 patients. The data from the Phase II/III Bio-E-Gel clinical trial have been analyzed. The objective of the Phase II/III clinical trial was to identify an effective dose of Bio-E-Gel to study in Phase III development. The Phase II/III trial demonstrated that Bio-E-Gel successfully delivers therapeutic doses of bioidentical estradiol and statistically significantly reduces the frequency and severity of moderate-to-severe hot flashes in menopausal women.

Current FDA requirements for approval of new estradiol products include one 12-week Phase III clinical trial. In October 2003, we initiated the Phase III Bio-E-Gel clinical trial for the treatment of moderate-to-severe hot flashes and vaginal atrophy in menopausal women. The Bio-E-Gel Phase III clinical trial tests two doses of Bio-E-Gel to maximize the safety profile by identifying the lowest effective dose. The Phase III trial is being conducted in the United States and Canada and is a randomized, double-blind, placebo-controlled study of symptomatic menopausal women. The clinical endpoints of the required Phase III trial include a significant reduction in the severity and frequency of hot flashes at week 4 and week 12 of treatment as compared to placebo.

We have initiated a Phase II clinical trial of our LibiGel. The Phase II trial, being conducted in the United States, is a double-blind, placebo-controlled study to determine the effect of LibiGel on a women's sexual desire and activity. In October 2003, we announced that the ongoing Phase II trial of LibiGel (topical testosterone gel) for the treatment of female sexual dysfunction (FSD) showed statistically significant results for the primary endpoints of the study. In the U.S.-based, double-blind, placebo-controlled study to determine the effect of LibiGel on women's sexual activity and desire, after three months of treatment there was a 130 percent increase from baseline ($p<0.01$) in the frequency of satisfying sexual events as measured by individual patient diaries. In addition, there was a 136 percent increase from baseline ($p<0.01$) in sexual desire as measured by the Brief Index of Sexual Functioning for Women (BISF-W). The interim analysis reports on the first 28 patients who have completed the study, without breaking the blind as to dose of LibiGel or placebo. The data indicate an effective LibiGel dose for the treatment of hypoactive sexual desire disorder (HSDD) in women, and that LibiGel was well tolerated during the course of the trial.

Description of Our CAP Technology and Products

We believe our CAP technology will serve as an effective vehicle for delivering drugs and vaccines and enhancing the effects of vaccines. Our CAP nanoparticles have successfully passed the first stage of toxicity studies for administration orally, into muscles, under the skin, and into the lungs by inhalation. We have successfully completed a Phase I human clinical safety trial of CAP. We have entered into several subcontract or development agreements with various corporate partners and governmental entities concerning our CAP technology

Overview of CAP Technology. Research and development involving our CAP technology originated in a project set up under an agreement dated April 6, 1989 between the University of California and one of our predecessor companies, Structured Biologicals, relating to viral protein surface absorption studies. The discovery research was funded by Structured Biologicals at UCLA School of Medicine and was based, in essence, on the use of extremely small, solid, uniform particles as components that could increase the stability of drugs and act as systems to deliver drugs into the body. Research in these areas has resulted in the issuance of a number of patents, which we either license from the University of California or own.

These ultra fine particles are made from inert, biologically acceptable materials, such as ceramics, pure crystalline carbon or biodegradable calcium phosphate-like particles. The size of the particles is in the nanometer range. A nanometer is one millionth of a millimeter and typically particles measure approximately 1,000 nanometers (nm). For comparison, a polio virus particle is about 27 nm in diameter, a herpes virus particle has a central core measuring 100 nm in diameter, contained in an envelope measuring 150-200 nm, while a tuberculosis bacterium is rod-shaped, about 1,200 nm long by 300 nm across. Because the size of these particles is measured in nanometers, we use the term “nanoparticles” to describe them.

We use the nanoparticles as the basis of a delivery system by applying a layer of a “bonding” coating of cellobiose or another carbohydrate derivative. The critical property of these coated nanoparticles is that biologically active molecules, proteins, peptides or pharmacological agents, for example, vaccine components like bacterial or viral antigens or proteins like insulin, attached to them retain their activity and can be protected from natural alterations to their molecular structure by adverse environmental conditions. It has been shown in studies conducted by us and confirmed by others that when these combinations are injected into animals, the attachment can enhance the biological activity as compared to injection of the molecule alone.

A major immune response that is triggered by these combination particles is the creation of antibody molecules, which can then specifically counteract an invading virus or bacterium. Similarly, a drug will produce an effect on an organ system only if it can attach to specific receptors on the surface of target cells (*e.g.*, tumor cells). The stabilizing and slow release capabilities of a drug carrier and delivery system based on this discovery can lead to significant advances towards finding more effective and less toxic or harmful molecules to seek out and attach to such receptors.

We believe our CAP technology has a number of benefits, including the following:

- it is biodegradable (capable of being decomposed by natural biological processes) and non-toxic and therefore potentially safe to use and introduce into the human body;
- it is fast, easy and inexpensive to manufacture, which should keep costs down and potentially lead to higher profit margins;
- the nanometer (one-millionth of a millimeter) size range makes it ideal for delivering drugs through aerosol sprays or through inhalation, instead of using often painful and inconvenient injections; and
- it has excellent “loading” capacity — the amount of molecules that can bond with the nanoparticles — thereby potentially decreasing the dose needed to be taken by patients while enhancing the release capabilities.

Potential Commercial Applications for CAP. We plan to develop commercial applications of our CAP technology and any proprietary technology developed as a result of our ongoing research and development efforts. Initially, we plan to pursue the development of:

- vaccine adjuvants and non-injected vaccines;
- drug delivery systems, including a method of delivering proteins (*e.g.*, insulin) orally, through inhalation and subcutaneous routes of administration; and
- the purification of the milk of transgenic animals.

Our pre-clinical research team in our laboratory in Smyrna, Georgia is currently pursuing the development of our CAP technology in all three of these areas.

Vaccine Adjuvant and Delivery System. We believe that our CAP nanoparticles may offer a means of preparing new improved formulations of current vaccines that are equal or better in their safety and immunogenicity, that is, in their capacity to elicit an immune response, compared to alum-formulated and non-adjuvanted vaccines but may be injected in lower concentrations and less often which could result in certain benefits, including cost savings and improved patient compliance. Also, we believe that CAP will allow for creation of safe and effective vaccines for diseases and conditions for which no vaccines currently exist. Further, we believe that CAP will allow for vaccines to be delivered by alternate routes of administration such as orally or intranasally rather than by injection

Our nanoparticles when combined with vaccine antigens have been shown in animal studies conducted by us and others to possess an ability to elicit a higher immune response than non-adjuvanted vaccines and an immune response of the same magnitude as alum-formulated vaccines. These preclinical studies also have shown that our CAP nanoparticles also may sustain higher antibody levels over a longer time period than both alum-formulated vaccines and non-adjuvanted vaccines. Because our CAP nanoparticles are made of calcium phosphate-like material, which has a chemical nature similar to normal bone material and therefore is natural to the human body, as opposed to aluminum hydroxide, or alum, which is not natural to the human body, we believe that our nanoparticles may be safer to use than alum. In our animal studies, we observed no material adverse reactions when our CAP nanoparticles were administered at effective levels.

We filed an investigational new drug, or IND, application with the FDA in July 2000 to commence a Phase I human clinical trial. We completed our Phase I human clinical trial in October 2000. As discussed in more detail under the heading “Government Regulation,” the purpose of a Phase I trial is to evaluate the metabolism and safety of the experimental product in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence of possible effectiveness. The Phase I trial of our CAP specifically looked at safety parameters, including local irritation and blood chemistry changes. The trial was completed and there was no apparent difference in the side effects profile between CAP and placebo.

Drug Delivery Systems. The second field of use in which we are exploring applying our CAP technology involves creating novel and improved forms of delivery of drugs, including proteins (*e.g.*, insulin). The attachment of drugs to CAP may enhance their effects in the body or enable the addition of further protective coatings to permit oral, delayed-release and mucosal (through mucous membranes) applications. Currently, insulin is given by frequent, inconvenient and often painful injections. However, several companies are in the process of developing and testing products that will deliver insulin orally or through inhalation. We have shown pre-clinical efficacy in the oral delivery of insulin in normal and diabetic mouse models. In the oral insulin mouse models in fasted mice, our proposed product, which we call CAP-Oral, has shown an 80 percent reduction of glucose levels within the first hour of treatment. These reduced glucose levels were maintained for 12 hours versus 20-25 percent glucose reduction for three hours for free insulin. In fed mouse models, our oral formulation reduced glucose levels by 50 percent for six hours versus no significant reduction with free insulin. Furthermore, we believe we may have successfully created a formulation for the inhaled delivery of insulin, which we call BioAir. We are working with potential licensees for the further development of our CAP-Oral and BioAir. Our research and development efforts in these areas are ongoing testing insulin and other drugs that must now be given by injection.

Transgenic Milk Purification. The third field of use in which we are exploring applying our CAP technology is in the purification of the milk of transgenic animals in which protein drugs are grown. This

is achieved by selectively isolating biologically active therapeutic proteins from the milk of transgenic animals. This method uses our CAP technology to recover greater than 90 percent of drug protein from the milk in a way that may require less downstream processing and may produce higher overall yields at lower cost than currently used methods. Our method dissolves casein clusters, thereby freeing the drug proteins, and then reforms the casein clusters using CAP as the core. Caseins are then removed from the milk, leaving high concentrations of the drug protein in the remaining crystal clear whey fraction.

CAP Products in Development. The following is a list of our CAP products in development:

- BioVant — proprietary CAP adjuvant technology in development for improved versions of current vaccines and new vaccines against cancer, viral and bacterial infections and autoimmune diseases, among others including biodefense vaccines such as anthrax and ricin.
- CAP-Oral — a delivery system using CAP technology for oral administration of proteins and other therapies that currently must be injected.
- BioAir — a delivery system using CAP technology for inhalable versions of proteins and other therapies that currently must be injected.
- CAP biotechnology production — use of CAP technology in a new patented process for purifying the milk of transgenic animals in order to extract therapeutic proteins.

We have completed a Phase I human clinical trial of CAP as a vaccine adjuvant and delivery system, a necessary step in the process of obtaining FDA approval to market the product. The Phase I trial was a double blind, placebo controlled trial, in 18 subjects to determine the safety of CAP as a vaccine adjuvant. The trial results showed that there was no apparent difference in side-effect profile between CAP and placebo.

We also have conducted preclinical studies of our BioAir CAP delivery system for inhalable insulin. The studies showed that BioAir significantly increased the systemic residence time and duration of action of the insulin, increasing the amount of insulin that became available through the bloodstream (bioavailability) 1.8 times over that of injected insulin. The results indicate that our CAP technology may extend the duration of action many times over that of injecting insulin alone, which could allow diabetics to substantially reduce the number of injections needed to control blood glucose levels.

License and Development Activities. In addition to continuing our own research and development in the three potential commercial applications of our CAP technology, we have sought and continue to seek opportunities to enter into business collaborations or joint ventures with vaccine companies and others interested in co-development and co-marketing arrangements with respect to our CAP technology. We believe these collaborations may enable us to accelerate the development of potential improved vaccines and the delivery of injectable drugs by other routes of administration such as orally.

Our outlicensing activities with respect to our vaccine adjuvant, which we call BioVant, for use in other companies' vaccines have to date included meeting with target companies and, in some cases, agreeing that the target company will test our adjuvant in their animal models. Thereafter, the target company may send to us its vaccine antigen or DNA that we will then formulate with our nanoparticles and return for use in the target company's animal models. Once this is completed, if the results are positive, we would hope to negotiate an out-license agreement with the target company.

In January 2004, we announced the signing of a subcontract with DynPort Vaccine Company LLC for the development of anthrax vaccines for delivery via alternative routes of administration, including nasal, oral

and needle-free transcutaneous routes. Under the subcontract, we provide BioVant and DynPort provides recombinant antigens to be used in potential vaccines against anthrax. The objective is to assess the immunogenic potential of BioVant when used in anthrax vaccines versus the immunogenic response of anthrax vaccines that use Alhydrogel as the vaccine adjuvant. The subcontract is in support of the U.S. Department of Defense Joint Vaccine Acquisition Program.

In September 2003, we announced that we were awarded a $100,000 Small Business Innovation Research (SBIR) grant from the National Institutes of Health to support our development of formulations for the oral delivery of insulin using our CAP technology.

In June 2003, we announced the signing of a Cooperative Research and Development Agreement (CRADA) with the U.S. Army's Medical Research Institute of Infectious Disease (USAMRIID) for the development of non-injected biodefense vaccines, including anthrax, staph and ricin. The USAMRIID has agreed to grant us an exclusive license to any U.S. patent application or issued patent as a result of the work under the CRADA.

In January 2003, we announced the signing of a CRADA with the U.S. Navy's Naval Medical Research Center's (NMRC) Malaria Program for the development of a malaria vaccine. The development agreement leverages our expertise with NMRC's expertise to develop an enhanced vaccine for malaria. Under the agreement, we provide the NMRC with BioVant, our proprietary vaccine adjuvant and delivery system, and the NMRC provides DNA plasmids or proteins encoding antigens for *Plasmodium spp*., the parasite that causes malaria. It is hoped that the resulting DNA vaccine will improve the effectiveness of the ensuing humoral and cell-mediated immunity against malaria and therefore be more effective as it activates both arms of the immune system.

In October 2001, we licensed BioVant on a non-exclusive basis to Corixa Corporation for use in several potential vaccines to be developed by Corixa. Under the agreement, Corixa has agreed to pay us milestone payments upon the achievement by Corixa of certain milestones plus royalty payments on sales by Corixa if and when vaccines are approved using BioVant and sold on a commercial basis. If Corixa sublicenses vaccines that include BioVant, we will share in milestone payments and royalties received by Corixa. The license agreement covers access to BioVant for a variety of cancer, infectious and autoimmune disease vaccines.

Sales and Marketing

We currently have no sales and marketing personnel to sell on a commercial basis any of our proposed products. Under our agreements with Solvay and Teva, Solvay and Teva have agreed to market the products covered by the agreements in certain countries. If and when we are ready to commercially launch a product not covered by our agreements with Solvay and Teva, we will either contract with or hire qualified sales and marketing personnel or seek a joint marketing partner to assist us with this function. In addition, we retain co-promotion rights for Bio-E/P-Gel, the product in the Solvay agreement.

Research and Product Development

We expect to spend a significant amount of our financial resources on research and development activities. We spent approximately $3,691,000 in 2003 and $4,787,000 in 2002 on research and development activities. Since we are not yet engaged in the commercial distribution of any products and we have no revenues from the sale of our products, these research and development costs must be financed by us. We have been spending approximately $300,000 to $400,000 per month on research and development activities. These expenditures, however, may fluctuate from quarter-to-quarter and year-to-

year depending upon the resources available and our development schedule. Results of preclinical studies, clinical trials, regulatory decisions and competitive developments may significantly influence the amount of our research and development expenditures. In addition, we expect that our spending on product development will increase if we are successful at in-licensing or otherwise acquiring other late-stage development products, which in-licensing or acquisitions are currently a low priority.

Manufacturing

We currently do not have any facilities suitable for manufacturing on a commercial scale basis any of our proposed products nor do we have any experience in volume manufacturing. Our plan is to use third-party Good Manufacturing Practices, or GMP, manufacturers to manufacture our proposed products in accordance with FDA and other appropriate regulations. Our gel hormone products for use in clinical trials are currently manufactured through a U.S.-based GMP approved manufacturer.

Patents, Licenses and Proprietary Rights

Our success depends and will continue to depend in part upon our ability to maintain our exclusive licenses, to maintain patent protection for our products and processes, to preserve our proprietary information and trade secrets and to operate without infringing the proprietary rights of third parties. Our policy is to attempt to protect our technology by, among other things, filing patent applications or obtaining license rights for technology that we consider important to the development of our business.

Hormone Therapy Products. In June 2000, we entered into a license agreement with Antares Pharma, Inc. pursuant to which Antares granted us an exclusive license to four proposed hormone therapy products for the treatment of testosterone deficiency in men and women and estrogen deficiency in women, including rights to sublicense the hormone therapy products, in order to develop and market the hormone therapy products in certain territories. Antares has an issued patent for these products in the United States and has filed patent applications for this licensed technology in the U.S. and several foreign jurisdictions, including Argentina, Australia, Canada, Europe, Italy, Japan, Korea, New Zealand, South Africa, and Taiwan.

In a series of amendments executed during 2001 between us and Antares, we returned to Antares the license rights to one of the four previously licensed hormone products, namely the estradiol patch, in all countries of the licensed territory. Additionally, it was agreed that we are the owner of Bio-T-Gel, our testosterone gel for men with no milestone or royalty obligations to Antares. We also returned to Antares the license rights to the single entity estrogen and testosterone gel products in Malaysia and Australia. In exchange for the return to Antares of the estradiol patch in all the countries and the single entity estradiol and testosterone gel products in Malaysia and Australia, Antares granted us a credit for approximately $600,000 of manufacturing and formulation services and a license for a transdermal hormone therapy gel combination of testosterone and estradiol. In August 2002 and December 2002, BioSante and Antares further amended the license agreement to clarify interpretations of the license agreement, including products covered by the license agreement, and to terminate a supply agreement with Antares.

The license agreement with Antares required us to pay a $1,000,000 up-front license fee to Antares, which we paid in June 2000. Also pursuant to the terms of the Antares license agreement, we expect to:

- pay royalties to Antares based on a percentage of the net sales of any products we sell incorporating the licensed technology;

- develop the hormone product portfolio, including:
  - Ø testing proposed products;
  - Ø conducting clinical trials;
  - Ø obtaining government approvals;
  - Ø introducing products incorporating the licensed technology into the market; and
- enter into sublicense arrangements or agreements with other entities regarding development and commercialization of the products covered by the license.

In August 2001, we entered into a sublicense agreement with Solvay Pharmaceuticals, B.V. covering the U.S. and Canadian rights to the estrogen/progestogen combination transdermal hormone therapy gel product licensed from Antares. Under the terms of the agreement, Solvay sublicenses our estrogen/progestogen combination transdermal hormone therapy gel product for an initial payment of $2.5 million ($1.7 million net of the related payments due to Antares and Paladin Labs Inc.), future milestone payments and escalating sales-based royalties. During the third quarter ended September 30, 2002, we received a $950,000 milestone payment pursuant to the Solvay sublicense agreement. Solvay is responsible for all costs of development and marketing of the product. We have retained co-promotion rights to the product and will be compensated for sales generated by us over and above those attributable to Solvay's marketing efforts. As described further below, the Canadian rights to this product had previously been sublicensed to Paladin as part of that sublicense arrangement and were repurchased by us prior to the Solvay transaction in exchange for $125,000, paid by the issuance of 17,361 shares of our common stock with a market value of $125,000 at the date of the transaction.

In September 2000, we sublicensed the marketing rights to our portfolio of female hormone therapy products in Canada to Paladin Labs Inc. In exchange for the sublicense, Paladin agreed to make an initial investment in our company, make future milestone payments and pay royalties on sales of the products in Canada. The milestone payments will be in the form of a series of equity investments by Paladin in our common stock at a 10 percent premium to the market price of our stock at the time the equity investment is made. Upon execution of the sublicense agreement, Paladin made an initial investment of $500,000 in our company in the form of a convertible debenture, convertible into our common stock at $10.50 per share. In August 2001, we exercised our right and declared the debenture converted in full. Accordingly, 47,619 shares of our common stock were issued to Paladin in August 2001. During the third quarter 2001, Paladin made a series of equity investments in BioSante as a result of certain sub-licensing transactions and BioSante reaching certain milestones. These equity investments resulted in issuing an additional 18,940 shares of our common stock to Paladin.

In April 2002, we exclusively in-licensed from Wake Forest University and Cedars-Sinai Medical Center three issued U.S. patents claiming triple hormone therapy (the combination use of estrogen plus progestogen plus androgen, *e.g.* testosterone) and an option for triple hormone contraception. The financial terms of the license include an upfront payment by us, regulatory milestones, maintenance payments and royalty payments by us if the product gets approved and subsequently marketed.

In December 2002, we entered into a development and license agreement with Teva Pharmaceuticals USA, Inc., a wholly-owned subsidiary of Teva Pharmaceutical Industries Ltd., under which we collaborate with Teva USA on the development of a hormone therapy product for the U.S. market. The financial terms of the development and license agreement included a $1.5 million upfront payment by Teva USA and royalties on sales of the commercialized product upon approval in exchange for rights to develop and market a hormone therapy product. Teva USA also is responsible for continued development, regulatory filings and all manufacturing and marketing associated with the product.

CAP Technology. In June 1997, we entered into a licensing agreement with the Regents of the University of California, which has subsequently been amended, pursuant to which the University has granted us an exclusive license to nine United States patents owned by the University, including rights to sublicense such patents, in fields of use initially pertaining to: (1) vaccine adjuvants; (2) vaccine constructs or combinations for use in immunization against herpes virus; (3) drug delivery systems; and (4) red blood cell surrogates. The University of California has filed patent applications for this licensed technology in several foreign jurisdictions, including Canada, Europe and Japan.

The license agreement with the University of California requires us to undertake various obligations, including:

- payment of royalties to the University based on a percentage of the net sales of any products we sell incorporating the licensed technology;
- payment of minimum annual royalties on February 28 of each year beginning for the year 2004 to be credited against earned royalties, for the life of the agreement;
- maintaining an annual minimum amount of available capital for development and commercialization of products incorporating the licensed technology until a product is introduced to the market;
- payment of the costs of patent prosecution and maintenance of the patents included in the agreement, which amounted to $15,371 in fiscal 2003;
- meeting performance milestones relating to:
  - Ø hiring or contracting with personnel to perform research and development, regulatory and other activities relating to the commercial launch of a proposed product;
  - Ø testing proposed products;
  - Ø conducting clinical trials;
  - Ø obtaining government approvals;
  - Ø introducing products incorporating the licensed technology into the market; and
- entering into partnership or alliance arrangements or agreements with other entities regarding commercialization of the technology covered by the license.

The license agreement further provides that we have the right to abandon any project in any field of use without abandoning our license to pursue other projects in that or other fields of use covered by the agreement. In May 1999, we notified the University that we would not pursue the red blood cell surrogate use because we did not believe it would be proven an effective use of CAP. In October 1999, we signed an amendment to our license agreement with the University, which removed the red-blood cell surrogate use from the agreement. In addition, under the terms of the amendment, the University agreed to make other changes we suggested to the license agreement, including delaying minimum royalty payments until 2004 and limiting the University’s rights to terminate the agreement in cases where we do not perform under the agreement. If we violate or fail to perform any term or covenant of the license agreement and fail to cure this default within 60 days after written notice from the University, the University may terminate some projects included in the agreement. In May 2001, we signed a second amendment to our license agreement with the University to amend certain provisions of the license agreement for sublicensing arrangements with third parties.

Patents and patent applications. We own two United States patents and no foreign patents. In June 1999, we filed a patent application for our advanced method of selectively isolating biologically active therapeutic proteins from transgenic milk. This patent issued in February 2001. In February 2000, we filed a patent application with the U.S. Patent and Trademark Office relating to our development work with CAP, including its applications as a vaccine adjuvant, as a carrier for biologically active material and as part of a controlled release matrices for biologically active material. A patent directed to methods of formulating the CAP particles issued in March 2002. In addition, we have other patent applications pending in the U.S. and internationally for products in development.

Trademarks and trademark applications. We have filed trademark applications in the U.S. for the mark BIOSANTE for vaccines and vaccine adjuvants and for our proposed hormone therapy products. The BIOSANTE mark is registered for the hormone preparations. The application for vaccines and vaccine adjuvants has been allowed for registration and will register upon submission of proof of use. We have also filed U.S. trademark applications and received Notices of Allowance for the marks BIOVANT, BIOAIR, NANOVANT and LIBIGEL. Two other U.S. trademark applications are pending for BIO-E-GEL and BIO-T-GEL for products in development. The BIOSANTE mark is also registered in the European Union and Israel, BIOAIR is registered in the European Union and Israel, BIOVANT is registered in Israel and Mexico, NANOVANT is registered in the European Union, Israel and Mexico, and BIO-E-GEL and BIO-T-GEL are registered in Mexico. There are 10 other applications pending in the European Union, Canada and Mexico for these marks. We do not have any other registered trademarks.

Confidentiality and assignment of inventions agreements. We require our employees, consultants and advisors having access to our confidential information to execute confidentiality agreements upon commencement of their employment or consulting relationships with us. These agreements generally provide that all confidential information we develop or make known to the individual during the course of the individual's employment or consulting relationship with us must be kept confidential by the individual and not disclosed to any third parties. We also require all of our employees and consultants who perform research and development for us to execute agreements that generally provide that all inventions conceived by these individuals during their employment by BioSante will be our property.

Competition

There is intense competition in the biopharmaceutical industry, including in the hormone therapy market, the market for prevention and/or treatment of the same infectious diseases we target and in the acquisition of products in the late-stage development phase or already on the market. Potential competitors in the United States are numerous and include major pharmaceutical and specialized biotechnology companies, universities and other institutions. In general, competition in the pharmaceutical industry can be divided into four categories: (1) corporations with large research and developmental departments that develop and market products in many therapeutic areas; (2) companies that have moderate research and development capabilities and focus their product strategy on a small number of therapeutic areas; (3) small companies with limited development capabilities and only a few product offerings; and (4) university and other research institutions. All of our competitors in categories (1) and (2) and some of our competitors in category (3) have longer operating histories, greater name recognition, substantially greater financial resources and larger research and development staffs than we do, as well as substantially greater experience than us in developing products, obtaining regulatory approvals, and manufacturing and marketing pharmaceutical products. A significant amount of research in the field is being carried out at academic and government institutions. These institutions are becoming increasingly aware of the commercial value of their findings and are becoming more aggressive in pursuing patent protection and negotiating licensing arrangements to collect royalties for use of technology that they have developed.

We expect our products, if and when approved for sale, to compete primarily on the basis of product efficacy, safety, patient convenience, reliability and patent position. In addition, the first product to reach the market in a therapeutic or preventative area is often at a significant competitive advantage relative to later entrants in the market.

We are aware of certain programs and products under development by others that may compete with our proposed hormone therapy products and products we may develop that incorporate our CAP technology. Several competing companies, including Wyeth Pharmaceuticals, Novartis AG, Solvay Pharmaceuticals, Inc., Noven Pharmaceuticals, Inc. and Berlex Laboratories, Inc., dominate the international hormone therapy industry. The international vaccine industry is dominated by three companies: GlaxoSmithKline, Aventis (through its subsidiaries, including Institut Merieux International, Pasteur Merieux Serums et Vaccins, Connaught Laboratories Limited and Connaught Laboratories, Inc.) and Merck & Co., Inc.

There are several firms currently marketing or developing transdermal hormone therapy products. They include The Proctor & Gamble Company, Noven Pharmaceuticals, Inc., Novavax, Inc., Cellegy Pharmaceuticals, Inc., Auxilium, Inc., Watson Pharmaceuticals Inc. and Solvay Pharmaceuticals, Inc.

With regard to our CAP technology, the larger, better known pharmaceutical companies have generally focused on a traditional synthetic drug approach, although some have substantial expertise in biotechnology. During the last decade, however, significant research activity in the biotechnology industry has been completed by smaller research and development companies, like us, formed to pursue new technologies. Competitive or comparable companies to us include Corixa Corporation, generally regarded as a leader in vaccine adjuvant development and ID Biomedical Corporation, which both develop sub-unit vaccines from mycobacteria and other organisms.

Governmental Regulation

Pharmaceutical products intended for therapeutic use in humans are governed by extensive FDA regulations in the United States and by comparable regulations in foreign countries. Any products developed by us will require FDA approvals in the United States and comparable approvals in foreign markets before they can be marketed. The process of seeking and obtaining FDA approval for a previously unapproved new human pharmaceutical product generally requires a number of years and involves the expenditure of substantial resources.

Following drug discovery, the steps required before a drug product may be marketed in the United States include:

- preclinical laboratory and animal tests;
- the submission to the FDA of an investigational new drug application, commonly known as an IND application;
- clinical and other studies to assess safety and parameters of use;
- adequate and well-controlled clinical trials to establish the safety and effectiveness of the drug product;
- the submission to the FDA of a new drug application, commonly known as an NDA; and
- FDA approval of the NDA prior to any commercial sale or shipment of the product.

Typically, preclinical studies are conducted in the laboratory and in animals to gain preliminary information on a proposed product's uses and physiological effects and harmful effects, if any, and to identify any potential safety problems that would preclude testing in humans. The results of these studies, together with the general investigative plan, protocols for specific human studies and other information, are submitted to the FDA as part of the IND application. The FDA regulations do not, by their terms, require FDA approval of an IND. Rather, they allow a clinical investigation to commence if the FDA does not notify the sponsor to the contrary within 30 days of receipt of the IND. As a practical matter, however, FDA approval is often sought before a company commences clinical investigations. That approval may come within 30 days of IND receipt but may involve substantial delays if the FDA requests additional information.

The initial phase of clinical testing, which is known as Phase I, is conducted to evaluate the metabolism, uses and physiological effects of the experimental product in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence of possible effectiveness. Phase I studies can also evaluate various routes, dosages and schedules of product administration. These studies generally involve a small number of healthy volunteer subjects, but may be conducted in people with the disease the product is intended to treat. The total number of subjects is generally in the range of 20 to 80. A demonstration of therapeutic benefit is not required in order to complete Phase I trials successfully. If acceptable product safety is demonstrated, Phase II trials may be initiated.

Phase II trials are designed to evaluate the effectiveness of the product in the treatment of a given disease and involve people with the disease under study. These trials often are well controlled, closely monitored studies involving a relatively small number of subjects, usually no more than several hundred. The optimal routes, dosages and schedules of administration are determined in these studies. If Phase II trials are completed successfully, Phase III trials are often commenced, although Phase III trials are not always required.

Phase III trials are expanded, controlled trials that are performed after preliminary evidence of the effectiveness of the experimental product has been obtained. These trials are intended to gather the additional information about safety and effectiveness that is needed to evaluate the overall risk/benefit relationship of the experimental product and provide the substantial evidence of effectiveness and the evidence of safety necessary for product approval. Phase III trials usually include from several hundred to several thousand subjects.

A clinical trial may combine the elements of more than one Phase and typically two or more Phase III studies are required. A company's designation of a clinical trial as being of a particular Phase is not necessarily indicative that this trial will be sufficient to satisfy the FDA requirements of that Phase because this determination cannot be made until the protocol and data have been submitted to and reviewed by the FDA. In addition, a clinical trial may contain elements of more than one Phase notwithstanding the designation of the trial as being of a particular Phase. The FDA closely monitors the progress of the phases of clinical testing and may, at its discretion, re-evaluate, alter, suspend or terminate the testing based on the data accumulated and its assessment of the risk/benefit ratio to patients. It is not possible to estimate with any certainty the time required to complete Phase I, II and III studies with respect to a given product.

Upon the successful completion of clinical testing, an NDA is submitted to the FDA for approval. This application requires detailed data on the results of preclinical testing, clinical testing and the composition of the product, specimen labeling to be used with the drug, information on manufacturing methods and samples of the product. The FDA typically takes from 12 to 18 months to review an NDA after it has been accepted for filing. Following its review of an NDA, the FDA invariably raises questions or requests additional information. The NDA approval process can, accordingly, be very lengthy. Further,

there is no assurance that the FDA will ultimately approve an NDA. If the FDA approves that NDA, the new product may be marketed. The FDA often approves a product for marketing with a modification to the proposed label claims or requires that post-marketing surveillance, or Phase IV testing, be conducted.

All facilities and manufacturing techniques used to manufacture products for clinical use or sale in the United States must be operated in conformity with current "good manufacturing practice" regulations, commonly referred to as "GMP" regulations, which govern the production of pharmaceutical products. We currently do not have manufacturing capability. In the event we undertake any manufacturing activities or contract with a third-party manufacturer to perform our manufacturing activities, we intend to establish a quality control and quality assurance program to ensure that our products are manufactured in accordance with the GMP regulations and any other applicable regulations.

Products marketed outside of the United States are subject to regulatory approval requirements similar to those in the United States, although the requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely from country to country. No action can be taken to market any product in a country until an appropriate application has been approved by the regulatory authorities in that country. The current approval process varies from country to country, and the time spent in gaining approval varies from that required for FDA approval. In certain European countries, the sales price of a product must also be approved. The pricing review period often begins after market approval is granted. We intend to seek and utilize foreign partners to apply for foreign approvals of our products.

Employees

We had thirteen full-time employees and one part-time employee as of December 31, 2003, including ten in research and development and four in management or administrative positions. None of our employees is covered by a collective bargaining agreement.

Forward-Looking Statements

This Annual Report on Form 10-KSB contains or incorporates by reference not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In addition, we or others on our behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences and/or web casts open to the public, in press releases or reports, on our Internet web site or otherwise. Statements that are not historical are forward-looking and reflect expectations and assumptions. We try to identify forward-looking statements in this report and elsewhere by using words such as "may," "will," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential" or "continue" or the negative of these or similar terms. Our forward-looking statements generally relate to:

- our substantial and continuing losses;
- our spending capital on research and development programs, pre-clinical studies and clinical trials, regulatory processes, establishment of marketing capabilities and licensure or acquisition of new products;
- our existing cash and whether and how long these funds will be sufficient to fund our operations; and
- our need to raise additional capital through future equity and other financings.

Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses as well as matters specific to BioSante. Below are some of the factors known to us that could cause our actual results to differ materially from what we have anticipated in our forward-looking statements.

We wish to caution readers not to place undue reliance on any forward-looking statement that speaks only as of the date made and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above, as well as others that we may consider immaterial or do not anticipate at this time. The foregoing risks and uncertainties are not exclusive and further information concerning the company and our business, including factors that potentially could materially affect our financial results or condition, may emerge from time to time. We assume no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. We advise you, however, to consult any further disclosures we make on related subjects in our quarterly reports on Form 10-QSB and current reports on Form 8-K we file with or furnish to the Securities and Exchange Commission.

