

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): August 7, 2009

BIOSANTE PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

001-31812
(Commission File Number)

58-2301143
(I.R.S. Employer Identification
Number)

111 Barclay Boulevard
Lincolnshire, Illinois
(Address of principal executive offices)

60069
(Zip Code)

Registrant's telephone number, including area code: **(847) 478-0500**

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On August 7, 2009, BioSante Pharmaceuticals, Inc. ("BioSante") publicly announced its financial results for the second quarter ended June 30, 2009. For further information, please refer to the news release attached hereto as Exhibit 99.1, which is incorporated by reference herein.

The information contained in this Item 2.02 and Exhibit 99.1 hereto shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any filings made by BioSante under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as may be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure.

Representatives of BioSante intend to make presentations regarding BioSante at investor conferences and in other forums, which presentations may include the information contained in Exhibit 99.2 attached to this current report on Form 8-K. BioSante is furnishing the information contained in Exhibit 99.2 pursuant to Regulation FD. The information contained in this Item 7.01 and Exhibit 99.2 hereto shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any filings made by BioSante under the Securities Act or the Exchange Act, except as may be expressly set forth by specific reference in such filing. BioSante expects to disclose this information, in whole or in part, and possibly with modifications, in connection with presentations to investors, analysts and others.

Item 8.01 Other Events.

As previously announced, on June 29, 2009, BioSante entered into an agreement and plan of merger with Cell Genesys, Inc. ("Cell Genesys") under which, upon the terms and subject to the conditions set forth therein, Cell Genesys will merge with and into BioSante, with BioSante continuing as the

surviving company. Subject to the terms and conditions of the merger agreement, at the effective time of and as a result of the merger, each share of common stock of Cell Genesys issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive approximately 0.1615 of a share of BioSante common stock, subject to potential upward or downward adjustment, in accordance with a formula set forth in the merger agreement which is based on Cell Genesys's net cash, less certain expenses and liabilities, on a date 10 calendar days preceding the anticipated closing date of the merger. BioSante expects to issue in the aggregate approximately 17.7 million shares of BioSante common stock in the merger, and, upon completion of the merger, the former Cell Genesys stockholders are expected to own approximately 39.6 percent of the outstanding shares of BioSante common stock, and the BioSante stockholders prior to the merger are expected to own approximately 60.4 percent of the outstanding shares of BioSante common stock, assuming the 0.1615 exchange ratio is not adjusted and the number of outstanding shares of BioSante and Cell Genesys common stock remains unchanged until immediately prior to the merger. The transaction is expected to close in the late third quarter or early fourth quarter of 2009, subject to certain closing conditions.

One of the closing conditions to the proposed merger is the effectiveness of a Form S-4 registration statement to be filed by BioSante with the Securities and Exchange Commission to register the shares of BioSante common stock to be issued in connection with the merger. Because of continuing expenditures related to BioSante's research and development activities, including in particular the Phase III clinical study program for LibiGel, as well as additional expenditures incurred due to BioSante's efforts at pursuing strategic alternatives, including in particular the proposed merger with Cell Genesys, BioSante has incurred higher than anticipated expenses and liabilities during the first and second quarters of 2009. In addition, BioSante has not raised additional financing through an equity offering, which historically has been BioSante's primary method for raising additional financing. As a result and in connection with the re-issuance of BioSante's financial statements for the year ended December 31, 2008 as a result of the Form S-4 registration statement, BioSante's independent registered public accounting firm has modified their report on BioSante's financial statements for the year ended December 31, 2008 to include an explanatory paragraph that expresses substantial doubt regarding BioSante's ability to continue as a going concern.

The financial statements of BioSante for the year ended December 31, 2008, including a subsequent event footnote relating to the going concern modification, are attached to this report as Exhibit 99.3. The revised reports of BioSante's independent registered public accounting firm for BioSante's financial statements for the year ended December 31, 2008 that include or reference the explanatory

2

paragraph that expresses substantial doubt regarding BioSante's ability to continue as a going concern are attached to this report as Exhibit 99.4.

BioSante publicly announced the inclusion of the going concern uncertainty in the audit report to its financial statements for the fiscal year ended December 31, 2008 in accordance with NASDAQ Marketplace Rule 5250(b)(2), which requires a NASDAQ listed issuer to publicly announce through the news media the receipt of an audit opinion that expresses doubt about the ability of the issuer to continue as a going concern for a reasonable period of time, on August 7, 2009, in connection with the release of its second quarter 2009 financial results. A copy of the news release is attached to this report as Exhibit 99.1.

BioSante is also filing this current report on Form 8-K in order to provide stockholders and investors certain supplemental information regarding Cell Genesys and the combined company. Attached hereto as Exhibit 99.6 and incorporated by reference herein is a preliminary unaudited pro forma condensed combined consolidated balance sheet as of June 30, 2009, which gives effect to the merger and related transactions. The unaudited pro forma condensed combined consolidated balance sheet combines the historical balance sheet of BioSante and the historical consolidated balance sheet of Cell Genesys, giving effect to the merger based on the initial estimates of the fair values of the individual assets and liabilities acquired. The merger will be accounted for under U.S. generally accepted accounting principles as an acquisition of the net assets of Cell Genesys, whereby the individual assets and liabilities of Cell Genesys will be recorded by BioSante as of the completion of the merger based on their estimated fair values. As Cell Genesys has ceased substantially all of its operations, the acquisition is not considered by BioSante to be a business combination, and the allocation of the purchase price will not result in the recognition by BioSante of any goodwill. The total estimated purchase price (based on application of an assumed exchange ratio of 0.1615 to pro forma shares outstanding as of June 30, 2009) has been allocated to the tangible and intangible assets acquired and liabilities assumed in connection with the transaction, on the basis of initial estimates of their fair values. A final determination of these fair values, which cannot be made prior to the completion of the merger, will be based on the actual value of consideration paid, and valuations of the remaining net assets of Cell Genesys that exist as of the date of completion of the merger, which may differ from those portrayed in the unaudited pro forma condensed combined consolidated balance sheet. No unaudited pro forma condensed combined consolidated statement of operations has been presented, as substantially all of the operations of Cell Genesys have ceased prior to entering into the merger agreement, and the combined pro forma operating performance of both BioSante and Cell Genesys is not considered meaningful for purposes of illustrating the impact of the acquired net assets of Cell Genesys or the future operations of the combined company.

Forward-Looking Statements

This current report on Form 8-K (including the information included or incorporated by reference herein) includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 about BioSante and Cell Genesys. Such statements include, but are not limited to, statements about the proposed transaction and its potential benefits to the BioSante and Cell Genesys stockholders, the expected timing of the completion of the transaction, the projected costs of the transaction, the combined company's future financial and operating results, the expectation that the cash resources of the combined company expected to be available at closing will provide BioSante sufficient capital to maintain its projected business operations through at least the next 12 months, including continued Phase III clinical development of LibiGel, the combined company's plans, objectives, expectations and intentions with respect to future operations and products and other statements that are not historical in nature, particularly those that utilize terminology such as "will," "potential," "could," "can," "believe," "intends," "continue," "plans," "expects," "estimates" or comparable terminology. Forward-looking statements are based on current expectations and assumptions, and entail various known

3

and unknown risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements.

The following factors known to BioSante, among others, could cause actual results to differ materially from those expressed in such forward-looking statements: general business and economic conditions; the failure of the BioSante or Cell Genesys stockholders to approve the merger or the failure of either party to meet any of the other conditions to the closing of the merger; the failure to realize the anticipated benefits from the merger or delay in realization thereof; the operating costs and disruption to BioSante's business during the pendency and following the completion of the merger; the costs and disruption

associated with certain outstanding litigation regarding the merger; BioSante's need for and ability to obtain additional financing; the difficulty of developing pharmaceutical products, obtaining regulatory and other approvals and achieving market acceptance; the marketing success of BioSante's licensees or sublicensees and the success of clinical testing. Additional factors that could cause BioSante's and Cell Genesys's results to differ materially from those described in the forward-looking statements can be found in BioSante's and Cell Genesys's most recent annual reports on Form 10-K and subsequent quarterly reports on Form 10-Q and other filings, which are filed with the Securities and Exchange Commission (the "SEC") and available at the SEC's web site at www.sec.gov. The information set forth herein speaks only as of the date hereof, and BioSante and Cell Genesys disclaim any intention and do not assume any obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise, except as required by law.

Important Additional Information for Investors and Stockholders

This communication is being made in respect of the proposed merger between BioSante and Cell Genesys. In connection with the proposed transaction, BioSante intends to file with the SEC a registration statement on Form S-4, containing a joint proxy statement/prospectus and other relevant materials and each of BioSante and Cell Genesys plan to file with the SEC other documents regarding the proposed transaction. The final joint proxy statement/prospectus will be mailed to the stockholders of BioSante and Cell Genesys. **Investors and security holders of BioSante and Cell Genesys are urged to read the joint proxy statement/prospectus (including any amendments or supplements) and other documents filed with the SEC carefully in their entirety when they become available because they will contain important information about BioSante, Cell Genesys and the proposed transaction.**

Investors and security holders will be able to obtain free copies of the registration statement and the joint proxy statement/prospectus (when available) and other documents filed with the SEC by BioSante and Cell Genesys at the SEC's web site at www.sec.gov. Free copies of the registration statement and the joint proxy statement/prospectus (when available) and other documents filed with the SEC can also be obtained by directing a request to BioSante, Attention: Investor Relations, telephone: (847) 478-0500 or to Cell Genesys, Attention: Investor Relations, telephone (650) 266-3000. In addition, investors and security holders may access copies of the documents filed with the SEC by BioSante on BioSante's website at www.biosantepharma.com, and investors and security holders may access copies of the documents filed with the SEC by Cell Genesys's website at www.cellgenesys.com.

BioSante, Cell Genesys and their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies from the stockholders of BioSante and Cell Genesys in respect of the proposed transaction. Information regarding BioSante's directors and executive officers is available in its annual report on Form 10-K for the year ended December 31, 2008, filed with the SEC on March 16, 2009 and the proxy statement for BioSante's 2009 annual meeting of stockholders, filed with the SEC on April 27, 2009. Information regarding Cell Genesys's directors and executive officers is available in its annual report on Form 10-K for the year ended December 31, 2008, filed with the SEC on March 9, 2009 and the proxy statement for Cell Genesys's 2009 annual meeting of

4

stockholders, filed with the SEC on March 31, 2009. If and to the extent that any of the BioSante or Cell Genesys participants will receive any additional benefits in connection with the merger that are unknown as of the date of this filing, the details of those benefits will be described in the definitive joint proxy statement/prospectus relating to the merger. Investors and stockholders can obtain more detailed information regarding the direct and indirect interests of BioSante's and Cell Genesys's directors and executive officers in the merger by reading the definitive joint proxy statement/prospectus when it becomes available.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

<u>Exhibit No.</u>	<u>Description</u>
99.1	News Release issued by BioSante Pharmaceuticals, Inc. on August 7, 2009 (furnished herewith)
99.2	Information which may be disclosed by BioSante Pharmaceuticals, Inc. in Investor Presentations (furnished herewith)
99.3	Financial Statements of BioSante Pharmaceuticals, Inc. including a subsequent event footnote (filed herewith)
99.4	Reports of Independent Registered Public Accounting Firm dated March 16, 2009 (except for the matter discussed in Note 14, as to which the date is August 6, 2009) (filed herewith)
99.5	Consent of Independent Registered Public Accounting Firm (filed herewith)
99.6	Unaudited Pro Forma Condensed Combined Consolidated Financial Information and Related Notes as of June 30, 2009 (filed herewith)

5

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BIOSANTE PHARMACEUTICALS, INC.

By: /s/ Phillip B. Donenberg

Dated: August 7, 2009

6

BIOSANTE PHARMACEUTICALS, INC.

FORM 8-K

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	News Release issued by BioSante Pharmaceuticals, Inc. on August 7, 2009	Furnished herewith
99.2	Information which may be disclosed by BioSante Pharmaceuticals, Inc. in Investor Presentations	Furnished herewith
99.3	Financial Statements of BioSante Pharmaceuticals, Inc. including a subsequent event footnote	Filed herewith
99.4	Reports of Independent Registered Public Accounting Firm dated March 16, 2009 (except for the matter discussed in Note 14, as to which the date is August 6, 2009)	Filed herewith
99.5	Consent of Independent Registered Public Accounting Firm	Filed herewith
99.6	Unaudited Pro Forma Condensed Combined Consolidated Financial Information and Related Notes as of June 30, 2009	Filed herewith

7



BioSante Pharmaceuticals, Inc.
 111 Barclay Boulevard
 Lincolnshire, Illinois 60069
www.biosantepharm.com

FOR IMMEDIATE RELEASE

NASDAQ: BPAX

BioSante Pharmaceuticals Reports Second Quarter 2009 Financial Results

LINCOLNSHIRE, Illinois - (August 7, 2009) — BioSante Pharmaceuticals, Inc. (NASDAQ: BPAX) today announced its second quarter 2009 financial results.

BioSante incurred a net loss of approximately \$4.6 million or (\$0.17) per share for the quarter ended June 30, 2009, compared to a net loss of \$6.0 million or (\$0.22) per share for the same period in 2008. This decrease in net loss was due to BioSante's decision in April 2009 to delay screening of new subjects for its ongoing LibiGel® (testosterone gel) Phase III safety study and impairment charges incurred in 2008 related to other-than-temporary impairment of auction rate securities.

"We continue to screen for and enroll new subjects in the LibiGel Phase III efficacy trials, however, during the second quarter 2009, we decided to delay screening new subjects for our LibiGel Phase III safety study in order to conserve cash. Those women already enrolled continue in the study. We will restart screening and enrollment in the safety study once we have secured adequate funding or closed our previously announced proposed merger with Cell Genesys," said Stephen M. Simes, president and chief executive officer of BioSante.