We have a history of operating losses, expect continuing losses and may never achieve profitability.

We have incurred losses in each year since our amalgamation in 1996 and expect to incur substantial and continuing losses for the foreseeable future. We incurred a net loss of $5,959,354 for the year ended December 31, 2003, and as of December 31, 2003, our accumulated deficit was $28,021,077.

All of our revenue to date has been derived from up front and milestone payments earned on sub-licensing transactions. We have not commercially introduced any products. We expect to incur substantial and continuing losses for the foreseeable future as our own product development programs expand and various preclinical and clinical trials commence. The amount of these losses may vary significantly from year-to-year and quarter-to-quarter and will depend on, among other factors:

- the timing and cost of product development;
- the progress and cost of preclinical and clinical development programs;
- the costs of licensure or acquisition of new products;
- the timing and cost of obtaining necessary regulatory approvals; and
- the timing and cost of obtaining third party reimbursement.

In order to generate revenues, we must successfully develop and commercialize our own proposed products or enter into collaborative agreements with others who can successfully develop and commercialize them. Even if our proposed products and the products we may license or otherwise acquire are commercially introduced, they may never achieve market acceptance and we may never generate revenues or achieve profitability.

We will need to raise substantial additional capital in the future to fund our operations and we may be unable to raise such funds when needed and on acceptable terms.

We currently do not have sufficient resources to complete the commercialization of any of our proposed products. Therefore, we will need to raise substantial additional capital to fund our operations sometime

in the future. We cannot be certain that any financing will be available when needed. If we fail to raise additional financing as we need it, we may have to delay or terminate our own product development programs or pass on opportunities to in-license or otherwise acquire new products that we believe may be beneficial to our business.

Our cash on hand as of December 31, 2003 was $9,134,327. We believe this cash will be sufficient to fund our operations through December 2004. We have based this estimate on assumptions that may prove to be wrong. As a result, we may need to obtain additional financing prior to that time. In addition, we may need to raise additional capital at an earlier time to fund our ongoing research and development activities, acquire new products or take advantage of other unanticipated opportunities. We currently do not have sufficient resources to complete the commercialization of any of our proposed products. We cannot be certain that any financing will be available when needed or will be on terms acceptable to us. Insufficient funds may require us to delay, scale back or eliminate some or all of our programs designed to facilitate the commercial introduction of our proposed products, prevent commercial introduction of our products altogether or restrict us from acquiring new products that we believe may be beneficial to our business.

We are a development stage company, making it difficult for you to evaluate our business and your investment.

We are in the development stage and our operations and the development of our proposed products are subject to all of the risks inherent in the establishment of a new business enterprise, including:

- the absence of an operating history;
- the lack of commercialized products;
- insufficient capital;
- expected substantial and continual losses for the foreseeable future;
- limited experience in dealing with regulatory issues;
- the lack of manufacturing experience and limited marketing experience;
- an expected reliance on third parties for the development and commercialization of some of our proposed products;
- a competitive environment characterized by numerous, well-established and well-capitalized competitors; and
- reliance on key personnel.

Because we are subject to these risks, you may have a difficult time evaluating our business and your investment in our company.

Our proposed products are in the research and development stages and will likely not be commercially introduced for several years, if at all.

Our proposed products are in the research and development stages and will require further research and development, preclinical and clinical testing and investment prior to commercialization in the United States and abroad. We cannot assure you that any of our proposed products will:

- be successfully developed;
- prove to be safe and efficacious in clinical trials;
- meet applicable regulatory standards;
- demonstrate substantial protective or therapeutic benefits in the prevention or treatment of any disease;
- be capable of being produced in commercial quantities at reasonable costs; or
- be successfully marketed.

If we fail to obtain regulatory approval to commercially manufacture or sell any of our future products, or if approval is delayed, we will be unable to generate revenue from the sale of our products.

We must obtain regulatory approval to sell any of our products in the United States and abroad. In the United States, we must obtain the approval of the FDA for each product or drug that we intend to commercialize. The FDA approval process is typically lengthy and expensive, and approval is never certain. Products to be commercialized abroad are subject to similar foreign government regulation.

Generally, only a very small percentage of newly discovered pharmaceutical products that enter preclinical development are approved for sale. Because of the risks and uncertainties in biopharmaceutical development, our proposed products could take a significantly longer time to gain regulatory approval than we expect or may never gain approval. If regulatory approval is delayed or never obtained, our management's credibility, the value of our company and our operating results and liquidity would be adversely affected.

To obtain regulatory approval to market our products, costly and lengthy pre-clinical studies and human clinical trials are required, and the results of the studies and trials are highly uncertain.

As part of the FDA approval process, we must conduct, at our own expense, pre-clinical studies on animals and clinical trials on humans on each of our proposed products. We expect the number of pre-clinical studies and human clinical trials that the FDA will require will vary depending on the product, the disease or condition the product is being developed to address and regulations applicable to the particular product. We may need to perform multiple pre-clinical studies using various doses and formulations before we can begin human clinical trials, which could result in delays in our ability to market any of our products. Furthermore, even if we obtain favorable results in pre-clinical studies on animals, the results in humans may be different.

After we have conducted pre-clinical studies in animals, we must demonstrate that our products are safe and effective for use on the target human patients in order to receive regulatory approval for commercial sale. The data obtained from pre-clinical and human clinical testing are subject to varying interpretations that could delay, limit or prevent regulatory approval. Adverse or inconclusive human clinical results

would prevent us from filing for regulatory approval of our products. Additional factors that can cause delay or termination of our human clinical trials include:

- slow patient enrollment;
- longer treatment time required to demonstrate efficacy or safety;
- adverse medical events or side effects in treated patients; and
- lack of effectiveness of the product being tested.

Uncertainties associated with the impact of published studies regarding the adverse health effects of certain forms of hormone therapy could adversely affect the trading price of our shares.

In July 2002, the National Institutes of Health (NIH) released data from its Women's Health Initiative (WHI) study on the risks and benefits associated with long-term use of oral hormone therapy by healthy women. The NIH announced that it was discontinuing the arm of the study investigating the use of oral estrogen/progestin combination hormone therapy products after an average follow-up period of 5.2 years because the product used in the study was shown to cause an increase in the risk of invasive breast cancer. The study also found an increased risk of stroke, heart attacks and blood clots and concluded that overall health risks exceeded benefits from use of combined estrogen plus progestin for an average of 5.2 year follow-up among healthy postmenopausal women. Also in July 2002, results of an observational study sponsored by the National Cancer Institute on the effects of estrogen therapy were announced. The main finding of the study was that postmenopausal women who used estrogen therapy for 10 or more years had a higher risk of developing ovarian cancer than women who never used hormone therapy. In October 2002, a significant hormone therapy study being conducted in the United Kingdom was also halted. Our proposed hormone therapy products differ from the products used in the Women's Health Initiative study and the primary products observed in the National Cancer Institute and United Kingdom studies. In March 2004, the NIH announced that the estrogen-alone study was discontinued after nearly seven years because the NIH concluded that estrogen alone does not affect (either increase or decrease) heart disease, the major question being evaluated in the study. At the same time, estrogen alone did not appear to increase the risk of breast cancer. The findings indicated a slightly increased risk of stroke as well as a decreased risk of hip fracture. Preliminary data from the memory study suggested that estrogen alone may possibly be associated with a slight increase in the risk of dementia or mild cognitive impairment. There are, however, no studies comparing the safety of our proposed hormone therapy products against other hormone therapies.

Because our industry is very competitive and many of our competitors have substantially greater capital resources and more experience in research and development, manufacturing and marketing than us, we may not succeed in developing our proposed products and bringing them to market.

Competition in the pharmaceutical industry is intense. Potential competitors in the United States and abroad are numerous and include pharmaceutical, chemical and biotechnology companies, most of which have substantially greater capital resources and more experience in research and development, manufacturing and marketing than us. Academic institutions, hospitals, governmental agencies and other public and private research organizations are also conducting research and seeking patent protection and may develop and commercially introduce competing products or technologies on their own or through joint ventures. We cannot assure you that our competitors will not succeed in developing similar technologies and products more rapidly than we do or that these competing technologies and products will not be more effective than any of those that we currently are developing or will develop.

We license the technology underlying most of our proposed hormone therapy products and a portion of our CAP technology from third parties and may lose the rights to license them.

We license most of the technology underlying our proposed hormone therapy products from Antares Pharma, Inc. and a portion of our CAP technology from the University of California. We may lose our right to license these technologies if we breach our obligations under the license agreements. Although we intend to use our reasonable best efforts to meet these obligations, if we violate or fail to perform any term or covenant of the license agreements or with respect to the University of California's license agreement within 60 days after written notice from the University of California, the other party to these agreements may terminate these agreements or certain projects contained in these agreements. The termination of these agreements, however, will not relieve us of our obligation to pay any royalty or license fees owing at the time of termination. Our failure to retain the right to license the technology underlying our proposed hormone therapy products or CAP technology could harm our business and future operating results. For example, if we were to enter into an outlicense agreement with a third party under which we agree to outlicense our hormone therapy technology or CAP technology for a license fee, the termination of the main license agreement with Antares Pharma, Inc. or the University of California could either, depending upon the terms of the outlicense agreement, cause us to breach our obligations under the outlicense agreement or give the other party a right to terminate that agreement, thereby causing us to lose future revenue generated by the outlicense fees.

We have licensed two of our proposed hormone therapy products to third parties and any breach by these parties of their obligations under these sublicense agreements or a termination of these sublicense agreements by these parties could adversely affect our business.

We have licensed two of our proposed hormone therapy product to third parties that have agreed to be responsible for continued development, regulatory filings and manufacturing and marketing associated with the products. Any breach by these parties of their obligations under these sublicense agreements or a termination of these sublicense agreements by these parties could adversely affect our business if we are unable to license the proposed products to another party on substantially the same or better terms or continue the work ourselves.

We do not have any facilities appropriate for clinical testing, we lack significant manufacturing experience and we have very limited sales and marketing personnel. We are currently dependent upon our licensees or others for several of these functions and will likely remain dependent upon others for these functions.

We do not have a manufacturing facility that can be used for production of our products. In addition, at this time, we have very limited sales and marketing personnel. We are currently dependent upon our licensees or others for several of these functions and in the course of our development program, we will likely be required to enter into additional arrangements with other companies or universities or clinical investigators for our animal testing, human clinical testing, manufacturing, and sales and marketing activities. If our licensees breach their obligations under our license agreements to perform these functions or we are otherwise unable to retain third parties for these purposes on acceptable terms, we may be unable to successfully develop, manufacture and market our proposed products. In addition, any failures by third parties to adequately perform their responsibilities may delay the submission of our proposed products for regulatory approval, impair our ability to deliver our products on a timely basis or otherwise impair our competitive position. Our dependence on third parties for the development, manufacture, sale and marketing of our products also may adversely affect our profit margins.

If we are unable to protect our proprietary technology, we may not be able to compete as effectively.

The pharmaceutical industry places considerable importance on obtaining patent and trade secret protection for new technologies, products and processes. Our success will depend, in part, upon our ability to obtain, enjoy and enforce protection for any products we develop or acquire under United States and foreign patent laws and other intellectual property laws, preserve the confidentiality of our trade secrets and operate without infringing the proprietary rights of third parties.

Where appropriate, we seek patent protection for certain aspects of our technology. In February 2000, we filed a patent application relating to our CAP technology. However, our owned and licensed patents and patent applications will not ensure the protection of our intellectual property for a number of other reasons:

- We do not know whether our patent applications will result in actual patents. For example, we may not have developed a method for treating a disease before others have developed similar methods.

- Competitors may interfere with our patent process in a variety of ways. Competitors may claim that they invented the claimed invention before us or may claim that we are infringing on their patents and therefore we cannot use our technology as claimed under our patent. Competitors may also contest our patents by showing the patent examiner that the invention was not original or novel or was obvious.

- We are in the research and development stage and are in the process of developing proposed products. Even if we receive a patent, it may not provide much practical protection. If we receive a patent with a narrow scope, then it will be easier for competitors to design products that do not infringe on our patent. Even if the development of our proposed products is successful and approval for sale is obtained, there can be no assurance that applicable patent coverage, if any, will not have expired or will not expire shortly after this approval. Any expiration of the applicable patent could have a material adverse effect on the sales and profitability of our proposed product.

- Enforcing patents is expensive and may require significant time by our management. In litigation, a competitor could claim that our issued patents are not valid for a number of reasons. If the court agrees, we would lose those patents.

- We also may support and collaborate in research conducted by government organizations or universities. We cannot guarantee that we will be able to acquire any exclusive rights to technology or products derived from these collaborations. If we do not obtain required licenses or rights, we could encounter delays in product development while we attempt to design around other patents or we may be prohibited from developing, manufacturing or selling products requiring these licenses. There is also a risk that disputes may arise as to the rights to technology or products developed in collaboration with other parties.

It also is unclear whether our trade secrets will provide useful protection. While we use reasonable efforts to protect our trade secrets, our employees or consultants may unintentionally or willfully disclose our proprietary information to competitors. Enforcing a claim that someone else illegally obtained and is using our trade secrets, like patent litigation, is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Finally, our competitors may independently develop equivalent knowledge, methods and know-how.

Claims by others that our products infringe their patents or other intellectual property rights could adversely affect our financial condition.

The pharmaceutical industry has been characterized by frequent litigation regarding patent and other intellectual property rights. Patent applications are maintained in secrecy in the United States until the patents are issued and also are maintained in secrecy for a period of time outside the United States. Accordingly, we can conduct only limited searches to determine whether our technology infringes any patents or patent applications of others. Any claims of patent infringement would be time-consuming and could likely:

- result in costly litigation;
- divert the time and attention of our technical personnel and management;
- cause product development delays;
- require us to develop non-infringing technology; or
- require us to enter into royalty or licensing agreements.

Although patent and intellectual property disputes in the pharmaceutical industry often have been settled through licensing or similar arrangements, costs associated with these arrangements may be substantial and often require the payment of ongoing royalties, which could hurt our gross margins. In addition, we cannot be sure that the necessary licenses would be available to us on satisfactory terms, or that we could redesign our products or processes to avoid infringement, if necessary. Accordingly, an adverse determination in a judicial or administrative proceeding, or the failure to obtain necessary licenses, could prevent us from developing, manufacturing and selling some of our products, which could harm our business, financial condition and operating results.

Item 2. DESCRIPTION OF PROPERTY

Our principal executive office is located in Lincolnshire, Illinois. In December 2003, we entered into a lease agreement for approximately 4,000 square feet of office space for approximately $7,400 per month. In March 2004, we signed an amendment to this lease effective April 1, 2004. Pursuant to that amendment, we have moved to approximately 6,800 square feet in the same building for rent equal to approximately $12,000 per month. This lease, as amended, will expire in March 2005. Our CAP research and development operations are located in Smyrna, Georgia where we lease approximately 11,840 square feet of laboratory space for approximately $7,400 per month. This lease expires in October 2004. Management of our company considers our leased properties suitable and adequate for our current and immediately foreseeable needs.

Item 3. LEGAL PROCEEDINGS

We are not a party to any material, threatened or pending legal proceedings.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of our security holders during the fourth quarter ended December 31, 2003.

Item 4A. EXECUTIVE OFFICERS OF THE COMPANY

Our executive officers, their ages and the offices held, as of March 20, 2004, are as follows:

Name	Age	Title
Stephen M. Simes	52	Vice Chairman, President and Chief Executive Officer
Phillip B. Donenberg	43	Chief Financial Officer, Treasurer and Secretary
Leah M. Lehman, Ph.D.	42	Vice President, Clinical and Regulatory Affairs
Steven J. Bell, Ph.D.	44	Vice President, Research and Pre-Clinical Development

Information regarding the business experience of the executive officers is set forth below.

Stephen M. Simes has served as our Vice Chairman, President and a director of our company since January 1998 and Chief Executive Officer since March 1998. From October 1994 to January 1997, Mr. Simes was President, Chief Executive Officer and a Director of Unimed Pharmaceuticals, Inc., a company with a product focus on infectious diseases, AIDS, endocrinology and oncology. From 1989 to 1993, Mr. Simes was Chairman, President and Chief Executive Officer of Gynex Pharmaceuticals, Inc., a company which concentrated on the AIDS, endocrinology, urology and growth disorders markets. In 1993, Gynex was acquired by Savient Pharmaceuticals Inc. (formerly Bio-Technology General Corp.), and from 1993 to 1994, Mr. Simes served as Senior Vice President and director of Savient Pharmaceuticals Inc. Mr. Simes' career in the pharmaceutical industry started in 1974 with G.D. Searle & Co.

Phillip B. Donenberg, CPA has served as our Chief Financial Officer, Treasurer and Secretary since July 1998. Before joining our company, Mr. Donenberg was Controller of Unimed Pharmaceuticals, Inc. from January 1995 to July 1998. Prior to Unimed Pharmaceuticals, Inc., Mr. Donenberg held similar positions with other pharmaceutical companies, including Gynex Pharmaceuticals, Inc., Applied NeuroSolutions, Inc. (formerly Molecular Geriatrics Corporation) and Xtramedics, Inc.

Leah M. Lehman, Ph.D. has served as our Vice President, Clinical and Regulatory Affairs since March 2004 and was our Vice President, Clinical Development from January 2001 to March 2004. Prior to joining our company, Dr. Lehman was Director of Clinical Research with Scientific Research Development Corp., a research consulting company, from April 1995 to December 2000. From 1993 to 1995, Dr. Lehman was a clinical statistician at Abbott Laboratories.

Steven J. Bell, Ph.D. has served as our Vice President, Research and Pre-Clinical Development since October 2000 and served as a Director of Research and Development of BioSante from July 1997 to October 2000. Prior to joining our company, Dr. Bell held various positions with Boehringer Mannheim, Hoffman-LaRoche, The Upjohn Company and Boehringer Ingelheim.

PART II

Item 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Price

Our common stock is listed for trading on the American Stock Exchange, under the symbol “BPA.” From June 1, 2002 to September 30, 2003, our common stock was quoted on the Over-the-Counter Bulletin Board under the symbol “BISP” and under the symbol “BTPH” from May 5, 2000 to May 31, 2002. From December 20, 1996 to July 20, 2001, our common stock traded in Canada on the Canadian Venture Exchange, formerly known as the Alberta Stock Exchange, under the symbol “BAI.”

The following table sets forth, in dollars and cents (in lieu of fractions), the high and low sales prices for our common stock, as reported by the American Stock Exchange, for the one calendar quarter on which our common stock was listed for trading during 2003.

American Stock Exchange

2003	High	Low
Fourth Quarter	$4.50	$3.20

The following table sets forth, in dollars and cents (in lieu of fractions), the high and low sales prices, as reported by the Over-the-Counter Bulletin Board, for each of the calendar quarters indicated on which our common stock was quoted during 2003 and 2002. The prices in the table may not represent actual transactions. These quotations reflect inter-dealer prices, without retail mark up, mark down or commissions and may not represent actual transactions. On May 31, 2002, we effected a one-for-ten reverse split of our issued and outstanding shares of common stock and class C special stock. All per share numbers in the following tables have been adjusted to reflect the reverse split.

OTC Bulletin Board

2003	High	Low
First Quarter	$3.60	$1.65
Second Quarter	$3.10	$1.85
Third Quarter	$3.10	$2.45

2002	High	Low
First Quarter	$7.90	$5.10
Second Quarter	$7.00	$3.60
Third Quarter	$5.25	$3.35
Fourth Quarter	$3.75	$1.91

Number of Record Holders; Dividends

As of March 3, 2004, there were 207 record holders of our common stock and nine record holders of our class C stock. To date, we have not declared or paid any cash dividends on our common stock and our class C stock is not eligible to receive dividends.

Previous Sales of Unregistered Securities

During the fourth quarter ended December 31, 2003, we did not issue any securities without registration under the Securities Act.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This Management's Discussion and Analysis provides material historical and prospective disclosures intended to enable investors and other users to assess our financial condition and results of operations. Statements that are not historical are forward-looking and involve risks and uncertainties discussed under the caption "Forward-Looking Statements" in Item 1 of this Annual Report on Form 10-KSB. The following discussion of the results of the operations and financial condition of BioSante should be read in conjunction with our financial statements and the related notes thereto.

Overview

We are a development stage biopharmaceutical company that is developing a pipeline of hormone therapy products to treat men and women. We also are engaged in the development of our proprietary calcium phosphate nano technology, or CAP, for vaccine adjuvants, drug delivery systems and the purification of the milk of transgenic animals.

All of our revenue to date has been derived from upfront and milestone payments earned on licensing and sub-licensing transactions. We have not commercially introduced any products and do not expect to do in the near future.

Our business operations consist mostly of research and development activities. We spent approximately $300,000 to $400,000 per month on research and development activities in 2003 and expect our research and development expenses to increase in 2004 based on our planned clinical development schedule. The amount of our actual research and development expenditures, however, may fluctuate from quarter-to-quarter and year-to-year depending upon: (1) resources available; (2) our development schedule; (3) results of studies, clinical trials and regulatory decisions; and (4) competitive developments. We are required under the terms of our license agreement with the University of California to have available certain amounts of funds for research and development activities.

Since our inception, we have experienced significant operating losses. We incurred a net loss of $5,959,354 for the year ended December 31, 2003, resulting in an accumulated deficit of $28,021,077. We expect to incur substantial and continuing losses for the foreseeable future as our product development programs expand and various preclinical and clinical trials commence and continue. The amount of these losses may vary significantly from year-to-year and quarter-to-quarter and will depend upon, among other factors:

- the timing and cost of product development;
- the progress and cost of preclinical and clinical development programs;
- the costs of licensure or acquisition of new products;
- the timing and cost of making necessary regulatory filings and obtaining approvals; and
- the timing and cost of obtaining third party reimbursement.

Hormone Therapy Products. Our hormone therapy products, most of which we license on an exclusive basis from Antares Pharma, Inc., address a variety of hormone therapies for symptoms that affect both men and women. The products we in-license from Antares are gel formulations of testosterone (the natural male hormone), estradiol (the natural female hormone), a combination of estradiol and testosterone and a combination of estradiol and progestogen (another female hormone). Human clinical

trials have begun on four of our hormone therapy products, which are required to obtain FDA approval to market the products. Our proposed Bio-E-Gel product is currently in a pivotal Phase III clinical trial. Our proposed LibiGel product is in a Phase II clinical trial. Our proposed Bio-T-Gel product also is currently in a clinical trial.

Under the terms of our license agreement with Antares, we acquired exclusive marketing rights, with the right to grant sublicenses, to the single active ingredient testosterone and estradiol products for all therapeutic indications in the U.S., Canada, Mexico, Israel, Indonesia, Malaysia, Australia, New Zealand, China and South Africa. We acquired exclusive marketing rights, with the right to grant sublicenses, for the combination estradiol and progestogen product in the U.S. and Canada. In partial consideration for the license of the hormone therapy products, we paid Antares an upfront license fee of $1.0 million in June 2000. In addition, under the terms of the license agreement, we agreed to fund the development of the proposed products, make milestone payments and, after all necessary regulatory approvals are received, pay royalties to Antares on sales of the products.

In a series of amendments executed during 2001 between BioSante and Antares, we returned to Antares the license rights to one of four previously licensed hormone products, namely the estradiol patch, in all countries of the licensed territory. Additionally, we returned to Antares the license rights to the single entity estrogen and testosterone gel products in Malaysia and Australia. In exchange for the return to Antares of the estradiol patch in all the countries and the estradiol and testosterone gel products in Malaysia and Australia, Antares granted us a credit for approximately $600,000 of manufacturing and formulation services, which have been fully utilized, and a license for the combination estradiol plus testosterone gel product for all countries described above.

In August 2001, we entered into a sublicense agreement with Solvay Pharmaceuticals, B.V. covering the U.S. and Canadian rights to the estrogen/progestogen combination transdermal hormone therapy gel product licensed from Antares. Under the terms of the agreement, Solvay sublicenses our estrogen/progestogen combination transdermal hormone therapy gel product for an initial payment of $2.5 million ($1.7 million net of the related payments due to Antares and Paladin), future milestone payments and escalating sales-based royalties. During the third quarter ended September 30, 2002, we received a $950,000 milestone payment pursuant to the Solvay sublicense agreement. Solvay is responsible for all costs of development and marketing of the product. We have retained co-promotion rights to the product and will be compensated for sales generated by us over and above those attributable to Solvay’s marketing efforts. As described below, the Canadian rights to this product had previously been sublicensed to Paladin as part of that sublicense arrangement and were repurchased by us prior to the Solvay transaction in exchange for $125,000, paid by the issuance of 17,361 shares of our common stock with a market value of $125,000 at the date of the transaction.

In September 2000, we sublicensed the marketing rights to our portfolio of female hormone therapy products in Canada to Paladin Labs Inc. In exchange for the sublicense, Paladin agreed to make an initial investment in our company, make future milestone payments and pay royalties on sales of the products in Canada. The milestone payments will be in the form of a series of equity investments by Paladin in our common stock at a 10 percent premium to the market price of our stock at the time the equity investment is made. Upon execution of the sublicense agreement, Paladin made an initial investment of $500,000 in our company in the form of a convertible debenture, convertible into our common stock at $10.50 per share. In August 2001, we exercised our right and declared the debenture converted in full. Accordingly, 47,619 shares of our common stock were issued to Paladin in August 2001. During the third quarter 2001, Paladin made a series of equity investments in us as a result of certain sub-licensing transactions and BioSante reaching certain milestones. These equity investments resulted in issuing an additional 18,940 shares of our common stock to Paladin.

In April 2002, we exclusively in-licensed from Wake Forest University and Cedars-Sinai Medical Center three issued U.S. patents claiming triple hormone therapy (the combination use of estrogen plus progestogen plus androgen, *e.g.* testosterone) and an option for triple hormone contraception. The financial terms of the license include an upfront payment by us, regulatory milestones, maintenance payments and royalty payments by us if the product gets approved and subsequently marketed.

In December 2002, we entered into a development and license agreement with Teva Pharmaceuticals USA, Inc., a wholly-owned subsidiary of Teva Pharmaceutical Industries Ltd., under which we collaborate with Teva USA on the development of a hormone therapy product for the U.S. market. The financial terms of the development and license agreement included a $1.5 million upfront payment by Teva USA and royalties on sales of the commercialized product in exchange for rights to develop and market a hormone therapy product. Teva USA also is responsible for continued development, regulatory filings and all manufacturing and marketing associated with the product.

CAP Technology and Proposed Products. Our CAP technology, which we license on an exclusive basis from the University of California, is based on the use of extremely small, solid, uniform particles, which we call "nanoparticles," as immune system boosters, for drug delivery and to purify the milk of transgenic animals, among other uses. We have identified three potential initial applications for our CAP technology:

- the creation of improved versions of current vaccines and of new vaccines by the "adjuvant" activity of our proprietary nanoparticles that enhance the ability of a vaccine to stimulate an immune response and allow for delivery of the vaccine via non-injectable routes of administration;
- the creation of inhaled and oral forms of drugs that currently must be given by injection (*e.g.*, insulin); and
- the purification of the milk of transgenic animals, in which protein pharmaceuticals are grown.

Our strategy with respect to CAP is to continue development of our nanoparticle technology and actively seek collaborators and licensees to accelerate the development and commercialization of products incorporating the technology.

In addition to continuing our own research and development in the three potential commercial applications of our CAP technology, we have sought and continue to seek opportunities to enter into business collaborations or joint ventures with vaccine companies and others interested in co-development and co-marketing arrangements with respect to our CAP technology. We believe these collaborations may enable us to accelerate the development of potential improved vaccines and vaccines that can be delivered other than by injection.

In October 2001, we licensed BioVant on a non-exclusive basis to Corixa Corporation for use in several potential vaccines to be developed by Corixa. Under the agreement, Corixa has agreed to pay us milestone payments upon the achievement by Corixa of certain milestones plus royalty payments on sales by Corixa if and when vaccines are approved using BioVant and sold on a commercial basis. If Corixa sublicenses vaccines that include BioVant, we will share in milestone payments and royalties received by Corixa. The license agreement covers access to BioVant for a variety of cancer, infectious and autoimmune disease vaccines.

In January 2003, we announced the signing of a Cooperative Research and Development Agreement (CRADA) with the U.S. Navy's Naval Medical Research Center's (NMRC) Malaria Program for the development of a malaria vaccine. The development agreement leverages our expertise with NMRC's expertise to develop an enhanced vaccine for malaria. Under the agreement, we will provide the NMRC with BioVant our proprietary vaccine adjuvant and delivery system, and the NMRC will provide DNA plasmids or proteins encoding antigens for *Plasmodium spp*., the parasite that causes malaria. It is hoped that the resulting DNA vaccine will improve the effectiveness of the ensuing humoral and cell-mediated immunity against malaria and therefore be more effective as it activates both arms of the immune system. The NMRC will cover all costs associated with the CRADA.

In June 2003, we announced the signing of another CRADA with the U.S. Army's Medical Research Institute of Infectious Disease (USAMRIID) for the development of non-injected biodefense vaccines, including anthrax, staph and ricin. The USAMRIID has agreed to grant us an exclusive license to any U.S. patent application or issued patent as a result of the work under the CRADA. The USAMRIID will cover all costs associated with the CRADA.

In September 2003, we announced that we were awarded a $100,000 Small Business Innovation Research grant from the National Institutes of Health to support our development of formulations for the oral delivery of insulin using our CAP technology. We did not recognize any revenue for this grant in our December 31, 2003 financial statements as the grant funds had not yet been received. We receive the funds as reimbursement of research and development expenses.

In January 2004, we announced the signing of a subcontract with DynPort Vaccine Company LLC for the development of anthrax vaccines for delivery via alternative routes of administration, including nasal, oral and needle-free transcutaneous routes. Under the subcontract, we provide BioVant and DynPort provides recombinant antigens to be used in potential vaccines against anthrax. The objective is to assess the immunogenic potential of BioVant when used in anthrax vaccines versus the immunogenic response of anthrax vaccines that use Alhydrogel as the vaccine adjuvant. The subcontract is in support of the U.S. Department of Defense Joint Vaccine Acquisition Program. The subcontract is valued at approximately $658,000 per the terms of the contract.

Critical Accounting Policies

Our significant accounting policies are described in Note 1 to our financial statements included in Item 8 of this Form 10-KSB. The discussion and analysis of the financial statements and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The SEC has defined a company's most critical accounting policies as those that are most important to the portrayal of its financial condition and results of operations, and which the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following critical accounting policies. Although we believe that our estimates and assumptions are reasonable, they are based upon information available when they are made. Actual results may differ significantly from these estimates under different assumptions or conditions.

Revenue Recognition

We recognize revenue from licensing arrangements in the form of upfront license fees, milestone payments, royalties and other fees. Revenue is recognized when cash is received and we have completed

all of our obligations under our licensing arrangement which are required for the payment to be non-refundable. Revenue also includes reimbursement for certain research and development expenses which we recognize as both revenue and expense at the time the expense is incurred. Any ancillary payment related to the products being licensed, such as royalties to the head licensor, are netted against revenues at the time of revenue recognition. To date, there has been no royalty revenue recognized.

Research and Development Costs

Research and development costs are charged to expenses as incurred. Costs associated with production of products are capitalized only when FDA approval has occurred. To date, none of our products has received FDA approval.

Results of Operations

The following table sets forth, for the periods indicated, our results of operations.

	Year Ended December 31,		
	2003	2002	2001
Revenue	$ 65,494	$ 2,770,063	$ 1,747,386
Expenses	6,111,437	6,644,541	4,533,163
Research and development	3,691,420	4,786,818	2,141,944
General and administrative	2,327,090	1,765,624	2,298,659
Interest income	86,589	63,788	174,416
Net loss	$(5,959,354)	$(3,810,690)	$(2,611,361)

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenue for the year ended December 31, 2003 decreased 97 percent compared to revenue during 2002 primarily due to minimal net licensing income received in 2003. We earned licensing income of $65,494 for the year ended December 31, 2003 due to the reimbursement revenue from a licensee for certain clinical development expenses. We earned net licensing income of $2,770,063 for the year ended December 31, 2002 due to the receipt of a $750,000 milestone payment (net) pursuant to our sublicense agreement with Solvay Pharmaceuticals, Inc. and a $1.5 million up front licensing payment from Teva Pharmaceuticals USA, Inc.

Research and development expenses for the year ended December 31, 2003 decreased 23 percent compared to research and development expenses during 2002 primarily as a result of decreased expenses during 2003 associated with the clinical development of certain of our hormone therapy products.

General and administrative expenses for the year ended December 31, 2003 increased 32 percent compared to general and administrative expenses for 2002 primarily as a result of recognition on payment of board compensation expenses under a newly approved board stock compensation program for 2003 and 2002 and filing fees and legal expenses related to our common stock being accepted for listing on the American Stock Exchange during 2003.

Interest income for the year ended December 31, 2003 increased 36 percent compared to interest income during 2002 primarily as a result of higher invested cash balances during 2003. We expect interest income to decline in future periods as we use our cash balances for operations.

The overall increase in the net loss for the year ended December 31, 2003 compared to 2002 was primarily the result of lower licensing income and higher board stock compensation, filing and legal expenses as described above.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenue for the year ended December 31, 2002 increased 59 percent compared to revenue for 2001 primarily due to a $1.5 million upfront payment by Teva USA and a $950,000 ($750,000 net of a related payment due to Antares) milestone payment by Solvay in 2002.

Research and development expenses for the year ended December 31, 2002 increased 123 percent compared to research and development expenses for the year ended December 31, 2001 as a result of increased expenses during 2002 associated with the clinical development of certain of our hormone therapy products.

General and administrative expenses for the year ended December 31, 2002 decreased 23 percent compared to general and administrative expenses for 2001. This decrease was due primarily to a decrease in legal and personnel-related expenses during 2002 compared to 2001.

Interest income for the year ended December 31, 2002 decreased 63 percent compared to interest income for 2001 as a result of lower average cash balances and lower interest rates on invested cash balances in 2002.