The LibiGel Phase III safety and efficacy trials are being conducted under an FDA approved SPA (special protocol assessment).

The Company's cash and cash equivalents as of June 30, 2009 were approximately \$6.0 million, as compared to cash, cash equivalents and short-term investments of approximately \$14.8 million on December 31, 2008.

As previously announced, on June 29, 2009, BioSante entered into an agreement and plan of merger with Cell Genesys, Inc. under which Cell Genesys will merge with and into BioSante, with BioSante continuing as the surviving company. As a result of the merger, each share of common stock of Cell Genesys issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive approximately 0.1615 of a share of BioSante common stock, subject to potential upward or downward adjustment, in accordance with a formula set forth in the merger agreement which is based on Cell Genesys's net cash, less certain expenses and liabilities, on a date 10 calendar days preceding the anticipated closing date of the merger.

BioSante expects to issue in the aggregate approximately 17.7 million shares of BioSante common stock in the merger, and, upon completion of the merger, the former Cell Genesys stockholders are expected to own approximately 39.6 percent of the outstanding shares of BioSante common stock, and the BioSante stockholders prior to the merger are expected to own approximately 60.4 percent of the outstanding shares of BioSante common stock, assuming the 0.1615 exchange ratio is not adjusted and the number of outstanding shares of BioSante and Cell Genesys common stock remains unchanged until immediately prior to the merger. The transaction is expected to close in the late third quarter or fourth quarter of 2009, subject to certain closing conditions.

BioSante also announced that today it will file a registration statement on Form S-4 with the Securities and Exchange Commission, containing a joint proxy statement/prospectus, to register the issuance of its shares in connection with the merger. Such registration statement must be declared effective by the SEC prior to the mailing of the joint proxy statement/prospectus to BioSante and Cell Genesys stockholders.

In accordance with NASDAQ Marketplace Rule 5250(b)(2), which requires a NASDAQ listed issuer to publicly announce through the news media the receipt of an audit opinion containing a going concern qualification, BioSante announced the decision of its independent registered public accounting firm to reissue their audit report related to BioSante's financial statements for the fiscal year ended December 31, 2008 to include a paragraph expressing substantial doubt about the ability of BioSante to continue as a going concern.

"One of the primary reasons we are proposing to merge with Cell Genesys is our need for additional funding to continue our Phase III clinical studies for LibiGel," Simes added. "If the Cell Genesys merger is completed, we expect that the cash resources of the combined company expected to be available at closing will provide us sufficient capital to maintain our projected business operations through at least the next 12 months, including continued Phase III clinical development of LibiGel."

About BioSante Pharmaceuticals, Inc.

BioSante is a specialty pharmaceutical company focused on developing products for female sexual health, menopause, contraception and male hypogonadism. BioSante's lead products include LibiGel® (transdermal testosterone gel) in Phase III clinical development by BioSante under a U.S. Food and Drug Administration (FDA) SPA (Special Protocol Assessment) for the treatment of female sexual dysfunction (FSD), and Elestrin™ (estradiol gel) developed through FDA approval by BioSante, indicated for the treatment of moderate-to-severe vasomotor symptoms associated with menopause, currently marketed in the U.S. Also in development are Bio-T-Gel™, a testosterone gel for male hypogonadism, and an oral contraceptive in Phase II clinical development using BioSante patented technology. The current market in the U.S. for estrogen and testosterone products is approximately \$2.5 billion and for oral contraceptives approximately \$3 billion. The company also is developing its calcium phosphate technology (CaP) for aesthetic medicine (BioLook™), novel vaccines (BioVant™) and drug delivery. Additional information is available online at: www.biosantepharm.com.

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements regarding BioSante contained in this news release that are not historical in nature, particularly those that utilize terminology such as "will," "potential," "could," "can," "believe," "intends," "continue," "plans," "expects," "estimates" or comparable terminology, are forward-looking statements. Such statements include, but are not limited to, statements about the proposed transaction and its potential benefits to the BioSante and Cell Genesys stockholders, the expected timing of the completion of the transaction, the projected costs of the transaction, the combined company's future cash resources and financial and operating results, the combined company's plans, objectives, expectations and intentions with respect to future operations and products and other statements that are not historical

in nature, particularly those that utilize terminology such as “will,” “potential,” “could,” “can,” “believe,” “intends,” “continue,” “plans,” “expects,” “estimates” or comparable terminology. Forward-looking statements are based on current expectations and assumptions, and entail various known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements. Important factors known to BioSante that could cause actual results to differ materially from those expressed in such forward-looking statements include general business and economic conditions; the failure of the BioSante or Cell Genesys stockholders to approve the merger or the failure of either party to meet any of the other conditions to the closing of the merger; the failure to realize the anticipated benefits from the merger or delay in realization thereof; the operating costs and disruption to BioSante’s business during the pendency and following the completion of the merger; the costs and disruption associated with certain outstanding litigation regarding

the merger; BioSante’s need for and ability to obtain additional financing; the difficulty of developing pharmaceutical products, obtaining regulatory and other approvals and achieving market acceptance; the marketing success of BioSante’s licensees or sublicensees and the success of clinical testing, and other factors identified and discussed from time to time in BioSante’s filings with the Securities and Exchange Commission, including those factors discussed in BioSante’s most recent annual report on Form 10-K, and its subsequent quarterly reports on Form 10-Q, which discussions also are incorporated herein by reference. All forward-looking statements speak only as of the date of this news release. BioSante undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

Important Additional Information for Investors and Stockholders

This news release is being made in respect of the proposed merger between BioSante and Cell Genesys. In connection with the proposed transaction, BioSante will file with the SEC a registration statement on Form S-4, containing a joint proxy statement/prospectus and other relevant materials, and each of BioSante and Cell Genesys plan to file with the SEC other documents regarding the proposed transaction. The final joint proxy statement/prospectus will be mailed to the stockholders of BioSante and Cell Genesys. **Investors and security holders of BioSante and Cell Genesys are urged to read the joint proxy statement/prospectus (including any amendments or supplements) and other documents filed with the SEC carefully in their entirety when they become available because they will contain important information about BioSante, Cell Genesys and the proposed transaction.**

Investors and security holders will be able to obtain free copies of the registration statement and the joint proxy statement/prospectus (when available) and other documents filed with the SEC by BioSante and Cell Genesys at the SEC’s web site at www.sec.gov. Free copies of the registration statement and the joint proxy statement/prospectus (when available) and other documents filed with the SEC can also be obtained by directing a request to BioSante, Attention: Investor Relations, telephone: (847) 478-0500 or to Cell Genesys, Attention: Investor Relations., telephone (650) 266-3000. In addition, investors and security holders may access copies of the documents filed with the SEC by BioSante on BioSante’s website at www.biosantepharma.com, and investors and security holders may access copies of the documents filed with the SEC by Cell Genesys’s website at www.cellgenesys.com.

BioSante, Cell Genesys and their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies from the stockholders of BioSante and Cell Genesys in respect of the proposed transaction. Information regarding BioSante’s directors and executive officers is available in its annual report on Form 10-K for the year ended December 31, 2008, filed with the SEC on March 16, 2009 and the proxy statement for BioSante’s 2009 annual meeting of stockholders, filed with the SEC on April 27, 2009. Information regarding Cell Genesys’s directors and executive officers is available in its annual report on Form 10-K for the year ended December 31, 2008, filed with the SEC on March 9, 2009 and the proxy statement for Cell Genesys’s 2009 annual meeting of stockholders, filed with the SEC on March 31, 2009. If and to the extent that any of the BioSante or Cell Genesys participants will receive any additional benefits in connection with the merger that are unknown as of the date of this filing, the details of those benefits will be described in the definitive joint proxy statement/prospectus relating to the merger. Investors and stockholders can obtain more detailed information regarding the direct and indirect interests of BioSante’s and Cell Genesys’s directors and executive officers in the merger by reading the definitive joint proxy statement/prospectus when it becomes available.

For more information, please contact:

McKinney/Chicago

Alan Zachary

(312) 944-6784 ext. 316; azachary@mckinneychicago.com



To the extent any statements made in this presentation deal with information that is not historical, these are forward-looking statements under the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about BioSante's plans, objectives, expectations and intentions with respect to future operations and products and other statements identified by words such as "will," "potential," "could," "can," "believe," "intends," "continue," "plans," "expects," "estimates" or comparable terminology. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Uncertainties and risks may cause BioSante's actual results to be materially different than those expressed in or implied by BioSante's forward-looking statements. For BioSante, particular uncertainties and risks include, among others, risks associated with BioSante's proposed merger with Cell Genesys, Inc., including the failure of the BioSante or Cell Genesys stockholders to approve the proposed merger or the failure of either party to meet any of the other conditions to the closing of the transaction; the failure to realize the anticipated benefits from the merger or delay in realization thereof; operating costs and business disruption following the merger; general business and economic conditions; BioSante's need for and ability to obtain additional financing; the difficulty of developing pharmaceutical products, obtaining regulatory and other approvals and achieving market acceptance; the marketing success of BioSante's licensees or sublicensees and the success of clinical testing. More detailed information on these and additional factors that could affect BioSante's actual results are described in BioSante's filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q. All forward-looking statements in this presentation speak only as of the date of this presentation. BioSante undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

BioSante Investment Highlights

- **Products**
 - FDA approved product (Elestrin™)
 - Potential “blockbuster” product (LibiGel®)
 - Deep late stage product portfolio
- **People**
 - Experienced management team
 - Product development and FDA expertise
 - Licensing and M & A expertise
- **Finances**
 - **Cell Genesys merger (announced June 30, 2009)**
 - To close Q3/Q4
 - Supplement cash
 - Expand product portfolio (in-house or monetize)
 - Ceregene 16% ownership

BioSante Mission: Develop and market products to treat unmet medical needs

Lead product portfolio

Drug	Indication	Status
Elestrin™	Hot Flashes	Marketed
LibiGel®	FSD	Phase III under an SPA
The Pill Plus™	Contraception	Phase II
Bio-T-Gel™	Male hypogonadism	FDA submission < 12 months

Calcium phosphate technology (CaP)

- Aesthetic medicine, e.g., facial line filler
- H1N1 vaccine adjuvant/drug delivery

Corporate collaborations and combinations

- Cell Genesys merger
- Teva/Azur/Pantarhei/Medical Aesthetic Technologies



Elestrin™ (estradiol gel)

Indication: Once daily transdermal gel for treatment of moderate-to-severe vasomotor symptoms

Symptoms: Hot flashes

Market Size: Market Data [U.S. only]:

- Estrogen therapy (ET) market: ~\$1.4 billion
- Transdermal segment: about \$260 million
- Estimated to reach \$400 million in 2010/11
- 20 million menopausal women (45-54)
- 6,000 newly menopausal every day

Status: FDA approved; marketed in U.S. by Azur Pharma

- Significant reduction in hot flashes
- 67% lower E than lowest dose patch
- Currently marketed in U.S.



LibiGel[®] (testosterone gel for women)

Indication: Female Sexual Dysfunction (FSD)

Symptoms: Lack of sexual desire, arousal or pleasure

Market Size: Estimated U. S. market more than \$2 billion

- LibiGel could be first FSD Rx product to market in U.S
- ✓ targeting menopausal women

Status: **Two SPAs Received in 2008!**

Two Phase III efficacy studies required

- 500 women each
- Six month clinical trial
- Both Phase III studies in progress

One CV events safety study required

- 2,400 - 3,100 women
- Twelve months on LibiGel to submit NDA
- Study in progress; positive initial results reported
 - cardiovascular and general safety shown over
 - 1,000 women randomized
 - adverse event rates are exceptionally low

LibiGel[®] (testosterone gel for women)

SPA

- The SPA affirms that female sexual dysfunction (FSD)
 - is a diagnosable condition
 - with measurable endpoints for study and therapy
 - deserving of therapeutic options for treatment
- The SPA process and agreement affirms FDA agreement that the LibiGel Phase III clinical plan is acceptable to support regulatory approval, including:
 - clinical trial design
 - clinical endpoints
 - sample size
 - planned conduct
 - statistical analyses
- The SPA provides assurance that these agreed measures will serve as the basis for regulatory review and the decision by the FDA to approve a new drug application (NDA) for LibiGel.