The overall increase in the net loss for the year ended December 31, 2002 compared to 2001 was largely the result of increased expenses associated with the clinical development of our hormone therapy product portfolio during 2002 compared to 2001.

Liquidity and Capital Resources

Sources of Cash

To date, we have raised equity financing and received licensing income to fund our operations, and we expect to continue this practice to fund our ongoing operations. Since inception, we have raised net proceeds of approximately $31.0 million from equity financings, class A and class C stock conversions, warrant exercises and the issuance of a $500,000 convertible debenture, and have received $4.6 million, net of sublicensing costs, as a result of licensing upfront payments and milestones.

Our cash and cash equivalents were $9,134,327 and $4,883,697 at December 31, 2003 and 2002, respectively. The increase in our cash balance was primarily due to our $10.3 million ($9.6 million net) private placement of 4.8 million common shares and warrants to purchase 2.8 million shares that closed in August 2003.

Uses of Cash and Cash Flow

We used cash in operating activities of $5,521,992 for the year ended December 31, 2003 versus cash used in operating activities of $3,962,493 for the year ended December 31, 2002. The increase in cash used in operating activities largely reflects the increased net loss and associated decrease in accounts payable and accrued expenses, offset by payments received from a license related to reimbursement of clinical development costs of a product within our hormone therapy product portfolio. The increase in cash used in operating activities also reflects the decrease in cash received for licensing income and an increase in cash expenditures related to filing fees and legal expenses related to our common stock being accepted for listing on the American Stock Exchange. The $217,438 reduction in Due to Antares during the year ended December 31, 2003 represents expenses related to a development milestone paid to, and manufacturing and formulation services provided by, Antares Pharma. There was $8,865 net cash used in investing activities for the year ended December 31, 2003 which was used for the purchase of computer

equipment versus $38,922 used in investing activities for the year ended December 31, 2002 which was used for the purchase of computer equipment and filing cabinets. Net cash provided by financing activities during the year ended December 31, 2003 was $9,781,487 and was primarily the result of our private placement which closed in August 2003. Net cash provided by financing activities during the year ended December 31, 2002 was $4,382,795 and was primarily the result of a financing which closed in September 2002.

We used cash in operating activities of $3,962,493 for the year ended December 31, 2002 versus cash used in operating activities of $1,823,820 for the year ended December 31, 2001. The increase in cash used in operating activities reflects an increase in cash expenditures in: (1) research and development and associated personnel-related expenses, and (2) expenses related to the clinical development of our hormone therapy products. Net cash used in investing activities for capital expenditures for computer equipment and filing cabinets was $38,992 for the year ended December 31, 2002 versus $86,735 for computer equipment for the year ended December 31, 2001. Net cash provided by financing activities was $4,382,795 for the year ended December 31, 2002 compared to $3,801,187 for the year ended December 31, 2001. Net cash provided by financing activities during 2002 was primarily the result of $4.4 million net cash proceeds pursuant to our equity offering that closed in September 2002.

Commitments and Contractual Obligations

We did not have any material commitments for capital expenditures as of December 31, 2003. We have, however, several potential financial commitments, including product development milestone payments to the licensors of our hormone therapy products, payments under our license agreements with the University of California and Wake Forest University, as well as minimum annual lease payments.

The following table summarizes the timing of these future contractual obligations and commitments as of December 31, 2003:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Operating Leases	$ 159,359	$159,359	$ —	$ —	$ —
Commitments Under License Agreement with UCLA	6,800,000	—	150,000	350,000	6,300,000
Commitments Under License Agreement with Wake Forest	1,740,000	10,000	125,000	155,000	1,450,000
Total Contractual Cash Obligations	$8,699,359	$169,359	$275,000	$505,000	$7,750,000

We expect to continue to spend capital on:

- research and development programs;
- pre-clinical studies and clinical trials;
- regulatory processes;
- establishment of our own marketing capabilities or a search for third party marketing partners to market our products for us; and

- the licensure or acquisition of new products.

The amount of capital we may need will depend on many factors, including the:

- progress, timing and scope of our research and development programs;
- progress, timing and scope of our pre-clinical studies and clinical trials;
- time and cost necessary to obtain regulatory approvals;
- time and cost necessary to establish our own sales and marketing capabilities or to seek marketing partners to market our products for us;
- time and cost necessary to respond to technological and market developments;
- changes made or new developments in our existing collaborative, licensing and other commercial relationships; and
- new collaborative, licensing and other commercial relationships that we may establish.

In addition, our license agreement with the licensor of our hormone therapy products requires us to make certain payments as development milestones are achieved, and our license agreement with the University of California requires us to have available minimum amounts of funds each year for research and development activities relating to our licensed technology and to achieve research and development milestones. Moreover, our fixed expenses, such as rent, license payments and other contractual commitments, may increase in the future, as we may:

- enter into additional leases for new facilities and capital equipment;
- enter into additional licenses and collaborative agreements; and
- incur additional expenses associated with being a public company.

Off-Balance Sheet Arrangements

Except for operating leases entered in the ordinary course of business, we do not have any material off-balance sheet arrangements.

Outlook

We currently do not have sufficient resources to complete the commercialization of any of our proposed products. Based on our current cash resources and commitments, we believe we should be able to maintain our current planned development activities and the corresponding level of expenditures through December 2004, although no assurance can be given that we will not need additional cash prior to such time. Unexpected increases in general and administrative expenses and research and development expenses may cause us to need additional financing prior to December 2004.

We are in the process of exploring financing and strategic alternatives, which could include selling shares of our common stock or other equity securities in a public or private offering, entering into an equity line of credit, selling some or all of our assets or entering into a business combination. If we are successful at raising additional capital, our expenses may increase as we accelerate product development. We currently have no commitments for additional funding or a strategic alternative and so our ability to meet our

liquidity needs beyond December 2004 is uncertain. If we raise additional funds through the issuance of equity securities, our stockholders may experience significant dilution. Furthermore, additional financing may not be available when needed or, if available, financing may not be on terms favorable to us or our stockholders. If financing is not available when required or is not available on acceptable terms, we may be required to delay, scale back or eliminate some or all of our programs designed to facilitate the commercial introduction of our proposed products, prevented from commercial introduction of our products altogether or restricted from acquiring new products that we believe may be beneficial to our business. We are required under the terms of our license agreement with the University of California, however, to have available certain amounts of funds for research and development activities.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to interest rate risk on the investments of our excess cash, although due to the nature of our short-term investments, we have concluded that such risk is not material. The primary objective of our investment activities is to preserve principal while at the same time maximize yields without significantly increasing risk. To achieve this objective, we invest in highly liquid and high quality debt securities. To minimize the exposure due to adverse shifts in interest rates, we invest in short-term securities with maturities of less than one year.

Item 7. FINANCIAL STATEMENTS

Independent Auditors' Report

Board of Directors and Stockholders
BioSante Pharmaceuticals, Inc.
Lincolnshire, Illinois

We have audited the accompanying balance sheets of BioSante Pharmaceuticals, Inc. (a development stage company) as of December 31, 2003 and 2002 and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003, and for the period from August 29, 1996 (date of incorporation) through December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, and for the period from August 29, 1996 (date of incorporation) through December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company is in the development stage.

/s/ Deloitte & Touche LLP

March 18, 2004
Chicago, Illinois

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
Balance Sheets
December 31, 2003 and 2002

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 9,134,327**	**$ 4,883,697**
Due from Teva Pharmaceuticals USA, Inc. (Note 4)	**—**	**520,063**
Prepaid expenses and other sundry assets	**183,316**	**144,155**
	9,317,643	**5,547,915**
PROPERTY AND EQUIPMENT, NET (Note 5)	**247,827**	**331,889**
	$ 9,565,470	**$ 5,879,804**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable (Note 12)	**$ 238,743**	**$ 470,871**
Accrued compensation	**514,130**	**313,287**
Other accrued expenses	**110,467**	**236,758**
Due to Antares (Note 4)	**17,865**	**235,303**
	881,205	**1,256,219**
COMMITMENTS (Notes 11 and 13)		
STOCKHOLDERS' EQUITY (Note 8)		
Capital stock		
Issued and Outstanding		
2003 - 404,102; 2002 - 466,602 Class C special stock	**404**	**467**
2003 - 13,548,875; 2002 - 8,571,169 Common stock	**36,704,938**	**26,684,841**
	36,705,342	**26,685,308**
Deficit accumulated during the development stage	**(28,021,077)**	**(22,061,723)**
	8,684,265	**4,623,585**
	$ 9,565,470	**$ 5,879,804**

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
Statements of Operations
Years ended December 31, 2003, 2002 and 2001
and the cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003

	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001	Cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003
REVENUE	$ 65,494	$ 2,770,063	$ 1,747,386	$ 4,582,943
EXPENSES				
Research and development	3,691,420	4,786,818	2,141,944	14,904,554
General and administration	2,327,090	1,765,624	2,298,659	12,201,611
Depreciation and amortization	92,927	92,099	92,560	659,420
Loss on disposal of capital assets	—	—	—	157,545
Costs of acquisition of Structured Biologicals Inc.	—	—	—	375,219
Purchased in-process research and development	—	—	—	5,377,000
	6,111,437	6,644,541	4,533,163	33,675,349
OTHER - Interest income	86,589	63,788	174,416	1,071,329
NET LOSS	$ (5,959,354)	$(3,810,690)	$(2,611,361)	$(28,021,077)
BASIC AND DILUTED NET LOSS PER SHARE (Note 2)	$ (0.54)	$ (0.51)	$ (0.40)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	11,038,595	7,503,134	6,485,349	

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
Statements of Stockholders' Equity
Years ended December 31, 2003, 2002 and 2001
and the cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003

	Class A Special Shares		Class C Special Shares		Common Stock		Deferred Unearned Compensation	Deficit Accumulated During the Development Stage	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, August 29, 1996, Date of incorporation	—	$ —	—	$ —	—	$ —	$ —	$ —	$ —
Issuance of Class "C" shares August 29, 1996 ($0.0001 per share)	—	—	415,000	415	—	—	—	—	415
Issuance of Class "A" shares September 23, 1996 ($0.0001 per share)	2,000,000	2,000	—	—	—	—	—	—	2,000
Issuance of common shares									
September 23, 1996	—	—	—	—	410,000	4,100,000	—	—	4,100,000
Financing fees accrued	—	—	—	—	—	(410,000)	—	—	(410,000)
November 27, 1996 - issued as consideration upon acquisition of SBI (Note 3)	—	—	—	—	743,432	4,545,563	—	—	4,545,563
Exercise of Series "X" warrants	—	—	—	—	21,571	275,387	—	—	275,387
Exercise of Series "Z" warrants	—	—	—	—	143	2,553	—	—	2,553
Net loss	—	—	—	—	—	—	—	(6,246,710)	(6,246,710)
Balance, December 31, 1996	2,000,000	2,000	415,000	415	1,175,146	8,513,503	—	(6,246,710)	2,269,208
Conversion of shares									
January 13, 1997	—	—	(28,285)	(28)	28,285	70,741	—	—	70,713
January 13, 1997	—	—	(9,428)	(9)	9,429	23,580	—	—	23,571
December 2, 1997	—	—	(10,639)	(11)	10,639	26,607	—	—	26,596
December 2, 1997	—	—	(10,000)	(10)	10,000	25,010	—	—	25,000
Exercise of Series "V" warrants	—	—	—	—	2,400	36,767	—	—	36,767
Exercise of Series "X" warrants	—	—	—	—	2,857	36,200	—	—	36,200
Exercise of Series "W" warrants	—	—	—	—	2,000	25,555	—	—	25,555
Adjustment for partial shares issued upon amalgamation	—	—	—	—	13	—	—	—	—
Financing fees reversed	—	—	—	—	—	410,000	—	—	410,000
Net loss	—	—	—	—	—	—	—	(1,890,093)	(1,890,093)
Balance, December 31, 1997	2,000,000	2,000	356,648	357	1,240,769	9,167,963	—	(8,136,803)	1,033,517
Conversion of shares									
March 4, 1998	—	—	(2,000)	(2)	2,000	5,002	—	—	5,000
March 16, 1998	—	—	(1,000)	(1)	1,000	2,501	—	—	2,500
May 8, 1998	(1,500,000)	(1,500)	—	—	1,500,000	3,751,500	—	—	3,750,000
June 1, 1998	(100,000)	(100)	—	—	100,000	250,100	—	—	250,000
June 1, 1998	(100,000)	(100)	—	—	100,000	250,100	—	—	250,000
Return of shares to treasury									
May 8, 1998	(146,861)	(147)	—	—	—	—	—	—	(147)
May 8, 1998	—	—	(25,000)	(25)	—	—	—	—	(25)
Net loss	—	—	—	—	—	—	—	(2,659,415)	(2,659,415)
Balance, December 31, 1998	153,139	153	328,648	329	2,943,769	13,427,166	—	(10,796,218)	2,631,430
Conversion of shares									

February 2, 1999	—	—	(1,000)	(1)	1,000	2,501	—	—	2,500
Private placement of common shares, net									
May 6, 1999	—	—	—	—	2,312,500	4,197,843	—	—	4,197,843
Share redesignation									
July 13, 1999	(153,139)	(153)	153,139	153	—	—	—	—	—
Issuance of common shares									
August 15, 1999	—	—	—	—	7,000	25,000	—	—	25,000
Net loss	—	—	—	—	—	—	—	(1,406,259)	(1,406,259)
Balance, December 31, 1999	—	—	480,787	481	5,264,269	17,652,510	—	(12,202,477)	5,450,514
Conversion of shares									
March 17, 2000	—	—	(1,000)	(1)	1,000	2,501	—	—	2,500
March 24, 2000	—	—	(3,184)	(3)	3,184	7,963	—	—	7,960
June 12, 2000	—	—	(5,000)	(5)	5,000	12,505	—	—	12,500
July 13, 2000	—	—	(2,835)	(3)	2,834	7,088	—	—	7,085
Issuance of common shares									
July 18, 2000	—	—	—	—	19,007	58,000	—	—	58,000
Issuance of warrants for services received	—	—	—	—	—	42,290	(42,290)	—	—
Amortization of deferred unearned compensation	—	—	—	—	—	—	24,290	—	24,290
Net loss	—	—	—	—	—	—	—	(3,437,195)	(3,437,195)
Balance, December 31, 2000	—	—	468,768	469	5,295,294	17,782,857	(18,000)	(15,639,672)	2,125,654
Conversion of shares									
September 15, 2001	—	—	(1,166)	(1)	1,166	2,916	—	—	2,915
December 15, 2001	—	—	(1,000)	(1)	1,000	2,501	—	—	2,500
Private placement of common shares, net									
April 4, 2001	—	—	—	—	925,000	3,659,408	—	—	3,659,408
Issuance of common shares									
August 15, 2001	—	—	—	—	15,500	93,000	—	—	93,000
August 15, 2001	—	—	—	—	47,619	500,000	—	—	500,000
September 15, 2001	—	—	—	—	17,361	125,000	—	—	125,000
September 15, 2001	—	—	—	—	18,940	136,364	—	—	136,364
Amortization of deferred unearned compensation	—	—	—	—	—	—	18,000	—	18,000
Net loss	—	—	—	—	—	—	—	(2,611,361)	(2,611,361)
Balance, December 31, 2001	—	—	466,602	467	6,321,880	22,302,046	—	(18,251,033)	4,051,480
Reverse stock stock split									
May 31, 2002 - Fractional share adjustment	—	—	—	—	(711)	(3,050)	—	—	(3,050)
Issuance of registered common shares, net									
September 6, 2002	—	—	—	—	2,250,000	4,385,845	—	—	4,385,845
Net loss	—	—	—	—	—	—	—	(3,810,690)	(3,810,690)

Statements of Stockholders' Equity continued on the next page

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
Statements of Stockholders' Equity
Years ended December 31, 2003, 2002 and 2001
and the cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003

Continued from previous page

	Class A Special Shares		Class C Special Shares		Common Stock		Deferred Unearned Compensation	Deficit Accumulated During the Development Stage	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2002	—	—	466,602	467	8,571,169	26,684,841	—	(22,061,723)	4,623,585
Conversion of shares October 30, 2003	—	—	(62,500)	(63)	62,500	156,313	—	—	156,250
Private placement of common shares, net August 6, 2003	—	—	—	—	4,791,982	9,593,237	—	—	9,593,237
Issuance of common shares									
May 30, 2003	—	—	—	—	82,348	180,047	—	—	180,047
June 2, 2003	—	—	—	—	37,265	79,000	—	—	79,000
September 10, 2003	—	—	—	—	2,641	7,500	—	—	7,500
November 7, 2003	—	—	—	—	226	1,000	—	—	1,000
December 19, 2003	—	—	—	—	744	3,000	—	—	3,000
Net loss	—	—	—	—	—	—	—	(5,959,354)	(5,959,354)
Balance, December 31, 2003	—	—	404,102	404	13,548,875	36,704,938	—	(28,021,077)	8,684,265

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
Statements of Cash Flows
Years ended December 31, 2003, 2002 and 2001
and the cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003

	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001	Cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss	**$(5,959,354)**	**$(3,810,690)**	**$(2,611,361)**	**$(28,021,077)**
Adjustments to reconcile net loss to net cash used in operating activities				
Depreciation and amortization	**92,927**	**92,099**	**92,560**	**659,420**
Amortization of deferred unearned compensation	**—**	**—**	**18,000**	**42,290**
Repurchase of licensing rights	**—**	**—**	**125,000**	**125,000**
Compensation paid in shares of common stock	**193,000**	**—**	**—**	**344,000**
Purchased in-process research and development	**—**	**—**	**—**	**5,377,000**
Loss on disposal of equipment	**—**	**—**	**—**	**157,545**
Changes in other assets and liabilities affecting cash flows from operations				
Prepaid expenses and other sundry assets	**(39,161)**	**(52,296)**	**(27,518)**	**(180,348)**
Due from licensee (Teva Pharmaceuticals USA, Inc.)	**520,063**	**(520,063)**	**—**	**—**
Accounts payable and accrued expenses	**(112,029)**	**526,473**	**146,180**	**168,700**
Due to licensor (Antares/Regents)	**(217,438)**	**(198,016)**	**433,319**	**17,865**
Due from SBI	**—**	**—**	**—**	**(128,328)**
Net cash used in operating activities	**(5,521,992)**	**(3,962,493)**	**(1,823,820)**	**(21,437,933)**
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of capital assets	**(8,865)**	**(38,992)**	**(86,735)**	**(1,030,682)**
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Issuance of convertible debenture	**—**	**—**	**—**	**500,000**
Proceeds from sale or conversion of shares	**9,781,487**	**4,385,845**	**3,801,187**	**31,105,992**
Fractional share payout	**—**	**(3,050)**	**—**	**(3,050)**
Net cash provided by financing activities	**9,781,487**	**4,382,795**	**3,801,187**	**31,602,942**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,250,630**	**381,310**	**1,890,632**	**9,134,327**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,883,697**	**4,502,387**	**2,611,755**	**—**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 9,134,327**	**$ 4,883,697**	**$ 4,502,387**	**$ 9,134,327**
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION				
Acquisition of SBI				
Purchased in-process research and development	**$ —**	**$ —**	**$ —**	**$ 5,377,000**
Other net liabilities assumed	**—**	**—**	**—**	**(831,437)**
	—	**—**	**—**	**4,545,563**
Less: subordinate voting shares issued therefor	**—**	**—**	**—**	**4,545,563**
	$ —	**$ —**	**$ —**	**$ —**
Income tax paid	**$ —**	**$ —**	**$ —**	**$ —**
Interest paid	**$ 1,995**	**$ —**	**$ —**	**$ 1,995**
SIGNIFICANT NON-CASH TRANSACTIONS				
Fair value of common stock warrants issued in connection with the sale of capital stock	**$ 539,872**	**$ —**	**$ —**	**$ 539,872**

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
Notes to the Financial Statements
For the years ended December 31, 2003, 2002 and 2001, and the cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003

1. ORGANIZATION

On December 19, 1996, Ben-Abraham Technologies, Inc. ("BAT") was continued under the laws of the State of Wyoming, U.S.A. Previously, BAT had been incorporated under the laws of the Province of Ontario effective August 29, 1996. Pursuant to the shareholders meeting to approve the arrangement on November 27, 1996 and subsequent filing of the articles of arrangement on December 6, 1996, BAT acquired Structured Biologicals Inc. and its wholly-owned subsidiary 923934 Ontario Inc. ("SBI"), a Canadian public company listed on the Alberta Stock Exchange. The "acquisition" was effected by a statutory amalgamation wherein the stockholders of BAT were allotted a significant majority of the shares of the amalgamated entity. Upon amalgamation, the then existing stockholders of SBI received 743,432 subordinate voting shares of BAT (1 such share for every 35 shares held in SBI). On November 10, 1999, BAT changed its name to BioSante Pharmaceuticals, Inc. ("the Company").

On May 31, 2002, the Company effected a one-for-ten reverse split of its issued and outstanding shares of common stock and class C stock. All share and per share stock numbers in these financial statements have been adjusted to reflect the reverse stock split.

The Company was established to develop prescription pharmaceutical products, vaccines, vaccine adjuvants and drug delivery systems using its nanoparticle technology ("CAP") licensed from the University of California. The research and development on the CAP technology is conducted in the Company's Smyrna, Georgia laboratory facility. In addition to its nanoparticle technology, the Company also is developing its pipeline of hormone therapy products to treat hormone deficiencies in men and women, many of which products were licensed from Antares Pharma, Inc. The Company's business office is located in Lincolnshire, Illinois.

The Company has been in the development stage since its inception. The Company's successful completion of its development program and its transition to profitable operations is dependent upon obtaining regulatory approval from the United States (the "U.S.") Food and Drug Administration ("FDA") prior to selling its products within the U.S., and foreign regulatory approval must be obtained to sell its products internationally. There can be no assurance that the Company's products will receive regulatory approvals, and a substantial amount of time may pass before the achievement of a level of sales adequate to support the Company's cost structure. The Company will also incur substantial expenditures to achieve regulatory approvals and will need to raise additional capital during its developmental period. Obtaining marketing approval will be directly dependent on the Company's ability to implement the necessary regulatory steps required to obtain marketing approval in the United States and in other countries. It is not possible at this time to predict with assurance the outcome of these activities.

We currently do not have sufficient resources to complete the commercialization of any of our proposed products. Based on our current cash resources and commitments, we believe we should be able to maintain our current planned development activities and the corresponding level of expenditures through December 2004, although no assurance can be given that we will not need additional cash prior to such time. Unexpected increases in general and administrative expenses and research and development expenses may cause us to need additional financing prior to December 2004.

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
Notes to the Financial Statements
For the years ended December 31, 2003, 2002 and 2001, and the cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are expressed in U.S. dollars.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and Statement of Financial Accounting Standards ("SFAS") No. 7 "Accounting and Reporting by Development Stage Enterprises." The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all instruments with original maturities of three months or less to be cash equivalents. Interest income on invested cash balances is recognized on the accrual basis as earned.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation of computer, office and laboratory equipment is computed primarily by accelerated methods over estimated useful lives of seven years. Leasehold improvements are amortized on a straight-line basis over the terms of the leases, plus option renewals.

Long-Lived Assets

Long-lived assets are reviewed for possible impairment whenever events indicate that the carrying amount of such assets may not be recoverable. If such a review indicates an impairment, the carrying amount of such assets is reduced to estimated recoverable value.

Research and Development

Research and development ("R&D") costs are charged to expense as incurred. Costs associated with production of products are capitalized only when FDA approval has occurred.

Basic and Diluted Net Loss Per Share

The basic and diluted net loss per share is computed based on the weighted average number of the aggregate of common stock and Class C shares outstanding, all being considered as equivalent of one another. Basic earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted average number of shares outstanding for the reporting period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The computation of diluted earnings (loss) per share does not include the Company's stock options,

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
Notes to the Financial Statements
For the years ended December 31, 2003, 2002 and 2001, and the cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

warrants or convertible debt with dilutive potential because of their antidilutive effect on earnings (loss) per share.

Stock-based Compensation

The Company follows the provisions of APB Opinion No. 25, "Accounting For Stock-Based Compensation" (APB No. 25) which requires compensation cost for stock-based employee compensation plans be recognized based on the difference, if any, between the quoted market price of the stock on the measurement date (generally the date of grant) and the amount the employee must pay to acquire the stock. As a result of the Company's application of APB No. 25, SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (SFAS 148), requires certain additional disclosures of the pro forma compensation expense arising from the Company's fixed and performance stock compensation plans. The expense is measured as the fair value of the award at the date it was granted using an option-pricing model that takes into account the exercise price and the expected term of the option, the current price of the underlying stock, its expected volatility, expected dividends on the stock and the expected risk-free rate of return during the term of the option. The compensation cost is recognized over the service period, usually the period from the grant date to the vesting date. The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value based method.

	2003	2002	2001
Net loss			
As reported	**$ (5,959,354)**	$(3,810,690)	$(2,611,361)
Stock-based compensation included in net loss as reported	**193,000**		
Total stock-based employee compensation determined under fair value based method for all awards	**(685,932)**	(374,866)	(890,461)
Net loss, pro forma	**$ (6,452,286)**	$(4,185,556)	$(3,501,822)
Basic and diluted net loss per share			
As reported	**$ (0.54)**	$ (0.51)	$ (0.40)
Pro forma	**$ (0.58)**	$ (0.56)	$ (0.54)
Cumulative net loss			
As reported	**$(28,021,077)**		
Stock-based compensation included in net loss as reported	**344,000**		
Total stock-based employee compensation determined under fair value based method for all awards	**(3,503,987)**		
Pro forma	**$(31,181,064)**		

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
Notes to the Financial Statements
For the years ended December 31, 2003, 2002 and 2001, and the cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The weighted average fair value of the options at the date of grant for options granted during 2003, 2002 and 2001 was $1.57, $2.44 and $5.00, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003	2002	2001
Expected option life (years)	**10**	10	10
Risk free interest rate	**3.98%**	4.61%	5.39%
Expected stock price volatility	**64.17%**	45.47%	118.79%
Dividend yield	**—**	—	—

Warrants issued to non-employees as compensation for services rendered are valued at their fair value on the date of issue.

Revenue Recognition

The Company recognizes revenue from licensing arrangements in the form of upfront license fees, milestone payments, royalties and other fees. Revenue is recognized when cash is received and the Company has completed all of its obligations under the licensing arrangement which are required for the payment to be non-refundable. Revenue also includes reimbursement for certain research and development expenses, which the Company recognizes as both revenue and expense at the time the expense is incurred. Any ancillary payments related to the products being licensed, such as royalties to the head licensor, are netted against revenues at the time of revenue recognition. To date, there has been no royalty revenue recognized.

New Financial Accounting Standards Board (FASB) Interpretation

In November 2002, the FASB Emerging Issues Task Force (EITF) issued FASB Interpretation (FIN) 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” (FIN45), which elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 became effective for financial statements of interim and annual periods ending after December 15, 2002, while the initial recognition and measurement provisions of FIN 45 became effective for all for guarantees issued or modified after December 31, 2002. Under FIN 45, the Company recognizes these liabilities based on the estimated fair value of the related obligation. The impact of adopting FIN 45 was not material.

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3. ACQUISITION

Pursuant to the shareholders meeting to approve the arrangement held on November 27, 1996 and the subsequent filing of the articles of arrangement December 6, 1996, the Company completed the acquisition of 100% of the outstanding shares of SBI. The acquisition was effected by a statutory amalgamation wherein the stockholders of the Company were allotted a significant majority of the shares of the amalgamated entity. Upon amalgamation, the then existing shareholders of SBI received 743,432 shares of common stock of the Company (1 such share for every 35 shares they held in SBI). SBI's results of operations have been included in these financial statements from the date of acquisition. The acquisition was accounted for by using the purchase method of accounting, as follows:

Assets	
In-process research and development	**$5,377,000**
Other	**37,078**
	5,414,078
Liabilities	
Current liabilities	**679,498**
Due to directors	**60,689**
Due to the Company	**128,328**
	868,515
Net assets acquired	**$4,545,563**
Consideration	
Common stock	**$4,545,563**

In connection with the acquisition of SBI, accounted for under the purchase method, the Company acquired the rights to negotiate with the Regents of the University of California for licenses of specific CAP-related technologies and products. The specific technologies and products relate to investigative research funded by SBI. At the time of acquisition, the technologies and products had not yet been approved for human clinical research. The value ascribed to the rights, based on an independent evaluation, was $5,377,000. This amount was immediately expensed as the technologies and products did not have their technological feasibility established and had no identified future alternative use.

As of the date of acquisition, the technology related to the development of products for six indications (i.e. applications of the technology). The Company determined the value of the in process research and development related to the acquired rights based on an independent valuation using discounted cash flows. Principle assumptions used in the valuation were as follows:

- FDA approval for the CAP-related six indications was expected to be received at various dates between 2002 and 2004, however, there are many competitive products in development. There are also many requirements that must be met before FDA approval is secured. There is no assurance that the products will be successfully developed, proved to be safe in clinical trials, meet applicable regulatory standards, or demonstrate substantial benefits in the treatment or prevention of any disease.

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3. ACQUISITION (continued)

- The estimated additional research and development expenditures required before FDA approval was $26.5 million, to be incurred over 8 to 10 years.
- Future cash flows were estimated based on estimated market size, with costs determined based on industry norms, an estimated annual growth rate of 3%.
- The cash flows were discounted at 25%. The rate was preferred due to the high-risk nature of the biopharmaceutical business.
- The Company is continuing to develop the technology related to five of the six indications.
- In June 1997, the Company exercised its option and entered into a license agreement with UCLA for the technology that it had previously supported.

4. LICENSE AGREEMENTS

In June 1997, the Company entered into a licensing agreement with the Regents of the University of California, which has subsequently been amended, pursuant to which the University has granted the Company an exclusive license to seven United States patents owned by the University, including rights to sublicense such patents. The University of California has filed patent applications for this licensed technology in several foreign jurisdictions, including Canada, Europe and Japan. The license agreement requires the Company to undertake various obligations as described in Note 13.

On June 13, 2000, the Company entered into a license agreement with Antares Pharma, Inc. (Antares), covering four hormone products for the treatment of men and women. The license agreement requires the Company to pay Antares a percentage of future net sales, if any, as a royalty. Under the terms of the license agreement, the Company is also obligated to make milestone payments upon the occurrence of certain future events.

As allowed by the licensing agreement with Antares, on September 1, 2000, the Company entered into a sub-license agreement with Paladin Labs Inc. (Paladin) to market the hormone therapy products in Canada. In exchange for the sub-license, Paladin agreed to make an initial investment in the Company, milestone payments and pay royalties on sales of the products in Canada. The milestone payments have been made in the form of a series of equity investments by Paladin in the Company’s common stock at a 10% premium to the market price of the Company’s common stock at the date of the equity investment.

These equity investments resulted in the Company issuing an additional 18,940 shares of its common stock to Paladin at a 10 percent premium to the Company’s market price. The dollar value of the premium, $39,394, is recorded as licensing income in the statements of operations.

In a series of amendments executed during 2001 and 2002 between the Company and Antares, the Company returned to Antares the license rights to one of the four previously licensed hormone products, namely the estradiol patch, in all countries of the licensed territory. It was agreed, that the

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4. LICENSE AGREEMENTS (continued)

Company is the owner of Bio-T-Gel, its testosterone gel for men with no milestone or royalty obligations to Antares. Additionally, the Company returned to Antares the license rights to the single entity estrogen and testosterone gel products in Malaysia and Australia. In exchange for the return to Antares of the estradiol patch in all the countries and the estradiol and testosterone gel products in Malaysia and Australia, Antares granted the Company a credit for approximately $600,000 of manufacturing and formulation services and a license for LibiGel E/T, a transdermal combination gel of bioidentical estrogen and bioidentical testosterone. During the third quarter of 2001, Antares informed the Company that the total costs for manufacturing and formulation services had exceeded the $600,000 credit. Accordingly, beginning in third quarter of 2001 and going forward, the Company will be required to reimburse Antares for such services. At December 31, 2003 and 2002, the amount owed to Antares for such services was $17,865 and $235,303 respectively.

On August 7, 2001, the Company entered into a sub-license agreement with Solvay Pharmaceuticals, B.V. (Solvay) covering the U.S. and Canadian rights to the estrogen/progestogen combination transdermal hormone therapy gel product licensed from Antares in June 2000. Under the terms of the agreement, Solvay sub-licenses the Company's estrogen/progestogen combination transdermal hormone gel product for an initial payment of $2.5 million ($1.7 million net of the related payments due to Antares and Paladin), future milestone payments and escalating sales-based royalties. During the third quarter ended September 30, 2002, the Company received a $950,000 ($750,000 net of the related payment due to Antares as a result of a series of amendments executed during 2002 between the Company and Antares) milestone payment pursuant to the Solvay sub-license agreement. Solvay is responsible for all costs of development and marketing of the product. The Company has retained co-promotion rights to the product and will be compensated for sales generated by the Company over and above those attributable to Solvay's marketing efforts. The Canadian rights to this product had previously been sub-licensed to Paladin as part of that sub-license arrangement and were repurchased by the Company prior to the Solvay transaction in exchange for $125,000, paid by the issuance of 17,361 shares of the Company's common stock with a market value of $125,000 at the date of the transaction.

On October 1, 2001, the Company sub-licensed its BioVant™ calcium phosphate based vaccine adjuvant on a non-exclusive basis to Corixa Corporation for use in several potential vaccines to be developed by Corixa. Under the agreement, Corixa has agreed to pay the Company milestone payments upon the achievement by Corixa of certain milestones plus royalty payments on sales by Corixa if and when vaccines are approved using BioVant™ and sold on a commercial basis. If Corixa sub-licenses vaccines that include BioVant™, the Company will share in milestone payments and royalties received by Corixa. The sub-license agreement covers access to BioVant™ for a variety of cancer, infectious and autoimmune disease vaccines.

In April 2002, the Company exclusively in-licensed from Wake Forest University and Cedars-Sinai Medical Center three issued U.S. patents claiming triple hormone therapy (the combination use of estrogen plus progestogen plus androgen, *e.g.* testosterone) and an option for triple hormone contraception. The financial terms of the license include an upfront payment by the Company,

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4. LICENSE AGREEMENTS (continued)

regulatory milestones, maintenance payments and royalty payments by the Company if the product gets approved and subsequently marketed.