BioSante
Pharmaceuticals

Comparative Results

	BioSante/ LibiGel [®]	P&G/ Intrinsa	P&G/ Intrinsa
Study Design	3 month Phase II 300 mcg/day N=46 SM	6 month Phase III 300 mcg/day N=562 SM	6 month Phase III 300 mcg/day N=533 SM
% increase in sexual events from baseline	238%*	74%*	51%*
# increase active v. placebo	5.0 v. 1.6*	2.13 v. 0.98*	1.56 v. 0.73*
Application site reactions	rare	~ 30%	~ 30%

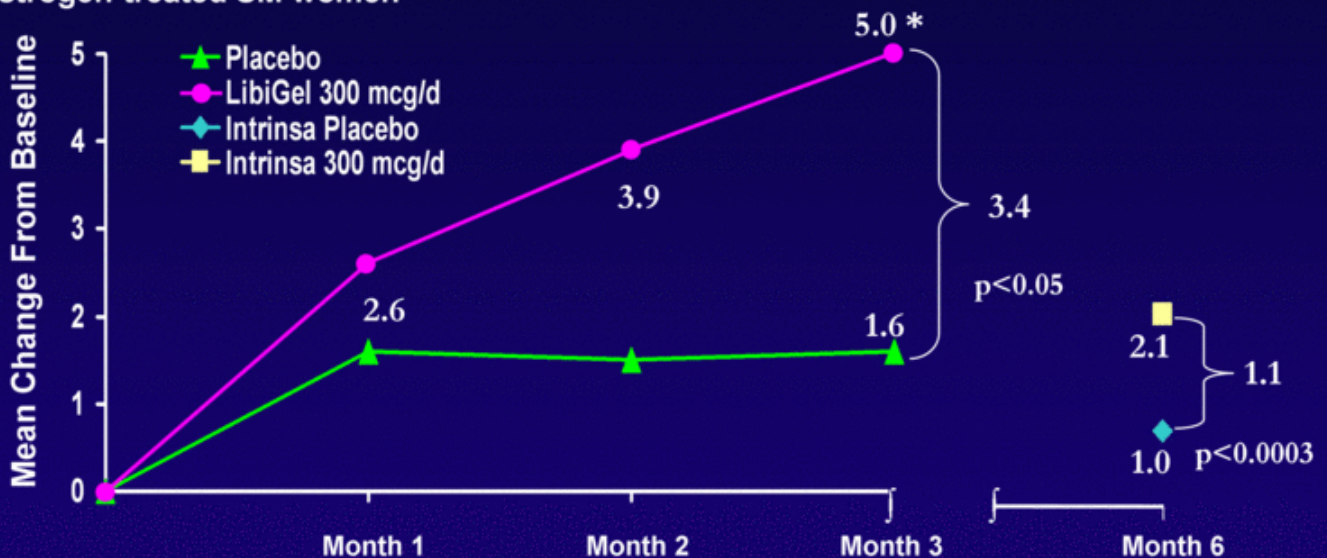
*Statistically significant versus baseline and placebo, respectively
SM = surgically menopausal

BioSante
Pharmaceuticals

LibiGel® vs. Intrinsa®

Mean Change From Baseline in 4-Week Satisfying Sexual Event Rate

Estrogen-treated SM women



* p < 0.0001 versus baseline

BioSante
Pharmaceuticals

LibiGel® (testosterone gel for women) Potential Market

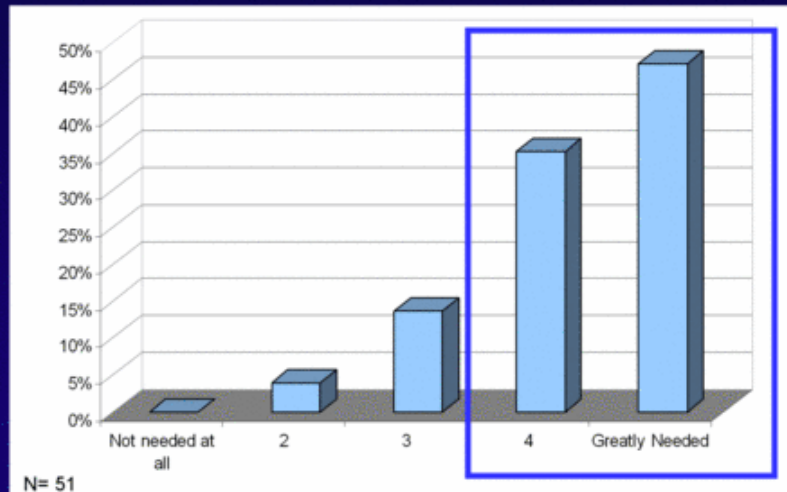
- Market potential for FSD is more than \$2.0 billion
- 43% of women (18-59) experience some degree of FSD (JAMA)
 - 31% experience low sexual desire specifically
 - 31% of men experience sexual dysfunction
- 43% of women (57-85) experience low desire (NEJM)
- In 2007, 2.0 million T Rx's off-label for women
 - Current market of \$700 million at only \$120/month
 - This does not include compounded T which may be equivalent
- LibiGel is patented until mid-2022
 - one patent pending

BioSante
Pharmaceuticals

Executive Summary

- Physicians report a high level of need for an effective, safe and FDA approved product for HSDD.

Level of Need for FDA-Approved Therapy for HSDD



Greater than 80% of physicians surveyed indicate that there is a need (or great need) for an FDA-approved therapy for HSDD.

Executive Summary

- *LibiGel's* sales in the US at peak year for surgically menopausal women specifically are expected to be in the range of \$700M without competition, and \$490M with competition.

- Assumptions:

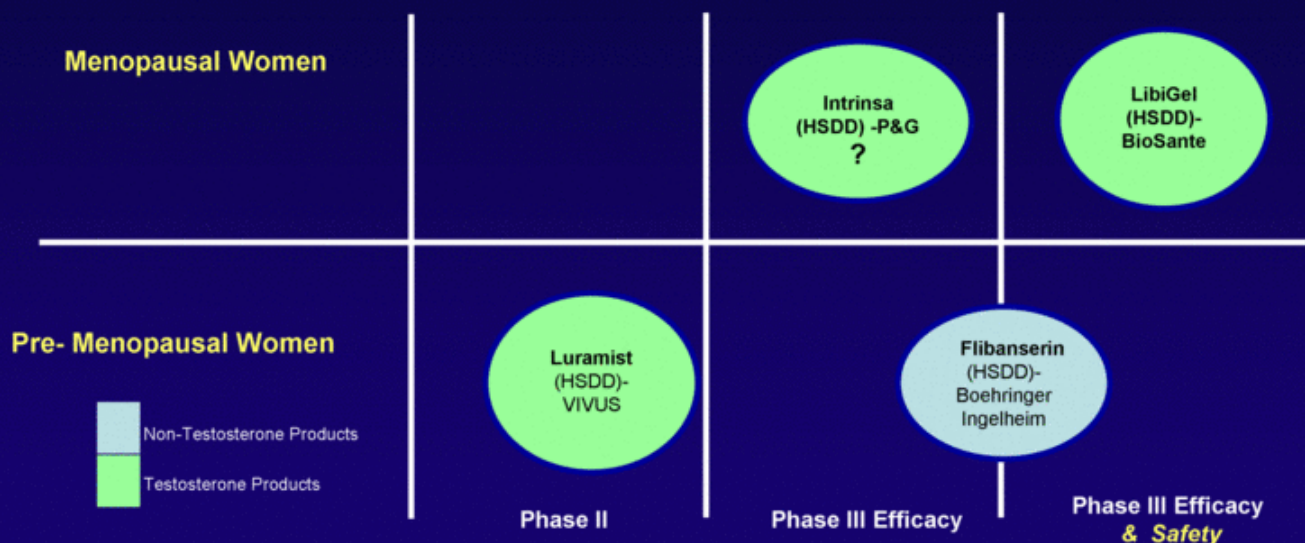
- US launch early 2011.
- Diagnosis rate moves from 30% to 50% with a drug labeled for HSDD and education for physicians and patients.
- 40% increase in current treatment rate.
- 30% of patients discontinue treatment due to androgenic side effects (15%) or lack of efficacy (15%). Down from 40% with currently available testosterone options.
- Price of therapy at launch \$4.00/day (3% annual price increase); price reaches \$4.50/day at peak.
- 240 days of therapy (8 months).
- Peak sales, 5 full years post launch; based on analogues: *Lyrica* for fibromyalgia indication, *Viagra* for ED.
- Nearest-term competition most likely to come from P&G or Vivus (with an earliest launch date of 2013), but neither appear to be progressing in development. We are not considering non-testosterone products as direct competition.
- Adequate reimbursement status (on formulary for a meaningful number of plans) is assumed.

LibiGel U.S. Sales in Peak Year (2015) Surgically Menopausal Women



Executive Summary

- There is limited competition in the US HSDD market as only *LibiGel*, *Luramist* and *Flibanserin* are actively in development. In addition, while *LibiGel* is in development for menopausal women, both *Luramist* and *Flibanserin* have been, or are being, studied in premenopausal women.



BioSante's Product Portfolio

Product	Indication	Pre-Clinical	Early Human Clinical	Late Human Clinical	FDA approval / Licensees
<i>Elestrin</i> [™] (estradiol gel)	Menopausal symptoms	→			<i>Azur Pharma</i>
<i>LibiGel</i> [®] (testosterone gel)	Female sexual dysfunction (FSD)	→			<i>Non-partnered</i>
<i>Bio-T-Gel</i> [™] (testosterone gel)	Male Hypogonadism	→			<i>Teva</i>
<i>The Pill Plus</i> [™] (birth control with androgen)	Contraception	→			<i>Pantarhei</i> for oral use <i>Non-partnered</i> for TD use
<i>CAP Look</i> [™]	Line-filler	→			<i>Medical Aesthetics Technologies</i>
<i>BioVant</i> [™] & <i>BioAir</i> [™]	Vaccines/delivery of proteins	→			<i>Multiple</i>



BioSante Pharmaceuticals, Inc. Corporate Summary



Trading Data

NASDAQ	BPAX
▪ Common stock outstanding	27.0 million
▪ Warrants (<small>\$2.50-\$8.00</small>)	2.7 million
▪ Employee options (<small>average exercise price of \$2.93</small>)	2.7 million
▪ Fully diluted shares	32.4 million

Financial Highlights

- **Cash at 6/30/09**
 - **Approximately \$6.0 million**
- **Burn rate**
 - **Approximately \$1.2 million/month**

After Effect of Merger with Cell Genesys Q3/Q4

▪ NASDAQ	BPAX
▪ Common stock outstanding	44.7 million
▪ Warrants	3.1 million
▪ Options	2.9 million
▪ Fully diluted shares	50.7 million
▪ Cash post-closing	Approx. \$25 million

Achieved / Expected Milestones

- **Close merger with Cell Genesys** Late Q3/Q4 2009
- **Elestrin™** Current
 - ✓ FDA approved and marketed
- **LibiGel®** 2008
 - ✓ Two clinical SPAs Received Current
 - ✓ Three Phase III studies on-going H1 2011
 - **Submit NDA** Q4 2011
 - **Launch LibiGel**
- **The Pill Plus™** 2008
 - ✓ Initiated Phase II clinical trials- oral use H2 2009
 - **Report additional Phase II results - oral use**
- **Bio-T-Gel™** 2009
 - **Submit to FDA for approval: Teva**
- **CaP™** 2009
 - **Initiate line-filler human clinical trial** 2009
 - **H1N1 vaccine adjuvant development** 2009/10



BIOSANTE PHARMACEUTICALS, INC.
Balance Sheets
December 31, 2008 and 2007

	December 31, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,760,920	\$ 15,648,948
Short-term investments	3,026,334	15,005,976
Accounts receivable	229,775	14,566
Prepaid expenses and other assets	1,070,051	337,420
	<u>16,087,080</u>	<u>31,006,910</u>
PROPERTY AND EQUIPMENT, NET (Note 4)	<u>814,894</u>	<u>54,896</u>
OTHER ASSETS		
Investment in MATC (Note 3)	140,000	140,000
Deposits	637,397	39,536
	<u>\$ 17,679,371</u>	<u>\$ 31,241,342</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable (Note 10)	\$ 3,182,089	\$ 710,575
Due to licensor - Antares (Note 3)	5,393	1,063
Accrued compensation	290,583	717,409
Other accrued expenses	374,887	77,712
Deferred revenue	—	9,091
	<u>3,852,952</u>	<u>1,515,850</u>
STOCKHOLDERS' EQUITY (Note 6)		
Capital stock		
Issued and Outstanding		
2008 - 391,286; 2007 - 391,286 Class C special stock	391	391
2008 - 27,042,764; 2007 - 26,794,607 Common stock	85,732,688	84,206,583
	<u>85,733,079</u>	<u>84,206,974</u>
Accumulated Deficit	<u>(71,906,660)</u>	<u>(54,481,482)</u>
	<u>13,826,419</u>	<u>29,725,492</u>
	<u>\$ 17,679,371</u>	<u>\$ 31,241,342</u>

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
Statements of Operations
Years ended December 31, 2008, 2007 and 2006

	Year Ended December 31,		
	2008	2007	2006
REVENUE			
Licensing revenue	\$ 3,384,091	\$ 199,091	\$ 14,136,364
Grant revenue	65,051	59,060	247,257
Royalty revenue	34,200	69,353	—
Other revenue	297,487	165,550	55,000
	<u>3,780,829</u>	<u>493,054</u>	<u>14,438,621</u>
EXPENSES			
Research and development	15,789,980	4,751,313	3,908,290
General and administration	5,124,934	4,331,361	4,549,620
Licensing expense	836,420	—	3,500,000
Depreciation and amortization	43,137	89,824	117,781
	<u>21,794,471</u>	<u>9,172,498</u>	<u>12,075,691</u>
OTHER - Interest income	<u>588,464</u>	<u>1,095,009</u>	<u>428,343</u>
NET (LOSS) INCOME	<u>\$ (17,425,178)</u>	<u>\$ (7,584,435)</u>	<u>\$ 2,791,273</u>

(Loss) Income per common share (Note 2):

Basic	\$	(0.64)	\$	(0.30)	\$	0.13
Diluted	\$	(0.64)	\$	(0.30)	\$	0.13

Weighted average number of common and common equivalent shares outstanding:

Basic	27,307,494	25,485,513	21,190,946
Diluted	27,307,494	25,485,513	21,483,911

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
Statements of Stockholders' Equity
Years ended December 31, 2008, 2007 and 2006

	Class C Special Shares		Common Stock		Deferred Unearned Compensation	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance, December 31, 2005	<u>391,286</u>	<u>\$ 398</u>	<u>19,007,800</u>	<u>\$ 56,653,219</u>	<u>\$ (146,459)</u>	<u>\$ (49,688,320)</u>	<u>\$ 6,818,838</u>
Option exercises - various	—	—	152,894	243,675	—	—	243,675
Stock option compensation - executive officers	—	—	—	(40,684)	146,459	—	105,775
Private placement of common shares, net	—	—	3,812,978	7,134,363	—	—	7,134,363
Stock option expense	—	—	—	971,057	—	—	971,057
Share redesignation	—	(7)	—	7	—	—	—
Shares issued in license agreement	—	—	1,368	6,250	—	—	6,250
Net income	—	—	—	—	—	2,791,273	2,791,273
Balance, December 31, 2006	<u>391,286</u>	<u>\$ 391</u>	<u>22,975,040</u>	<u>\$ 64,967,887</u>	<u>\$ —</u>	<u>\$ (46,897,047)</u>	<u>\$ 18,071,231</u>
Issuance of common shares	—	—	—	—	—	—	—
Option exercises - various	—	—	53,081	192,371	—	—	192,371
Warrant exercises - various	—	—	711,487	1,019,225	—	—	1,019,225
Stock option expense	—	—	—	711,259	—	—	711,259
Private placement of common shares, net	—	—	3,054,999	17,282,935	—	—	17,282,935
Stock warrant expense	—	—	—	32,906	—	—	32,906
Net loss	—	—	—	—	—	(7,584,435)	(7,584,435)
Balance, December 31, 2007	<u>391,286</u>	<u>\$ 391</u>	<u>26,794,607</u>	<u>\$ 84,206,583</u>	<u>\$ —</u>	<u>\$ (54,481,482)</u>	<u>\$ 29,725,492</u>
Issuance of common shares	—	—	—	—	—	—	—
Warrant exercises - various	—	—	248,157	379,720	—	—	379,720
Stock option expense	—	—	—	1,102,444	—	—	1,102,444
Stock warrant expense	—	—	—	104,284	—	—	104,284
Credit equity financing facility	—	—	—	(60,343)	—	—	(60,343)
Net loss	—	—	—	—	—	(17,425,178)	(17,425,178)
Balance, December 31, 2008	<u>391,286</u>	<u>\$ 391</u>	<u>27,042,764</u>	<u>\$ 85,732,688</u>	<u>\$ —</u>	<u>\$ (71,906,660)</u>	<u>\$ 13,826,419</u>

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
Statements of Cash Flows
Years ended December 31, 2008, 2007 and 2006

	December 31,		
	2008	2007	2006
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES			
Net (loss) income	\$ (17,425,178)	\$ (7,584,435)	\$ 2,791,273
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities			
Depreciation and amortization	43,137	89,824	117,781
Employee and director stock-based compensation	1,102,444	711,259	1,076,832
Stock warrant expense - noncash	104,284	32,906	—
Loss on disposal of equipment	—	21,748	—
MATC license revenue - noncash	—	(140,000)	—
Changes in assets and liabilities affecting cash flows from operations			
Prepaid expenses and other assets	(1,330,492)	(103,514)	(15,985)
Accounts receivable	(215,209)	10,495,963	(10,510,529)
Accounts payable and accrued liabilities	2,189,843	449,856	(745,332)
Provision for contingencies	—	(550,588)	(199,412)
Due to licensor - Antares	4,330	(2,623,937)	2,625,000
Deferred revenue	(9,091)	(59,091)	(136,363)
Net cash (used in) provided by operating activities	<u>(15,535,932)</u>	<u>739,991</u>	<u>(4,996,735)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Redemption of short term investments	11,979,642	981	13,004,723
Purchase of short term investments	—	(11,210,979)	(8,009,812)
Purchase of capital assets	(651,116)	(29,428)	(39,255)
Net cash provided by (used in) investing activities	<u>11,328,526</u>	<u>(11,239,426)</u>	<u>4,955,656</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES			
Proceeds from sale or conversion of shares, net	319,377	18,494,531	7,384,288

Net cash provided by financing activities	319,377	18,494,531	7,384,288
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,888,029)	7,995,096	7,343,209
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15,648,948	7,653,852	310,643
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 11,760,919	\$ 15,648,948	\$ 7,653,852
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION			
Other information:			
Purchase of capital assets on account, non-cash investing activity	\$ 152,019	\$ —	\$ —
Investment in MATC - noncash	\$ —	\$ 140,000	\$ —

See accompanying notes to the financial statements.

1. ORGANIZATION

BioSante Pharmaceuticals, Inc. (the "Company") is a specialty pharmaceutical company focused on developing products for female sexual health, menopause, contraception and male hypogonadism. The Company also is engaged in the development of its proprietary calcium phosphate nanotechnology, or CaP, primarily for aesthetic medicine, novel vaccines and drug delivery. The Company's primary products are gel formulations of testosterone and estradiol. The Company's key products include: LibiGel, a once daily transdermal testosterone gel in Phase III development under a Special Protocol Assessment for the treatment of female sexual dysfunction; Elestrin, a once daily transdermal estradiol (estrogen) gel approved by the U.S. Food and Drug Administration indicated for the treatment of moderate-to-severe vasomotor symptoms associated with menopause and marketed in the U.S.; Bio-T-Gel, a once daily transdermal testosterone gel in development for the treatment of hypogonadism, or testosterone deficiency, in men; and the Pill-Plus (triple hormone contraceptive), a once daily use of various combinations of estrogens, progestogens and androgens in development for the treatment of FSD in women using oral or transdermal contraceptives.

Substantially all of the Company's revenue to date has been derived from upfront, milestone and royalty payments earned on licensing and sublicensing transactions and from subcontracts. To date, the Company has used primarily equity financing, licensing income, royalty income and interest income to fund its ongoing business operations and short-term liquidity needs, and the Company expects to continue this practice for the foreseeable future.

The Company's business operations to date have consisted mostly of licensing and research and development activities and the Company expects this to continue for the immediate future. The Company has not commercially introduced any products and does not expect to do so in the foreseeable future. If and when the Company's proposed products for which it has not entered into marketing relationships receive U.S. Food and Drug Administration (FDA) approval, the Company may begin to incur other expenses, including sales and marketing related expenses if it chooses to market the products itself. The Company currently does not have sufficient resources on a long-term basis to complete the FDA approval process or commercialization of any of its current or proposed products for which the Company has not entered into marketing relationships.

Although the Company believes that its cash, cash equivalents and short-term investments of \$14.8 million at December 31, 2008 will be sufficient to meet its liquidity requirements through at least the next 12 months, if the Company does not raise additional financing or secure another funding source for our clinical trial program prior to the end of our second quarter 2009, the Company will need to delay or cease new enrollment in our Phase III clinical trial program of LibiGel, however, it is the Company's intention to continue the clinical program for those women already enrolled. The change in clinical trial enrollment may delay the eventual submission of the LibiGel NDA beyond the end of 2010 depending on how long the Company needs to continue this change.

Due to the current economic recession and market conditions, as well as the status of product development programs, there is uncertainty regarding whether additional financing will be available to the Company on favorable terms, or at all. If adequate funds are not available or are not available on acceptable terms when needed, the Company may be required to delay, scale back or eliminate some or all of its programs designed to obtain regulatory approval of its

1. ORGANIZATION (continued)

proposed products, including most importantly, the Phase III clinical trial program for LibiGel. As an alternative to raising additional financing, the Company may choose to sublicense LibiGel, Elestrin (outside the territories already sublicensed) or another product to a third party who may finance a portion or all of the continued development and, if approved, commercialization, sell certain assets or rights under the Company's existing license agreements or enter into other business collaborations or combinations, including the possible sale of the Company. The Company may be required to relinquish greater or all rights to its proposed products at an earlier stage of development or on less favorable terms than it otherwise would choose. Failure to obtain adequate financing also may adversely affect the Company's ability to operate as a going concern and cause the Company to significantly curtail or cease ongoing operations. (See Note 14. SUBSEQUENT EVENT)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are expressed in U.S. dollars. The Company is organized into one operating and one reporting segment.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). 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

The Company generally considers all instruments with original maturities of three months or less to be cash equivalents. Certain investments that could meet the definition of a cash equivalent are classified as investments due to the nature of the account in which the investment is held and the Company's intended use of the investment. Interest income on invested cash balances is recognized on the accrual basis as earned.

Short-term Investments

Short-term investments are classified as "available for sale" under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, the short-term investments are reported at fair value, with any related unrealized gains and losses included as a separate component of stockholders' equity, net of applicable taxes. Realized gains and losses and interest and dividends are included in interest income. Realized gains and losses are recorded based upon the specific identification method.

As of December 31, 2008 and December 31, 2007, the Company had \$3.0 million and \$15.0 million of short-term investments, respectively. The investment balance consisted of auction rate securities and related investments of \$3.0 million and money market fund investments of approximately \$26,000 as of December 31, 2008, and of auction rate securities investments of \$14.5 million and money market fund investments of approximately \$500,000 as of December

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

31, 2007. There were no gains or losses recorded in accumulated other comprehensive income as of December 31, 2008 or December 31, 2007, and there were no realized gains or losses included in earnings as the result of sale of available for sale securities for the years ended December 31, 2008, December 31, 2007 or December 31, 2006.

In April 2008, JPMorgan Chase Bank, NA commenced a tender offer to purchase certain outstanding student loan asset-backed auction rate notes. The Company owned \$2.0 million in principal amount of such notes and tendered all of such notes to JPMorgan and received the entire \$2.0 million principal plus accrued and unpaid interest in May 2008.

In October 2008, the Company received its entire investment of \$9.0 million principal plus accrued and unpaid interest related to other student loan asset-backed auction rate notes from an affiliate of Bank of America Securities LLC (BofA) as a result of BofA and its affiliates reaching agreements with the Securities and Exchange Commission, the Secretary of the Commonwealth of Massachusetts and other regulators to restore liquidity to BofA clients who had previously held auction rate securities.

As of December 31, 2008, the Company's remaining auction rate securities with a \$3.0 million par value were held in an account with UBS Financial Services, Inc. (UBS). In August 2008, UBS and its affiliates reached agreements with the SEC, the New York Attorney General, the Massachusetts Securities Division, the Texas State Securities Board and other state regulatory agencies represented by the North American Securities Administrators Association to restore liquidity to UBS clients who held auction rate securities. Pursuant to these agreements, in October 2008, the Company received rights from UBS entitling the Company to sell to UBS or its affiliates and requiring UBS or its affiliates to purchase the Company's \$3.0 million in remaining auction rate securities for their face (or par) value plus any accrued and unpaid interest. On January 8, 2009, pursuant to those rights, the Company received \$3.0 million principal plus accrued and unpaid interest from UBS.

Property and Equipment

Property and equipment that is currently being used in the Company's operations is stated at cost less accumulated depreciation and amortization. Depreciation is computed primarily by accelerated methods over estimated useful lives of seven years.

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 costs are charged to expense as incurred. Direct government grants are recorded as an offset to the related research and development costs when the Company has complied with the conditions attached to the grant and there is reasonable assurance that the funds will be received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Legal Costs

For ongoing matters, legal costs are charged to expense as incurred.

Basic and Diluted Net (Loss) Income Per Share

The basic and diluted net (loss) income 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 (loss) income per share is computed by dividing (loss) income available

to common stockholders by the weighted average number of shares outstanding for the reporting period. Diluted (loss) income 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 (loss) income per share does not include the Company's stock options or warrants when there is an antidilutive effect on income (loss) per share. Certain options and warrants had a dilutive effect under the treasury stock method as the average market price of the common stock during the period exceeded the exercise price of the options or warrants. 292,965 shares were added to the basic weighted average number of shares outstanding to determine the fully diluted weighted average number of shares outstanding for the year ended December 31, 2006.

Stock-based Compensation

The Company adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" (SFAS No. 123(R)) under the modified prospective method on January 1, 2006. Under the "modified prospective" method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS No. 123(R) for all share-based payments granted after that date, and based on the requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS No. 123) for all unvested awards granted prior to the effective date of SFAS No. 123(R). SFAS No. 123(R) eliminates the intrinsic value measurement method of accounting in APB Opinion 25 and generally requires measuring the cost of the employee services received in exchange for an award of equity instruments based on the fair value of the award on the date of the grant. The standard requires grant date fair value to be estimated using either an option-pricing model which is consistent with the terms of the award or a market observed price, if such a price exists. Such costs must be recognized over the period during which an employee is required to provide service in exchange for the award.

Warrants issued to non-employees as compensation for services rendered are valued at their fair value on the date of issue. Warrants of this nature to purchase an aggregate of 80,000 and 180,000 shares of the Company's common stock were issued in 2008 and 2007, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company has entered into various licensing agreements that generate license revenue or other upfront fees and which may also involve subsequent milestone payments earned upon completion of development milestones by the Company or upon the occurrence of certain regulatory actions, such as the filing of a regulatory application or the receipt of a regulatory approval. Non-refundable license fees are recognized as revenue when the Company has a contractual right to receive such payment, the contract price is fixed or determinable, the collection of the resulting receivable is reasonably assured and the Company has no further performance obligations under the license agreement. Non-refundable license fees that meet these criteria and are due to the Company upon execution of an agreement are recognized as revenue immediately.

Milestones, in the form of additional license fees, typically represent non-refundable payments to be received in conjunction with the achievement of a specific event identified in the contract, such as completion of specified clinical development activities and/or regulatory submissions and/or approvals. Revenues from milestone payments that meet the criteria in the preceding paragraph are recognized when the milestone is achieved.

Additionally, royalty revenue based upon sales of products under license is recorded when such royalties are earned and are deemed collectible, which is generally in the quarter when the related products are sold.

Deferred revenue arises from payments received in advance of the culmination of the earnings process. Deferred revenue is recognized as revenue in future periods when the applicable revenue recognition criteria have been met.