In December 2002, the Company signed a development and license agreement with Teva Pharmaceuticals USA, Inc., a wholly owned subsidiary of Teva Pharmaceutical Industries Ltd. under which Teva USA and the Company collaborate on the development of a hormone therapy product for the U.S. market. Upon signing the U.S. development and license agreement, the Company received an upfront payment of $1.5 million. In addition, Teva will pay the Company development and sales-related milestone payments plus royalties on sales of the product commercialized in this collaboration. In exchange, the Company granted Teva exclusive rights to develop and market a certain hormone therapy product. Teva also is responsible for continued development, regulatory filings and all manufacturing and marketing associated with the product.

5. PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation at December 31, 2003 and 2002 comprise:

	2003	2002
Computer equipment	**$ 135,156**	$ 127,179
Office equipment	**87,024**	86,136
Laboratory equipment	**108,230**	108,230
Leasehold improvements – Laboratory	**477,339**	477,339
	807,749	798,884
Accumulated depreciation and amortization	**(559,922)**	(466,995)
	$ 247,827	$ 331,889

6. INCOME TAXES

The components of the Company's net deferred tax asset at December 31, 2003, 2002 and 2001 were as follows:

	2003	2002	2001
Net operating loss carryforwards	**$ 8,484,151**	$ 6,264,525	$ 4,861,792
Amortization of intangibles	**1,032,968**	1,178,212	1,323,455
Research & development credits	**1,375,959**	1,006,817	580,141
Other	**96,347**	90,977	79,197
	10,989,425	8,540,531	6,844,585
Valuation allowance	**(10,989,425)**	(8,540,531)	(6,844,585)
	$ —	$ —	$ —

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6. INCOME TAXES (continued)

The Company has no current tax provision due to its accumulated losses, which result in net operating loss carryforwards. At December 31, 2003, the Company had approximately $22,930,000 of net operating loss carryforwards that are available to reduce future taxable income for a period of up to 20 years. The net operating loss carryforwards expire in the years 2011-2023. The net operating loss carryforwards as well as amortization of various intangibles, principally acquired in-process research and development, generate deferred tax benefits, which have been recorded as deferred tax assets and are entirely offset by a tax valuation allowance. The valuation allowance has been provided at 100% to reduce the deferred tax assets to zero, the amount management believes is more likely than not to be realized. Additionally, the Company has approximately $1,376,000 of research and development credits available to reduce future income taxes through the year 2023.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate of 35% to pre-tax income as follows:

	2003	2002	2001
Tax at U.S. federal statutory rate	**$(2,085,774)**	$(1,333,742)	$ (887,863)
State taxes, net of federal benefit	**(367,844)**	(365,200)	(355,149)
Change in valuation allowance	**2,448,894**	1,695,946	1,237,040
Other, net	**4,724**	2,996	5,972
	$ —	$ —	$ —

7. CONVERTIBLE DEBENTURE

In September 2000, in connection with entering into a sub-license agreement, the Company issued a convertible debenture to Paladin Labs Inc. (Paladin) in the face amount of $500,000. The debenture did not bear interest and was due September 1, 2001, unless converted into shares of the Company's common stock. On August 13, 2001, the Company exercised its right and declared the debenture converted in full at a price of $10.50 per share. Accordingly, 47,619 shares of the Company's common stock were issued to Paladin. This was a non-cash financing transaction.

8. STOCKHOLDERS' EQUITY

By articles of amendment dated July 20, 1999 (effective as of July 13, 1999), the subordinate voting shares of the Company were redesignated as common stock, the Class A special shares were reclassified as Class C special shares and the Class B special shares were eliminated. There were no changes in the number of shares outstanding.

On May 31, 2002, the Company effected a one-for-ten reverse split of its issued and outstanding shares of common stock and class C stock. All share and per share stock numbers in this Form 10-KSB have been adjusted to reflect the reverse stock split.

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8. STOCKHOLDERS' EQUITY (continued)

a) Authorized

Preference shares

Ten million preference shares, $0.0001 par value per share, issuable in series subject to limitation, rights, and privileges as determined by the directors. No preference shares have been issued as of December 31, 2003.

Special Shares

4,687,684 Class C special shares, $0.0001 par value per share, convertible to common stock on the basis of one Class C special share and U.S. $2.50. These shares are not entitled to a dividend and carry one vote per share.

Common Stock

One hundred million common shares of stock, $0.0001 par value per share, which carry one vote per share.

Significant Equity Transactions

Significant equity transactions since the date of the Company's incorporation are as follows:

- Prior to the Amalgamation on December 6, 1996, the Company issued 2,000,000 shares of the Company's Class A stock for $0.001 per share, 415,000 shares of Class C stock for $0.001 per share and 410,000 shares of the Company's common stock for $10.00 per share.

- Pursuant to the shareholders meeting to approve the arrangement held on November 27, 1996 and the subsequent filing of articles of arrangement on December 6, 1996, the Company completed the acquisition of 100% of the outstanding shares of SBI. Upon the effectiveness of this Amalgamation, the then existing stockholders of SBI received 743,432 shares of common stock of the Company (1 common share of the Company for every 35 shares of SBI). The deemed fair market value of this stock was $4,545,563.

- In May 1998, the Company and Avi Ben-Abraham, M.D., a then director and a founder of the Company and the Company's then Chief Executive Officer and Chairman of the Board, entered into an agreement pursuant to which Dr. Ben-Abraham would relinquish his executive position and remain as a director of the Company. Effective May 21, 2002, Dr. Ben-Abraham chose not to stand for re-election as a director of the Company. Pursuant to the agreement, Dr. Ben-Abraham converted shares of the Company's Class A stock held by him into 1,500,000 shares of common stock at $2.50 per share for proceeds to the Company of $3,750,000. In addition, Dr. Ben-Abraham agreed to return to the Company 146,861 shares of Class A stock and 25,000 shares of Class C stock to the Company, and also agreed not to sell any of his shares of common stock or any other securities of the Company for a period of 15 months. The Company and Dr. Ben-Abraham agreed to cross-indemnify each other upon the occurrence of certain events.

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8. STOCKHOLDERS' EQUITY (continued)

- In June 1998, the Company issued an aggregate of 200,000 shares of common stock pursuant to the conversion of Class A stock at a conversion price of $2.50 per share.

- On May 6, 1999, the Company sold an aggregate of 2,312,500 common shares and warrants to purchase 1,156,250 shares of common stock at an exercise price of $3.00 per share to 31 accredited investors in a private placement, including several current members of the board of directors and one executive officer. Net proceeds to the Company from this private placement were approximately $4.2 million.

- In August 1999, an outstanding liability of $25,000 was converted into 7,000 shares of common stock.

- In July 2000, 19,007 shares of common stock were issued to certain corporate officers in lieu of a cash bonus.

- On April 4, 2001, the Company sold an aggregate of 925,000 common shares and warrants to purchase 462,500 shares of common stock at an exercise price of $5.00 per share to 48 accredited investors in a private placement, including several current members of the board of directors and five executive officers. Net proceeds to the Company from this private placement were approximately $3.7 million.

- During the third quarter 2001, Paladin made a series of equity investments in the Company as result of certain sub-licensing transactions and the Company reaching certain milestones. These equity investments resulted in the Company issuing an additional 18,940 shares of its common stock to Paladin at a 10 percent premium to the Company's market price on the date of the transactions. The dollar value of the premium is recorded as licensing income in the statements of operations.

- On August 7, 2001, the Company entered into a sub-license agreement with Solvay Pharmaceuticals, B.V. (Solvay) covering the U.S. and Canadian rights to the estrogen/progestogen combination transdermal hormone therapy gel product licensed from Antares in June 2000. The Canadian rights to this product had previously been sub-licensed to Paladin as part of that sub-license arrangement and were repurchased by the Company prior to the Solvay transaction in exchange for $125,000, paid by the issuance of 17,361 shares of the Company's common stock with a market value of $125,000 at the date of the transaction.

- In August 2001, 15,500 shares of common stock were issued to certain corporate officers in lieu of a cash bonus.

- On August 13, 2001, the Company exercised its right and declared a convertible debenture in the face amount of $500,000 issued to Paladin Labs Inc. ("Paladin") converted in full at a price of $10.50 per share. See Note 7. Accordingly, 47,619 shares of the Company's common stock were issued to Paladin.

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8. STOCKHOLDERS' EQUITY (continued)

- On September 6, 2002, the Company sold an aggregate of 2,250,000 common shares in a "best efforts" self-underwritten offering to 39 accredited investors, including several current members of the board of directors and three executive officers. Net proceeds from this offering were approximately $4.4 million.

- In June 2003, BioSante issued 119,613 shares of common stock to its officers and directors as partial payment of the officers' 2002 annual bonus (approximately $79,000) and payment of fees to BioSante's directors for their significant involvement during 2002 and 2003 for director-related services rendered, including attendance at board and committee meetings (approximately $181,500). The 2002 officer bonuses of approximately $79,000 had been previously accrued at December 31, 2002. However, as BioSante had historically not paid fees to directors, the $181,500 of fees paid to directors was expensed in the three month period ended June 30, 2003. The number of shares issued was determined by dividing the dollar amount of bonus or director fees owed to the officer or director, respectively, by the closing market price of BioSante's common stock on the date of issuance. The share price used in computing the number of shares to issue was approximately $2.16. Shares were issued in lieu of cash in order to conserve the cash funds of BioSante.

- On August 6, 2003, BioSante closed a private placement, raising approximately $10.3 million, ($9.6 million net of estimated transaction costs) upon the issuance of units, which consisted of an aggregate of approximately 4.8 million shares of common stock and five-year warrants to purchase an aggregate of approximately 2.8 million shares of common stock (includes placement agent warrants issued in conjunction with the financing). The price of each unit, which consisted of one share of common stock plus a warrant to purchase one half-share of common stock, was $2.15. The exercise price of the warrants is $2.15 per share. The estimated fair value of the warrants issued to the placement agent represents a non cash financing activity.

- In September 2003, BioSante issued 2,641 shares of common stock to its directors as payment of fees to BioSante's directors for their involvement during the third quarter ended September 30, 2003 for director-related services rendered, including attendance at board and committee meetings ($7,500). The number of shares issued was determined by dividing the dollar amount of director fees owed to the directors by the closing market price of BioSante's common stock on the date of issuance. The share price used in computing the number of shares issued was between $2.70 and $2.90. Shares were issued in lieu of cash in order to conserve the cash funds of BioSante.

- In October 2003, 62,500 shares of common stock were issued pursuant to a conversion of class C special stock to common stock at a conversion price of $2.50 per share. Accordingly, BioSante raised $156,250 on the conversion.

- In November 2003, BioSante issued 226 shares of common stock to certain directors as payment of fees to those certain BioSante directors for their involvement during the fourth quarter ended December 31, 2003 for director-related services rendered, including attendance at a committee meeting ($1,000).

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8. STOCKHOLDERS' EQUITY (continued)

- In December 2003, BioSante issued 744 shares of common stock to certain directors as payment of fees to BioSante's directors for their involvement during the fourth quarter ended December 31, 2003 for director-related services rendered, including attendance at a board meeting ($3,000).

b) Warrants

The Company, upon the acquisition of SBI, assumed 257,713 exercisable warrants to purchase common stock, all of which expired prior to or as of December 31, 1998. Of this amount, 7,257 were exercised in 1997 prior to their expiration.

Pursuant to the Company's private placement financing in May 1999, warrants to purchase an aggregate of 1,156,250 shares of common stock were issued at an exercise price of $3.00 per share with a term of five years. These warrants remain outstanding and are all exercisable as of December 31, 2003.

In June 2000, a five-year warrant to purchase 25,000 shares of common stock at an exercise price of $8.80 was issued to a communications firm for various consulting services. As of December 31, 2003, all 25,000 of these shares were exercisable. The Company recognized expense of approximately $18,000 for this warrant grant during 2000 and 2001.

Pursuant to the Company's private placement financing in April 2001, warrants to purchase an aggregate of 462,500 shares of common stock were issued at an exercise price of $5.00 per share with a term of five years. These warrants remain outstanding and are all exercisable as of December 31, 2003.

Pursuant to the Company's private placement financing in August 2003, warrants to purchase an aggregate of 2,767,366 shares of common stock were issued at an exercise price of $2.15 per share with a term of five years. These warrants remain outstanding and are all exercisable as of December 31, 2003.

In January and February 2004, 307,762 common stock warrants were exercised for total proceeds of $661,688.

In February and March 2004, 863,751 common stock warrants were exercised in exchange for 410,776 common shares which had been issued as part of the warrant exercise, for a net issuance of 452,975 shares of common stock. These warrants were originally issued in connection with a private placement of common shares and this was a non-cash financing transaction.

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9. STOCK OPTIONS

The Company has a stock option plan for certain officers, directors and employees whereby 2,000,000 shares of common stock have been reserved for issuance. Options for 1,237,634 shares of common stock have been granted as of December 31, 2003 under this plan at prices equal to either the ten-day weighted average closing price, or the closing bid price of the stock at the date of the grant, and are exercisable and vest in a range substantially over a three-year period. The options expire either in substantially five or ten years from the date of the grants.

The following table summarizes the Company's stock option activity:

	2003	Weighted Average Exercise Price	2002	Weighted Average Exercise Price	2001	Weighted Average Exercise Price
Options outstanding, Beginning of period	**997,300**	$3.74	699,467	$3.80	526,312	$3.30
Options granted	**307,000**	$2.10	327,167	$3.71	174,155	$5.20
Options cancelled/expired	**(66,666)**	$7.60	(29,334)	$3.44	(1,000)	$7.50
Options exercised	**—**	$ —	—	$ —	—	$ —
Options outstanding, End of period	**1,237,634**	$3.13	997,300	$3.74	699,467	$3.80
Options exercisable, End of year	**694,461**	$3.29	631,611	$3.55	542,483	$3.40

The following table summarizes information about stock options outstanding at December 31, 2003:

	Outstanding Options			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Number Outstanding	Weighted Avg. Exercise Price
$2.10	307,000	4.3 years	$2.10	—	$2.10
$2.30	237,813	2.2 years	$2.30	237,813	$2.30
$2.80 - $2.90	212,000	1.6 years	$2.85	212,000	$2.85
$3.40 - $6.70	480,821	8.2 years	$4.32	244,648	$4.63
	1,237,634			694,461	

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9. STOCK OPTIONS (continued)

During the second quarter 2003, BioSante issued 285,000 options to certain officers of BioSante which vested only upon the achievement of certain milestones in connection with BioSante's evaluation of strategic alternatives. In March 2004, the vesting period related to these options was amended whereby the options now vest over a three year period from the date of grant. As a result of the amended option terms, $1,054,500 will be recognized as compensation expense over the vesting period.

10. RETIREMENT PLAN

The Company offers a discretionary 401(k) Plan (the Plan) to all of its employees. Under the Plan, employees may defer income on a tax-exempt basis, subject to IRS limitation. Under the Plan the Company can make discretionary matching contributions. Company contributions expensed in 2003, 2002 and 2001 totaled $60,005, $44,605 and $30,743, respectively.

11. LEASE ARRANGEMENTS

The Company has entered into lease commitments for rental of its office space and laboratory facilities which expire in 2004. The future minimum lease payments during 2004 are $159,359.

Rent expense amounted to $147,088, $148,184 and $119,765 for the years ended December 31, 2003, 2002 and 2001, respectively. Effective September 16, 1999, the Company entered into a sublease agreement for its Atlanta office space under which the Company received approximately $3,400 per month from the sub-tenant through May 14, 2002.

12. RELATED PARTY TRANSACTIONS

Included in current liabilities are $16,184 and $2,179 which represent amounts due to directors and officers of the Company as of December 31, 2003 and 2002, respectively.

Prior to the Amalgamation on December 6, 1996, the Company issued 2,000,000 shares of class A stock and 415,000 shares of class C stock for $0.001 per share. 1,700,000 of the class A shares were sold to a director of the Company. 105,000 of the class C shares were sold to the same director of the Company to be held by him in trust for the benefit of others; 50,000 of the class C shares were sold to a separate company controlled by a then officer of the Company; and 200,000 of the class C shares were sold to other directors of the Company.

The 2,000,000 class A shares and 415,000 class C shares were founder's shares and the terms under the authorization of these shares, provided for their conversion to common stock at $2.50 per share.

In May 1998, the Company and Avi Ben-Abraham, M.D., a then director and a founder of the Company and the Company's then Chief Executive Officer and Chairman of the Board, entered into an agreement pursuant to which Dr. Ben-Abraham would relinquish his executive position and remain as a director of the Company. See Note 8.

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12. RELATED PARTY TRANSACTIONS (continued)

In connection with the May 1999 private placement of 2,312,500 shares of common stock and warrants to purchase 1,156,250 shares of common stock, the Company's Chief Executive Officer purchased 25,000 shares of the common stock sold and warrants to purchase 12,500 shares of common stock. Three other individuals, who purchased either individually or through affiliated entities, an aggregate 1,025,000 shares of common stock and warrants to purchase 512,500 shares of common stock, became directors of the Company upon their acquisition of the shares or sometime later.

In connection with the April 2001 private placement of 925,000 shares of common stock and warrants to purchase 462,500 shares of common stock, the Company's Chief Executive Officer, Chief Financial Officer and other senior officers purchased an aggregate of 52,875 shares of the common stock sold and warrants to purchase 26,437 shares of common stock. Three directors, either individually or through affiliated entities, purchased an aggregate 312,500 shares of common stock and warrants to purchase 156,250 shares of common stock.

In connection with the September 2002 best-efforts, self-underwritten offering of 2,250,000 shares of common stock, the Company's Vice President of Clinical Development, Chief Executive Officer and Chief Financial Officer purchased an aggregate of 164,701 shares of the common stock sold. Three directors, either individually or through affiliated entities, purchased an aggregate 453,504 shares of common stock.

In connection with the August 2003 best-efforts offering of 4,791,982 shares of common stock, the Company's Vice President of Clinical Development, Chief Executive Officer and Chief Financial Officer purchased an aggregate of 3,000 shares of the common stock sold. Three directors, either individually or through affiliated entities, purchased an aggregate 736,023 shares of common stock.

In January 2001, BioSante entered into a consulting agreement with Scientific Research Development Corporation, a company owned and operated by Ronald B. McCright, Ph.D., the husband of Leah M. Lehman, Ph.D., an executive officer of BioSante. Under the agreement, Scientific Research Development Corporation provides the Company with database and statistical programming, database management, medical writing and project management services. In consideration for such services, $103,035, $199,229, and $64,172 are included in research and development expenses for the years ended December 31, 2003, 2002 and 2001, respectively.

13. COMMITMENTS

University of California License

The Company's license agreement with the University of California requires the Company to undertake various obligations, including:

- Payment of royalties to the University based on a percentage of the net sales of any products incorporating the licensed technology;

BIOSANTE PHARMACEUTICALS, INC.
(a development stage company)
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13. COMMITMENTS (continued)

- Payment of minimum annual royalties beginning for the year 2004 to be paid by February 28 of the following year in the amounts set forth below, to be credited against earned royalties, for the life of the agreement;

Year	Minimum Annual Royalty Due
2004	$ 50,000
2005	100,000
2006	150,000
2007	200,000
2008	400,000
2009	600,000
2010	800,000
2011	1,500,000
2012	1,500,000
2013	1,500,000
Total	$6,800,000

- Development of products incorporating the licensed technology until a product is introduced to the market;
- Payment of the costs of patent prosecution and maintenance of the patents included in the agreement, which for the years ended December 31, 2003, 2002 and 2001 amounted to $15,371, $12,240 and $11,358, respectively;
- Meeting performance milestones relating to:
  - Hiring or contracting with personnel to perform research and development, regulatory and other activities relating to the commercial launch of a proposed product;
  - Testing proposed products and obtaining government approvals;
  - Conducting clinical trials; and
  - Introducing products incorporating the licensed technology into the market;
- Indemnifying, holding harmless and defending the University of California and its affiliates, as designated in the license agreement, against any and all claims, suits, losses, damage, costs, fees and expenses resulting from or arising out of the license agreement, including but not limited to, any product liability claims. The Company has not recorded any liability related to this obligation as no events occurred that would require indemnification.

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For the years ended December 31, 2003, 2002 and 2001, and the cumulative period from August 29, 1996 (date of incorporation) to December 31, 2003

13. COMMITMENTS (continued)

Antares Pharma, Inc. License

The Company's license agreement with Antares Pharma, Inc. required the Company to make a $1.0 million upfront payment to Antares. The Company expects to fund the development of the products, has made and will continue to make milestone payments and once regulatory approval to market is received, pay royalties on the sales of products.

Wake Forest License

In April 2002, the Company exclusively in-licensed from Wake Forest University and Cedars-Sinai Medical Center three issued U.S. patents claiming triple hormone therapy (the combination use of estrogen plus progestogen plus androgen, *e.g.* testosterone) and an option for triple hormone contraception. The financial terms of the license include an upfront payment by the Company in exchange for exclusive rights to the license, and regulatory milestones, maintenance payments and royalty payments by the Company if a product incorporating the licensed technology gets approved and subsequently marketed.

Future minimum payments due under this agreement are as follows:

Year	Minimum Amount Due
2004	$ 10,000
2005	45,000
2006	80,000
2007	65,000
2008	90,000
2009	140,000
2010	90,000
2011	40,000
2012	140,000
2013	240,000
Thereafter	800,000

The Company has agreed to indemnify, hold harmless and defend Wake Forest University against any and all claims, suits, losses, damages, costs, fees and expenses resulting from or arising out of exercise of the license agreement, including but not limited to, any product liability claims. The Company has not recorded any liability in connection with this obligation as no events occurred that would require indemnification.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 8A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed by us in the 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, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered in this Annual Report on Form 10-KSB. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of such period. There was no change in our internal control over financial reporting that occurred during our fiscal fourth quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Directors, Executive Officers, Promoters and Control Persons

The information required under Item 9 of this Form 10-KSB is to be contained under the captions “Election of Directors — Information About Nominees, “Election of Directors — Other Information About Board Nominees“and “Election of Directors — Information About the Board of Directors and its Committees” in our definitive proxy statement to be filed with the SEC with respect to our next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

The information concerning our executive officers is included in this Form 10-KSB under Item 4a, “Executive Officers of the Company” and is incorporated herein by reference.

Section 16(a) Beneficial Ownership Reporting Compliance

The information required under Item 9 of this Form 10-KSB is to be contained under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement to be filed with the SEC with respect to our next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

Code of Conduct and Ethics for Employees, Officers and Directors

Our Code of Conduct and Ethics applies to all of our employees, officers and directors, including our principal executive officer and principal financial officer, and meets the requirements of the Securities and Exchange Commission. A copy of our Code of Conduct and Ethics is filed as an exhibit to this Form 10-KSB. We intend to disclose any amendments to and any waivers from a provision of our Code of Conduct and Ethics on a Form 8-K filed with the SEC within five business days following any such amendment or waiver.

Item 10. EXECUTIVE COMPENSATION

The information required under Item 10 of this Form 10-KSB is to be contained under the captions “Election of Directors — Director Compensation” and “Executive Compensation and Other Benefits” in our definitive proxy statement to be filed with the SEC with respect to our next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under Item 11 of this Form 10-KSB is to be contained under the caption “Security Ownership of Principal Stockholders and Management” in our definitive proxy statement to be filed with the SEC with respect to our next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes outstanding options under the BioSante Pharmaceuticals, Inc. Amended and Restated 1998 Stock Plan as of December 31, 2003. Options granted in the future under the plan are within the discretion of the Compensation Committee of our Board of Directors and therefore cannot be ascertained at this time.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,237,634	$3.13	762,366
Equity compensation plans not approved by security holders	0	N/A	0
Total	1,237,634	$3.13	762,366

Under the American Stock Exchange rules, we are required to disclose in our annual report the number of outstanding options and options available for grant under our equity compensation plans as of January 1, 2003 and December 31, 2003. As of January 1, 2003, the number of securities to be issued upon exercise of outstanding options, warrants and rights were 997,300 shares at a weighted average exercise price of $3.74. The number of securities remaining available for future issuance under our equity compensation plans (excluding securities to be issued upon exercise of outstanding options, warrants and rights) was 2,700 shares. This information as of December 31, 2003 is contained in the table above.

Our only equity compensation plan under which shares of BioSante common stock may be issued is the BioSante Pharmaceuticals, Inc. Amended and Restated 1998 Stock Plan. We also have a deferred compensation plan which permits our executive officers to defer the receipt of the stock portion of their annual bonus and our non-employee directors to defer the receipt of their annual stock retainer and stock compensation for attending board and committee meetings. Any stock compensation deferred under this plan, however, will be paid out in shares of BioSante common stock under the BioSante Pharmaceuticals, Inc. Amended and Restated 1998 Stock Plan. We do not have any other equity compensation plans.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required under Item 12 of this Form 10-KSB is to be contained under the caption “Related Party Relationships and Transactions” in our definitive proxy statement to be filed with the SEC with respect to our next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

Item 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The exhibits to this Report are listed on the Exhibit Index on pages 70–76. A copy of any of the exhibits listed or referred to above will be furnished at a reasonable cost, upon receipt from any such person of a written request for any such exhibit. Such request should be sent to BioSante Pharmaceuticals, Inc., 111 Barclay Boulevard, Lincolnshire, Illinois 60069, Attn: Stockholder Information.

The following is a list of each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-KSB pursuant to Item 13(a):

A. BioSante Pharmaceuticals, Inc. Amended and Restated 1998 Stock Plan (incorporated by reference to Exhibit 10.1 to BioSante's Quarterly Report on Form 10-QSB (File No. 0-286637)).

B. Stock Option Agreement, dated December 7, 1997, between BioSante Pharmaceuticals, Inc. and Edward C. Rosenow, III, M.D. (incorporated by reference to Exhibit 10.5 to BioSante's Amendment No. 1 to the Registration Statement on Form 10-SB (File No. 0-28637)).

C. Form of Stock Option Agreement between BioSante Pharmaceuticals, Inc. and each of BioSante's executive officers (incorporated by reference to Exhibit 10.5 to BioSante's Annual Report on Form 10-KSB as filed on March 28, 2002 (File No. 0-28637)).

D. Form of Stock Option Agreement between BioSante Pharmaceuticals, Inc. and each of BioSante's executive officers (filed herewith electronically).

E. Form of Stock Option Agreement between BioSante Pharmaceuticals, Inc. and each of BioSante's directors (filed herewith electronically).

F. Employment Agreement, dated June 11, 1998, between BioSante Pharmaceuticals, Inc. and Phillip B. Donenberg, as amended (incorporated by reference to Exhibit 10.17 to BioSante's Amendment No. 1 to the Registration Statement on Form 10-SB (File No. 0-28637)).

G. Employment Agreement, dated January 21, 1998, between BioSante Pharmaceuticals, Inc. and Stephen M. Simes, as amended (incorporated by reference to Exhibit 10.16 to BioSante's Amendment No. 1 to the Registration Statement on Form 10-SB (File No. 0-28637)).

H. Employment Agreement, dated December 15, 2000, between BioSante Pharmaceuticals, Inc. and Leah Lehman, Ph.D. (incorporated by reference to Exhibit 10.19 to BioSante's Annual Report on Form 10-KSB as filed on March 30, 2001 (File No. 0-28637)).

I. Employment Agreement, dated October 1, 2000, between BioSante Pharmaceuticals, Inc. and Steven J. Bell, Ph.D. (incorporated by reference to Exhibit 10.22 to BioSante's Annual Report on Form 10-KSB as filed on March 28, 2002 (File No. 0-28637)).

(b) Reports on Form 8-K

None.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required under Item 14 of this Form 10-KSB is to be contained under the captions "Ratification of Selection of Independent Auditors – Audit, Audit-Related, Tax and Other Fees" and "Ratification of Selection of Independent Auditors – Auditor Fees Pre-Approval Policy" in our definitive proxy statement to be filed with the SEC with respect to our next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

SIGNATURES

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

Dated: March 26, 2004 **BIOSANTE PHARMACEUTICALS, INC.**

By /s/ Stephen M. Simes
Stephen M. Simes
Vice Chairman, President and Chief Executive Officer
(Principal Executive Officer)

By /s/ Phillip B. Donenberg
Phillip B. Donenberg
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 26, 2004 by the following persons on behalf of the registrant and in the capacities indicated.

Name and Signature	Title
/s/ Stephen M. Simes Stephen M. Simes	Vice Chairman, President and Chief Executive Officer
/s/ Louis W. Sullivan, M.D. Louis W. Sullivan, M.D.	Chairman of the Board
/s/ Victor Morgenstern Victor Morgenstern	Director
/s/ Edward C. Rosenow, III, M.D. Edward C. Rosenow, III, M.D.	Director
/s/ Fred Holubow Fred Holubow	Director
/s/ Ross Mangano Ross Mangano	Director
Angela Ho	Director
/s/ Peter Kjaer Peter Kjaer	Director

BIOSANTE PHARMACEUTICALS, INC.

EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-KSB
FOR THE YEAR ENDED DECEMBER 31, 2003

Exhibit No.	Exhibit	Method of Filing
2.1	Arrangement Agreement, dated October 23, 1996, between Structured Biologicals Inc. and BioSante Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 2.1 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
3.1	Amended and Restated Certificate of Incorporation of BioSante Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 3.1 contained in BioSante's Registration Statement on Form SB-2, as amended, (File No. 333-64218)
3.2	Bylaws of BioSante Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 3.2 contained in BioSante's Registration Statement on Form SB-2, as amended, (File No. 333-64218)
4.1	Form of Warrant issued in connection with May 1999 Private Placement	Incorporated by reference to Exhibit 4.1 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
4.2	Form of Warrant issued in connection with April 2001 Private Placement	Incorporated by reference to Exhibit 4.2 contained in BioSante's Registration Statement on Form SB-2, as amended (File No. 333-64218)

Exhibit No.	Exhibit	Method of Filing
4.3	Form of Warrant issued in connection with the August 2003 Private Placement	Incorporated by reference to Exhibit 10.2 contained in BioSante's Form 8-K, filed on August 6, 2003 (File No. 0-28637)
10.1	License Agreement, dated June 18, 1997, between BioSante Pharmaceuticals, Inc. and The Regents of the University of California (1)	Incorporated by reference to Exhibit 10.1 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.2	Amendment to License Agreement, dated October 26, 1999, between BioSante Pharmaceuticals, Inc. and the Regents of the University of California (1)	Incorporated by reference to Exhibit 10.2 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.3	BioSante Pharmaceuticals, Inc. Amended and Restated 1998 Stock Plan	Incorporated by reference to Exhibit 10.1 contained in BioSante's 10-QSB filed on August 14, 2003 (File 0-28637)
10.4	Stock Option Agreement, dated December 7, 1997, between BioSante Pharmaceuticals, Inc. and Edward C. Rosenow, III, M.D.	Incorporated by reference to Exhibit 10.5 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.5	Form of Stock Option Agreement between BioSante Pharmaceuticals, Inc. and each of BioSante's executive officers	Incorporated by reference to Exhibit 10.5 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)

Exhibit No.	Exhibit	Method of Filing
10.6	Escrow Agreement, dated December 5, 1996, among BioSante Pharmaceuticals, Inc., Montreal Trust Company of Canada, as Escrow Agent, and certain shareholders of BioSante Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 10.9 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.7	Registration Rights Agreement, dated May 6, 1999, between BioSante Pharmaceuticals, Inc. and certain shareholders of BioSante Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 10.13 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.8	Securities Purchase Agreement, dated May 6, 1999, between BioSante Pharmaceuticals, Inc. and certain shareholders of BioSante Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 10.14 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.9	Lease, dated September 15, 1997, between BioSante Pharmaceuticals, Inc. and Highlands Park Associates.	Incorporated by reference to Exhibit 10.15 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.10	Employment Agreement, dated January 21, 1998, between BioSante Pharmaceuticals, Inc. and Stephen M. Simes, as amended	Incorporated by reference to Exhibit 10.16 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)

Exhibit No.	Exhibit	Method of Filing
10.11	Employment Agreement, dated June 11, 1998, between BioSante Pharmaceuticals, Inc. and Phillip B. Donenberg, as amended	Incorporated by reference to Exhibit 10.17 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.12	License Agreement, dated June 13, 2000, between Permatec Technologie, AG and BioSante Pharmaceuticals, Inc. (1)	Incorporated by reference to Exhibit 10.1 contained in BioSante's Current Report on Form 8-K on July 11, 2000 (File No. 0-28637)
10.14	Employment Agreement, dated December 15, 2000, between BioSante Pharmaceuticals, Inc. and Leah Lehman, Ph.D.	Incorporated by reference to Exhibit 10.19 to BioSante's Annual Report on Form 10-KSB filed on March 30, 2001 (File No. 0-28637)
10.15	Form of Subscription Agreement in connection with the April 2001 Private Placement	Incorporated by reference to Exhibit 10.19 to BioSante's Registration Statement on Form SB-2, as amended, (File No. 333-64218)
10.17	Amendment No. 1 to the License Agreement, dated May 20, 2001, between Antares Pharma and BioSante Pharmaceuticals, Inc. (1)	Incorporated by reference to Exhibit 10.18 to BioSante's Annual Report on Form 10-KSB, filed on March 28, 2002 (File No. 0-28637)
10.18	Amendment No. 2 to the License Agreement, dated July 5, 2001, between Antares Pharma and BioSante Pharmaceuticals, Inc. (1)	Incorporated by reference to Exhibit 10.19 to BioSante's Annual Report on Form 10-KSB, filed on March 28, 2002 (File No. 0-28637)

Exhibit No.	Exhibit	Method of Filing
10.19	Amendment No. 3 to the License Agreement, dated August 30, 2001, between Antares Pharma and BioSante Pharmaceuticals, Inc. (1)	Incorporated by reference to Exhibit 10.20 to BioSante's Annual Report on Form 10-KSB, filed on March 28, 2002 (File No. 0-28637)
10.20	Amendment No. 4 to the License Agreement, dated August 8, 2002, between Antares Pharma and BioSante Pharmaceuticals, Inc. (1)	Incorporated by reference to Exhibit 10.20 to BioSante's Registration Statement on Form SB-2, as amended (File No. 333-87542)
10.21	Consulting Agreement, dated January 1, 2001, between BioSante Pharmaceuticals, Inc. and Scientific Research Development Corp.	Incorporated by reference to Exhibit 10.21 to BioSante's Annual Report on Form 10-KSB, filed on March 28, 2002 (File No. 0-28637)
10.22	Employment Agreement, dated October 1, 2000, between BioSante Pharmaceuticals, Inc. and Steven J. Bell, Ph.D.	Incorporated by reference to Exhibit 10.22 to BioSante's Annual Report on Form 10-KSB, filed on March 28, 2002 (File No. 0-28637)
10.23	Amendment No. 2 to the License Agreement, dated May 7, 2001, between BioSante Pharmaceuticals, Inc. and The Regents of the University of California (1)	Incorporated by reference to Exhibit 10.23 to BioSante's Annual Report on Form 10-KSB, filed on March 28, 2002 (File No. 0-28637)
10.24	Amendment No. 5 to the License Agreement, dated December 30, 2002 between Antares Pharma and BioSante Pharmaceuticals, Inc. (1)	Incorporated by reference to Exhibit 10.25 to BioSante's Annual Report on Form 10-KSB, filed on March 28, 2002 (File No. 0-28637)

Exhibit No.	Exhibit	Method of Filing
10.25	Common Stock and Warrant Purchase Agreement dated August 4, 2003 between BioSante Pharmaceuticals, Inc. and the purchasers listed on schedule 1 thereto	Incorporated by reference to Exhibit 10.1 contained in BioSante's Form 8-K, filed on August 6, 2003 (File No. 0-28637)
10.26	Investor Rights Agreement dated August 4, 2003 between BioSante Pharmaceuticals, Inc. and the purchasers listed on Schedule 1 attached to the Common Stock and Warrant Purchase Agreement	Incorporated by reference to Exhibit 10.3 contained in BioSante's Form 8-K, filed on August 6, 2003 (File No. 0-28637)
10.27	Deferred Compensation Plan	Incorporated by reference to Exhibit 10.2 contained in BioSante's 10-QSB, filed on August 14, 2003 (File No. 0-28637)
10.28	First Amendment to Lease, dated September 18, 2003, between BioSante and Highlands Park Associates	Filed herewith electronically
10.29	Office Lease, dated December 19, 2003, between BioSante and LaSalle National Bank Association, as successor trustee to American National Bank and Trust Company of Chicago	Filed herewith electronically
10.30	Form of Stock Option Agreement between BioSante Pharmaceuticals, Inc. and each of BioSante's executive officers	Filed herewith electronically
10.31	Form of Stock Option Agreement between BioSante Pharmaceuticals, Inc. and each of BioSante's directors	Filed herewith electronically
14.1	Code of Conduct and Ethics	Filed herewith electronically
23.1	Consent of Deloitte & Touche LLP	Filed herewith electronically
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14	Filed herewith electronically
31.2	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14	Filed herewith electronically
32.1	Certification of Chief Executive Officer Pursuant to Rule 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith electronically

Exhibit No.	Exhibit	Method of Filing
32.2	Certification of Chief Financial Officer Pursuant to Rule 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith electronically

(1) Confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended, has been granted with respect to designated portions of this document.

EXHIBIT 10.28

FIRST
AMENDMENT TO LEASE

THIS AMENDMENT, Made and entered into as of the 18th day of September, 2003, by and between Highlands Park Associates, Landlord, and BioSante Pharmaceuticals, Inc., Tenant.

W I T N E S S E T H:

WHEREAS, under date of September 15, 1997, Landlord and Tenant entered into a written lease (the "Lease") covering the premises located at 4600 A&B Highlands Parkway, Smyrna, Cobb County, Georgia 30082, and

WHEREAS, the parties desire to amend said lease as set out hereinafter,

NOW, THEREFORE, for One ($1.00) Dollar and other valuable consideration paid by each of the parties to the other, receipt of which is hereby acknowledged, it is agreed between the parties as follows:

This Amendment is effective November 1, 2003, and is subject to all the terms and conditions of the aforementioned lease, which lease shall remain in full force and effect, except that:

1. SECTION 2, TERM. The Term of the Lease is extended through October 31, 2004, at midnight, unless sooner terminated as herein provided.

2. SECTION 3, RENT. Beginning November 1, 2003, through the expiration of the Term, Monthly Minimum Base Rent shall be SEVEN THOUSAND FOUR HUNDRED ($7,400.00) DOLLARS.

3. EARLY TERMINATION. Either Landlord or Tenant may terminate this Lease prior to the expiration date of the Term provided that the terminating party give the other party at least sixty days prior written notice of its intent to terminate early. If the Lease is terminated early, then the resultant expiration date of the Term shall be at the end of a calendar month.

4. OPTION TO RENEW LEASE. Tenant did not exercise its right to renew the Lease under Section 47 of the Lease and no further options to renew exist.

5. RESTORATION. Both parties acknowledge and agree that the terms and conditions of Section 49 of the Lease shall survive the original expiration of the Lease and continues in full force and effect. Landlord hereby rescinds its notice/request to restore the Premises at this time, in accordance with Landlord's letter/fax to Tenant dated September 25, 2003.

IN WITNESS WHEREOF, the parties herein have hereunto set their hands and seals, in triplicate, the date and year first above written.

LANDLORD: HIGHLANDS PARK ASSOCIATES

By: Denard Cobb Properties, Inc.
Managing General Partner

/s/ Don W. Denard

By: Don W. Denard
Its: President

TENANT: BIOSANTE PHARMACEUTICALS, INC.

/s/ Stephen M. Simes

(Signature)

By: Stephen M. Simes

(Print Name)

By: CEO and President

(Title)

EXHIBIT 10.29

BARCLAY BOULEVARD

LINCOLNSHIRE CORPORATE CENTER

OFFICE LEASE

BETWEEN

LASALLE BANK NATIONAL ASSOCIATION,
AS SUCCESSOR TRUSTEE TO AMERICAN NATIONAL BANK
AND TRUST COMPANY OF CHICAGO, as Trustee under
Trust Agreement dated January 1, 1991
and known as Trust No. 113370-03

LANDLORD

AND

BIOSANTE PHARMACEUTICALS, INC.

TENANT

FOR

SUITE

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DATED: December 19th, 2003

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LEASE WITH BIOSANTE PHARMACEUTICALS, INC. ("TENANT")

on Premises at 111 Barclay Boulevard, Lincolnshire Corporate Center
Lincolnshire, Illinois

This Lease, made as of the Date of Lease set forth in the following Schedule (the "Schedule"), by and between LASALLE BANK NATIONAL ASSOCIATION, as successor trustee to AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Trustee under Trust Agreement dated January 1, 1991 and known as Trust No. 113370-03 ("Landlord"), and the Tenant identified immediately above.

SCHEDULE OF SIGNIFICANT TERMS

For purposes of this Lease, the terms set forth below shall have the meanings or be assigned the amounts as follows:

Date of Lease:	December 19th, 2003
Base Rent (annual amount):	$52,442.00
Monthly Base Rent:	$4,370.17
Commencement Date:	January 1, 2004, subject to the provisions of Section 5 of the Lease
Expiration Date:	December 31, 2004, or such earlier date as this Lease is terminated as provided herein.
Building	The improvements commonly known as 111 Barclay Boulevard, Lincolnshire Corporate Center, Lincolnshire, Illinois (containing approximately 78,182 rentable square feet)
Premises:	Those certain premises outlined on the floor plan attached hereto as Exhibit A, on the 2 floor(s) of the Building, known as Suite 280 and containing 4,034 rentable square feet
Tenant's Proportionate Share:	5.16%
Expense Stop Amount:	$0
Tax Stop Amount:	$0
Security Deposit:	$7,113.29
Exterior Parking Spaces (Maximum):	15
Broker:	Van Vlissingen and Co.

Tenant's Address for Notices:	BioSante Pharmaceuticals, Inc. 111 Barclay Boulevard Suite 280 Lincolnshire, Illinois 60069 With a copy to: Gary I. Levenstein, Esq. Ungaretti & Harris 70 W. Madison, Suite 3500 Chicago, Illinois 60602	
Tenant's Authorized Representative:	Stephen M. Simes	
Guarantor (if any):	Not applicable	
Attachments to Lease (check if applicable):		
Guaranty	----------	
Workletter	----------	
Attachment(s) to Workletter	----------	
Rider A	X	(Rules and Regulations)
Rider B	X	(Cleaning Schedule)

WITNESSETH:

Landlord hereby leases to Tenant, and Tenant hereby accepts the Premises, for a term (herein called the "Term") commencing on the Commencement Date and ending on the Expiration Date, paying as rent therefor the sums hereinafter provided, without any setoff, abatement, counterclaim, or deduction whatsoever, except as herein expressly provided.

IN CONSIDERATION THEREOF, THE PARTIES HERETO COVENANT AND AGREE:

1. BASE RENT.

Subject to periodic adjustment as hereinafter provided, Tenant shall pay an annual base rent (herein called "Base Rent") to Landlord for the Premises in the amount stipulated in the Schedule, payable in monthly installments (herein called "Monthly Base Rent") in the amount stipulated in the Schedule, in advance on the first day of the first full calendar month and on the first day of each calendar month thereafter of the Term, and at the same rate prorated for fractions of a month if the Term shall begin on any date except the first day, or shall end on any day except the last day of a calendar month. Base Rent, Additional Rent (as hereinafter defined), Additional Rent Progress Payment (as hereinafter defined) and all other amounts becoming due from Tenant to Landlord herein (herein collectively called the "Rent") shall be paid in lawful money of the United States to One Overlook Point at its office as designated in Section 26 hereof, or as otherwise designated from time to time by written notice from Landlord to Tenant. The obligation to pay Rent hereunder is independent of each and every other covenant and agreement contained in this Lease.

2. ADDITIONAL RENT.

In addition to paying the Base Rent specified in Section 1 hereof, Tenant shall pay as additional rent the amounts determined in accordance with the following provisions of this Section 2 (herein called "Additional Rent"):

(a) DEFINITIONS. As used in this Lease:

(i) "Adjustment Date" shall mean the first day of the Term and each January 1 thereafter falling within the Term.

(ii) "Adjustment Year" shall mean each calendar year during which an Adjustment Date falls.

(iii) "Expenses" shall mean and include those costs and expenses paid or incurred by Landlord in connection with the ownership, operation, management, and maintenance of the Building and the land on which the Building is situated in a manner deemed reasonable by Landlord and appropriate and for the best interests of the Building and the tenants in the Building, including, but not limited to, the following:

(A) All costs and expenses directly related to the Building for operating and cleaning tenant, common and public areas, for utilities, for

the payment of salaries and fringe benefits for personnel of the grade of building manager and below, for removing snow, ice, and debris, and costs of property, liability, rent loss, and other insurance;

(B) All costs and expenses of replacing paving, curbs, walkways, landscaping (including replanting and replacing flowers and other plantings), common and public parking and lighting facilities in the Building and the areas immediately adjacent thereto;

(C) Electricity for lighting the common and public areas and for running the elevators and other building equipment and systems, fuel and water used in heating, ventilating, and air-conditioning of the Building and water for drinking, lavatory and toilet purposes;

(D) Maintenance of mechanical and electrical equipment, including heating, ventilating and air-conditioning equipment in the Building, but excluding capital expenditures (except as set forth in (H) below) which under generally accepted accounting principles are required to be capitalized;

(E) Window cleaning and janitor and cleaning service, including janitor and cleaning equipment and supplies for tenant, common and public areas;

(F) Maintenance of elevators, alarm, and security systems, rest rooms, sprinklers, and plumbing systems, lobbies, hallways, and other common and public areas of the Building;

(G) A management fee for the managing agent of the Building at actual cost not to exceed four percent (4%) of Landlord's gross receipts from operation of the Building;

(H) The cost of any capital improvement made at any time, whether before or after the Date of Lease, to the extent the same reduces some of the costs included within Expenses or which is required under any governmental laws, regulations, or ordinances which were not applicable to the Building at any time prior to the Commencement Date, amortized on an annual basis to the extent of the annual savings effected by such capital improvement or equipment (as reasonably determined by Landlord); and

(I) Legal and other professional expenses incurred in respect of the operation, use, occupation, or maintenance of the Building and in seeking or obtaining reductions in and refunds of Taxes, but excluding legal costs in leasing space or incurred in disputes with tenants.

(J) Common area maintenance and other costs allocable to the Building under the Declaration of Protective Covenants for Lincolnshire Corporate Center (Unit III) applicable to the Building.

(K) Expenses shall not include the following: costs or other items included within the meaning of the term "Taxes" (as hereinafter defined); costs of capital improvements to the Building (except as set forth in H above); depreciation; expenses incurred in leasing or procuring tenants (including, without limitation, lease commissions, advertising expenses, and expenses of renovating space for tenants); interest or amortization payments on any mortgage or mortgages; rental under any ground or underlying lease or leases; wages, salaries, or other compensation paid to any executive employees above the grade of building manager; wages, salaries, or other compensation paid for clerks or attendants in concessions or newsstands operated by the Landlord; the cost of correcting defects (latent or otherwise) which arise within one (1) year after initial construction of the Building in the construction of the Building, except that conditions (not occasioned by construction defects) resulting from ordinary wear and tear shall not be deemed defects; the cost of installing, operating, and maintaining a specialty improvement, including, without limitation, an observatory, or broadcasting, cafeteria, or dining facility, or athletic, luncheon, or recreational club; any cost or expense representing an amount paid to a related entity which is in excess of the amount which would be paid in the absence of such relationship; and any expenditures for which Landlord has been reimbursed (other than pursuant to rent adjustment, escalation, or additional rent provisions in leases); expenses incurred by Landlord to prepare, renovate, repaint, redecorate or perform any other work in any space leased to an existing tenant of the Building; expenses incurred by Landlord to resolve disputes, enforce or negotiate lease terms with prospective or existing tenants, or in connection with any financing, sale or syndication of the Building, the cost to correct any penalty or fine incurred by Landlord due to Landlord's violation of any federal, state, or local law or regulation and any interest, or penalties due for late payment by Landlord of any of the Taxes or Operating Expenses; reserves; all legal and professional fees, costs and expenses, judgments, lines, penalties and damages incurred by, imposed upon or levied against Landlord's as a result of Landlord's negligence or willful misconduct; and the cost of any asbestos removal or encapsulation in the Building.

Notwithstanding the foregoing provisions of this Section 2(a)(iii), for any Adjustment Year in which the aggregate usable office space of the Building has not been ninety-five percent (95%) occupied during the entire Adjustment Year, Expenses shall include any expenses which Landlord shall reasonably determine would have been incurred had the Building been ninety-five percent (95%) occupied.

(iv) "Taxes" shall mean all real estate taxes, assessments (whether they be general or special), sewer rents, rates and charges, transit taxes, taxes based upon the receipt of rent, and any other federal, state or local governmental charge, general, special, ordinary or extraordinary (but not including income or franchise taxes (other than personal property replacement income taxes) or any other taxes imposed upon or measured by Landlord's income or profits, unless the same shall be imposed in lieu of the real estate taxes or other ad valorem taxes), which may now or hereafter be levied, imposed or assessed against the Building or the land on which the Building is located (the "Land"), or both. The Building and the Land are herein collectively called the "Real Property."

Notwithstanding the foregoing provisions of this Section 2(a)(iv):

(A) If at any time during the Term of this Lease the method of taxation then prevailing shall be altered so that any new tax, assessment, levy, imposition or charge or any part thereof shall be imposed upon Landlord in addition to, or in place or partly in place of any such Taxes, or contemplated increase therein, and shall be measured by or be based in whole or in part upon the Real Property or the rents or other income therefrom, then all such new taxes, assessments, levies, impositions or charges or part thereof, to the extent that they are so measured or based, shall be included in Taxes levied, imposed, or assessed against real property to the extent that such items would be payable if the Real Property were the only property of Landlord subject thereto and the income received by Landlord from the Real Property were the only income of Landlord.

(B) Notwithstanding the year for which any such taxes or assessments are levied, (i) in the case of special taxes or special assessments which may be payable in installments, the amount of each installment, plus any interest payable thereon (but not including penalty interest), paid during a calendar year shall be included in Taxes for that year and (ii) if any taxes or assessments payable during any calendar year shall be computed with respect to a period in excess of twelve calendar months, but not to exceed thirteen calendar months, then taxes or assessments applicable to the excess period shall be included in Taxes for that year. Except as provided in the preceding sentence, for purposes of this Section 2, all references to Taxes "for" a particular year shall be deemed to refer to taxes levied, assessed or otherwise imposed for such year without regard to when such taxes are payable.

(C) Taxes shall also include any non-tenant personal property taxes (attributable to the calendar year in which paid) imposed upon the furniture, fixtures, machinery, equipment, apparatus, systems and appurtenances used in connection with the Real Property or the operation thereof and located at the Building.

(v) "Tenant's Proportionate Share" shall mean the percentage stipulated in the Schedule which is the percentage obtained by dividing the Rentable Area of the Premises by the Rentable Area of the Building.

(vi) "Additional Rent" shall mean all amounts determined pursuant to this Section 2, including any amounts payable by Tenant to Landlord on account thereof.

(b) COMPUTATION OF ADDITIONAL RENT. Tenant shall pay Additional Rent for each Adjustment Year determined as hereinafter set forth. Additional Rent payable by Tenant with respect to each Adjustment Year during which an Adjustment Date falls shall include the following amounts:

(i) the amount by which Tenant's Proportionate Share, multiplied by the Expenses for such Adjustment Year exceeds the Expense Stop Amount stipulated in the Schedule (said excess being called the "Expense Adjustment"); plus

(ii) the amount by which Tenant's Proportionate Share, multiplied by the Taxes for such Adjustment Year exceeds the Tax Stop Amount stipulated in the Schedule (said excess being called the "Tax Adjustment").

(c) PAYMENTS OF ADDITIONAL RENT; PROJECTIONS. Tenant shall pay Additional Rent to Landlord in the manner hereinafter provided.

(i) EXPENSE ADJUSTMENT AND TAX ADJUSTMENT. Tenant shall make payments on account of the Expense Adjustment and Tax Adjustment (the aggregate of such payments with respect to any Adjustment Year being called "Additional Rent Progress Payment") effective as of the Adjustment Date for each Adjustment Year as follows:

(A) Landlord may, prior to each Adjustment Date or from time to time during the Adjustment Year in which such Adjustment Date falls, deliver to Tenant a written notice or notices ("Projection Notice") setting forth (1) Landlord's reasonable estimates, forecasts or projections (collectively, the "Projections") of Taxes and Expenses for such Adjustment Year based on Landlord's budgets of Expenses and estimate of Taxes, (which are $2.60/square foot for Taxes, and $5.56/square foot for Expenses), and (2) Tenant's Additional Rent Progress Payment with respect to each component of Additional Rent (other than CPI Adjustment) for such Adjustment Year based upon the Projections. Landlord's budgets of Expenses and the Projections based thereon shall assume full occupancy and use of the Building and may be revised by Landlord from time to time based on changes in rates and other criteria which are components of budget items.

(B) Until such time as Landlord furnishes a Projection Notice for an Adjustment Year, Tenant shall, at the time of each payment of

Monthly Base Rent, pay to Landlord a monthly installment of Additional Rent Progress Payment with respect to each component of Additional Rent (other than CPI Adjustment) equal to the greater of the latest monthly installment of Additional Rent Progress Payment or one-twelfth (1/12) of Tenant's latest determined Expense Adjustment and Tax Adjustment. On or before the first day of the next calendar month following Landlord's service of a Projection Notice, and on or before the first day of each month thereafter, Tenant shall pay to Landlord one-twelfth (1/12) of the Additional Rent Progress Payments shown in the Projection Notice. Within fifteen (15) days following Landlord's service of a Projection Notice, Tenant shall also pay Landlord a lump sum equal to the Additional Rent Progress Payment shown in the Projection Notice less (1) any previous payments on account of Additional Rent Progress Payment made during such Adjustment Year and (2) monthly installments on account of Additional Rent Progress Payment due for the remainder of such Adjustment Year.

(d) READJUSTMENTS. The following readjustments with regard to the Tax Adjustment and Expense Adjustment shall be made by Landlord and Tenant:

(i) Following the end of each Adjustment Year and after Landlord shall have determined the amounts of Expenses to be used in calculating the Expense Adjustment for such Adjustment Year, Landlord shall notify Tenant in writing ("Landlord's Statement") of such Expenses for such Adjustment Year. If the Expense Adjustment owed for such Adjustment Year exceeds the Expense Adjustment component of the Additional Rent Progress Payment paid by Tenant during such Adjustment Year, then Tenant shall, within thirty (30) days after the date of Landlord's Statement, pay to Landlord an amount equal to the excess of the Expense Adjustment over the Expense Adjustment component of the Additional Progress Payment paid by Tenant during such Adjustment Year. If the Expense Adjustment component of the Additional Rent Progress Payment paid by Tenant during such Adjustment Year exceeds the Expense Adjustment owed for such Adjustment Year, then Landlord shall credit such excess to Rent payable after the date of Landlord's Statement, or may, at its option, credit such excess to any Rent then due and owing, until such excess has been exhausted. If the Expiration Date shall occur prior to full application of such excess, Landlord shall pay to Tenant the balance thereof not theretofore applied against Rent and not reasonably required for payment of Additional Rent for the Adjustment Year in which the Expiration Date occurs.

(ii) Following the end of each Adjustment Year and after Landlord shall have determined the actual amounts of Taxes to be used in calculating the Tax Adjustment for such Adjustment Year, Landlord shall notify Tenant in writing ("Landlord's Statement") of such Taxes for such Adjustment Year. If the Tax Adjustment owed for such Adjustment Year exceeds the Tax Adjustment component of the Additional Rent Progress Payment paid by Tenant during such Adjustment Year, then Tenant shall, within thirty (30) days after the date of

Landlord's Statement, pay to Landlord an amount equal to the excess of the Tax Adjustment over the Tax Adjustment component of the Additional Rent Progress Payment paid by Tenant during such Adjustment Year. If the Tax Adjustment component of the Additional Rent Progress Payment paid by Tenant during such Adjustment Year exceeds the Tax Adjustment owed for such Adjustment Year, then Landlord shall credit such excess to Rent payable after the date of Landlord's Statement, or may, at its election, credit such excess to any Rent then due and owing, until such excess has been exhausted. If the Expiration Date shall occur prior to full application of such excess, Landlord shall pay to Tenant the balance thereof not theretofore applied against Rent and not reasonably required for payment of Additional Rent for the Adjustment Year in which the Expiration Date occurs.

(iii) No interest or penalties shall accrue on any amounts which Landlord is obligated to credit or pay to Tenant by reason of this Section 2(d).

(e) BOOKS AND RECORDS. Landlord shall maintain books and records showing Expenses and Taxes in accordance with sound accounting and management practices. Tenant or its employees and accountants shall have the right to examine Landlord's books and records showing Expenses and Taxes upon five (5) days prior written notice and during normal business hours within forty-five (45) days following the furnishing by the Landlord to the Tenant of Landlord's Statement provided for in Section 2(d). The results of such examination shall be for the benefit of Landlord and Tenant only, shall be maintained in confidence by Tenant and Tenant's employees, accountants and attorneys and shall not be disseminated or furnished to any other person or entity. No person retained by Tenant to conduct such review shall be compensated on a contingency basis. Unless the Tenant shall take written exception to any item within sixty (60) days after the furnishing of the Landlord's Statement containing said item, such Landlord's Statement shall be considered as final and accepted by the Tenant. If Tenant takes exception to any item in Landlord's Statement within the applicable time period and if Landlord and Tenant arc unable to agree on the correctness of said item, then either party may refer the decision of said issue to a reputable firm of independent certified public accountants designated by Landlord and the decision of said accountants shall he conclusively binding on the parties. The party required to make payment under such adjustment shall pay all fees and expenses involved in such decision unless the payment represents five percent (5%) or less of the annual Expense Adjustment shown on Landlord's Statement, in which case Tenant shall bear all such fees and expenses.

(f) PRORATION AND SURVIVAL. With respect to any Adjustment Year which does not fall entirely within the term, Tenant shall be obligated to pay as Additional Rent for such adjustment year only a pro rata share of Additional Rent as hereinabove determined, based upon the number of days of the Term falling within the Adjustment Year. Following expiration or termination of this Lease, Tenant shall pay any Additional Rent due to the Landlord within fifteen (15) days after the date of Landlord's Statement sent to Tenant. Without limitation on other obligations of Tenant which shall survive the expiration of the Term, the obligations of Tenant to pay Additional Rent provided for in this Section 2 shall survive the expiration or termination of this Lease.

(g) No Decrease in Base Rent. In no event shall any decrease in Additional Rent result in a decrease of the Base Rent payable hereunder as set forth in Section 1 hereof.

(h) Additional Rent. All amounts payable by Tenant as or on account of Additional Rent shall be deemed to be additional rent becoming due under this Lease.

(i) INTENTIONALLY DELETED.

3. USE OF PREMISES.

(a) Tenant shall use and occupy the Premises for Tenant's executive and general offices and for such related purposes as are described in subsection (b) of this Section 3 and for no other purpose. For the purposes of this Section 3, Tenant shall be deemed to include Tenant's permitted subtenants, assigns, and occupants.

(b) Landlord agrees that, in connection with and incidental to Tenant's use of the Premises for the office purposes set forth in subsection (a) of this Section 3, provided Tenant, at Tenant's sole cost and expense, obtains any special amendments to the certificate of occupancy for the Premises and any other permits required by any governmental authority having jurisdiction thereof, if any, Tenant may use portions of the Premises for (i) the preparation and service of food and beverages from a pantry kitchen or lounge all for the exclusive use by officers, employees and business guests of Tenant (hut not for use as a public restaurant or by other tenants of the Building), (ii) the operation of vending machines for the exclusive use of officers, employees and business guests of Tenant, provided that each vending machine, where necessary, shall have a waterproof pan thereunder and be connected to a drain, and (iii) the installation, maintenance and operation of electronic data processing equipment, computer processing facilities and business machines, provided that such equipment is contained within the Premises and does not cause vibrations, noise, electrical interference or other disturbance to other tenants of the Building or the elevators or other equipment in the Building

(c) With respect to any use permitted under this Section 3, any such use shall not violate any laws or requirements of public authorities, constitute a public or private nuisance, interfere with or cause physical discomfort to any of the other tenants or occupants of the Building, interfere with the operation of the Building or the maintenance of same as a first-class office building, or violate any of Tenant's other obligations under this Lease.

(d) Tenant hereby represents, warrants, and agrees that Tenant's business is not and shall not be photographic, multilith, or multigraph reproductions or offset printing. Anything contained herein to the contrary notwithstanding, Tenant shall not use the Premises or any part thereof, or permit the Premises or any part thereof to be used, (i) for the business of photographic, multilith, or multigraph reproductions or offset printing, (ii) for a retail banking, trust company, depository, guarantee, or safe deposit business open to the general public, (iii) as a savings bank, a savings and loan association, or as a loan company open to the general public, (iv) for the sale to the

general public of travelers checks, money orders, drafts, foreign exchange or letters of credit or for the receipt of money for transmission, (v) as a stock broker's or dealer's office or for the underwriting or sale of securities open to the general public, (vi) except as provided in subsection (b) of this Section 3, as a restaurant or bar or for the sale of confectionery, soda, beverages, sandwiches, ice cream, or baked goods or for the preparation, dispensing, or consumption of food or beverages in any manner whatsoever, (vii) as a news or cigar stand, (viii) as an employment agency, labor union office, physician's or dentist's office, dance, or music studio, school (except for the training of employees of Tenant), (ix) as a travel agency, or (x) as a barber shop or beauty salon. Nothing in this subsection (c) shall preclude Tenant from using any part of the Premises for photographic, multilith, or multigraph reproductions in connection with, either directly or indirectly, its own business or activities.

4. ALTERATIONS.

Tenant shall not, without the prior written consent of Landlord in each instance which shall not be unreasonably withheld, make any alterations, improvements, or additions to the Premises. If Landlord consents to said alterations, improvements, or additions, it may impose such reasonable and customary conditions with respect thereto as Landlord deems appropriate, including, without limitation, requiring Tenant to furnish Landlord with security for the payment of all costs to be incurred in connection with such work, insurance against liabilities which may arise out of such work, plans and specifications and permits necessary for such work. The work necessary to make any alterations, improvements, or additions to the Premises shall be done at Tenant's expense by employees of, or contractors hired by, Landlord, except to the extent Landlord gives its prior written consent to Tenant's hiring contractors. Tenant shall promptly pay to Landlord or to Tenant's contractors, as the case may be, when due, the cost of all such work and of all decorating required by reason thereof. Tenant will also pay to Landlord an amount equal to ten percent (10%) of all of the costs of such work to reimburse Landlord for its overhead and construction management services allocable to such work. Upon completion, Tenant shall deliver to Landlord, if payment is made directly to contractors, evidence of payment, contractors' affidavits and full and final waivers of all liens for labor, services or materials. Tenant shall defend and hold Landlord and the holder of any legal or beneficial interest in the land or Building harmless from all costs, damages, liens, and expenses related to such work. All work done by Tenant or its contractors pursuant to Sections 6 or 11 hereof shall be done in a first-class workmanlike manner using only good grades of materials and shall comply with all insurance requirements and all applicable laws and ordinances and rules and regulations of governmental departments or agencies and the rules and regulations adopted by the Landlord for the Building. Within thirty (30) days after substantial completion of any such work by Tenant or its contractors, Tenant shall furnish to Landlord "as built" drawings of such work.

5. SERVICES.

(a) The Landlord, as long as the Tenant is not in default under any of the covenants of this Lease, shall furnish:

(i) Air-conditioning and heat when necessary to provide a temperature condition required, in Landlord's reasonable judgment, for comfortable occupancy of the Premises under normal business operations, daily from 8:00 a.m. to 6:00 p.m. (Saturdays 8:00 a.m. to 1:00 p.m.), Sundays and holidays (as hereinafter defined) excepted. The term "holidays" as used herein shall mean New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Landlord's agreements hereunder are subject to Presidential and governmental restrictions on energy use;

(ii) Cold water in common with other tenants from Village of Lincolnshire mains for drinking, lavatory, and toilet purposes drawn through fixtures installed by the Landlord, or by Tenant in the Premises with Landlord's written consent, and hot water in common with other tenants for lavatory purposes from regular Building supply. Tenant shall pay Landlord as additional rent at rates fixed by Landlord for water furnished for any other purpose. The Tenant shall not waste or permit the waste of water;

(iii) Janitor service and customary cleaning provided nightly in and about the Premises, Saturdays, Sundays, and holidays excepted, in accordance with the cleaning schedule attached hereto as Rider B. The Tenant shall not provide any janitor services or cleaning without the Landlord's written consent, and then only subject to supervision of Landlord and at Tenant's sole responsibility and cost (and without compensation to Tenant or reduction in Rent) and by a janitor or cleaning contractor or employees at all times satisfactory to Landlord;

(iv) Passenger elevator service in common with Landlord and other tenants, daily from 8:00 am. to 8:00 p.m. (Saturdays from 8:00 am. to 1:00 p.m.), Sundays and holidays excepted, and freight elevator service in common with Landlord and other tenants, daily from 7:00 a.m. to 3:30 p.m., Saturdays, Sundays, and holidays excepted. Such normal elevator service, passenger or freight, if furnished at other times shall be optional with Landlord and shall never be deemed a continuing obligation. The Landlord, however, shall provide limited passenger elevator service daily at all times such normal passenger service is not furnished. Operatorless automatic elevator service shall be deemed "elevator service" within the meaning of this paragraph;

(v) Electricity shall not be furnished by Landlord, but shall be furnished by an approved electric utility company serving the Building. Landlord shall permit the Tenant to receive such service direct from such utility company at Tenant's cost, and shall permit Landlord's wire and conduits, to the extent available, suitable, and safely capable, to be used for such purposes. Tenant shall make all necessary arrangements with the utility company for metering and paying for electric current furnished by it to Tenant and Tenant shall pay for all charges for electric current consumed on the Premises during Tenant's occupancy thereof. The electricity used during the performance of janitor service, the making of alterations or repairs in the Premises, the operation of the Buildings

HVAC System at times other than as provided in Section 7(a)(i) or the operation of any special air conditioning systems which may be required for data processing equipment or for other special equipment or machinery installed by Tenant, shall be paid for by Tenant. Tenant shall make no alterations or additions to the electric equipment or appliances installed by Tenant without the prior written consent of the Landlord in each instance, which consent shall not be unreasonably withheld. Tenant also agrees to purchase from the Landlord or its agent at competitive prices all lamps, bulbs, ballasts, and starters used in the Premises during the Term hereof The electrical feeder or riser capacity serving the Premises on the Commencement Date shall be adequate to provide Building Standard electrical loads Any additional feeders or risers to supply Tenant's additional electrical requirements, and all other equipment proper and necessary in connection with such feeders or risers, shall be installed by Landlord upon Tenant's request, at the sole cost and expense of Tenant, provided that, in Landlord's judgment, such additional feeders or risers are necessary and are permissible under applicable laws and insurance regulations and the installation of such feeders or risers will not cause permanent damage or injury to the Building or the Premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations or interfere with or disturb other tenants or occupants or the Building and Tenant deposits with Landlord funds or other security acceptable to Landlord in the estimated amount of the cost of such installation, as determined by Landlord. Tenant covenants and agrees that at all times its use of electric current shall never exceed the capacity of the feeders to the Building or the risers or wiring installed thereon;

(vi) Landlord shall cause the Building and adjacent walkways and parking areas to be maintained in operating condition and reasonably free from debris, snow, and ice consistent with the operation of a first-class office building in the North Suburban Chicago area.