Income Taxes

Deferred tax assets or liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities, as measured by enacted tax rates. A valuation allowance is provided against net deferred income tax assets in circumstances where management believes the recoverability of a portion of the assets is more likely than not. The Company has provided a full valuation allowance against its net deferred tax assets as of December 31, 2008 and 2007.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurement" (SFAS 157). The standard provides guidance for using fair value to measure assets and liabilities. SFAS 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy. SFAS 157 was effective for the Company on January 1, 2008. In October 2008, the FASB issued Staff Position (FSP) No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Active" which clarifies the application of SFAS 157 in an inactive market and illustrates how an entity would determine fair value when the market for a financial asset is not active. The Staff Position is effective immediately and applies to prior periods for which financial statements have not been issued, including interim or annual periods ending on or before September 30, 2008. See Note 12, Fair Value Measurements, for disclosure of the Company's adoption of SFAS 157.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115" (SFAS 159). SFAS 159 permits an entity to elect fair value as the initial and subsequent measurement attribute for many financial assets and liabilities. Entities electing the fair value option are required to recognize changes in fair value in earnings. SFAS 159 also requires additional disclosures to compensate for the lack of comparability that will arise from the use of the fair value option. SFAS 159 was

effective for the Company beginning on January 1, 2008. We did not elect the fair value option for any of the Company's existing financial assets and liabilities as of January 1, 2008, but did elect the fair value option during 2008 for the right to sell the auction rate securities to UBS at par. See Note 12, Fair Value Measurements, for additional information.

In December 2007, the FASB ratified Emerging Issues Task Force Issue (EITF) Issue No. 07-1, "Accounting for Collaborative Arrangements" (EITF 07-1). EITF 07-1 provides guidance on how to determine whether an arrangement constitutes a collaborative arrangements, how costs incurred and revenue generated on sales to third parties should be reported by participants in a collaborative arrangement, how payments made between participants in a collaborative arrangement should be categorized, and what participants should disclose in the notes to the financial statements about a collaborative arrangement. EITF 07-1 is effective for the fiscal year beginning January 1, 2009. EITF 07-1 requires that the impact of adopting the issue for all arrangements existing as of the effective date be presented as a change in accounting principle through retrospective application to all prior periods presented. The adoption of EITF 07-1 did not have an impact on the Company's results of operations or financial condition.

In June 2007, the FASB ratified EITF No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities" (EITF 07-3). EITF 07-3 requires non-refundable advance payments for goods and services to be used in future research and development (R&D) activities to be recorded as assets and the payments to be expensed when the R&D activities are performed. EITF 07-3 was effective for the Company prospectively for new contractual arrangements entered into beginning January 1, 2008. The adoption of EITF 07-3 did not have an impact on the Company's results of operations or financial condition.

3. LICENSE AGREEMENTS

In June 1997, the Company entered into a licensing agreement with the Regents of the University of California, which subsequently has 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 Company is obligated to pay royalties to the University if and when a product is developed using these patents.

On June 13, 2000, the Company entered into a license agreement with Antares Pharma, Inc. (Antares), covering four hormone products to treat 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 also is 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 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, to date, have been made in the form of a series of equity investments by Paladin in the Company's common stock at a 10 percent premium to the market price of the Company's common stock at the date of the equity investment.

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-licensed 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. Solvay has been responsible for all costs of development of the product to date. The Company believes that the hormone therapy product licensed to Solvay is not in active development by Solvay and the Company does not expect its active development to occur at any time in the near future.

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 obtained an option to license the patents 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 milestone payments, maintenance payments and royalty payments by the Company if a product incorporating the licensed technology gets approved and subsequently marketed. In July 2005, the Company exercised the option for an exclusive license for the three U.S. patents for triple hormone contraception. The financial terms of this license include an upfront payment, regulatory milestone payments, maintenance payments and royalty payments by the Company if a product incorporating the licensed technology gets approved and subsequently marketed.

In May 2007, the Company announced that it sub-licensed U.S. rights to a triple hormone oral contraceptive to Pantarhei Bioscience B.V. (Pantarhei), a Netherlands-based pharmaceutical company. Pantarhei is responsible under the agreement for all expenses to develop and market

3. LICENSE AGREEMENTS (continued)

the product. The Company may receive certain development and regulatory milestones for the first product developed under the license. In addition, the Company will receive royalty payments on any sales of the product in the U.S., if and when approved and marketed. If the product is sublicensed by Pantarhei to another company, the Company will receive a percentage of any and all payments received by Pantarhei for the sublicense from a third party. The Company has retained all rights under the licensed patents to the transdermal delivery of triple hormone contraceptives.

In December 2002, the Company entered into a development and license agreement with Teva Pharmaceuticals USA, Inc., a wholly-owned subsidiary of Teva Pharmaceutical Industries Ltd., pursuant to which Teva USA agreed to develop the Company's male testosterone gel, Bio-T-Gel, 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 product, if and when approved and marketed, in exchange for rights to develop and market the product. Teva USA also is responsible under the terms of the agreement for continued development, regulatory filings and all manufacturing and marketing associated with the product. In 2005, the Company was notified that Teva USA had discontinued development of the product and indicated to the Company a desire to formally terminate the agreement. In June 2007, the Company signed an amendment to the agreement under which the Company and Teva

reinitiated its collaboration on the development of the product. There were no changes to the master license agreement in force at that time. Teva withdrew its previous notice of its desire to terminate the agreement and reinitiated funding and development of the product. Teva also agreed to pay the Company certain milestone payments plus royalties on sales of the product, if and when commercialized. Teva is responsible under the revised agreement for continued development of the product, including required clinical trials, regulatory filings and all manufacturing and marketing associated with the product. The product is owned by the Company with no royalty or milestone obligations to any other party.

In September 2005, the Company signed a Material Transfer and Option Agreement for an exclusive option to obtain an exclusive, worldwide license to use the Company's calcium phosphate nanotechnology (CaP) in the development of a series of allergy products. The partner company will fund the development of potential products for the treatment of conditions including rhinitis, asthma, conjunctivitis, dermatitis and allergic gastrointestinal diseases. Under the terms of the agreement, in September 2005, the Company received a nonrefundable \$250,000 upfront payment. The Company recognized revenue from the agreement on a pro rata basis over the term of the agreement as the Company had not yet completed all of its required performance under the terms of the agreement. The remainder of the upfront payment was recorded as deferred revenue. The initial term of the agreement was 22 months, ending in June 2007. In April 2007, the term was extended through March 31, 2008. In February 2008, the term was extended to July 2008. In July 2008, the term was extended to January 2009. This program is no longer under active development by the optionee.

3. LICENSE AGREEMENTS (continued)

In November 2006, the Company entered into an exclusive sublicense agreement for the marketing of Elestrin in the United States. Upon execution of the sublicense agreement, the Company received an upfront payment of \$3.5 million. In addition, during 2007, Nycomed paid the Company \$10.5 million triggered by the FDA approval of Elestrin in the U.S., which occurred in the fourth quarter of 2006. Under the Company's license agreement with Antares, the Company is required to pay Antares certain development and regulatory milestone payments and royalties based on net sales of any products the Company or its sub-licensees sell incorporating the licensed technology. Specifically, the Company paid Antares 25 percent of all licensing-related proceeds and a portion of any associated royalties that the Company received, which the Company recognized as these payments were earned, based upon reported levels of Elestrin sales. The aggregate \$14.0 million received from Nycomed was recognized as revenue in 2006 since the entire \$14.0 million was non-refundable, the Company had a contractual right to receive such payments, the contract price was fixed, the collection of the resulting receivable was reasonably assured and the Company had no further performance obligations under the license agreement.

On August 6, 2008, the Company and Nycomed entered into a termination, release and settlement agreement pursuant to which the exclusive sublicense agreement dated November 7, 2006 between the Company and Nycomed was terminated and BioSante reacquired the rights to Elestrin effective immediately. As a result, the Company paid Nycomed \$100,000 and an additional \$150,000 as a result of the December 2008 Elestrin sublicense to Azur Pharma International II Limited (Azur) as described below. Nycomed has agreed on behalf of itself and its affiliates not to market or sell any low-dose topical estrogen gel products for the treatment of menopausal hot flashes for a period of 12 months. The agreement also provides for a mutual release between the parties and the survival of the confidentiality, indemnification and insurance provisions of the exclusive sublicense agreement for a period of five years.

In December 2008, the Company signed an exclusive agreement with Azur for the marketing of Elestrin in the United States. Upon execution of the agreement, BioSante received \$3.325 million comprised of a \$500,000 product licensing fee and \$2.825 million for transfer of the Elestrin trademark and inventories, among other items. The Company paid Antares \$462,500 as a result of signing the Azur agreement. The Company also is entitled to receive additional payments of up to an aggregate of \$144.5 million if certain sales-based milestones are achieved. In addition, Azur has agreed to pay to BioSante royalties on sales of Elestrin ranging from 10 percent to 20 percent depending on the annual sales level. Azur has agreed to market Elestrin using its women's health and urology sales force of approximately 50 sales people that targets estrogen prescribing physicians in the U.S. comprised mostly of gynecologists. In addition, Azur has agreed to minimum marketing expenditures in the first two years of the agreement.

In December 2008, the Company signed an exclusive agreement with PharmaSwiss SA for the marketing of Elestrin in Israel. PharmaSwiss is responsible for regulatory and marketing activities in Israel. PharmaSwiss will submit BioSante's approved U.S. NDA (new drug application) to the Israeli authorities based on BioSante results and manufacturing information. Approval in Israel is expected to take approximately one year from the date of such submission.

In February 2006, the Company signed an exclusive option and license agreement with Medical Aesthetics Technology Corporation ("MATC") for the use of the Company's CaP technology in the field of aesthetic medicine. Under the terms of the option and license agreement, MATC will

3. LICENSE AGREEMENTS (continued)

use the Company's CaP technology to develop products for commercialization in the field of aesthetic medicine, specifically, the improvement and/or maintenance of the external appearance of the head, face, neck and body. In November 2007, the Company signed a license agreement with MATC covering the use of CaP as a facial filler (BioLook™) in aesthetic medicine. This license agreement is a result of MATC's exercise of the previously granted option under the original license agreement. Under the agreement, MATC is responsible for continued development of BioLook, including required clinical trials, regulatory filings and all manufacturing and marketing associated with the product. In exchange for this license, the Company has taken an ownership position in MATC of approximately five percent of the common shares of MATC. In addition to the ownership position, the Company may receive certain milestone payments and royalties as well as share in certain payments if MATC sublicenses the technology. The Company recorded an investment asset and licensing revenue of \$140,000 in 2007 related to this license and ownership position in MATC. The MATC investment is recorded using the cost method.

4. PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation at December 31, 2008 and 2007 consist of the following:

Computer equipment	\$ 375,311	\$ 129,753
Office equipment	131,239	126,044
Laboratory and equipment	518,034	36,019
	<u>1,024,584</u>	<u>291,816</u>
Accumulated depreciation and amortization	(209,690)	(236,920)
	<u>\$ 814,894</u>	<u>\$ 54,896</u>

As of December 31, 2008, \$243,556 of computer equipment and \$486,084 of laboratory and equipment is related to construction in progress that has not been placed into service. During 2007, the Company recognized a loss on the disposal of equipment of \$21,748 as result of the closure of its Smyrna, Georgia laboratory facility.

5. INCOME TAXES

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109", or FIN 48, on January 1, 2007. FIN 48 requires companies to determine whether it is "more likely than not" that a tax position will be sustained upon examination by the appropriate taxing authorities before any tax benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, classification and interest and penalties related to uncertain tax positions. The adoption of FIN 48 did not have an impact on the Company's financial position upon adoption. The Company determined there are no uncertain tax positions existing as of December 31, 2008 or December 31, 2007.

5. INCOME TAXES (continued)

The Company has analyzed its filing positions in all significant federal and state jurisdictions where it is required to file income tax returns, as well as open tax years in these jurisdictions. The only periods subject to examination by the major tax jurisdictions where the Company does business are the 2005 through 2008 tax years.

The components of the Company's net deferred tax asset at December 31, 2008 and 2007 were as follows:

	2008	2007
Net operating loss carryforwards	\$ 23,609,594	\$ 17,588,392
Tax basis in intangible assets	403,498	538,819
Research & development credits	3,415,143	2,569,848
Stock option expense	1,462,065	1,017,790
Other	56,063	103,235
	<u>28,946,363</u>	<u>21,818,084</u>
Valuation allowance	(28,946,363)	(21,818,084)
	<u>\$ —</u>	<u>\$ —</u>

The Company has no current tax provision due to its accumulated losses, which result in net operating loss carryforwards. At December 31, 2008, the Company had approximately \$62,542,000 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 2018-2028. 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 provided a full valuation allowance against \$3,415,143 of research and development credits, which are available to reduce future income taxes, if any, through the year 2028.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate of 34.5% to pre-tax income as follows:

	2008	2007	2006
Tax at U.S. federal statutory rate	\$ (6,030,952)	\$ (2,616,630)	\$ 962,989
State taxes, net of federal benefit	(568,133)	(246,494)	90,716
Research and development credits	(526,196)	(162,675)	(135,632)
Other, net	(2,998)	(132,577)	32,522
Change in valuation allowance	7,128,279	3,158,376	(950,595)
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

6. STOCKHOLDERS' EQUITY

In December 2008, the Company entered into a Committed Equity Financing Facility arrangement, or CEFF, with Kingsbridge Capital Limited (Kingsbridge) in which Kingsbridge has committed to purchase, subject to certain conditions and at the Company's sole discretion, up to the lesser of \$25.0 million or 5,405,840 shares of the Company's common stock through the end of December 2010. Under the terms of the CEFF, the Company is not obligated to utilize any of the \$25.0 million available under the CEFF and there are no minimum commitments or minimum use penalties. The Company has access, at its discretion, to the funds through the sale of newly-issued shares of the Company's common stock. The funds that can be raised under the CEFF over the two-year term will depend on the then-current price for the Company's common stock and the number of shares actually sold, which may not exceed an aggregate of 5,405,840 shares. The Company may access capital under the CEFF by providing Kingsbridge with common stock at discounts ranging from eight to 14 percent, depending on the average market price of the Company's common stock during the applicable pricing period. Kingsbridge will not be obligated to purchase shares under the CEFF unless certain conditions

are met, including a minimum price for the Company's common stock of \$1.15 per share. In connection with the CEFF, the Company issued a warrant to Kingsbridge to purchase 300,000 shares of the Company's common stock at an exercise price of \$4.00. The warrant will become exercisable on June 15, 2009, the six-month anniversary of the date of the Purchase Agreement (December 15, 2008), and will remain exercisable, subject to certain exceptions, for a period of five years thereafter. Pursuant to the CEFF, the Company filed a registration statement with respect to the resale of shares issued pursuant to the CEFF and underlying the warrant. As of December 31, 2008, the Company had not sold any shares to Kingsbridge under the CEFF.