(vii) Landlord shall provide such extra or additional services as it is reasonably possible for the Landlord to provide, and as the Tenant may from time to time request, within a reasonable period after the time such extra or additional services are requested. Tenant shall, for such extra or additional services, pay at Landlord's scheduled rates therefor; such amount to be considered additional rent hereunder. All charges for such extra or additional services shall be due and payable at the same time as the installment of Base Rent with which they are billed. Any such billings for extra or additional services shall include an itemization of the extra or additional services rendered, and the charge for each such service. Landlord's applicable schedule of charge rates for certain extra or additional services will be published from time to time by Landlord and made available to tenant at its request. Such schedule shall be subject to change during the Term from time to time.

(b) INTENTIONALLY DELETED.

(c) Tenant agrees that Landlord and its beneficiaries and their agents shall not be liable in damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service when such failure or delay is occasioned, in whole or in part, by repairs, renewals, or improvements, by any strike, lockout, or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building after reasonable effort so to do, by any accident or casualty whatsoever, by the act or default of Tenant or other parties including without limitation Tenant's failure to maintain the Premises in good condition and repair, or by any cause beyond the reasonable control of Landlord; and such failures or delays shall never be deemed to constitute an eviction or disturbance of the Tenant's use and possession of the Premises or relieve the Tenant from paying Rent or performing any of its obligations under this Lease. Tenant shall notify Landlord if any service shall be stopped, whereupon Landlord will proceed diligently to restore such service as soon as reasonably possible. Notwithstanding anything to the contrary contained herein, if Tenant is unable to use the Premises for ordinary conduct of Tenant's business due materially to an interruption of the services described above resulting from Landlord's negligence or willful misconduct, and such condition continues for a period in excess of 72 consecutive hours and (i) Tenant furnishes a notice to Landlord (the "Abatement Notice") stating that Tenant's inability to use the Premises is due to such condition, (ii) Tenant does not actually use all or a portion of the Premises as a result of such interruption during such period and (iii) such condition has not resulted from the negligence or misconduct of Tenant or its sublessees, contractors, licensees, agents, servants, employees, or invitees, then Base Rent and Additional Rent for the Premises only shall be abated on a per diem basis for the period commencing on the 1st Business Day after Tenant delivers the Abatement Notice to Landlord and ending on the earlier of (x) the date Tenant is able to again use all or that portion of the Premises from which Tenant has been unable to use, and (y) the date on which such condition is remedied.

(d) Tenant agrees to cooperate fully, at all times, with Landlord in abiding by all reasonable regulations and requirements which Landlord may prescribe for the proper functioning and protection of all utilities and services reasonably necessary for the operation of the Premises and the Building.

(e) Landlord, throughout the Term of this Lease, shall have free access to any and all mechanical installations, and Tenant agrees that there shall be no construction of partitions or other obstructions which might interfere with the moving of the servicing equipment of Landlord to or from the enclosures containing said installations. Tenant further agrees that neither Tenant, nor its servants, employees, agents, visitors, licensees, or contractors shall at any time tamper with, adjust, or otherwise in any manner affect Landlord's mechanical installations.

(f) Tenant shall make arrangements directly with the telephone company servicing the Building for such telephone service in the Premises as may be desired by Tenant. If Tenant desires telegraphic, telephonic, burglar alarm, computer installations or signal service (which service shall be installed and maintained at Tenant's sole expense), Landlord shall, upon request, direct where and how all connections and wiring for such service shall be introduced and run. Landlord additionally shall have the right to approve or disapprove all plans and specifications for such service prior to any installation and to

refuse permission for such installation if Landlord determines same could adversely affect an existing system. In the absence of such directions, Tenant shall make no borings or cutting or install any wires or cables in or about the Premises and/or the Building.

6. CONDITION AND CARE OF PREMISES.

(a) Tenant's taking possession of the Premises shall be conclusive evidence against Tenant, and upon said taking of possession Tenant shall execute an agreement with Landlord stating that the Premises were then in good order and satisfactory condition. Except for Landlord's agreement to clean the carpeting in the Premises, no promises of the Landlord to alter, remodel, improve, repair, decorate, or clean the Premises or any part thereof have been made, and no representation respecting the condition of the Premises, the Building, or the Land, has been made to Tenant by or on behalf of Landlord except to the extent expressly set forth herein. TENANT ACKNOWLEDGES THAT IT IS LEASING THE PREMISES IN ITS PRESENT AS-IS CONDITION; PROVIDED, HOWEVER, LANDLORD AGREES TO CLEAN THE CARPETING PRIOR TO THE COMMENCEMENT DATE, AT LANDLORD'S SOLE COST AND EXPENSE, AND ON A WEEKEND MUTUALLY CONVENIENT TO THE PARTIES. This Lease does not grant any rights to light or air over or about the property of Landlord.

(b) Except for any damage resulting from any wanton or negligent act of Landlord or its employees and agents, and subject to the provisions of Section 15 hereof, Tenant shall, at its own expense, keep the Premises in good repair and condition and shall promptly and adequately repair all damage to the Premises caused by Tenant or any of its employees, agents, or invitees, including replacing or repairing all damaged or broken glass, fixtures, and appurtenances resulting from any such damage, under the supervision and with the approval of Landlord and within any reasonable period of time specified by Landlord. Tenant's obligation to maintain and repair the Premises, shall include but is not limited to, all electrical, plumbing and mechanical systems serving the Premises from the point said systems connect to the base building systems on each floor. If Tenant does not do so promptly and adequately, Landlord may, but need not, make such repairs and replacements and Tenant shall pay Landlord the cost thereof on demand. Tenant shall take special care to keep all areas of the Premises which are visible by or accessible to the public, such as elevator lobbies and corridors, in good order and appearance consistent with the high standards and quality of a first-class office building.

(c) Whenever, in Landlord's reasonable opinion, Tenant's use or occupation of the Premises, including lighting, personnel, heat generating machines, or equipment, individually or cumulatively, causes the design loads for the system providing heat and air-cooling to be exceeded, to affect the temperature or humidity otherwise maintained by the heating, ventilating, and air conditioning system in the Premises or Building, Landlord may, but shall not be obligated to, temper such excess loads by installing supplementary heating or air-conditioning units in the Premises or elsewhere where necessary. In such event, the cost of such units and the expense of installation, including, without limitation, the cost of preparing working drawings and specifications, shall be

paid by Tenant as additional rent within ten (10) days after Landlord's demand therefor. Alternatively, Landlord may require Tenant to install such supplementary heating or air-conditioning unit at Tenant's sole expense. Landlord may operate and maintain any such supplementary units, but shall have no continuing obligation to do so or liability in connection therewith. The expense resulting from the operation and maintenance of any such supplementary heating or air conditioning units, including rent for space occupied by any supplementary heating or air conditioning units installed outside the Premises, shall be paid by Tenant to Landlord as additional rent at rates fixed by Landlord. Alternatively, Landlord may require Tenant to operate and maintain any such supplementary units, also at Tenant's sole expense.

7. RETURN OF PREMISES.

(a) At the termination of this Lease by lapse of time or otherwise or upon termination of Tenant's right of possession without terminating this Lease, Tenant shall surrender possession of the Premises to Landlord and deliver all keys and access cards to the Building, the premises and the Building garage to Landlord and make known to the Landlord the combination of all locks of vaults then remaining in the Premises, and shall (subject to the provisions of Sections 9(b) and 9(c) below) return the Premises and all equipment and fixtures of the Landlord therein to Landlord in as good condition as when Tenant originally took possession, ordinary wear, loss or damage by fire or other insured casualty, damage resulting from the wanton or negligent act of Landlord or its employees and agents excepted, failing which Landlord may restore the Premises and such equipment and fixtures to such condition and Tenant shall pay the cost thereof to Landlord on demand.

(b) All installations, additions, partitions, hardware, light fixtures, supplementary heat or air--conditioning units, non--trade fixtures and improvements, temporary or permanent, except movable furniture, movable partitions and equipment belonging to Tenant, in or upon the Premises, whether Placed there by Tenant or Landlord, shall he Landlord's property and shall remain upon the Premises, all without compensation, allowance or credit to Tenant; provided, however, that if Landlord directs that Tenant remove any of said items at the end of the Term, then Tenant, at Tenant's sole cost and expense, shall promptly remove such of the installations, additions, partitions, hardware, light fixtures, non-trade fixtures, and improvements placed in the Premises by or on behalf of Tenant as are so designated by Landlord and repair any damage to the Premises caused by such removal, failing which Landlord may remove the same and repair the Premises and Tenant shall pay the cost thereof to Landlord on demand. Landlord acknowledges and agrees that there are currently no installations, additions, partitions, hardware, light fixtures, non-trade fixtures, or improvements in the Premises which need to be removed by Tenant at the end of the term of this Lease.

(c) At the sole option of Landlord, Tenant shall leave in place any floor covering without compensation to Tenant, or Tenant shall remove any floor covering and all fastenings, paper, glue, bases, or other vestiges and restore the floor surface to its previous condition. Tenant shall remove Tenant's furniture, machinery, safes, trade fixtures, and other items of movable personal property of every kind and description from

the Premises prior to the expiration of the Term or ten (10) days following termination of this Lease or Tenant's right of possession, whichever might be earlier, failing which Landlord may do so and thereupon the provisions of Section 17(f) shall apply.

(d) All obligations of Tenant hereunder shall survive the expiration of the Term or sooner termination of this Lease for a period of one (1) year, provided, however, that if Landlord fails to notify Tenant within 3 months after the Expiration Date that the Premises at the time possession was surrendered was not in as good condition as when Tenant originally took possession, normal wear and tear, and damage by casualty or condemnation excepted, or fails to notify Tenant of Landlord's designation of such of Tenant's new installations, additions, partitions, hardware, light fixtures, non-trade fixtures, and improvements that Landlord requires be removed, then Tenant shall have no responsibility to remove same.

8. HOLDING OVER.

The Tenant shall pay Landlord for each month (or fraction thereof) Tenant retains possession of the Premises or any part thereof after termination of this Lease, by lapse of time or otherwise, an amount which is double the amount of rent for each month based on the annual rate of Rent applicable under Sections 1 and 2 to the period in which such possession occurs, and Tenant shall also pay all damages, consequential as well as direct, sustained by Landlord by reason of such retention. Nothing in this Section contained, however, shall be construed or operate as a waiver of Landlord's right of re-entry or any other right of Landlord.

9. RULES AND REGULATIONS.

Tenant agrees to observe the rights reserved to Landlord contained in Section 12 hereof and agrees, for itself, its employees, agents, clients, customers, invitees and guests, to comply with the rules and regulations set forth in Rider A attached to this Lease and made a part hereof and such other reasonable rules and regulations as shall be adopted by Landlord pursuant to Section 12(1) of this Lease. Any violation by Tenant of any of the rules and regulations contained in Rider A attached to this Lease or other Section of this Lease, or as may hereafter be adopted by Landlord pursuant to Section 12(1) of this Lease, may be restrained; but whether or not so restrained, Tenant acknowledges and agrees that it shall be and remain liable for all damages, loss, costs and expense resulting from any violation by the Tenant of any of said rules and regulations. Nothing in this Lease contained shall he construed to impose upon Landlord any duty or obligation to enforce said rules and regulations, or the terms, covenants and conditions of any other lease against any other tenant or any other persons, and Landlord and its beneficiary shall not be liable to Tenant for violation of the same by any other tenant, its employees, agents, invitees, or by any other person. Landlord shall enforce all such rules and regulations in a consistent and uniform manner among all tenants of the Building.

10. RIGHTS RESERVED TO LANDLORD.

Landlord reserves the following rights, exercisable without notice and without liability to Tenant for damage or injury to property, person or business and without effecting an eviction or

disturbance of Tenant's use or possession or giving rise to any claim for setoff or abatement of Rent or affecting any of Tenant's obligations under this Lease:

(a) To change the name or street address of the Building.

(b) To install and maintain signs on the exterior and interior of the Building.

(c) To prescribe the location and style of the suite number and identification sign or lettering for the Premises occupied by the Tenant.

(d) To retain at all times, and to use in appropriate instances, pass keys to the Premises.

(e) To grant to anyone the right to conduct any business or render any service in the Building, whether or not it is the same as or similar to the use expressly permitted to Tenant by Section 3.

(f) To exhibit the Premises during the last six (6) months of the Term at reasonable hours, and to decorate, remodel, repair, alter, or otherwise prepare the Premises for reoccupancy at any time after Tenant vacates or abandons the Premises.

(g) To enter the Premises at reasonable hours for reasonable purposes, including inspection and supplying janitor service or other service to be provided to Tenant hereunder.

(h) To require all persons entering or leaving the Building during such hours as Landlord may from time to time reasonably determine to identify themselves to watchmen by registration or otherwise, and to establish their right to enter or leave in accordance with the provisions of applicable rules and regulations adopted by Landlord. Landlord shall not be liable in damages for any error with respect to admission to or eviction or exclusion from the Building of any person. In case of fire, invasion, insurrection, mob, riot, civil disorder, public excitement or other commotion, or threat thereof, Landlord reserves the right to limit or prevent access to the Building during the continuance of the same, shut down elevator service, activate elevator emergency controls, or otherwise take such action or preventive measures deemed necessary by Landlord for the safety of the tenants or other occupants of the Building or the protection of the Building and the property in the Building. Tenant agrees to cooperate in any reasonable safety program developed by Landlord.

(i) To reasonably control and prevent access to common areas and other non-general public areas pursuant to the provisions of applicable reasonable rules and regulations adopted by Landlord.

(j) Provided that reasonable access to the Premises shall be maintained and the business of Tenant shall not be interfered with or disrupted unreasonably, Landlord reserves the right to relocate, enlarge, reduce or change lobbies, exits or entrances in or to the Building and to decorate and to make, at its own expense, repairs, alterations, additions and improvements, structural or otherwise, in or to the Building or any part

thereof, and any adjacent building, land, street or alley, including for the purpose of connection with or entrance into or use of the Building in conjunction with any adjoining or adjacent building or buildings, now existing or hereafter constructed, and may for such purposes erect scaffolding and other structures reasonably required by the character of the work to be performed, and during such operations may enter upon the Premises and take into and upon or through any part of the Building, including the Premises, all materials that may be required to make such repairs, alterations, improvements, or additions, and in that connection Landlord may temporarily close public entry ways, other public spaces, stairways or corridors and interrupt or temporarily suspend any services or facilities agreed to be furnished by Landlord, all without the same constituting an eviction of Tenant in whole or in part and without abatement of Rent by reason of loss or interruption of the business of Tenant or otherwise and without in any manner rendering Landlord liable for damages or relieving Tenant from performance of Tenant's obligations under this Lease. Landlord may at its option make any repairs, alterations, improvements and additions in and about the Building and the Premises during ordinary business hours and, if Tenant desires to have such work done during other than business hours, Tenant shall pay all overtime and additional expenses resulting therefrom.

(k) From time to time to make and adopt such reasonable rules and regulations, in addition to or other than or by way of amendment or modification of the rules and regulations contained in Rider A attached to this Lease or other Sections of this Lease, for the protection and welfare of the Building and its tenants and occupants, as the Landlord may reasonably determine.

11. ASSIGNMENT AND SUBLETTING.

(a) Except as otherwise expressly provided herein, Tenant shall not, without the prior written consent of Landlord in each instance, (i) convey, mortgage, pledge, hypothecate, or encumber, or subject to or permit to exist upon or be subjected to any lien or charge, this Lease or any interest under it, (ii) allow to exist or occur any transfer of or lien upon this Lease or the Tenant's interest herein by operation of law, (iii) assign this Lease or any of Tenant's rights hereunder, (iv) sublet the Premises or any part thereof, or (v) permit the use or occupancy of the Premises or any part thereof for any purpose not provided for under Section 3 of this Lease or by anyone other than the Tenant and Tenant's employees. Landlord has the absolute right to withhold its consent, without giving any reason whatsoever, except as herein expressly provided to the contrary. The foregoing prohibitions shall also apply to any assignee or subtenant of Tenant.

(b) Prior to the Commencement Date, Tenant shall not assign this Lease or sublet all or any part of the Premises. If, after the Commencement Date, Tenant has procured an assignee or sublessee, Tenant shall, by written notice to Landlord, advise Landlord of its intention from, on and after a stated date (which shall not be less than fifteen (15) days after the date of Tenant's notice) to assign this Lease to such proposed assignee or sublet any part or all of the Premises to such proposed subtenant for the balance or any part of the Term. Upon receipt of such notice, Landlord shall have the right, to be exercised by giving written notice to Tenant within fifteen (15) days after receipt of Tenant's notice, to cancel the lease in the case of a proposed assignment of this

Lease or a proposed subleasing of all the Premises, or to cancel the lease with respect to the portion to be so subleased by notice to Tenant in which latter event the Rent and Tenant's Proportionate Share as defined herein shall be adjusted on the basis of the number of square feet of Rentable Area of the Premises retained by Tenant, and this Lease as so amended shall continue thereafter in full force and effect. If Landlord wishes to exercise such option to cancel[, Landlord shall, within fifteen (15) days after Landlord's receipt of such notice from Tenant, send to Tenant a notice so stating and in such notice Landlord shall specify the date as of which such cancellation is effective, which date shall be not less than the date on which the proposed assignment or sublease was to commence and not more than ninety (90) days after the date on which the date on which the proposed assignment or sublease was to commence. Tenant's notice given pursuant to this Section 13(b) shall state the name and address of the proposed subtenant or assignee, and a true and complete copy of the proposed sublease or assignment and sufficient information to permit Landlord to determine the financial responsibility and character of the proposed subtenant or assignee shall be delivered to Landlord with said notice.

(c) If Landlord, upon receiving Tenant's notice given pursuant to Section 13(b), shall not exercise its right to cancel, Landlord will not unreasonably withhold its consent to Tenant's assignment of this Lease or subletting the space covered by its notice. In each case, such subletting or assignment shall also be subject to the following conditions:

(i) A Default is not then in existence;

(ii) Tenant has fully complied with the provisions of this Section 13;

(iii) The assignee or subtenant is not a tenant of the Lincolnshire Corporate Center or a government (or subdivision or agency thereof);

(iv) Tenant has furnished Landlord with copies of all documents relating to the sublease or assignment arrangement between Tenant and the proposed subtenant or assignee, including financial statements, if requested by Landlord;

(v) The proposed sublease or proposed assignment does not extend for a term beyond the initial Term of this Lease, nor does the sublease or assignment contain any options to extend or renew the term thereof beyond the initial Term of this Lease;

(vi) The subtenant or assignee is of a character or engaged in a business which is, and the subtenant's or assignee's proposed use of the Premises, or portions thereof, is consistent with the standards of Landlord for the Building and the use permitted hereunder;

(vii) A subletting will not result in more than two occupants of the Premises, including Tenant and all subtenants;

(viii) The space to be subleased and the remaining portion of the Premises are both legally leasable units and suitable for normal renting;

(ix) The assignee or subtenant is sufficiently financially responsible to perform its obligations under the sublease or assignment; and

(x) The intended use by or business of the proposed assignee or sublessee will not conflict with any commitment by Landlord to any other tenant in the Lincolnshire Corporate Center.

Landlord agrees to respond to Tenant's request for approval within fifteen (15) days after submission of all documents.

(d) Notwithstanding the provisions of subparagraphs (a), (b), and (c) above, Landlord agrees that (1) as to an assignment or transfer by operation of law, Landlord shall have the right of consent pursuant to subparagraph (c) above, but shall not have the option to cancel the lease, provided such assignment or transfer is to a corporation which acquires substantially all of the stock of the Tenant; and (2) as to an assignment of the lease to a wholly-owned subsidiary of Tenant, Landlord shall not have the option to cancel nor shall Landlord have a right of consent.

(e) Consent by Landlord to any assignment, subletting, use, or occupancy or transfer shall not operate to relieve the Tenant from any covenant or obligation hereunder, and shall not he deemed to be a consent to or relieve Tenant, or any subtenant or assignee, from obtaining Landlord's consent to any subsequent assignment, transfer, lien, charge, subletting, use, or occupancy. Tenant shall pay all of Landlord's costs, charges and expenses, including attorneys' fees, incurred in connection with any assignment, transfer, lien, charge, subletting, use or occupancy made or requested by Tenant.

(f) If Tenant, having first obtained Landlord's consent to any sublease or assignment, or if Tenant or a trustee in bankruptcy for Tenant, pursuant to Section 365 of the Bankruptcy Code, shall assign this Lease or sublet the Premises, or any part thereof, then in addition to the Rent then payable hereunder, Tenant shall pay to Landlord, as further additional rent on the first day of each month during the term of any such assignment or sublease, fifty percent (50%) of the amount, if any, by which (x) the Assigned Area Rent exceeds (y) the product of the Current Monthly Rent multiplied by the Assigned Area. As used herein:

(i) "Assigned Area" shall mean the number of square feet of Rentable Area of the Premises (in the case of an assignment or sublet of the entire Premises) or of the Rentable Area of any space sublet by Tenant (in the ease of a sublet of less than the entire Premises).

(ii) "Current Monthly Rent" shall mean the aggregate of all Monthly Base Rent and Additional Rent Progress Payments being paid by Tenant as of the effective date of an assignment or sublet, divided by the number of square feet of Rentable Area of the Premises.

(iii) "Assigned Area Rent" shall mean the current monthly base rent and other amounts payable by the subtenant or assignee for the Assigned Area.

(g) If Tenant is a legal entity, the transfer (by one or more transfers), directly or indirectly, by operation of law or otherwise, of a majority of the stock or other beneficial ownership interest in Tenant or of all or substantially all of the assets of Tenant (collectively "Ownership Interests") shall be deemed a voluntary assignment of this Lease; provided, however, that the provisions of this Section ii shall not apply to the transfer of Ownership Interests in Tenant if and so long as Tenant is publicly traded on a nationally recognized stock exchange. For purposes of this Section 11(g) the term "transfers" shall be deemed to include (x) the issuance of new Ownership Interests which results in a majority of the Ownership Interests in Tenant being held by a person or entity which does not hold a majority of the Ownership Interests in Tenant on the Effective Date and (y) except as provided below, the sale or transfer of all or substantially all of the assets of Tenant in one or more transactions and the merger or consolidation of Tenant in to or with another business entity. The provisions of Section 11(g) shall not apply to transactions with a business entity into or with which Tenant is merged or consolidated or to which all or substantially all of Tenant's assets or stock are transferred so long as (i) such transfer was made for a legitimate independent business purpose and not abrogating or avoiding Tenant's duties and obligations under this Lease, (ii) the successor to Tenant has a net worth computed in accordance with generally accepted accounting principles at least equal to the net worth of Tenant immediately prior to such merger, consolidation or transfer, and (iii) proof reasonably satisfactory to Landlord of such net worth is delivered to Landlord at least 10 days prior to the effective date of any such transaction, and, in the event that the transferee is a publicly--traded company, Landlord shall keep such transfer confidential until same is publicly announced by either Tenant or the transferee. Tenant may also, upon prior notice to Landlord, permit any business entity which controls, is controlled by, or is under common control with the original Tenant (a "Related Entity") to sublet all or part of the Premises for any Permitted Use, provided the Related Entity is in Landlord's reasonable judgment of a character and engaged in a business which is in keeping with the standards for the Building and for so long as such entity remains a Related Entity. Such sublease shall not be deemed to vest in any such Related Entity any right or interest in this Lease nor shall it relieve, release, impair or discharge any of Tenant's obligations hereunder. For the purposes hereof, "control" shall be deemed to mean ownership of not less than 50% of all of the Ownership Interests of such corporation or other business entity. Notwithstanding the foregoing, Tenant shall have no right to assign this Lease or sublease all or any portion of the Premises without Landlord's consent pursuant to this Section 11(g) if Tenant is not the initial Tenant herein named or a person or entity who acquired Tenant's interest in this Lease in a transaction approved by Landlord.

12. WAIVER OF CERTAIN CLAIMS; INDEMNITY BY TENANT.

(a) To the extent not expressly prohibited by law, Tenant releases Landlord and its beneficiaries, and their agents, servants, and employees, from and waives all claims for damages to person or property sustained by the Tenant or by any occupant of the Premises or the Building, or by any other person, resulting directly or indirectly from

fire or other casualty, cause, or any existing or future condition, defect, matter, or thing in or about the Premises, the Building or any part of it, or from any equipment or appurtenance therein, or from any accident in or about the Building, or from any act or neglect of any tenant or other occupant of the Building or any part thereof or of any other person. This Section 14(a) shall not operate as a release of Landlord from liability for the negligent or intentionally wrongful conduct of Landlord or its agent or employees. This Section 14 shall apply especially, but not exclusively, to damage caused by water, snow, frost, steam, excessive heat or cold, sewerage, gas, odors, or noise, or the bursting or leaking of pipes or plumbing fixtures, broken glass, sprinkling or air conditioning devices or equipment, or flooding of basements, and to any damage to automobiles parked in the garage in the Building or outside the Building and shall apply without distinction as to the person whose act or neglect was responsible for the damage and whether the damage was due to any of the acts specifically enumerated above, or from any other thing or circumstance, whether of a like nature or of a wholly different nature. If any damage to the Premises or the building or any equipment or appurtenance therein, whether belonging to Landlord or to other tenants or occupants of the Building or otherwise, results from any negligent or wrongful acts of the Tenant, its employees, agents, or invitees, Tenant shall be liable therefor and Landlord may, at its option, repair such damage and Tenant shall upon demand by Landlord reimburse Landlord for all reasonable costs of such repairs and damages in excess of amounts, if any, paid to Landlord under insurance covering such damages except as provided in Section 19(a) below. All personal property belonging to the Tenant or any occupant of the Premises that is in the Building or the Premises shall be there at the risk of the Tenant or other person only and Landlord shall not be liable for damage thereto or theft or misappropriation thereof. All vehicles parked in the Building's garage or in the parking lots shall be parked at the sole risk of the owner, and Landlord assumes no responsibility for any damage to or loss of vehicles.

(b) To the extent not expressly prohibited by law and Section 19(a), Tenant agrees to hold Landlord and its beneficiaries, and their agents, servants, and employees, harmless and to indemnify each of them against claims and liabilities, including reasonable attorneys' fees, for injuries to all persons and damage to or theft or misappropriation or loss of property occurring in or about the Premises arising from Tenant's negligence or wrongful acts or from any breach or default on the part of Tenant in the performance of any covenant or agreement on the part of Tenant to be performed pursuant to the terms of this Lease or due to any other act or omission of the Tenant, its agents, or employees.

13. DAMAGE OR DESTRUCTION BY CASUALTY.

(a) If the Premises or any part of the Building shall be damaged by fire or other casualty and if such damage does not render all or a substantial portion of the Premises or the Building untenantable, then Landlord shall proceed to repair and restore the same to its prior existing condition with reasonable promptness, subject to reasonable delays for insurance adjustments and delays caused by matters beyond Landlord's control. If any such damage renders all or a substantial portion of the Premises or the Building untenantable, Landlord shall, with reasonable promptness after the occurrence

of such damage and in good faith, estimate the length of time that will be required to substantially complete the repair and restoration of such damage and shall by notice advise Tenant of such estimate. If it is so estimated that the amount of time required to substantially complete such repair and restoration will exceed ninety (90) days from the date such damage occurred, then either Landlord or Tenant (but as to Tenant only if all or a substantial portion of the Premises are rendered untenantable and the estimated time to substantially complete the repair or restoration of the Premises will exceed such ninety (90) days from the date of the fire or other casualty) shall have the right to terminate this Lease as of the date of such damage upon giving notice to the other at any time within twenty (20) days after Landlord gives Tenant the notice containing said estimate (it being understood that Landlord may, if it elects to do so, also give such notice of termination together with the notice containing said estimate). Unless this Lease is terminated as provided in the preceding sentence, Landlord shall proceed with reasonable promptness and all due diligence to repair and restore the Premises, subject to reasonable delays for insurance adjustments and delays caused by matters beyond Landlord's control, and also subject to zoning laws and building codes then in effect. Landlord shall have no liability to Tenant, and Tenant shall not be entitled to terminate this Lease (except as hereinafter provided) if such repairs and restoration are not in fact completed within the time period estimated by Landlord, as aforesaid, or within said ninety (90) days, so long as Landlord shall proceed with reasonable promptness and due diligence. Notwithstanding anything to the contrary herein set forth: (i) if any such damage rendering all or a substantial portion of the Premises or Building untenantable shall occur during the last three (3) years of the Term, then Landlord and Tenant shall each have the option to terminate this Lease by written notice to the other within thirty (30) days after the date such damage occurred, and if such option is so exercised, this Lease shall terminate as of the date of such damage; (ii) Landlord shall have no duty pursuant to this Section 15 to repair or restore any portion of alterations, additions or improvements made by or on behalf of Tenant in the Premises or improvements which are not then building standard improvements; (iii) Landlord shall not be obligated (but may, at its option, so elect) to repair or restore the Premises or Building if any mortgagee applies proceeds of insurance to reduce its loan balance and the remaining proceeds, if any, available to Landlord are not sufficient to pay for such repair or restoration; and (iv) Tenant shall not have the right to terminate this Lease pursuant to this Section 15 if the damage or destruction was caused by the intentional or negligent act of Tenant, its agents or employees.

(b) In the event any such fire or casualty damage not caused by the intentional or negligent act of Tenant, its agents or employees, renders the Premises substantially untenantable and Tenant is not occupying the Premises and if this Lease shall not be terminated pursuant to the foregoing provisions of Section 15 by reason of such damage, then Rent shall abate during the period beginning with the date of such damage and ending with the date when Landlord substantially completes its repair and restoration work. Such abatement shall be in an amount bearing the same ratio to the total amount of Rent for such period as the portion of the Premises being repaired and restored by Landlord and not heretofore delivered to Tenant from time to time bears to the entire Premises. In the event of termination of this Lease pursuant to this Section 15, Rent shall be apportioned on a per diem basis and be paid to the date of such fire or other casualty.

(c) In the event of any such fire or other casualty, and if the lease is not terminated pursuant to the foregoing provisions of this Lease, Tenant shall repair and restore any portion of alterations, additions or improvements made by or on behalf of Tenant in the Premises, and during any such period of Tenant's repair and restoration following substantial completion of Landlord's repair and restoration work, Rent shall be payable as if said fire or other casualty had not occurred.

14. EMINENT DOMAIN.

If all or a substantial part of the Building, or any part thereof which includes all or a substantial part of the Premises, shall be taken or condemned by any competent authority for any public or quasi-public use or purpose, the Term of this Lease shall end upon and not before the date when the possession of the part so taken shall be required for such use or purpose, and without apportionment of the award to or for the benefit of Tenant. If any condemnation proceeding shall be instituted in which it is sought to take or damage any part of the Building, the taking of which would, in Landlord's opinion, prevent the economical operation of the Building, or if the grade of any street or alley adjacent to the Building is changed by any competent authority, and such taking or damage or change of grade makes it necessary or desirable to remodel the Building to conform to the taking or damage, Landlord shall have the right to terminate this Lease upon not less than ninety (90) days' notice prior to the date of termination designated in the notice. In either of the events above referred to, Rent shall be apportioned as of the date of the termination. No money or other consideration shall be payable by the Landlord to the Tenant for the right of termination, and the Tenant shall have no right to share in the condemnation award or in any judgment for damages caused by such taking or the change of grade; provided, however, that Tenant shall have the right to pursue separately against the condemning authority any award available separately to Tenant for Tenant's moving and relocation expenses.

15. DEFAULT; LANDLORD'S RIGHTS AND REMEDIES.

(a) The occurrence of any one or more of the following matters constitutes a Default by Tenant under this Lease:

(i) Failure by Tenant to pay Rent or any installment thereof when due;

(ii) Failure by Tenant to pay when due any other moneys required to be paid by Tenant under this Lease;

(iii) Failure by Tenant to observe or perform any of the covenants in respect of assignment and subletting set forth in Section 13, and such failure continues for more than five (5) days after notice to Tenant;

(iv) Failure by Tenant to cure forthwith, immediately after receipt of notice from Landlord, any hazardous condition which Tenant has created in violation of law or of this Lease;

(v) Failure by Tenant to observe or perform any other covenant, agreement, condition or provision of this Lease, if such failure shall continue for

thirty (30) days after notice thereof from Landlord to Tenant, provided, however, that Tenant shall not be in default with respect to matters which cannot reasonably be cured within thirty (30) days so long as within such thirty (30) day period Tenant commences such cure and diligently proceeds to complete the same at all times thereafter;

(vi) The levy upon or under execution or the attachment by legal process of the leasehold interest of Tenant, or the filing or creation of a lien in respect of such leasehold interest, which lien shall not be released or discharged within thirty (30) days from the date of such filing;

(vii) Tenant vacates or abandons the Premises or fails to take possession of the Premises when available for occupancy (the transfer of a substantial part of the operations, business and personnel of Tenant to some other location being deemed, without limiting the meaning of the term "vacates or abandons", to be a vacation or abandonment within the meaning of this clause (vii)), and Tenant thereafter fails to continue to pay Rent due under this Lease; provided however, that in the event Tenant vacates or abandons the Premises, Landlord shall have the right to make repairs, alternations and additions in or to the Premises and redecorate the same to the extent deemed by Landlord necessary or desirable whether or not Tenant thereafter continues to pay Rent due under this Lease;

(viii) Tenant becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of a trustee or receiver for Tenant or for the major part of his property;

(ix) A trustee or receiver is appointed for the Tenant or for the major part of its property and is not discharged within thirty (30) days after such appointment; and

(x) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law, or similar law for the relief of debtors, are instituted by or against Tenant, and, if instituted against Tenant, are allowed against it or are consented to by it or are not dismissed within sixty (60) days after such institution.

(b) If a Default occurs which has not been cured or remedied during the applicable grace period, Landlord shall have the rights and remedies hereinafter set forth, which shall be distinct, separate and cumulative and shall not operate to exclude or deprive Landlord of any other right or remedy allowed it by law:

(i) Landlord may terminate this Lease by giving to Tenant written notice of the Landlord's election to do so, in which event the Term of this Lease shall end, and all right, title and interest of the Tenant hereunder shall expire, on the date stated in such notice;

(ii) Landlord may terminate the right of the Tenant to possession of the Premises' without terminating this Lease by giving written notice to Tenant that Tenant's right of possession shall end on the date stated in such notice, whereupon the right of the Tenant to possession of the Premises or any part thereof shall cease on the date stated in such notice; and

(iii) Landlord may enforce the provisions of this Lease and may enforce and protect the rights of the Landlord hereunder by a suit or suits in equity or at law for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, including recovery of all moneys due or to become due from the Tenant under any of the provisions of this Lease.

Any notice required to be given by Landlord pursuant to this Section 17(b) may be given concurrently with a notice of default pursuant to Section 17(a).

(c) If Landlord exercises either the remedies provided for in subparagraphs (i) or (ii) of the foregoing Section 17(b), Tenant shall surrender possession and vacate the Premises immediately and deliver possession thereof to the Landlord, and Landlord may then or at any time thereafter re-enter and take complete and peaceful possession of the Premises, with or without process of law, full and complete license to do so being hereby granted to the Landlord, and Landlord may remove all occupants and property therefrom, using such force as may be necessary, without being deemed in any manner guilty of trespass, eviction or forcible entry and detainer and without relinquishing Landlord's right to rent or any other right given to Landlord hereunder or by operation of law.

(d) If Landlord, pursuant to the provisions of Section 17(b)(ii) hereof, terminates the right of the Tenant to possession of the Premises without terminating this Lease, such termination of possession shall not release Tenant, in whole or in part, from Tenant's obligation to pay the Rent hereunder for the full Term, and Landlord shall have the right to immediate recovery of all amounts then due hereunder. In addition, Landlord shall have the right, from time to time, to recover from the Tenant, and the Tenant shall remain liable for, all Rent and any other sums thereafter accruing as they become due under this Lease during the period from the date of such notice of termination of possession to the stated end of the Term. In any such ease, the Landlord may, but shall be under no obligation to (except to the extent required by law), relet the Premises or any part thereof for the account of the Tenant for such rent, for such time (which may be for a term extending beyond the Term of this Lease) and upon such terms as the Landlord in the Landlord's sole discretion shall determine, and the Landlord shall not be required to accept any tenant offered by the Tenant or to observe any instructions given by the Tenant relative to such reletting. Landlord shall, however, cooperate with Tenant in order to relet the Premises and minimize Tenant's damages, but this obligation shall not require Landlord to divert any prospective tenants from any other portion of the Building. Also in any such case the Landlord may make repairs, alterations and additions in or to the Premises and redecorate the same to the extent deemed by the Landlord necessary or desirable and in connection therewith change the locks to the Premises, and the Tenant shall upon demand pay the cost thereof together with the Landlord's expenses of

releting. Landlord may collect the rents from any such releting and apply the same first to the payment of the expenses of reentry, redecoration, repair and alterations and the expenses of releting and second to the payment of Rent herein provided to be paid by the Tenant, and any excess or residue shall operate only as an offsetting credit against the amount of Rent as the same thereafter becomes due and payable hereunder, but the use of such offsetting credit to reduce the amount of Rent due Landlord, if any, shall not be deemed to give Tenant any right, title or interest in or to such excess or residue and any such excess or residue shall belong to Landlord solely; provided that in no event shall Tenant be entitled to a credit on its indebtedness to Landlord in excess of the aggregate sum (including Base Rent and Additional Rent) which would have been paid by Tenant for the period for which the credit to Tenant is being determined, had no Default occurred. No such re-entry or repossession, repairs, alterations and additions, or releting shall be construed as an eviction or ouster of the Tenant or as an election on Landlord's part to terminate this Lease unless a written notice of such intention be given to Tenant or shall operate to release the Tenant in whole or in part from any of the Tenant's obligations hereunder, and the Landlord may, at any time and from time to time, sue and recover judgment for any deficiencies from time to time remaining after the application from time to time of the proceeds of any such releting.

(e) In the event of the termination of this Lease by Landlord as provided for by subparagraph (i) of Section 17(b), Landlord shall be entitled to recover from Tenant all the fixed dollar amounts of Rent accrued and unpaid for the period up to and including such termination date, as well as all other additional sums payable by the Tenant, or for which Tenant is liable or in respect of which Tenant has agreed to indemnify Landlord under any of the provisions of this Lease which maybe then owing and unpaid, and all costs and expenses, including court costs and attorneys' fees incurred by Landlord in the enforcement of' its rights and remedies hereunder, and in addition Landlord shall be entitled to recover as damages for loss of the bargain and not as a penalty (x) the unamortized cost to the Landlord, computed and determined in accordance with generally accepted accounting principles, of the tenant improvements and alterations, if any, paid for and installed by Landlord pursuant to this Lease, and (y) the aggregate sum which at the time of such termination represents the excess, if any, of the present value of the aggregate rents at the same annual rate for the remainder of the Term as then in effect pursuant to the applicable provisions of Sections 1 and 2 of this Lease, over the then present value of the then aggregate fair rental value of the Premises for the balance of the Term, such present worth to be computed in each case on the basis of a per annum discount at one-half (l/2) of the corporate base rate of interest then in effect at Bank One from the respective dates upon which such rentals would have been payable hereunder had this Lease not been terminated, and (z) any damages in addition thereto, including reasonable attorneys' fees and court costs, which Landlord shall have sustained by reason of the breach of any of the covenants of this Lease other than for the payment of rent.

(f) All property removed from the Premises by Landlord pursuant to any provision of this Lease or of law may be handled, removed or stored by Landlord at the cost and expense of the Tenant, and the Landlord shall in no event be responsible for the value, preservation or safekeeping thereof Tenant shall pay Landlord for all expenses incurred by Landlord in such removal and storage charges against such property so long

as the same shall be in Landlord's possession or under Landlord's control. All property not removed from the Premises or not retaken from storage by Tenant within thirty (30) days after the end of the Term, however terminated, shall be conclusively deemed to have been conveyed by Tenant to Landlord as by bill of sale without further payment or credit by Landlord to Tenant.

(g) If any action for breach of or to enforce any provision of this Lease is commenced, the court in such action shall award to the party in whose favor judgment is entered, a reasonable sum as attorneys' fees, which attorneys' fees shall be paid by the losing party in such action. Tenant shall pay all of Landlord's costs, charges, and expenses, including court costs and reasonable attorneys' fees, incurred by Landlord in any litigation in which Tenant causes the Landlord, without Landlord's fault, to become involved or concerned.

(h) In the event that Tenant shall file for protection under any Chapter of the Bankruptcy Code now or hereafter in effect, Landlord and Tenant agree, to the extent permitted by law, to request that the debtor-in-possession or trustee-in-bankruptcy, if one is appointed, assume or reject this Lease within sixty (60) days thereafter.

(i) Except as otherwise expressly provided in this Lease, Tenant hereby expressly waives the service of any notice of intention to terminate this Lease or to re-enter the Premises and waives the service of any demand for payment of Rent or for possession and waives the service of any other notice or demand prescribed by any statute or other law.

16. SUBORDINATION.

(a) Landlord may have heretofore or may hereafter encumber with a mortgage or trust deed the Building, the Land, the Real Property or any interest therein, and may have heretofore and may hereafter sell and lease back the Land, or any part of the Real Property, and may have heretofore or may hereafter encumber the leasehold estate under such lease with a mortgage or trust deed (any such mortgage or trust deed is herein called a "Mortgage" and the holder of any such mortgage or the beneficiary under any such trust deed is herein called a "Mortgagee". Any such lease of the underlying land is herein called a "Ground Lease", and the lessor under any such lease is herein called a "Ground Lessor". Any Mortgage which is a first lien against the Building, the Land, the Real Property, the leasehold estate under a Ground Lease or any interest therein is herein called a "First Mortgage" and the holder or beneficiary of any First Mortgage is herein called a "First Mortgagee"). If requested by the Mortgagee or Ground Lessor, Tenant will either (a) subordinate its interest in this Lease to said Mortgage, and to any and all advances thereunder and to the interest thereon, and all renewals, replacements, amendments, modifications, and extensions thereof, or to said Ground Lease, or to both; provided, however, Landlord shall first provide Tenant with a commercially reasonable non-disturbance agreement, or (b) make Tenant's interest in this Lease or certain of Tenant's rights hereunder superior thereto; and Tenant will promptly execute and deliver such agreement or agreements as may be reasonably required by the Mortgagee or by any such Ground Lessor; provided that Tenant covenants it will not subordinate this Lease to

any Mortgage other than a First Mortgage without the prior written consent of the First Mortgagee.

(b) It is further agreed that (a) if any Mortgage shall be foreclosed, or if any ground or underlying lease be terminated, (i) the liability of the mortgagee or trustee hereunder or purchaser at such foreclosure sale or the liability of a subsequent owner designated as Landlord under this Lease shall exist only so long as such trustee, mortgagee, purchaser, or owner is the owner of an interest in the Building or Land and such liability shall not continue or survive after further transfer of ownership; and (ii) upon request of the mortgagee or trustee, if any Mortgage shall be foreclosed, Tenant will attorn, as Tenant under this Lease, to the purchaser at any foreclosure sale under any Mortgage, or upon request of the Ground Lessor, if any Ground Lease shall be terminated, Tenant will attorn as Tenant under this Lease to the Ground Lessor, and Tenant will execute such instruments as may be necessary or appropriate to evidence such attornment; and (b) this Lease may not be modified or amended so as to reduce the rent or shorten the term provided hereunder, or so as to adversely affect in any other respect to any material extent the rights of the Landlord, nor shall this Lease be canceled or surrendered, without the prior written consent, in each instance, of the First Mortgagee and of any Ground Lessor.

(c) Should any prospective First Mortgagee or Ground Lessor require a modification or modifications of this Lease, which modification or modifications will not cause an increase in the Rent stipulated hereunder or in any other way materially and adversely change the rights and obligations of Tenant hereunder, then and in such event, Tenant agrees that this Lease may be so modified and agrees to execute whatever documents are required therefor and deliver the same to Landlord within ten (10) days following the request therefor. Should any Landlord or prospective Mortgagee or Ground Lessor require execution of a short form of lease for recording (containing the names of the parties, a description of the Premises, and the term of this Lease) or a certification from the Tenant concerning the lease in such form as may be required by a prospective mortgagee or ground lessor, Tenant agrees to execute such short form of lease or certificate and deliver the same to Landlord within ten (10) days following the request therefor.

17. MORTGAGEE PROTECTION.

Tenant agrees to give the First Mortgagee, by registered or certified mail, a copy of any notice of default served upon the Landlord by Tenant, provided that, prior to such notice, Tenant has been notified in writing (by way of service on Tenant of a copy of assignment of rents and leases, or otherwise) of the address of such First Mortgagee. Tenant further agrees that if Landlord shall have failed to cure such default within twenty (20) days after such notice to Landlord (or if such default cannot be cured or corrected within that time, then such additional time as may he necessary if Landlord has commenced within such twenty (20) days and is diligently pursuing the remedies or steps necessary to cure or correct such default), then the First Mortgagee shall have an additional thirty (30) days within which to cure or correct such default (or if such default cannot be cured or corrected within that time, then such additional time as may be necessary if the First Mortgagee has commenced within such thirty (30) days and is diligently

pursuing the remedies or steps necessary to cure or correct such default). Until the time allowed, as aforesaid, for the First Mortgagee to cure such default has expired without cure, Tenant shall have no right to, and shall not, terminate this Lease on account of Landlord's default.

18. DEFAULT UNDER OTHER LEASES.

If the term of any lease, other than this Lease, heretofore or hereafter made by Tenant for any space in the Building shall be terminated or terminable after the making of this Lease because of any default by Tenant under such other lease, such fact shall empower Landlord, at Landlord's sole option, to terminate this Lease by notice to Tenant or to exercise any of the rights or remedies set forth in Section 17.

19. SUBROGATION AND INSURANCE.

(a) Landlord and Tenant agree to have all physical damage or material damage insurance which may be carried by either of them, and Tenant agrees to have all business interruption insurance which it carries, endorsed to provide that any release from liability of, or waiver of claim for, recovery from the other party entered into in writing by the insured thereunder prior to any loss or damage shall not affect the validity of said policy or the right of the insured to recover thereunder and providing further that the insurer waives all rights of subrogation which such insurer might have against the other party. Without limiting any release or waiver of liability or recovery contained in any other section of this Lease, but rather in confirmation and furtherance thereof, each of the parties hereto waives all claims for recovery from the other party for any loss or damage to any of its property covered by insurance with respect to such loss, cost, damage or expense or damages as a result of business interruption to the extent of any amount recovered by reason of such insurance (or which could have been recovered had such insurance been carried as so required). Notwithstanding the foregoing or anything contained in this Lease to the contrary, any release and any waiver of claims shall not be operative, nor shall the foregoing endorsements be required, in any case where the effect of such release and waiver is to invalidate insurance coverage or increase the cost thereof (provided that, in the case of increased cost, the other party shall have the right, within ten (10) days following written notice, to pay such increased cost keeping such release and waiver in full force and effect).

(b) Tenant shall carry insurance during the entire Term hereof insuring Tenant and Landlord and Landlord's agents and beneficiaries and mortgagees with terms, coverages, and in companies reasonably satisfactory to Landlord and with such commercially reasonable increases in limits as Landlord may from time to time request, hut initially Tenant shall maintain the following coverages in the following amounts:

(i) Comprehensive general liability insurance, including contractual liability insuring the indemnification provisions contained in this Lease, in an amount not less than $2,000,000.00 combined single limit per occurrence;

(ii) "Special Forms Causes of Loss" physical damage insurance, including sprinkler leakage, for the full replacement cost of all additions,

improvements, and alterations to the Premises and of all office furniture, trade fixtures, office equipment, merchandise, and all other items of Tenant's property on the Premises; and

The foregoing insurance may be provided by a company-wide blanket insurance policy or policies maintained by or on behalf of Tenant, provided that the same is reasonably satisfactory to Landlord.

(c) Tenant shall, prior to the commencement of the Term and thereafter during the Term, furnish to Landlord policies or certificates issued by the respective carriers evidencing such coverage or replacements and renewals thereof, which policies or certificates shall state that such insurance coverage may not be changed or cancelled without at least thirty (30) days' prior written notice to Landlord and Tenant.

(d) Tenant shall comply with all applicable laws and ordinances, all orders and decrees of court and all requirements of other governmental authority and all requirements of Landlord's insurance companies, and shall not directly or indirectly make any use of the Premises which may thereby be prohibited or be dangerous to person or property or which may jeopardize any insurance coverage, or may increase the cost of insurance or require additional insurance coverage. In the event of such increase in the cost of insurance or such requirement for additional insurance coverage, Tenant shall reimburse Landlord for the cost thereof.

(e) Prior to performing any alterations, additions, improvements or services in the Premises, or prior to engaging any contractors to provide services at or in the Premises, Tenant, at its expense, shall furnish to Landlord duplicate original policies or certificates of worker's compensation (covering all persons to be employed by Tenant, and Tenant's contractors and subcontractors) in connection with such work or services and commercial general liability (including property damage coverage) insurance all in such form, with such companies, for such periods and in such amounts as Landlord may reasonably require, naming Landlord, Landlord's agent, any Ground Lessor, and any Mortgagee as additional insureds. Prior to the entry of the Premises by any and all contractors of the Tenant, the Tenant shall deliver to the Landlord a certificate of insurance for the respective contractor.

20. NONWAIVER.

No waiver of any condition expressed in this Lease shall be implied by any neglect of either party to enforce any remedy on account of the violation of such condition whether or not such violation be continued or repeated subsequently, and no express waiver shall affect any condition other than the one specified in such waiver and that one only for the time and in the manner specifically stated. Without limiting the provisions of Section 10, it is agreed that no receipt of moneys by Landlord from Tenant after the termination in any way of the Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Term or affect any notice given to Tenant prior to the receipt of such moneys. It is also agreed that after the service of notice or the commencement of a suit or after final judgment

for possession of the Premises, Landlord may receive and collect any moneys due, and the payment of said moneys shall not waive or affect said notice, suit or judgment.

21. ESTOPPEL CERTIFICATE.

The Tenant agrees that from time to time upon not less than ten (10) business days' prior request by Landlord, or the holder of any Mortgage or any ground lessor, the Tenant (or any permitted assignee, subtenant, licensee, concessionaire, or other occupant of the Premises claiming by, through, or under Tenant) will deliver to Landlord or to the holder of any Mortgage or ground lessor, a statement in writing signed by Tenant certifying, to the extent true, (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that the lease as modified is in full force and effect and identifying the modifications); (b) the date upon which Tenant began paying Rent and the dates to which the Rent and other charges have been paid, (c) that the Landlord is not in default under any provision of this Lease, or, if in default, the nature thereof in detail; (d) that the Premises have been completed in accordance with the terms hereof and Tenant is in occupancy and paying Rent on a current basis with no rental offsets or claims; (e) that there has been no prepayment of Rent other than that provided for in the Lease; (f) that there are no actions, whether voluntary or otherwise, pending against Tenant under the bankruptcy laws of the United States or any State thereof, and (g) such other matters as may be reasonably requested by Landlord, the holder of any Mortgage or ground lessor.

22. TENANT AUTHORITY TO EXECUTE LEASE.

In case Tenant is a corporation, Tenant (a) represents and warrants that this Lease has been duly authorized, executed, and delivered by and on behalf of the Tenant and constitutes the valid and binding agreement of the Tenant in accordance with the terms hereof, and (b) until Landlord is notified in writing of a substitute therefor, Tenant's Authorized Representative set forth in the Schedule shall have full power and authority to take action on behalf of and to bind Tenant with respect to all matters relating to this Lease and the Premises. In case Tenant is a partnership, Tenant represents and warrants that all of the persons who are general or managing partners in said partnership have executed this Lease on behalf of Tenant, or that this Lease has been executed and delivered pursuant to and in conformity with a valid and effective authorization therefor by all of the general or managing partners of such partnership, and is and constitutes the valid and binding agreement of the partnership and each and every partner therein in accordance with its terms. It is agreed that each and every present and future partner in Tenant shall be and remain at all times jointly and severally liable hereunder and that the death, resignation, or withdrawal of any partner shall not release the liability of such partner under the terms of this Lease unless and until the Landlord shall have consented in writing to such release.

23. REAL ESTATE BROKERS.

Tenant represents that Tenant has directly dealt with and only with the real estate broker or brokers disclosed in the Schedule (whose commission shall be paid by Landlord pursuant to a separate agreement with each such broker), as broker, in connection with this Lease and agrees to indemnify and hold Landlord harmless from all damages, liability, and expense (including reasonable attorneys' fees) arising from any claims or demands of any other broker or brokers or

finders for any commission alleged to be due such broker or brokers or finders in connection with its participating in the negotiation with Tenant of this Lease.

24. NOTICES.

In every instance where it shall be necessary or desirable for Landlord to serve any notice or demand upon Tenant, it shall be sufficient to send a written or printed copy of such notice or demand by nationally recognized overnight courier, or by personal delivery, addressed to Tenant at the address set forth in the Schedule, with a copy to Gary I. Levenstein, Esq., Ungaretti & Harris, 70 W. Madison, Suite 3500, Chicago, IL 60602, in which event the notice or demand shall be deemed to have been served at the time the same was either received or refused by Tenant. Any such notice or demand to be given by Tenant to Landlord shall, until further notice, be served personally or sent by nationally recognized overnight courier, or by personal delivery, to One Overlook Point, Suite 100, Lincolnshire Corporate Center, Lincolnshire, Illinois in which event the notice or demand shall be deemed to have been served at the time the same was either received or refused by Landlord. Mailed communications to Landlord shall be deemed to have been served at the time the same were posted plus two (2) business days. Notwithstanding the foregoing, notices served with respect to emergency matters may be served personally or by telephone communication. Tenant is advised and acknowledges that until further notice to Tenant, Van Vlissingen and Co, the present agent of Landlord, has authority to execute and deliver notices hereunder to Tenant on behalf of Landlord.

25. MISCELLANEOUS.

(a) Each provision of this Lease shall extend to and shall bind and inure to the benefit not only of Landlord and Tenant, but also their respective heirs, legal representatives, successors, and assigns, but this provision shall not operate to permit any transfer, assignment, mortgage, encumbrance, lien, charge, or subletting contrary to the provisions of Section 13.

(b) No modification, waiver, or amendment of this Lease or of any of its conditions or provisions shall be binding upon Landlord or Tenant unless in writing and signed by Landlord and Tenant.

(c) Submission of this instrument for examination shall not constitute a reservation of or option for the Premises or in any manner bind Landlord and no lease or obligation on Landlord shall arise until this instrument is signed and delivered by Landlord and Tenant; provided, however, the execution and delivery by Tenant of this Lease to Landlord or the agent of Landlord's beneficiary shall constitute an irrevocable offer by Tenant to lease the Premises on the terms and conditions herein contained, which offer may not he revoked for thirty (30) days after such delivery.

(d) The word "Tenant" whenever used herein shall be construed to mean Tenants or any one or more of them in all eases where there is more than one Tenant; and the necessary grammatical changes required to make the provisions hereof apply either to corporations or other organizations, partnerships, or other entities, or individuals, shall in

all eases be assumed as though in each case fully expressed. In all cases where there is more than one Tenant, the liability of each shall be joint and several.

(e) Clauses, plats, and riders, if any, signed by Landlord and Tenant and endorsed on or affixed to this Lease are part hereof and in the event of variation or discrepancy the duplicate original hereof, including such clauses, plats, and riders, if any, held by Landlord shall control.

(f) The headings of Sections are for convenience only and do not limit, expand, or construe the contents of the Sections.

(g) Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer, or any association between Landlord and Tenant, it being expressly understood and agreed that neither the method of computation of Rent nor any other provisions contained in this Lease nor any act of the parties hereto shall be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

(h) Time is of the essence of this Lease and each and all provisions thereof.

(i) All amounts (including, without limitation, Base Rent and Additional Rent) owed by Tenant to Landlord pursuant to any provision of this Lease shall bear interest at the annual rate of the greater of (i) fifteen percent (15%) and (ii) four percent (4%) in excess of corporate base rate of interest then in effect at the Bank One from the date of the expiration of the applicable required notice period until paid, unless a lesser rate shall then be the maximum rate permissible by law with respect thereto, in which event said lesser rate shall be charged.

(j) The legal invalidity of any provision of this Lease shall not impair or affect in any manner the validity, enforceability, or effect of the rest of this Lease.

(k) All understandings and agreements, oral or written, heretofore made between the parties hereto are merged in this Lease, which alone fully and completely expresses the agreement between Landlord (and its beneficiary and their agents) and Tenant.

26. LANDLORD'S AUTHORITY AND QUIET ENJOYMENT.

Landlord covenants and represents that it has full and complete authority to enter into this Lease under all of the terms, conditions, and provisions set forth herein, and, subject to the terms, provisions, and conditions hereof, so long as Tenant keeps and substantially performs each and every term, provision, and condition herein contained on the part of Tenant to be kept and performed and so long as Tenant is not in default hereunder, Tenant shall, during the Term hereof, peacefully and quietly enjoy the Premises without hinderance or molestation by Landlord.

27. LANDLORD.

The term "Landlord" as used in this Lease means only the owner or owners at the time being of the Building so that in the event of any assignment, conveyance, or sale, once or successively, of the Building, or any assignment of this Lease by Landlord, said Landlord making such sale, conveyance, or assignment shall be and hereby is entirely freed and relieved of all covenants and obligations of Landlord hereunder accruing after such sale, conveyance, or assignment, and Tenant agrees to look solely to such purchaser, grantee, or assignee with respect thereto. This Lease shall not be affected by any such assignment, conveyance, or sale, and Tenant agrees to attorn to the purchaser, grantee, or assignee.

28. TITLE AND COVENANT AGAINST LIENS.

The Landlord's title is and always shall be paramount to the title of the Tenant and nothing in this Lease contained shall empower the Tenant to do any act which can, shall, or may encumber the title of the Landlord. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen to he placed upon or against the Real Property, the Land, the Building, or the Premises or against the Tenant's leasehold interest in the Premises and, in case of any such lien attaching, to immediately pay and remove same. Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law, or otherwise, to attach to or be placed upon the Real Property, Land, Building, or Premises, and any and all liens and encumbrances created by Tenant shall attach only to Tenant's interest in the Premises. If any such liens so attach and Tenant fails to pay and remove, bond over, or insure over (using a nationally recognized title company) same within thirty (30) days, Landlord, at its election, may pay and satisfy the same and in such event the sums so paid by Landlord, with interest from the date of payment at the rate set forth in Section 27(i) hereof for amounts owed Landlord by Tenant. Such sums shall be deemed to be additional rent due and payable by Tenant at once without notice or demand.

29. RELOCATION OF TENANT. INTENTIONALLY DELETED.

30. PARKING.

Tenant shall not use or permit its servants, employees, customers, invitees and guests to use more than the number of parking spaces set forth in the Schedule of Significant Terms. Tenant, its servants, employees, customers, invitees, and guests shall, when using the parking facilities in and around the Building, observe and obey all signs regarding fire lanes, no parking zones, driving speed zones and designated reserved, visitor and handicapped spaces, and when parking, always park between the designated lines. If required by Landlord, Tenant shall cause its servants, employees, customers, invitees and guests who utilize the Tenant's allotted parking spaces, to display stickers or decals provided by Landlord in their vehicles. Landlord reserves the right to tow away, at the expense of the owner, any vehicle which is improperly parked or parked in a no parking zone, or designated visitor, reserved or handicapped area, or any vehicle that does not display a sticker or decal if required by Landlord. If Tenant uses parking in excess of that provided for herein, and if Tenant fails, after written notice from Landlord to reduce its excess use of the parking areas, then such excess use shall constitute a default under this lease.

All vehicles shall he parked at the sole risk of the owner and Landlord assumes no responsibility for any damage to or loss of vehicles.

31. SECURITY DEPOSIT.

Tenant shall deposit with Landlord upon execution of this Lease the Security Deposit stipulated in the Schedule (the "Deposit") as security for performance of Tenant's duties and obligations hereunder. The Deposit may be applied, in whole or in part, by Landlord to cure any Default of Tenant hereunder or to pay any amounts payable by Tenant hereunder, without limiting, impairing, or being in lieu of any other remedy or remedies Landlord may have on account of any default by Tenant hereunder. Upon any such application, Tenant shall immediately, upon demand by Landlord, pay to Landlord the amount so applied in order that Landlord shall have the full amount of the Deposit on hand at all times during the Term after the same is deposited. The Deposit shall in no event he deemed an advance payment of rental or a limitation upon the damages recoverable by Landlord on account of any default by Tenant hereunder. Provided that Tenant shall not be in Default in the performance of any of its obligations under this Lease, any balance of the Deposit remaining unapplied at the termination or expiration of this Lease shall be repaid to Tenant not later than 30 days after such termination or expiration amid Tenant's vacation of the Premises, without interest except to the extent required by statute or ordinance. If the Building is conveyed or leased (whether or not subject to this Lease) by Landlord, Landlord shall be released from all liability for repayment of the Deposit, and tenant shall look to Landlord's successor in interest or lessee, as the case may be, for repayment thereof. The preceding sentence shall apply to each subsequent conveyance or lease of the Building. The Deposit shall not be assigned or encumbered by Tenant, and any purported such assignment or encumbrance shall be void.

32. ESTOPPEL. Notwithstanding anything contained herein to the contrary, Landlord acknowledges and agrees that: (a) Tenant is currently a subtenant of the Premises, (b) Tenant is not in default under the current lease for the Premises (nor would it be in default under this Lease if same were to be deemed enforceable at this time); and (c) there exists no default by Tenant, but for the passage of time, or the giving of notice to Tenant, or both.

IN WITNESS WHEREOF, the parties have caused this Lease to be executed on the date first above written.

LANDLORD:

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO AS TRUSTEE UNDER TRUST NO. 113370-03
by Van Vlissingen and Co., its authorized agent

ATTEST:

By: /s/ Charles R. Lyle

Its President

- ---
Its: ---

TENANT:

ATTEST:

BIOSANTE PHARMACEUTICALS, INC.

/s/ Phillip B. Donenberg
- ---
Its: CFO

By: /s/ Stephen M. Simes

Its President and CEO

RIDER A

RULES AND REGULATIONS

(1) The sidewalks, walks, entries, corridors, concourses, ramps, staircases, escalators, and elevators (other than Tenant's freight elevator) shall not be obstructed or used by Tenant, or the employees, agents, servants, visitors, or licensees of Tenant for any purpose other than ingress and egress to and from the Premises. No bicycle or motorcycle shall be brought into the Building or kept on the Premises without the consent of Landlord.

(2) No freight, furniture, or bulky matter of any description will be received into the Building or carried into the elevators (other than Tenant's freight elevator) except in such a manner, during such hours, and using such elevators and passageways as may be approved by Landlord, and then only upon having been scheduled in advance. Any hand trucks, carryalls, or similar appliances used for the delivery or receipt of merchandise or equipment shall be equipped with rubber tires, side guards, and such other safeguards as Landlord shall require.

(3) Tenant, or the employees, agents, servants, visitors, or licensees of Tenant shall not at any time place, leave, or discard any rubbish, paper, articles, or objects of any kind whatsoever outside the doors of the Premises or in the corridors or passageways of the Building. No animals or birds shall be brought or kept in or about the Building.

(4) Landlord shall have the right to prohibit any advertising by Tenant which, in Landlord's opinion, tends to impair the reputation of the Building or its desirability for offices, and, upon written notice from Landlord, Tenant will refrain from or discontinue such advertising. In no event shall Tenant, without the prior written consent of Landlord, use the name of the Building or use pictures or illustrations of the Building.

(5) Tenant shall not place, or cause or allow to be placed, any sign or lettering whatsoever in the windows of the Premises. Unless Tenant leases an entire floor, Tenant shall not place any sign or lettering in or about the Premises except in and at such places as may be designated by Landlord and consented to by Landlord in writing. All lettering and graphics on corridor doors must be approved in writing by Landlord, such approval not to be unreasonably withheld.

(6) Canvassing, soliciting, or peddling in the Building is prohibited and Tenant shall cooperate to prevent same.

(7) Any person in the Building will be subject to identification by employees and agents of Landlord. All persons in or entering Building shall be required to comply with the security policies of the Building. Tenant shall keep doors to unattended areas locked and shall otherwise exercise reasonable precautions to protect property from theft, loss, or damage.

(8) Except as otherwise explicitly permitted in its lease, Tenant shall not do any cooking or conduct any restaurant, luncheonette, automat, or cafeteria for the sale of or permit the delivery of any food or beverage intended for resale to the Premises, except by such persons delivering the same as shall be approved by Landlord and only under regulations fixed by Landlord. Tenant may, however, operate a coffee bar by and for its employees.

(9) Tenant shall not, without Landlord's prior written approval, bring or permit to be brought or kept in or on the premises any inflammable, combustible, corrosive, caustic, poisonous, or explosive substance, or cause or permit any odors to permeate in or emanate from the Premises.

(10) Tenant shall not mark, paint, drill into, or in any way deface any part of the Building or Premises. No boring, driving of nails or screws, cutting, or stringing of wires shall be permitted, except with the prior written consent of Landlord, and as Landlord may direct. Tenant shall not install any resilient tile or similar floor covering in the Premises except with the prior approval of Landlord.

(11) No additional locks, bolts or other security devices of any kind shall be placed on any door in the Building or the Premises and no lock on any door therein shall be changed or altered in any respect without the consent of Landlord. Landlord shall furnish two keys for each lock on exterior doors to the Premises and shall, on Tenant's request and at Tenant's expense, provide additional duplicate keys. All keys and access cards shall be returned to Landlord upon termination of this Lease. Landlord may at all times keep a pass key to the Premises. All entrance doors to the Premises shall be left closed at all times, and left locked when the Premises are not in use. Tenant shall promptly advise Landlord of any lost keys or access cards and of any keys or access cards retained by former employees of Tenant.

(12) Tenant shall give immediate notice to Landlord in ease of theft, unauthorized solicitation, or accident in the Premises or in the Building or of defects therein or in any fixtures or equipment, or of any known emergency in the Building.

(13) Tenant shall not advertise for laborers giving the Premises as an address, nor pay such laborers at a location in the Premises.

(14) The requirements of Tenant will be attended to only upon application at the office of Landlord in the Building. Employees of Landlord shall not perform any work or do anything outside of their regular duties, unless under special instructions from the office of Landlord.

(15) No awnings, draperies, shutters, or other interior or exterior window coverings that are visible from the exterior of the Building or from the exterior of the Premises within the Building may be installed by Tenant except as otherwise provided for therein.

(16) No portion of the Premises or any other part of the Building shall at any time be used or occupied as sleeping or lodging quarters.

(17) Tenant shall at all times keep the Premises neat and orderly.

(18) Tenant shall not make excessive noises, cause disturbances or vibrations or use or operate any electrical or mechanical devices that emit excessive sound or other waves or disturbances or create obnoxious odors, any of which maybe offensive to the other tenants and occupants of the Building, or that would interfere with the operation of any device, equipment, radio, television broadcasting or reception from or within the Building or elsewhere and shall not place or install any projections, antennas, aerials, or similar devices inside or outside of the Premises or on the Building without Landlord's prior written approval.

(19) The water and wash closets, drinking fountains, and other plumbing fixtures shall not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags, coffee grounds, or other substances shall be thrown therein. All damages resulting from any misuse of the fixtures shall be borne by the Tenant who, or whose servants, employees, agents, visitors, or licensees, shall have caused the same. No person shall waste water by interfering or tampering with the faucets or otherwise.

(20) Tenant shall not serve, nor permit the serving of alcoholic beverages in the Premises unless Tenant shall have procured Host Liquor Liability Insurance, issued by companies and in amounts reasonably satisfactory to Landlord, naming Landlord, or its agents and mortgagees, as an additional party insureds.