On June 13, 2007, the Company closed a private placement of 3,054,999 shares of its common stock and associated warrants to purchase 763,750 shares of its common stock, at a purchase price of \$6.00 per share to certain institutional and other accredited investors for gross proceeds of approximately \$18.3 million. The private placement resulted in net proceeds to the Company of approximately \$17.3 million, after deduction of transaction expenses. The warrants are exercisable for a period of three years, beginning December 14, 2007, at an exercise price of \$8.00 per share. The number of shares issuable upon exercise of the warrants and the exercise price of the warrants are adjustable in the event of stock splits, combinations and reclassifications, but not in the event of the issuance of additional securities.

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, 2008.

Special Shares

4,687,684 Class C special shares, \$0.0001 par value per share, convertible to common stock, to be held a minimum of one year from date issue, 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. There were 391,286 shares of Class C special shares issued and outstanding as of December 31, 2008 and 2007.

6. **STOCKHOLDERS' EQUITY (continued)**

Common Stock

One hundred million common shares of stock, \$0.0001 par value per share, which carry one vote per share. There were 27,042,764 and 26,794,607 shares of common stock issued and outstanding as of December 31, 2008 and 2007, respectively. The Company has presented the par values of its common stock and the related additional paid in capital on a combined basis for all periods presented.

b) *Warrants*

In summary, the Company currently has the following warrants outstanding:

<u>Amount</u>		<u>Exercise Price</u>	<u>Expiration</u>
534,996	\$	7.00	August 10, 2009
853,292	\$	2.75	October 21, 2011
763,750	\$	8.00	December 14, 2010
180,000	\$	8.00	July 18, 2010
80,000	\$	4.78	May 14, 2011
300,000	\$	4.00	June 14, 2013

Pursuant to the Company's private placement financing in May 2004, warrants to purchase an aggregate of 534,996 shares of common stock were issued at an exercise price of \$7.00 per share with a term of five years. These warrants remained outstanding and were all exercisable as of December 31, 2008.

Pursuant to the Company's private placement financing in July 2006, warrants to purchase an aggregate of 1,334,542 shares of common stock were issued at an exercise price of \$2.75 per share with a term of four years and nine months, beginning January 22, 2007. Warrants to purchase an aggregate of 853,292 shares of common stock remained outstanding as of December 31, 2008.

In July 2007, the Company issued warrants to purchase 180,000 shares of common stock to an investor relations firm in return for various investor relations services. The warrants are exercisable at an exercise price equal to \$8.00 per share with 50 percent of the warrants becoming exercisable on July 19, 2008 and the remainder becoming exercisable on July 19, 2009. The warrants are exercisable through and including July 18, 2010. The Company uses the Black-Sholes pricing model to value these warrants and remeasures the award each quarter until the measurement date is established. In the year ended December 31, 2008 and 2007, the Company recorded \$43,988 and \$32,906, respectively, in non-cash general and administrative expense pertaining to these consultant warrants.

In May 2008, the Company issued warrants to purchase an aggregate of 80,000 shares of common stock to two individuals, the sole principal and a key executive officer, of an investor and public relations firm in return for various investor and public relations services. These warrants are exercisable at an exercise price equal to \$4.78 per share with 1/12 of the warrants becoming exercisable on June 15, 2008 and the remainder becoming exercisable on a monthly basis thereafter through May 15, 2009 so long as the investor and public relations firm

6. **STOCKHOLDERS' EQUITY (continued)**

continues to provide services to the Company. The warrants are exercisable through and including May 14, 2011. The Company uses the Black-Scholes pricing model to value this warrant consideration and remeasures the award each quarter until the measurement date is established. In the year ended December 31, 2008, the Company recorded \$60,296 in non-cash general and administrative expense pertaining to these warrants.

During 2008, warrants to purchase an aggregate of 176,614 shares of common stock were exercised for total cash proceeds of \$379,720. Warrants to purchase an aggregate of 71,543 shares of common stock were exercised on a cashless basis, for which 74,957 additional warrants were cancelled by the Company in payment of the exercise price for the exercised warrants. Warrants to purchase an aggregate of 500 shares of common stock expired without being exercised. All of the exercised warrants were granted pursuant to the Company's private placement financing in August 2003.

During 2007, warrants to purchase 371,500 shares of common stock were exercised for total cash proceeds of \$1,019,225. Warrants to purchase an aggregate of 339,987 shares of common stock also were exercised on a cashless basis, for which 163,321 additional warrants were cancelled by the Company in payment of the exercise price for the exercised warrants, thus reducing the number of shares outstanding on a fully diluted basis.

During 2006, there were no warrants exercised, and warrants to purchase 367,187 shares of common stock were cancelled upon their expiration.

c) *Options*

During 2008, no options were exercised.

During 2007, options to purchase an aggregate of 49,201 shares of common stock were exercised for total cash proceeds of \$192,371. In addition, options to purchase an aggregate of 11,333 shares of common stock were exercised on a cashless basis resulting in the issuance of 3,880 shares of common and the withholding and subsequent cancellation of 7,453 shares of common stock to pay the exercise price of such options, thus reducing the number of shares outstanding on a fully diluted basis.

7. STOCK-BASED COMPENSATION

As of December 31, 2008, the Company has two stockholder-approved equity-based compensation plans under which stock options have been granted — the BioSante Pharmaceuticals, Inc. Amended and Restated 1998 Stock Plan (1998 Plan) and the BioSante Pharmaceuticals, Inc. 2008 Stock Incentive Plan (2008 Plan) (collectively, the Plans). The 2008 Plan replaced the 1998 Plan, which was terminated with respect to future grants upon the effectiveness of the 2008 Plan. As of December 31, 2008, there were 2,000,000 shares of the Company's common stock authorized for issuance under the 2008 Plan, subject to adjustment as provided in the 2008 Plan. Of the 2,000,000 authorized shares, none had been issued and 53,000 shares were subject to outstanding stock options as of December 31, 2008. Outstanding employee stock options generally vest over a period of three years and have 10-year contractual

7. STOCK-BASED COMPENSATION (continued)

terms. Certain of the Company's employee stock options have performance condition-based vesting provisions which result in expense when such performance conditions are probable of being achieved. The non-cash, stock-based compensation cost that was incurred by the Company in connection with the 1998 and 2008 Plans was \$1,102,444, \$711,259 and \$1,076,832 for the years ended December 31, 2008, 2007 and 2006, respectively. No income tax benefit was recognized in the Company's statements of operations for stock-based compensation arrangements due to the Company's net loss position.

The weighted average fair value of the options at the date of grant for options granted during 2008, 2007 and 2006 was \$2.41, \$2.37 and \$3.11, 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:

	2008	2007	2006
Expected option life (years)	6.00	9.83	10
Risk free interest rate	3.45%	4.74%	4.10%
Expected stock price volatility	67.63%	69.31%	73.94%
Dividend yield	—	—	—

The Company uses a volatility rate calculation based on the closing price for its common stock at the end of each calendar month as reported by the NASDAQ Global Market (or The American Stock Exchange prior to November 5, 2007). Since the Company has a limited history with option exercises, the expected life was set to the entire life of the option grant through the fourth quarter 2007. Beginning with options granted during the fourth quarter 2007, the Company began estimating the expected life of its options in a manner consistent with Staff Accounting Bulletin (SAB) 107, and SAB 110 beginning January 1, 2008, which allows companies to use a simplified method to estimate the life of options meeting certain criteria. The Company believes that the use of the simplified method provides a reasonable term for purposes of determining compensation costs for these grants, and expects to use the simplified method to estimate the expected life of future options for eligible grants. The discount rate used is the yield on a United States Treasury note as of the grant date with a maturity equal to the estimated life of the option. The Company has not in the past issued a cash dividend, nor does it have any current plans to do so in the future; therefore, an expected dividend yield of zero was used.

The following table summarizes the stock option compensation expense for employees and non-employees recognized in the Company's statements of operations for each period:

	2008	2007	2006
Research and development	\$ 356,287	\$ 202,335	\$ 52,630
General and administrative	746,157	508,924	1,024,202
Total stock-based compensation expense	<u>\$ 1,102,444</u>	<u>\$ 711,259</u>	<u>\$ 1,076,832</u>

7. STOCK-BASED COMPENSATION (continued)

A summary of activity under the Plans during the year ended December 31, 2008 is presented below:

Options	Option Shares	Weighted Average Exercise Price
Outstanding December 31, 2007	1,427,191	\$ 3.50
Granted	682,250	3.74
Exercised	(0)	—
Forfeited or expired	(71,250)	2.73
Outstanding December 31, 2008	2,038,191	\$ 3.66
<i>(weighted average contractual term)</i>	8.0 years	
Vested or expected to vest at December 31, 2008	1,921,525	\$ 3.56
<i>(weighted average contractual term)</i>	7.1 years	
Exercisable at December 31, 2008	1,033,026	\$ 3.48
<i>(weighted average contractual term)</i>	5.8 years	

There was no aggregate intrinsic value of the Company's outstanding or exercisable options as of December 31, 2008.

A summary of the Plans' non-vested options at December 31, 2008 and activity under the Plans during the year ended December 31, 2008 is presented below:

Options	Option Shares	Weighted Average Grant Date Fair-Value
Outstanding December 31, 2007	656,333	\$ 3.62
Granted	682,250	3.74
Vested	(252,168)	3.67
Forfeited	(71,250)	2.73
Non-Vested at December 31, 2008	1,015,165	\$ 3.74

As of December 31, 2008, there was \$1,409,577 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under the Plans. The cost is expected to be recognized over a weighted-average period of 1.80 years.

No stock options were exercised during 2008. Cash received from option exercises under the Plans for the years ended December 31, 2007 and 2006 was \$192,371 and \$243,675, respectively. The intrinsic value of options exercised during the years ended December 31, 2007 and 2006 was \$136,020 and \$218,613, respectively. The Company did not receive a tax benefit related to the exercise of these options because of its net operating loss position. The total fair value of shares vested during the years ended December 31, 2008, 2007 and 2006 was \$659,898, \$326,254 and \$1,076,832, respectively.

7. STOCK-BASED COMPENSATION (continued)

Options and warrants to purchase an aggregate of 4,750,229 and 4,082,843 shares, respectively, were excluded from the earnings per share calculation for the years ended December 31, 2008 and December 31, 2007, respectively, since including these options and warrants would have had an anti-dilutive effect under the treasury stock method due to the Company's net loss position. Options and warrants to purchase an aggregate of 1,261,475 shares were excluded from the earnings per share calculation for the year ended December 31, 2006, since including these options and warrants would have had an anti-dilutive effect under the treasury stock method, as the average market price of the common stock during the period was less than the exercise price of the options or warrants.

8. RETIREMENT PLAN

The Company offers a discretionary 401(k) Plan (the 401(k) Plan) to all of its employees. Under the 401(k) Plan, employees may defer income on a tax-exempt basis, subject to IRS limitation. Under the 401(k) Plan, the Company can make discretionary matching contributions. Company contributions expensed in 2008, 2007 and 2006 totaled \$108,019, \$59,683 and \$45,327, respectively.

9. LEASE ARRANGEMENTS

The Company has entered into lease commitments for rental of its office space which expires in 2010 and its laboratory facility which expires in 2009. The future minimum lease payments during 2009 and 2010 are \$293,478 and \$90,720, respectively.

Rent expense amounted to \$277,370, \$259,971 and \$236,824 for the years ended December 31, 2008, 2007 and 2006, respectively.

10. RELATED PARTY TRANSACTIONS

Included in current liabilities on the balance sheet are \$15,638 and \$28,841, which represent amounts due to current directors and officers of the Company for reimbursement of business expenses and payment for director meeting fees as of December 31, 2008 and 2007, respectively.

11. COMMITMENTS

Antares Pharma, Inc. License

The Company's license agreement with Antares Pharma, Inc. requires the Company to fund the development of the licensed products, make milestone payments and pay royalties on the sales of products related to this license. In 2006, the Company paid \$875,000 to Antares and recorded a liability of \$2.625 million due to Antares to be paid upon the Company's receipt of payments from Nycomed related to the Elestrin FDA approval

milestone. In 2007, the Company paid \$2.625 million to Antares thereby reducing the liability to zero and paid or accrued \$31,209 to Antares as a result of royalties received by the Company. In 2008, the Company paid \$462,500 to Antares as a result of the Azur sublicense of Elestrin and paid or accrued \$21,830 to Antares as a result of royalties received by the Company.

11. COMMITMENTS (continued)

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 progesterone plus androgen, e.g. testosterone) and obtained an option to license the patents 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 milestone payments, maintenance payments and royalty payments by the Company if a product incorporating the licensed technology gets approved and subsequently marketed. In July 2005, the Company exercised the option for an exclusive license for the three U.S. patents for triple hormone contraception. The financial terms of this license include an upfront payment, regulatory milestone payments, maintenance payments and royalty payments by the Company if a product incorporating the licensed technology gets approved and subsequently marketed.

Future minimum maintenance payments due under this agreement are as follows:

<u>Year</u>	<u>Minimum Amount Due</u>
2009	60,000
2010	70,000
2011	80,000
2012	80,000
2013	80,000
2014	80,000
2015	80,000
Thereafter	120,000

Under the terms of the license agreement with the Wake Forest University and Cedars-Sinai Medical Center, the Company has the right to terminate the license at any time.

The Company has agreed to indemnify, hold harmless and defend Wake Forest University and Cedars-Sinai Medical Center 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.

Aesthetic License

In February 2006, the Company signed an exclusive option and license agreement with Medical Aesthetics Technology Corporation for the use of the Company's CaP technology in the field of aesthetic medicine. Under the terms of the option and license agreement, MATC will use the Company's CaP technology to develop products for commercialization in the field of aesthetic medicine, specifically, the improvement and/or maintenance of the external appearance of the head, face, neck and body. In November 2007, the Company exercised its options under the license and signed a license agreement with MATC covering the use of the Company's CaP as a facial filler (BioLook™) in aesthetic medicine. Under the agreement, MATC is responsible for continued development of BioLook, including required clinical trials, regulatory filings and all manufacturing and marketing associated with the product. In exchange for the license, the Company has taken an ownership position in MATC of about five percent of the common shares

11. COMMITMENTS (continued)

of MATC. In addition to the ownership position, the Company may receive certain milestone payments and royalties as well as share in certain payments if MATC sublicenses the technology. The Company recorded an investment asset and licensing revenue of \$140,000 related to this license and ownership position in MATC. The MATC investment is recorded using the cost-method.

12. FAIR VALUE MEASUREMENTS

The Company has adopted the fair value methods required under SFAS No. 157 to value its financial assets and liabilities. As defined in SFAS No. 157, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk.

Financial assets recorded at fair value as of December 31, 2008 are classified in the table below in one of the three categories described above:

Description	December 31, 2008 Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for Sale Securities	\$ 2,534,820	—	—	\$ 2,534,820
Put Asset on Available for Sale Securities	465,180	—	—	465,180
Total	\$ 3,000,000	—	—	\$ 3,000,000

12. FAIR VALUE MEASUREMENTS (continued)

The Company's auction rate securities investments and related put asset were classified as based on Level 3 inputs, due to the lack of currently observable market quotes, generally those obtained or corroborated through the auction process. The Company determines the fair value using unobservable inputs based on expected cash flows and collateral values, including assessments of counterparty credit quality, default risk underlying the security, overall capital market liquidity, and expectations of early redemption of the securities. Factors that may impact the Company's valuation include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, counterparty risk and ongoing strength and quality of market credit and liquidity.

At January 1, 2008, the value of the Company's auction rate securities were based on observable prices in active markets and as such would have been considered based on Level 1 inputs. At December 31, 2008, due to the failure of auctions during 2008, the Company's remaining auction rate securities were valued based on Level 3 inputs. As a result of these declines in fair value of the Company's auction rate securities, which the Company attributed to liquidity issues affecting the credit markets associated with the securities rather than counterparty credit issues, the Company recorded an other-than-temporary impairment loss of \$465,180 on its remaining auction rate securities investment, which was offset by a \$465,180 gain on the right to sell the auction rate securities back to UBS at par value, both of which are recorded in other income.

The Company made an election to record the asset related to its right to sell its remaining auction rate securities to UBS at fair value with gains and losses related to this instrument recorded in earnings immediately pursuant to SFAS 159, Fair Value Option, so the right to sell the auction rate securities back to UBS would offset the change in value of the underlying auction rate securities investments during the period. As a result, a gain of \$232,480 related to the change in value of the put/right from October 14, 2008 (the date that the company entered into the settlement agreement) to December 31, 2008 has been recorded in other income. If the company had not elected to record this instrument at fair value, its carrying value would have been \$232,700 at December 31, 2008.

The table below presents a reconciliation of the level 3 fair value measurements, which are based on significant unobservable inputs, at December 31, 2008. Both of the assets are recorded in investments. The remaining investment balance of \$26,334 is invested in a money market fund.

	Fair Value Measurements Using Significant Unobservable Inputs	Fair Value Measurements Using Significant Unobservable Inputs
	Auction Rate Securities	Put Asset Related to Auction Rate Securities
January 1, 2008	\$ —	\$ —
Transfers into Level 3	14,000,000	232,700
Purchases, redemptions, issuances or settlements	(11,000,000)	—
Total gains or losses (realized/unrealized) included in net loss	(465,180)	232,480
December 31, 2008	\$ 2,534,820	\$ 465,180

12. FAIR VALUE MEASUREMENTS (continued)

On January 8, 2009, pursuant to its rights to sell the auction rate securities to UBS at par value, the Company received \$3.0 million principal plus accrued and unpaid interest from UBS. No realized gains or losses were included in the Company's statement of operations for the year ended December 31, 2008.

13. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly data for 2008 and 2007 is as follows:

	2008			
	First	Second	Third	Fourth
Revenue	\$ 62,997	\$ 25,869	\$ 82,212	\$ 3,609,751
Research and development expenses	2,677,946	3,934,118	5,322,472	3,855,444
General and administrative expenses	1,325,493	1,593,156	1,438,816	767,469
Licensing expense	—	—	—	836,420
Operating loss	(3,950,215)	(5,513,714)	(6,690,835)	(1,858,878)
Net loss	(3,626,638)	(6,048,067)	(6,585,084)	(1,165,389)
Loss per share:				
Basic and diluted	\$ (0.13)	\$ (0.22)	\$ (0.24)	\$ (0.05)

	2007			
	First	Second	Third	Fourth

Revenue	\$	50,608	\$	69,446	\$	43,793	\$	329,307
Research and development expenses		987,470		1,405,647		1,145,764		1,212,432
General and administrative expenses		918,769		1,265,796		1,027,194		1,119,602
Licensing expense		—		—		—		—
Operating loss		(1,888,547)		(2,630,797)		(2,147,158)		(2,012,942)
Net loss		(1,817,018)		(2,400,309)		(1,693,044)		(1,674,064)
Loss per share:								
Basic and diluted	\$	(0.08)	\$	(0.10)	\$	(0.06)	\$	(0.06)

14. SUBSEQUENT EVENT

Due to the Company's continuing expenditures related to its research and development activities, including in particular the Phase III clinical study program for LibiGel, as well as additional expenditures incurred due to the Company's efforts at pursuing strategic alternatives, including in particular a proposed stock-for-stock merger with Cell Genesys, Inc. (with which the Company entered into an agreement and plan of merger on June 29, 2009, and for which the Company is currently in the process of preparing customary filings with the U.S. Securities and Exchange Commission for purposes of submitting the proposed merger transaction for approval of the Company's stockholders and the stockholders of Cell Genesys, Inc.), the Company has incurred higher than anticipated expenses and liabilities. In addition, the Company has not raised additional financing through an equity offering, which historically has been the Company's primary method for raising additional financing. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company anticipates continuing to incur financial advisor, legal, tax and accounting fees and expenses in connection with its proposed merger with Cell Genesys, Inc. and expects to continue to incur significant research and development expenditures in its continuing Phase III clinical study program for LibiGel, as well as expenses for general and administrative areas for as long as sufficient funding remains. One of the primary reasons the Company is proposing to merge with Cell Genesys is the need for the Company to obtain additional funding to continue the Phase III clinical studies for LibiGel and

14. SUBSEQUENT EVENT (continued)

the lack of other currently available acceptable alternatives to access capital, especially in light of the state of the markets for equity offerings, which historically has been the Company's method for raising additional financing. If the merger is completed, management believes that the cash resources of the combined company expected to be available at the closing of the merger will provide sufficient capital to maintain the Company's projected business operations through at least the next 12 months, including continued Phase III clinical development of LibiGel.

The Company's financial statements do not include any adjustments that might result from the outcome of this uncertainty. The financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheets of BioSante Pharmaceuticals, Inc. (the "Company") as of December 31, 2008 and 2007, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, such financial statements present fairly, in all material respects, the financial position of BioSante Pharmaceuticals, Inc. as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

We have not audited any financial statements of the Company for any period subsequent to December 31, 2008. However, as discussed in Note 14 to the financial statements, the Company has experienced significant demands on its liquidity and cash resources, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 14 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
March 16, 2009 (except for the matter discussed in Note 14, as to which the date is August 6, 2009)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of BioSante Pharmaceuticals, Inc. (the "Company") as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements as of and for the year ended December 31, 2008 of the Company and our report dated March 16, 2009 (except for the matter discussed in Note 14, as to which the date is August 6, 2009) expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding uncertainty about the Company's ability to continue as a going concern.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
March 16, 2009

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-151660, 333-151663, 333-109474, 333-100238 and 333-53384 on Form S-8 and Registration Statement Nos. 333-159606, 333-156276, 333-144665, 333-136852, 333-116110 and 333-64218 on Form S-3 of BioSante Pharmaceuticals, Inc. of our report dated March 16, 2009 (except for the matter discussed in Note 14, as to which the date is August 6, 2009), relating to the financial statements of BioSante Pharmaceuticals, Inc. (which report expresses an unqualified opinion and includes an explanatory paragraph regarding uncertainty about BioSante Pharmaceuticals, Inc.'s ability to continue as a going concern); and our report dated March 16, 2009 relating to the effectiveness of BioSante Pharmaceuticals, Inc.'s internal control over financial reporting, appearing in this Form 8-K.

/s/ Deloitte & Touche LLP

Chicago, Illinois

August 6, 2009

**UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED
FINANCIAL INFORMATION**

Introduction to Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet

On June 29, 2009, BioSante and Cell Genesys entered into a merger agreement. The merger agreement provides that upon the terms and subject to the conditions set forth in the merger agreement, Cell Genesys will merge with and into BioSante, with BioSante as the surviving corporation.

As a result of the merger, each share of Cell Genesys common stock held immediately prior to the effective time of the merger will be converted into 0.1615 of a share of BioSante common stock, subject to potential upward or downward adjustment, in accordance with a formula set forth in the merger agreement which is based on Cell Genesys's net cash, less certain expenses and liabilities, on a date 10 calendar days preceding the anticipated closing date of the merger. As a result of the merger, BioSante will issue an aggregate of approximately 17.7 million shares of BioSante common stock to holders of Cell Genesys common stock and current BioSante stockholders will own approximately 60.4 percent of the outstanding common stock of the combined company and current Cell Genesys stockholders will own approximately 39.6 percent of the outstanding common stock of the combined company, assuming the 0.1615 exchange ratio is not adjusted and the number of outstanding shares of BioSante and Cell Genesys common stock remains unchanged until immediately prior to the effective time of the merger.

The unaudited pro forma condensed combined consolidated balance sheet set forth below has been presented as if the merger occurred on June 30, 2009, and includes adjustments to give effect to pro forma events that are directly attributable to the merger and factually supportable.

The unaudited pro forma condensed combined consolidated balance sheet combines the historical balance sheet of BioSante and the historical consolidated balance sheet of Cell Genesys, giving effect to the merger based on the initial estimates of the fair values of the individual assets and liabilities acquired.

Summary Selected Unaudited Pro Forma Condensed Combined Consolidated Financial Data

The unaudited pro forma condensed combined consolidated balance sheet set forth below gives effect to the proposed merger of BioSante and Cell Genesys. The merger will be accounted for under U.S. generally accepted accounting principles, or U.S. GAAP, as an acquisition of the net assets of Cell Genesys, whereby the individual assets and liabilities of Cell Genesys will be recorded by BioSante as of the completion of the merger based on their estimated fair values. As Cell Genesys has ceased substantially all of its operations, the acquisition is not considered by BioSante to be a business combination, and the allocation of the purchase price will not result in the recognition by BioSante of any goodwill. The total estimated purchase price (based on application of an assumed exchange ratio of 0.1615 to pro forma shares outstanding as of June 30, 2009) calculated as described in Note 2 to the unaudited pro forma condensed combined consolidated balance sheet, has been allocated to the tangible and intangible assets acquired and liabilities assumed in connection with the transaction, on the basis of initial estimates of their fair values. A final determination of these fair values, which cannot be made prior to the completion of the merger, will be based on the actual value of consideration paid, and valuations of the remaining net assets of Cell Genesys that exist as of the date of completion of the merger, which may differ from those portrayed in the unaudited pro forma condensed combined consolidated balance sheet. No unaudited pro forma condensed combined consolidated statement of operations has been presented, as substantially all of the operations of Cell Genesys have ceased prior to entering into the merger agreement, and the combined pro forma operating performance of both BioSante

1

and Cell Genesys is not considered meaningful for purposes of illustrating the impact of the acquired net assets of Cell Genesys or the future operations of the combined company.

The valuation of assets acquired and liabilities assumed has not progressed to its final stages as of the date of the preparation of the unaudited pro forma condensed combined consolidated balance sheet. The actual amounts recorded as of the completion of the merger may differ materially from the information presented in the unaudited pro forma condensed combined consolidated balance sheet as a result of:

- net cash of Cell Genesys as calculated 10 calendar days preceding the anticipated closing date of the merger;
- the timing of completion of the merger and the subsequent independent valuation of the assets acquired;
- other changes in Cell Genesys's assets and liabilities that may occur prior to completion of the merger, which could cause material differences in the information presented below,
- a change in the trading price of BioSante common stock by the closing of the merger, and
- finalization of the purchase price allocation to assets acquired and liabilities assumed by BioSante.

The unaudited pro forma condensed combined consolidated balance sheet is based on the estimates and assumptions set forth in the accompanying notes to such statement. The unaudited pro forma condensed combined consolidated balance sheet is prepared for illustrative purposes only and is not necessarily indicative of the financial position of BioSante that would have resulted had the merger been consummated as of June 30, 2009.

The unaudited pro forma condensed combined consolidated balance sheet should be read in conjunction with the historical financial statements of BioSante and the historical consolidated financial statements of Cell Genesys.