RIDER B

CLEANING SPECIFICATIONS

Landlord agrees to perform the following services:

I. GENERAL AND EXECUTIVE OFFICES, LOBBY, LOUNGE, PUBLIC AREAS, ETC.

A. Nightly Schedule (Daily, Monday through Friday except holidays when building is normally in operation.

1. Empty, clean and replace waste containers.

2. Empty and damp clean ash trays. Wash as required.

3. Dust all furniture, including desks, chairs, tables.

4. Dust all exposed filing cabinets, bookcases, shelves and counter tops.

5. Dust all telephones.

6. Clean and sanitize drinking fountains.

7. Spot clean desk tops.

8. Spot clean reception lobby glass, including entrance door.

9. Client papers on desks, tables, filing cabinets, etc., are not to be disturbed.

10. Clean and service sand urns. Sand and screens to be furnished by client.

11. Spot clean and remove hand prints, ink marks and coffee rings from all desks.

12. Damp clean blackboards, if required.

13. Spot clean interior partitions, if needed.

14. Remove fingermarks and smudges from surfaces such as doors, walls, light switches, etc.

15. Spot clean interior glass in partitions and doors. Cleaning agent is not to remain on partitions and the like.

16. Dust base of all chairs, stands, coat racks, etc

B. Weekly Schedule

1. Clean and sanitize telephones.

2. Low dust all horizontal surfaces to hand height, including sills, ledges, moldings, shelves, picture frames, ducts, radiators.

3. Clean entire desk tops.

4. Clean and polish bright metal to hand heights.

5. Remove dust and cobwebs from ceiling areas and corners.

C. Monthly Schedule

1. High dust above hand height all horizontal surfaces, including shelves, moldings, ledges, pipes, ducts, heating outlets, venetian blinds, etc.

2. Wash all wastebaskets if needed.

3. Wash desk tops.

4. Wash all interior partitions; both sides of glass.

5. Wash and sanitize metal partitions.

6. Wash chair mats.

7. Vacuum diffuser outlets.

D. Quarterly Schedule

1. Clean and polish furniture including desks, chairs, cabinets.

E. Semi-Annual Schedule

1. Oil all wood paneling.

II. WASHROOMS

A. Nightly Schedule

1. Clean, sanitize and polish all vitreous fixtures, including toilet bowls, urinals, and hand basins.

2. Clean and sanitize all flush rings, drain and overflow outlets.

3. Clean and polish all chrome fittings.

4. Clean and sanitize toilet seats.

5. Clean and polish all glass and mirrors.

6. Empty all containers and disposals; insert liners as required.

7. Wash and sanitize exterior of all containers.

8. Empty and sanitize interior of sanitary containers.

9. Wipe toilet stall partitions. Wash as required.

10. Remove spots, stains, splashes from wall area adjacent to hand basins and towel holders.

11. Refill all dispensers to maximum limits -- napkin, soap, tissue, towel, liners, seat holders, cups. Refill with supplies.

12. Remove fingermarks and smudges from surfaces such as doors, walls, light switches, etc.

13. Sweep and wet mop all floors with disinfectant.

14. Dust and spot clean all chairs, tables and lamps.

B. Weekly Schedule

1. Spot clean metal partitions and remove all writing.

2. Low dust all horizontal surfaces to hand height, including sills, moldings, ledges, shelves, frames, ducts, heating outlets.

C. Monthly Schedule

1. Sanitize metal partitions.

2. High dust above hand height all horizontal surfaces, including shelves, ledges, moldings, pipes, ducts, heating outlets.

3. Machine scrub tile floors.

4. Flush floor drains with disinfectant.

D. Quarterly Schedule

1. Flush soap dispensers.

III. FLOORS - RESILIENT AND HARD

A. Nightly Schedule

1. Dry dust with treated yarn mop and wet mop where necessary.

B. Weekly Schedule

1. Wet mop and machine spray buff open areas, including kneehole or desks.

2. Scrub to remove scuff and heel marks.

C. Monthly Schedule

1. Refinish to maintain adequate protective coating; removing black heel marks.

D. Annual Schedule

1. Strip, clean, seal and refinish, plus machine polish.

2. Clean, refinish and polish baseboards.

IV. CARPET

A. Nightly Schedule

1. Vacuum open areas.

2. Spot vacuum non-traffic aisles.

B. Weekly Schedule

1. Thoroughly vacuum all areas.

C. As Required

1. Inspect for spots and stains. Remove if possible.

2. Inspect for rub marks on cove base moldings and remove same.

V. LUNCHROOM

A. Nightly Schedule

1. Wash and sanitize table tops, damp clean seats and backs of chairs.

2. Clean, polish and refill napkin holders (napkins supplied by tenant).

3. Empty and damp clean ash trays. Wash as required.

4. Empty all containers and disposals. Sanitize interior.

5. Wash and sanitize exterior of all containers.

6. Clean and sanitize drinking fountain.

7. Dust mop tile floors, making sure that no paper or dust is under any table base.

8. Clean table bases as needed.

9. Damp mop all tile floors with a disinfectant.

10. Vacuum carpets.

B. Weekly Schedule

1. Wash and sanitize pedestals and legs.

2. Remove fingerprints from doors, frames, light switches, kick and push plates, and handles.

3. Low dust all horizontal surfaces to hand height, including sills, moldings, ledges, shelves, frames, duets, and heating outlets.

4. Spot clean the outside glass on showcases.

5. Wash and sanitize chairs.

C. Monthly Schedule

1. High dust above hand height all horizontal surfaces, including shelves, ledges, moldings, pipes, duets, heating out lets.

D. As Required

1. Clean all plaques, pictures, etc., as needed, so there are no fingermarks or dust build-up.

VI. STAIRCASES

A. Nightly Schedule

1. Dust and/or wash hand rails.

2. Sweep stairs completely, making sure all corners are clean. Wet mop when necessary.

VII. ELEVATORS

A. Nightly Schedule

1. Keep wall around signal button clean.

2. Dust and rub down elevator doors; inside and outside.

3. Dust and rub down walls, metal work in elevator cabs; polishing metal surfaces.

4. Vacuum all elevator door tracks and keep surfaces clean.

5. Properly maintain floors of all elevator cabs.

VIII. TRASH

A. Nightly Schedule.

1. Remove all waste and transport to designated area.

IX. GARAGE AREA, ELEVATOR LOBBY

A. Nightly Schedule

1. Thoroughly vacuum carpet.

2. Spot clean partition glass.

B. Monthly Schedule

1. Thoroughly clean partition glass.

X. DOCK AREA

A. Nightly Schedule

1. Police dock wells and floor.

B. Weekly Schedule

1. Sweep dock wells and floor.

XI. WINDOW CLEANING

A. All windows inside and outside shall be cleaned as follows:

1. Exterior - All outside perimeter and vestibule windows, inside and out, at least three (3) times yearly.

2. Interior - All interior windows (including lobby glass inside and outside) three (3) times yearly.

EXHIBIT A

SUITE 280
111 BARCLAY BOULEVARD - LINCOLNSHIRE CORPORATE CENTER
4,034 RENTABLE SQUARE FEET

[DIAGRAM]

EXHIBIT 10.30

INCENTIVE STOCK OPTION AGREEMENT

THIS AGREEMENT is entered into and effective as of this ____ day of ____, ____ (the "Date of Grant"), by and between BioSante Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and _____ (the "Optionee").

A. The Company has adopted the BioSante Pharmaceuticals, Inc. Amended and Restated 1998 Stock Plan (the "Plan") authorizing the Board of Directors of the Company, or a committee as provided for in the Plan (the Board or such a committee to be referred to as the "Committee"), to grant incentive stock options to employees of the Company and its Subsidiaries (as defined in the Plan).

B. The Company desires to give the Optionee an inducement to acquire a proprietary interest in the Company and an added incentive to advance the interests of the Company by granting to the Optionee an option to purchase shares of common stock of the Company pursuant to the Plan.

Accordingly, the parties agree as follows:

1. Grant of Option.

The Company hereby grants to the Optionee the right, privilege, and option (the "Option") to purchase ____ ( ) shares (the "Option Shares") of the Company's common stock, $0.0001 par value per share (the "Common Stock"), according to the terms and subject to the conditions hereinafter set forth and as set forth in the Plan. Subject to Section 10 of this Agreement, the Option is intended to be an "incentive stock option," as that term is used in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Option Exercise Price.

The per share price to be paid by Optionee in the event of an exercise of the Option will be $ _____.

3. Duration of Option and Time of Exercise.

3.1 Initial Period of Exercisability. The Option will become exercisable with respect to the Option Shares in _____ installments. The following table sets forth the initial dates of exercisability of each installment and the number of Option Shares as to which this Option will become exercisable on such dates:

Initial Date of Exercisability	Number of Option Shares Available for Exercise

The foregoing rights to exercise this Option will be cumulative with respect to the Option Shares becoming exercisable on each such date, but in no event will this Option be exercisable after, and this Option will become void and expire as to all unexercised Option Shares at, 5:00 p.m. (Lincolnshire, Illinois time) on _____, ____ (the "Time of Termination").

3.2 Termination of Employment.

(a) Termination Due to Death, Disability or Retirement.

(i) In the event the Optionee's employment with the Company and all Subsidiaries is terminated by reason of death or Disability, this Option will remain exercisable, to the extent exercisable as of the date of such termination, for a period of six months after such termination (but in no event after the Time of Termination).

(ii) In the event the Optionee's employment with the Company and all Subsidiaries is terminated by reason of Retirement, this Option will remain exercisable, to the extent exercisable as of the date of such termination, for a period of three months after such termination (but in no event after the Time of Termination).

(b) Termination for Reasons Other Than Death, Disability or Retirement. In the event that the Optionee's employment with the Company and all Subsidiaries is terminated for any reason other than death, Disability or Retirement, or the Optionee is in the employ of a Subsidiary and the Subsidiary ceases to be a Subsidiary of the Company (unless the Optionee continues in the employ of the Company or another Subsidiary), all rights of the Optionee under the Plan and this Agreement will immediately terminate without notice of any kind, and this Option will no longer be exercisable; provided, however, that if such termination is due to any reason other than termination by the Company or any Subsidiary for "cause" (as defined in the Plan), this Option will remain exercisable to the extent exercisable as of such termination for a period of three months after such termination (but in no event after the Time of Termination).

3.3 Change in Control. If a Change in Control (as defined in the Plan) of the Company occurs, this Option will become immediately exercisable in full and will remain exercisable until the Time of Termination, regardless of whether the Optionee remains in the employ of the Company or any Subsidiary.

4. Manner of Option Exercise.

4.1 Notice. This Option may be exercised by the Optionee in whole or in part from time to time, subject to the conditions contained in the Plan and in this Agreement, by delivery, in person, by facsimile or electronic transmission or through the mail, to the Company at its principal executive office in Lincolnshire, Illinois (Attention: Chief Financial Officer), of a written notice of exercise. Such notice must be in a form satisfactory to the Committee, must identify the Option, must specify the number of Option Shares with respect to which the Option is being exercised, and must be signed by the person or persons so exercising the Option. Such

notice must be accompanied by payment in full of the total purchase price of the Option Shares purchased. In the event that the Option is being exercised, as provided by the Plan and Section 3.2 above, by any person or persons other than the Optionee, the notice must be accompanied by appropriate proof of right of such person or persons to exercise the Option. As soon as practicable after the effective exercise of the Option, the Optionee will be recorded on the stock transfer books of the Company as the owner of the Option Shares purchased, and the Company will deliver to the Optionee one or more duly issued stock certificates evidencing such ownership.

4.2 Payment. At the time of exercise of this Option, the Optionee must pay the total purchase price of the Option Shares to be purchased entirely in cash (including a check, bank draft or money order, payable to the order of the Company); provided, however, that the Committee, in its sole discretion, may allow such payment to be made, in whole or in part, by tender of a promissory note (on terms acceptable to the Committee in its sole discretion) or a Broker Exercise Notice or Previously Acquired Shares (as such terms are defined in the Plan), or by a combination of such methods. In the event the Optionee is permitted to pay the total purchase price of this Option in whole or in part with Previously Acquired Shares, the value of such shares will be equal to their Fair Market Value on the date of exercise of this Option.

5. Rights of Optionee; Transferability.

5.1 Employment. Nothing in this Agreement will interfere with or limit in any way the right of the Company or any Subsidiary to terminate the employment of the Optionee at any time, nor confer upon the Optionee any right to continue in the employ of the Company or any Subsidiary.

5.2 Rights as a Stockholder. The Optionee will have no rights as a stockholder unless and until all conditions to the effective exercise of this Option (including, without limitation, the conditions set forth in Sections 4 and 6 of this Agreement) have been satisfied and the Optionee has become the holder of record of such shares. No adjustment will be made for dividends or distributions with respect to this Option as to which there is a record date preceding the date the Optionee becomes the holder of record of such shares, except as may otherwise be provided in the Plan or determined by the Committee in its sole discretion.

5.3 Restrictions on Transfer. Except pursuant to testamentary will or the laws of descent and distribution or as otherwise expressly permitted by the Plan, no right or interest of the Optionee in this Option prior to exercise may be assigned or transferred, or subjected to any lien, during the lifetime of the Optionee, either voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise. The Optionee will, however, be entitled to designate a beneficiary to receive this Option upon such Optionee's death. In the event of the Optionee's death, payment of any amounts due under the Plan will be made to, and exercise of this Option (to the extent permitted pursuant to Section 3.2(a) of this Agreement) may be made by the Optionee's designated beneficiary.

5.4 Breach of Confidentiality or Non-Compete Agreements. Notwithstanding anything in this Agreement or the Plan to the contrary, in the event that the Optionee materially breaches the terms of any confidentiality or non-compete agreement entered into with the Company or any Subsidiary, whether such breach occurs before or after termination of the

Optionee's employment with the Company or any Subsidiary, the Committee in its sole discretion may immediately terminate all rights of the Optionee under the Plan and this Agreement without notice of any kind.

6. Securities Law and Other Restrictions.

Notwithstanding any other provision of the Plan or this Agreement, the Company will not be required to issue, and the Optionee may not sell, assign, transfer or otherwise dispose of, any Option Shares, unless (a) there is in effect with respect to the Option Shares a registration statement under the Securities Act of 1933, as amended, and any applicable state or foreign securities laws or an exemption from such registration, and (b) there has been obtained any other consent, approval or permit from any other regulatory body which the Committee, in its sole discretion, deems necessary or advisable. The Company may condition such issuance, sale or transfer upon the receipt of any representations or agreements from the parties involved, and the placement of any legends on certificates representing Option Shares, as may be deemed necessary or advisable by the Company in order to comply with such securities law or other restrictions.

7. Withholding Taxes.

The Company is entitled to (a) withhold and deduct from future wages of the Optionee (or from other amounts that may be due and owing to the Optionee from the Company), or make other arrangements for the collection of, all legally required amounts necessary to satisfy any federal, state or local withholding and employment-related tax requirements attributable to the Option, including, without limitation, the grant or exercise of this Option or a disqualifying disposition of any Option Shares, or (b) require the Optionee promptly to remit the amount of such withholding to the Company before acting on the Optionee's notice of exercise of this Option. In the event that the Company is unable to withhold such amounts, for whatever reason, the Optionee agrees to pay to the Company an amount equal to the amount the Company would otherwise be required to withhold under federal, state or local law.

8. Adjustments.

In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, divestiture or extraordinary dividend (including a spin-off), or any other similar change in the corporate structure or shares of the Company, the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation), in order to prevent dilution or enlargement of the rights of the Optionee, will make appropriate adjustment (which determination will be conclusive) as to (a) the number and kind of securities or other property (including cash) subject to this Option and (b) the exercise price of this Option.

9. Subject to Plan.

The Option and the Option Shares granted and issued pursuant to this Agreement have been granted and issued under, and are subject to the terms of, the Plan. The terms of the Plan are incorporated by reference in this Agreement in their entirety, and the Optionee, by execution of this Agreement, acknowledges having received a copy of the Plan. The provisions of this

Agreement will be interpreted as to be consistent with the Plan, and any ambiguities in this Agreement will be interpreted by reference to the Plan. In the event that any provision of this Agreement is inconsistent with the terms of the Plan, the terms of the Plan will prevail.

10. Incentive Stock Option Limitations.

10.1 Limitation on Amount. To the extent that the aggregate Fair Market Value (determined as of the date of grant) of the shares of Common Stock with respect to which incentive stock options (within the meaning of Section 422 of the Code) are exercisable for the first time by the Optionee during any calendar year (under the Plan and any other incentive stock option plans of the Company or any subsidiary or parent corporation of the Company (within the meaning of the Code)) exceeds $100,000 (or such other amount as may be prescribed by the Code from time to time), such excess incentive stock options will be treated as non-statutory stock options in the manner set forth in the Plan.

10.2 Limitation on Exercisability; Disposition of Option Shares . Any incentive stock option that remains unexercised more than one year following termination of employment by reason of Disability or more than three months following termination for any reason other than death or Disability will thereafter be deemed to be a non-statutory stock option. In addition, in the event that a disposition (as defined in Section 424(c) of the Code) of shares of Common Stock acquired pursuant to the exercise of an incentive stock option occurs prior to the expiration of two years after its date of grant or the expiration of one year after its date of exercise (a "disqualifying disposition"), such incentive stock option will, to the extent of such disqualifying disposition, be treated in a manner similar to a non-statutory stock option.

10.3 No Representation or Warranty. Section 422 of the Code and the rules and regulations thereunder are complex, and neither the Plan nor this Agreement purports to summarize or otherwise set forth all of the conditions that need to be satisfied in order for this Option to qualify as an incentive stock option. In addition, this Option may contain terms and conditions that allow for exercise of this Option beyond the periods permitted by Section 422 of the Code, including, without limitation, the periods described in Section 10.2 of this Agreement. Accordingly, the Company makes no representation or warranty regarding whether the exercise of this Option will qualify as the exercise of an incentive stock option, and the Company recommends that the Optionee consult with the Optionee's own advisors before making any determination regarding the exercise of this Option or the sale of the Option Shares.

11. Miscellaneous.

11.1 Binding Effect. This Agreement will be binding upon the heirs, executors, administrators and successors of the parties to this Agreement.

11.2 Governing Law. This Agreement and all rights and obligations under this Agreement will be construed in accordance with the Plan and governed by the laws of the State of Delaware, without regard to conflicts of laws provisions. Any legal proceeding related to this Agreement will be brought in an appropriate Illinois court, and the parties to this Agreement consent to the exclusive jurisdiction of the court for this purpose.

11.3 Entire Agreement. This Agreement and the Plan set forth the entire agreement and understanding of the parties to this Agreement with respect to the grant and exercise of this Option and the administration of the Plan and supersede all prior agreements, arrangements, plans and understandings relating to the grant and exercise of this Option and the administration of the Plan.

11.4 Amendment and Waiver. Other than as provided in the Plan, this Agreement may be amended, waived, modified or canceled only by a written instrument executed by the parties to this Agreement or, in the case of a waiver, by the party waiving compliance.

The parties to this Agreement have executed this Agreement effective the day and year first above written.

BIOSANTE PHARMACEUTICALS, INC.

By_____

Its_____

By execution of this Agreement, the Optionee acknowledges having received a copy of the Plan.

OPTIONEE

_____
(Signature)

(Name and Address)

EXHIBIT 10.31

NON-STATUTORY STOCK OPTION AGREEMENT

THIS AGREEMENT is entered into and effective as of this _____ day of _____, ____ (the "Date of Grant"), by and between BioSante Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and _____ (the "Optionee").

A. The Company has adopted the BioSante Pharmaceuticals, Inc. Amended and Restated 1998 Stock Plan (the "Plan") authorizing the Board of Directors of the Company, or a committee as provided for in the Plan (the Board or such a committee to be referred to as the "Committee"), to grant non-statutory stock options to employees and non-employee directors, officers, consultants and independent contractors of the Company and its Subsidiaries (as defined in the Plan).

B. The Company desires to give the Optionee an inducement to acquire a proprietary interest in the Company and an added incentive to advance the interests of the Company by granting to the Optionee an option to purchase shares of common stock of the Company pursuant to the Plan.

Accordingly, the parties agree as follows:

1. Grant of Option.

The Company hereby grants to the Optionee the right, privilege, and option (the "Option") to purchase ____ ( ) shares (the "Option Shares") of the Company's common stock, $0.0001 par value per share (the "Common Stock"), according to the terms and subject to the conditions hereinafter set forth and as set forth in the Plan. The Option is not intended to be an "incentive stock option," as that term is used in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Option Exercise Price.

The per share price to be paid by Optionee in the event of an exercise of the Option will be $_____.

3. Duration of Option and Time of Exercise.

3.1 Initial Period of Exercisability. The Option will become exercisable with respect to the Option Shares in _____ installments. The following table sets forth the initial dates of exercisability of each installment and the number of Option Shares as to which this Option will become exercisable on such dates:

Initial Date of Exercisability	Number of Option Shares Available for Exercise
- --------------	----------

The foregoing rights to exercise this Option will be cumulative with respect to the Option Shares becoming exercisable on each such date, but in no event will this Option be exercisable after, and this Option will become void and expire as to all unexercised Option Shares at, 5:00 p.m. (Lincolnshire, Illinois time) on _____, ____ (the "Time of Termination").

3.2 Termination of Employment or Other Service.

(a) Termination Due to Death, Disability or Retirement.

(i) In the event the Optionee's employment or other service with the Company and all Subsidiaries is terminated by reason of death or Disability, this Option will remain exercisable, to the extent exercisable as of the date of such termination, for a period of six months after such termination (but in no event after the Time of Termination).

(ii) In the event the Optionee's employment or other service with the Company and all Subsidiaries is terminated by reason of Retirement, this Option will remain exercisable, to the extent exercisable as of the date of such termination, for a period of three months after such termination (but in no event after the Time of Termination).

(b) Termination for Reasons Other Than Death, Disability or Retirement. In the event that the Optionee's employment or other service with the Company and all Subsidiaries is terminated for any reason other than death, Disability or Retirement, or the Optionee is in the employ or service of a Subsidiary and the Subsidiary ceases to be a Subsidiary of the Company (unless the Optionee continues in the employ or service of the Company or another Subsidiary), all rights of the Optionee under the Plan and this Agreement will immediately terminate without notice of any kind, and this Option will no longer be exercisable; provided, however, that if such termination is due to any reason other than termination by the Company or any Subsidiary for "cause" (as defined in the Plan), this Option will remain exercisable to the extent exercisable as of such termination for a period of three months after such termination (but in no event after the Time of Termination).

3.3 Change in Control. If a Change in Control (as defined in the Plan) of the Company occurs, this Option will become immediately exercisable in full and will remain exercisable until the Time of Termination, regardless of whether the Optionee remains in the employ or service of the Company or any Subsidiary.

4. Manner of Option Exercise.

4.1 Notice. This Option may be exercised by the Optionee in whole or in part from time to time, subject to the conditions contained in the Plan and in this Agreement, by delivery, in person, by facsimile or electronic transmission or through the mail, to the Company at its principal executive office in Lincolnshire, Illinois (Attention: Chief Financial Officer), of a written notice of exercise. Such notice must be in a form satisfactory to the Committee, must identify the Option, must specify the number of Option Shares with respect to which the Option

is being exercised, and must be signed by the person or persons so exercising the Option. Such notice must be accompanied by payment in full of the total purchase price of the Option Shares purchased. In the event that the Option is being exercised, as provided by the Plan and Section 3.2 above, by any person or persons other than the Optionee, the notice must be accompanied by appropriate proof of right of such person or persons to exercise the Option. As soon as practicable after the effective exercise of the Option, the Optionee will be recorded on the stock transfer books of the Company as the owner of the Option Shares purchased, and the Company will deliver to the Optionee one or more duly issued stock certificates evidencing such ownership.

4.2 Payment. At the time of exercise of this Option, the Optionee must pay the total purchase price of the Option Shares to be purchased entirely in cash (including a check, bank draft or money order, payable to the order of the Company); provided, however, that the Committee, in its sole discretion, may allow such payment to be made, in whole or in part, by tender of a promissory note (on terms acceptable to the Committee in its sole discretion) or a Broker Exercise Notice or Previously Acquired Shares (as such terms are defined in the Plan), or by a combination of such methods. In the event the Optionee is permitted to pay the total purchase price of this Option in whole or in part with Previously Acquired Shares, the value of such shares will be equal to their Fair Market Value on the date of exercise of this Option.

5. Rights of Optionee; Transferability.

5.1 Employment or Service. Nothing in this Agreement will interfere with or limit in any way the right of the Company or any Subsidiary to terminate the employment or service of the Optionee at any time, nor confer upon the Optionee any right to continue in the employ or service of the Company or any Subsidiary.

5.2 Rights as a Stockholder. The Optionee will have no rights as a stockholder unless and until all conditions to the effective exercise of this Option (including, without limitation, the conditions set forth in Sections 4 and 6 of this Agreement) have been satisfied and the Optionee has become the holder of record of such shares. No adjustment will be made for dividends or distributions with respect to this Option as to which there is a record date preceding the date the Optionee becomes the holder of record of such shares, except as may otherwise be provided in the Plan or determined by the Committee in its sole discretion.

5.3 Restrictions on Transfer. Except pursuant to testamentary will or the laws of descent and distribution or as otherwise expressly permitted by the Plan, no right or interest of the Optionee in this Option prior to exercise may be assigned or transferred, or subjected to any lien, during the lifetime of the Optionee, either voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise. The Optionee will, however, be entitled to designate a beneficiary to receive this Option upon such Optionee's death. In the event of the Optionee's death, payment of any amounts due under the Plan will be made to, and exercise of this Option (to the extent permitted pursuant to Section 3.2(a) of this Agreement) may be made by the Optionee's designated beneficiary.

5.4 Breach of Confidentiality or Non-Compete Agreements. Notwithstanding anything in this Agreement or the Plan to the contrary, in the event that the Optionee materially breaches the terms of any confidentiality or non-compete agreement entered into with the

Company or any Subsidiary, whether such breach occurs before or after termination of the Optionee's employment or other service with the Company or any Subsidiary, the Committee in its sole discretion may immediately terminate all rights of the Optionee under the Plan and this Agreement without notice of any kind.

6. Securities Law and Other Restrictions.

Notwithstanding any other provision of the Plan or this Agreement, the Company will not be required to issue, and the Optionee may not sell, assign, transfer or otherwise dispose of, any Option Shares, unless (a) there is in effect with respect to the Option Shares a registration statement under the Securities Act of 1933, as amended, and any applicable state or foreign securities laws or an exemption from such registration, and (b) there has been obtained any other consent, approval or permit from any other regulatory body which the Committee, in its sole discretion, deems necessary or advisable. The Company may condition such issuance, sale or transfer upon the receipt of any representations or agreements from the parties involved, and the placement of any legends on certificates representing Option Shares, as may be deemed necessary or advisable by the Company in order to comply with such securities law or other restrictions.

7. Withholding Taxes.

The Company is entitled to (a) withhold and deduct from future wages of the Optionee (or from other amounts that may be due and owing to the Optionee from the Company), or make other arrangements for the collection of, all legally required amounts necessary to satisfy any federal, state or local withholding and employment-related tax requirements attributable to the Option, including, without limitation, the grant or exercise of this Option or a disqualifying disposition of any Option Shares, or (b) require the Optionee promptly to remit the amount of such withholding to the Company before acting on the Optionee's notice of exercise of this Option. In the event that the Company is unable to withhold such amounts, for whatever reason, the Optionee agrees to pay to the Company an amount equal to the amount the Company would otherwise be required to withhold under federal, state or local law.

8. Adjustments.

In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, divestiture or extraordinary dividend (including a spin-off), or any other similar change in the corporate structure or shares of the Company, the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation), in order to prevent dilution or enlargement of the rights of the Optionee, will make appropriate adjustment (which determination will be conclusive) as to (a) the number and kind of securities or other property (including cash) subject to this Option and (b) the exercise price of this Option.

9. Subject to Plan.

The Option and the Option Shares granted and issued pursuant to this Agreement have been granted and issued under, and are subject to the terms of, the Plan. The terms of the Plan are incorporated by reference in this Agreement in their entirety, and the Optionee, by execution of this Agreement, acknowledges having received a copy of the Plan. The provisions of this Agreement will be interpreted as to be consistent with the Plan, and any ambiguities in this Agreement will be interpreted by reference to the Plan. In the event that any provision of this Agreement is inconsistent with the terms of the Plan, the terms of the Plan will prevail.

10. Miscellaneous.

10.1 Binding Effect. This Agreement will be binding upon the heirs, executors, administrators and successors of the parties to this Agreement.

10.2 Governing Law. This Agreement and all rights and obligations under this Agreement will be construed in accordance with the Plan and governed by the laws of the State of Delaware, without regard to conflicts of laws provisions. Any legal proceeding related to this Agreement will be brought in an appropriate Illinois court, and the parties to this Agreement consent to the exclusive jurisdiction of the court for this purpose.

10.3 Entire Agreement. This Agreement and the Plan set forth the entire agreement and understanding of the parties to this Agreement with respect to the grant and exercise of this Option and the administration of the Plan and supersede all prior agreements, arrangements, plans and understandings relating to the grant and exercise of this Option and the administration of the Plan.

10.4 Amendment and Waiver. Other than as provided in the Plan, this Agreement may be amended, waived, modified or canceled only by a written instrument executed by the parties to this Agreement or, in the case of a waiver, by the party waiving compliance.

The parties to this Agreement have executed this Agreement effective the day and year first above written.

BIOSANTE PHARMACEUTICALS, INC.

By_____

Its_____

By execution of this Agreement, the Optionee acknowledges having received a copy of the Plan.

OPTIONEE

_____
(Signature)

_____
(Name and Address)

EXHIBIT 14.1

BIOSANTE PHARMACEUTICALS, INC.
CODE OF CONDUCT AND ETHICS

BioSante Pharmaceuticals, Inc. has adopted this Code of Conduct and Ethics for all of its employees, officers and directors. This Code is intended to document BioSante's policy of promoting honest and ethical conduct and deterring wrongdoing by each of its employees, officers and directors. This Code applies to all of BioSante's employees, officers and directors, including BioSante's principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions.

Any person who has information concerning any violation of this Code shall promptly bring such information to the attention of BioSante's Chief Executive Officer or Chair of the Audit Committee of the Board of Directors of BioSante. If the matter is brought to the attention of BioSante's Chief Executive Officer and such person determines that a conflict of interest exists, the Chief Executive Officer will refer the matter to the Audit Committee of the Board of Directors for resolution.

The Audit Committee of the Board of Directors shall consider any request for a waiver of this Code and any amendments to this Code and all such waivers or amendments shall be disclosed promptly as required by applicable law, rule or regulation.

Each employee, officer and director of BioSante shall:

- Act honestly and ethically in the performance of his or her duties at BioSante.

- Deal fairly with BioSante's customers, suppliers and employees.

- Avoid actual and apparent conflicts of interest between personal and professional relationships. A "conflict of interest" exists when an individual's private interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests of BioSante.

- Provide full, fair, accurate, complete, objective, relevant, timely and understandable disclosure in reports and documents that he or she prepares, or has responsibility for preparing, and that BioSante files with, or submits to, the Securities and Exchange Commission and in other public communications that BioSante makes.

- Cooperate fully with the people responsible for preparing reports and documents that BioSante files with, or submits to, the SEC or that BioSante makes available to the public to make sure that those people are aware in a timely manner of all information that might have to be disclosed in those reports or documents or that might affect the way in which information is disclosed.

- Comply with all laws, rules and regulations of federal, state and local governments and other private and public regulatory agencies that affect the conduct of the Company's business and the Company's financial reporting.

- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing the employee's independent judgment to be subordinated.

- Respect the confidentiality of information acquired in the course of work, except when authorized or otherwise legally obligated to disclose such information. Do not use such confidential information for personal advantage.

- Maintain skills relevant to carrying out the employee's duties.

- Proactively promote ethical behavior among peers and colleagues at BioSante and in the community.

- Responsibly use and exert control over all assets and resources of BioSante entrusted to the employee.

- Promptly bring to the attention of the Chief Executive Officer or Chair of the Audit Committee of the Board of Directors any information of which the employee has knowledge concerning (a) significant deficiencies and material weaknesses in the design or operation of disclosure controls and internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in BioSante's financial reporting disclosures or internal controls over financial reporting.

- Adhere to and promote this Code.

BioSante expects all of its employees, officers and directors to comply at all times with the principles in this Code. A violation of this Code is grounds for disciplinary action up to and including discharge or termination of service and possible legal prosecution.

ACKNOWLEDGED:

_____
Print Name

_____
Date Signed

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-109474, 333-100238, and 333-53384 of BioSante Pharmaceuticals, Inc. (BioSante) on Form S-8 and Registration Statement No. 333-64218 of BioSante on Form S-3 of our report dated March 18, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph that indicates that BioSante is in the developmental stage), appearing in this Annual Report on Form 10-KSB of BioSante Pharmaceuticals, Inc. for the year ended December 31, 2003.

/s/ Deloitte & Touche LLP

March 26, 2004

EXHIBIT 31.1

CERTIFICATION OF CEO PURSUANT TO SEC RULE 13a-14

I, Stephen M. Simes, certify that:

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

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

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

4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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

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

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: March 26, 2004

/s/ Stephen M. Simes

Stephen M. Simes
Vice Chairman, President and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CFO PURSUANT TO SEC RULE 13a-14

I, Phillip B. Donenberg, certify that:

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

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

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

4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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

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

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: March 26, 2004

/s/ Phillip B. Donenberg

Phillip B. Donenberg
Chief Financial Officer,
Treasurer and Secretary

EXHIBIT 32.1

CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of BioSante Pharmaceuticals, Inc. (the "Company") on Form 10-KSB for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. Simes, Vice Chairman, President and 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; and

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

/s/ Stephen M. Simes

Stephen M. Simes
Vice Chairman, President and
Chief Executive Officer
March 26, 2004

EXHIBIT 32.2

CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of BioSante Pharmaceuticals, Inc. (the "Company") on Form 10-KSB for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip B. Donenberg, Chief Financial Officer, Treasurer and Secretary 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; and

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

/s/ Phillip B. Donenberg

Phillip B. Donenberg
Chief Financial Officer,
Treasurer and Secretary
March 26, 2004