2

As of June 30, 2009

	BioSante Historical	Cell Genesys Historical	Pro Forma Adjustments	Pro Forma Combined
	(in thousands)			
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,986	\$ 27,847	\$ (277)(C)	\$ 33,556
Short-term investments	—	5,008	—	5,008
Short-term restricted cash	—	2,700	—	2,700
Accounts receivable	117	—	—	117
Prepaid expenses	837	810	—	1,647
Deferred acquisition costs	793	—	(793)(E)	—
	<u>7,733</u>	<u>36,365</u>	<u>(1,070)</u>	<u>43,028</u>
PROPERTY AND EQUIPMENT, NET	<u>753</u>	<u>208</u>	<u>—</u>	<u>961</u>
OTHER ASSETS				
In-process research and development			5,000(G)	—
			(5,000)(G)	
Ceregene investment			1,000(F)	1,000
Investment in MATC	140	—	—	140
Unamortized debt issuance costs and other assets	—	15	(15)(H)	—
Restricted cash and investments and deposits	903	—	—	903
	<u>\$ 9,529</u>	<u>\$ 36,588</u>	<u>\$ (85)</u>	<u>\$ 46,032</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 2,550	\$ 457	\$ 2,533(A)	\$ 7,186
			1,646(E)	
Due to licensor - Antares	16	—	—	16
Accrued restructuring	—	938	4,341(B)	5,279
Accrued compensation	285	288	—	573
Other accrued expenses	865	1,367	—	2,232
Warrant liability	—	277	(277)(C)	—
Current portion of interest due on convertible senior notes due 2013	—	662	(662)(I)	—
	<u>3,716</u>	<u>3,989</u>	<u>7,581</u>	<u>15,286</u>
OTHER LIABILITIES				
Convertible senior notes due 2013 and 2011 principal portion	—	22,017	—	22,017
Non-current portion of interest due on convertible senior notes due 2013	—	1,840	(1,840)(I)	—
	<u>3,716</u>	<u>27,846</u>	<u>5,741</u>	<u>37,303</u>
STOCKHOLDERS' EQUITY				
Capital stock				
Common stock	3	110	(110)(D)	5
			2(E)	
Additional paid in capital	86,388	559,683	(559,683)(D)	119,137
			32,749(E)	—
Accumulated other comprehensive loss	—	(411)	411(D)	—
	<u>86,391</u>	<u>559,382</u>	<u>(526,631)</u>	<u>119,142</u>
Accumulated deficit	(80,578)	(550,640)	550,640(D)	(110,413)
			(2,439)(E)	
			(5,000)(G)	—
			(22,396)(J)	—
	<u>5,813</u>	<u>8,742</u>	<u>5,826</u>	<u>8,729</u>
	<u>\$ 9,529</u>	<u>\$ 36,588</u>	<u>\$ (85)</u>	<u>\$ 46,032</u>

See accompanying notes to the financial statements.

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED
FINANCIAL INFORMATION**

1. Basis of Presentation

On June 29, 2009, BioSante and Cell Genesys entered into a merger agreement. The merger agreement provides that upon the terms and subject to the conditions set forth in the merger agreement, Cell Genesys will merge with and into BioSante, with BioSante as the surviving corporation.

As a result of the merger, each share of Cell Genesys common stock held immediately prior to the effective time of the merger will be converted into 0.1615 of a share of BioSante common stock, subject to potential upward or downward adjustment, in accordance with a formula set forth in the merger agreement which is based on Cell Genesys's net cash, less certain expenses and liabilities, on a date 10 calendar days preceding the anticipated closing date of the merger. As a result of the merger, BioSante will issue an aggregate of approximately 17.7 million shares of BioSante common stock to holders of Cell

Genesys common stock and current BioSante stockholders will own approximately 60.4 percent of the outstanding common stock of the combined company and current Cell Genesys stockholders will own approximately 39.6 percent of the outstanding common stock of the combined company, assuming the 0.1615 exchange ratio is not adjusted and the number of outstanding shares of BioSante and Cell Genesys common stock remains unchanged until immediately prior to the effective time of the merger. The merger is subject to customary closing conditions, including approval by BioSante and Cell Genesys stockholders.

Because BioSante stockholders are expected to own approximately 60.4 percent of the voting stock of the combined company after the transaction, BioSante will control the combined company and is deemed to be the acquiring company for accounting purposes. As Cell Genesys has ceased substantially all of its operations, the acquisition is considered to be an acquisition of assets under U.S. GAAP and not a business combination, and the allocation of the preliminary purchase price will not result in goodwill. Accordingly, the assets and liabilities of Cell Genesys will be recorded as of the merger closing date at their estimated fair values.

2. Purchase Price

As of June 29, 2009, the date the merger agreement was signed, Cell Genesys had 109,618,787 shares of common stock outstanding. The exchange ratio was set to 0.1615 shares of BioSante common stock for each share of Cell Genesys common stock, which was determined by the closing price on June 29, 2009 of \$2.15 per share for BioSante and a 12 percent premium to the \$0.31 per share closing price for Cell Genesys. The exchange ratio is subject to adjustment based on a formula that takes into account Cell Genesys's net cash, less certain expenses and liabilities, on a date 10 calendar days preceding the anticipated closing date of the merger transaction.

In accordance with FAS 141(R), Business Combinations, BioSante will base the value of consideration to acquire the assets and liabilities of Cell Genesys upon the price of BioSante common stock as of the date of the acquisition, plus the value of replacement warrants and options to be issued by BioSante, and the actual amount of direct costs of the merger. The unaudited pro forma condensed combined consolidated balance sheet is prepared based on the closing price of BioSante common stock as of July 30, 2009 of \$1.85, resulting in a current value of share consideration of \$32.8 million. In connection with the merger, BioSante is required to issue replacement warrants and options to convert outstanding warrants to purchase an aggregate of 2,162,162 shares of Cell Genesys common stock, outstanding options to purchase an aggregate of 1,282,500 shares of Cell Genesys common stock and an aggregate of 30,698,839 shares of Cell Genesys common stock reserved for future issuance pursuant to Cell Genesys's outstanding 3.125% convertible senior notes due in November 2011 and May 2013. As a result of the merger and assuming a 0.1615 exchange ratio, BioSante will issue replacement warrants to purchase an aggregate of 349,189 shares of BioSante common stock related to conversion of outstanding Cell Genesys warrants and replacement options to purchase an aggregate of 207,113 shares of BioSante common stock related to conversion of outstanding Cell Genesys options. In

4

addition, BioSante will reserve an aggregate of 4,957,863 shares of BioSante common stock for future issuance pursuant to Cell Genesys's outstanding 3.125% convertible senior notes due in November 2011 and May 2013, which notes will be assumed by BioSante in connection with the merger.

The estimated purchase price is preliminary because the proposed merger has not yet been completed. The actual purchase price may change based on Cell Genesys's net cash as of the determination date of 10 calendar days preceding the anticipated closing date of the merger, the number of shares of Cell Genesys common stock outstanding as of the effective time of the merger, the number of warrants and options to purchase Cell Genesys common stock outstanding as of the effective time of the merger, the price of BioSante common stock as of the closing of the transaction, and BioSante's final costs to complete the merger.

The total purchase price is allocated to the acquired assets and assumed liabilities of Cell Genesys based on their estimated relative fair values as of the merger closing date. A preliminary estimate of the total purchase price, as described above is as follows (in thousands):

Fair value of BioSante common stock issued	\$ 32,751
Estimated transaction costs of BioSante	2,439
Total preliminary estimated purchase price	<u>\$ 35,190</u>

The allocation of the estimated purchase price is preliminary because the proposed merger has not yet been completed. The purchase price allocation will remain preliminary until BioSante completes its valuation of assets acquired and liabilities assumed. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after completion of the merger and will be based on the fair values of the assets acquired and liabilities assumed as of the merger closing date and the value of share consideration on the date of closing. The final amounts allocated to assets acquired and liabilities assumed may differ materially from the amounts presented in the unaudited pro forma condensed combined consolidated balance sheet. Based on the information currently available to date, BioSante's management believes that the preliminary purchase price allocation reflected in the unaudited pro forma condensed combined consolidated balance sheet reasonably reflects the fair value of the assets acquired and liabilities assumed.

The estimated consideration expected to be transferred reflected in the unaudited pro forma condensed combined consolidated balance sheet does not purport to represent what the actual consideration will be when the merger is closed. The fair value of the BioSante common stock issued as consideration transferred will be measured on the closing date of the merger at the closing market price on that date. This likely will result in consideration that is different from the \$1.85 per share assumed in the unaudited pro forma condensed combined consolidated balance sheet, which represents the closing price of BioSante common stock price as of July 30, 2009. An increase or decrease in the price of BioSante common stock price would impact the consideration paid as follows:

Increase/Decrease in BioSante Stock Price	Increase/Decrease in Value of Consideration
10%	\$2.9 million
20%	\$5.8 million
30%	\$8.6 million

The estimated consideration reflected herein also may be affected by Cell Genesys's final net cash amount. A provision in the merger agreement states that the number of shares of BioSante common stock Cell Genesys stockholders will be entitled to receive in exchange for all shares of Cell Genesys common stock at the consummation of the merger will be equal to the exchange ratio set forth in the merger agreement that is applicable based upon the difference between Cell Genesys's net cash balance at the determination date and the target net cash amount applicable as of the date of the merger closing, all as set forth in the merger agreement. If Cell Genesys's net cash balance at the determination date is no more than \$500,000 greater than

or no more than \$500,000 less than the applicable target net cash amount, then the exchange ratio will be 0.1615. The actual exchange ratio will be determined in accordance with the merger agreement and may be higher or lower than 0.1615 depending on whether the actual net cash balance of Cell Genesys is higher or lower than the applicable target net cash amount and the amount of the difference between the actual net cash balance of Cell Genesys's as of the determination date and the applicable target net cash. The merger agreement provides for a range of 38 different exchange ratios dependent upon these variables from a maximum exchange ratio of 0.2424 if Cell Genesys's actual net cash balance is more than \$5,000,000 above the applicable target net cash amount to a minimum exchange ratio of 0.1036 if Cell Genesys's actual net cash balance is between \$4,750,001 to \$5,000,000 below the applicable target net cash amount.

BioSante does not anticipate that the transaction will result in material capitalizable intangible assets acquired in the transaction. This determination is based on management's preliminary review of the historical inception to date research and development expenses of Cell Genesys and the current stage of development of Cell Genesys's clinical development program. However, the independent valuation also will serve to assist in determining whether any other identifiable intangible assets were acquired and are measurable.

In order for costs to be allocated to in-process research and development (IPR&D) assets, each of the following criteria must be met:

- The acquired asset (whether tangible or intangible) should possess the characteristics of control and economic benefit.
- The fair value of the acquired asset should be measurable with reasonable reliability.
- The specific IPR&D project in which acquired assets are to be used must be identified, have substance and be incomplete.
- The acquired asset should have no alternative future use.

BioSante's management assessed the four criteria described above for the research programs acquired, and expects that each criterion will be met. As such, BioSante expects that a portion of the amount of purchase price in excess of the fair values of tangible assets and liabilities acquired will be allocated to IPR&D based on the fair value of the research programs determined as of the date of acquisition. Amounts allocated to IPR&D assets, as well as any additional amount of excess purchase price, will be immediately charged to expense.

3. Pro Forma and Purchase Accounting Adjustments

The unaudited pro forma condensed combined consolidated balance sheet includes pro forma adjustments giving effect to the changes in BioSante's capital structure directly resulting from the proposed merger. The unaudited pro forma condensed combined consolidated balance sheet does not include any adjustments for income taxes because the combined company is anticipated to incur significant tax losses for the foreseeable future. Certain aspects of the merger may give rise to significant amounts of taxable income. However, Cell Genesys expects to have sufficient net operating loss carryforwards available to it to eliminate any resulting tax liability.

The pro forma adjustments are as follows:

- A. To reflect estimated additional costs of the merger of \$2.533 million to be borne by Cell Genesys, consisting of approximately \$1.25 million for investment advisors, \$0.595 million for legal and accounting, \$0.438 million for directors' and officers' insurance tail coverage and \$0.25 million for the Cell Genesys special meeting (including printing and mailing costs).
- 6
-
- B. To reflect \$4.3 million of additional payments due to severed Cell Genesys employees pursuant to the contractual termination provisions in place at Cell Genesys consisting of \$3.5 million for severance and \$0.8 million for retention payments.
 - C. To reflect payment of a warrant liability which is contractually payable at the time of closing.
 - D. To eliminate Cell Genesys stockholders' equity accounts.
 - E. To reflect components of estimated purchase price consideration (which totals \$35.2 million) consisting of:
 - a. the issuance of approximately 17.7 million shares of BioSante common stock, based on approximately 109.6 million shares of Cell Genesys common stock outstanding, at the assumed 0.1615 exchange ratio provided for in the merger agreement. The assumed price of BioSante stock is \$1.85 per share, which is based on the closing price of BioSante common stock as of July 30, 2009, resulting in estimated share consideration value of \$32.751 million.
 - b. estimated additional BioSante direct costs of the acquisition of \$1.646 million, consisting of approximately \$0.850 million for investment advisors, \$0.546 million for legal and accounting and \$0.25 million for the BioSante special meeting (including printing and mailing costs). BioSante has recorded liabilities of \$0.25 million for investment advisors, \$0.475 million for legal and accounting and has paid \$0.068 million for legal and accounting as of June 30, 2009, resulting in total estimated BioSante direct costs of the acquisition of \$2.439 million.
 - F. To reflect the estimated fair value of the ownership interest in Ceregene of \$1 million.
 - G. To record the estimated fair value attributable to IPR&D of \$5 million, which is immediately expensed as there is no alternative future use.
 - H. To reflect the write-off of unamortized debt issuance costs.

- I. To eliminate interest due liability recorded as part of a troubled debt restructuring completed in June 2009 that pertains to the entire life of the convertible senior notes due 2013
- J. To record the amount of the purchase price in excess of the assets acquired.