UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

/X/ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

COMMISSION FILE NUMBER 000-28637

/ / TRANSITION REPORT UNDER SECTION 13 OR 16(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Transition Period From _____ To _____.

BIOSANTE PHARMACEUTICALS, INC.
(Exact name of small business issuer as specified in its charter)

WYOMING	58-2301143
(State of Incorporation)	(IRS Employer Identification No.)

175 Olde Half Day Road
Lincolnshire, Illinois 60069
(Address of principal executive offices)

(847) 793-2458
(Registrant's telephone number)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding as of August 11, 2000
Common stock, no par value	52,952,942

Transitional Small Business Disclosure Format (check one): Yes / / No /X/

BIOSANTE PHARMACEUTICALS, INC.

FORM 10-QSB
JUNE 30, 2000

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

BIOSANTE PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
JUNE 30, 2000 AND DECEMBER 31, 1999

ASSETS	JUNE 30, 2000 (UNAUDITED)	DECEMBER 31, 1999 (NOTE)
CURRENT ASSETS		
Cash and cash equivalents	$ 3,366,063	$ 5,274,552
Prepaid expenses and other sundry assets	39,395	58,994
	3,405,458	5,333,546
PROPERTY AND EQUIPMENT, NET	425,239	446,083
	$ 3,830,697	$ 5,779,629
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 110,977	$ 76,057
Accrued compensation	94,835	182,973
Other accrued expenses	16,405	45,085
Due to licensor	25,000	25,000
	247,217	329,115
STOCKHOLDERS' EQUITY		
Capital stock		
Issued and Outstanding		
4,716,025 (1999 - 4,807,865) Class C special stock	472	481
52,734,526 (1999 - 52,642,686) Common stock	17,675,479	17,652,510
	17,675,951	17,652,991
Deficit accumulated during the development stage	(14,092,471)	(12,202,477)
	3,583,480	5,450,514
	$ 3,830,697	$ 5,779,629

Note: The balance sheet as of December 31, 1999 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles.

See accompanying notes to the financial statements.

ITEM 1 - FINANCIAL STATEMENTS (CONTINUED)

BIOSANTE PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
THREE AND SIX MONTHS ENDED JUNE 30, 2000 AND 1999 AND THE CUMULATIVE
PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO JUNE 30, 2000
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO JUNE 30, 2000
	2000	1999	2000	1999	
REVENUE					
Interest income	$ 61,504	$ 46,781	$ 121,886	$ 72,516	$ 640,704
EXPENSES					
Research and development	1,164,039	145,509	1,355,214	316,531	3,751,754
General and administration	307,280	157,539	608,455	359,432	4,740,112
Depreciation and amortization	24,359	23,119	48,211	44,820	331,545
Loss on disposal of capital assets	-	-	-	-	157,545
Costs of acquisition of Structured Biologicals Inc.	-	-	-	-	375,219
Purchased in-process research and development	-	-	-	-	5,377,000
	1,495,678	326,167	2,011,880	720,783	14,733,175
NET LOSS	$(1,434,174)	$ (279,386)	$(1,889,994)	$ (648,267)	$ (14,092,471)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.02)	$ (0.34)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	57,450,551	48,232,199	57,450,551	41,282,485	40,985,354

See accompanying notes to the financial statements.

ITEM 1 - FINANCIAL STATEMENTS (CONTINUED)

BIOSANTE PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2000 AND 1999 AND THE CUMULATIVE
PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO JUNE 30, 2000
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,		CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO JUNE 30,
	2000	1999	2000
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net loss	$ (1,889,994)	$ (648,267)	$ (14,092,471)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	48,211	44,820	331,545
Purchased in-process research and development	-	-	5,377,000
Loss on disposal of equipment	-	-	157,545
Changes in other assets and liabilities affecting cash flows from operations			
Prepaid expenses	19,599	9,110	(36,427)
Accounts payable and accrued expenses	(81,898)	(361,724)	(517,970)
Due to licensor	-	-	25,000
Due from SBI	-	(133,901)	(128,328)
NET CASH USED IN OPERATING ACTIVITIES	(1,904,082)	(1,089,962)	(8,884,106)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of capital assets	(27,367)	(4,218)	(880,219)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES			
(Conversion) issuance of Class "C" shares	(9)	-	472
Proceeds from sale or conversion of shares	22,969	4,213,233	13,129,916
NET CASH PROVIDED BY FINANCING ACTIVITIES	22,960	4,213,233	13,130,388
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,908,489)	3,119,053	3,366,063
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,274,552	2,841,250	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,366,063	$ 5,960,303	$ 3,366,063
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION			
Acquisition of SBI			
Purchased in-process research and development	$ -	$ -	$ 5,377,000
Other net liabilities assumed	-	-	(831,437)
	-	-	4,545,563
Less: common stock issued therefor	-	-	4,545,563
	$ -	$ -	$ -
Income tax paid	$ -	$ -	$ -
Interest paid	$ -	$ -	$ -

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. INTERIM FINANCIAL INFORMATION

In the opinion of management, the accompanying unaudited financial statements contain all necessary adjustments, which are of a normal recurring nature, to present fairly the financial position of BioSante Pharmaceuticals, Inc. as of June 30, 2000, the results of operations for the three and six months ended June 30, 2000 and 1999 and for the cumulative period from August 29, 1996 (date of incorporation) to June 30, 2000, and the cash flows for the six months ended June 30, 2000 and 1999 and for the cumulative period from August 29, 1996 (date of incorporation) to June 30, 2000, in conformity with generally accepted accounting principles. Operating results for the three and six month periods ended June 30, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31, 2000.

These unaudited interim financial statements should be read in conjunction with the financial statements and related notes contained in BioSante's Annual Report on Form 10-KSB for the year ended December 31, 1999.

2. BASIC AND DILUTED NET LOSS PER SHARE

The basic and diluted net loss per share is computed based on the weighted average number of shares of common stock and Class C stock outstanding, all being considered as equivalent of one another. Basic net loss per share is computed by dividing the net loss by the weighted average number of shares outstanding for the reporting period. Diluted net loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Because BioSante has incurred net losses from operations in each of the periods presented, there is no difference between basic and diluted net loss per share amounts. The computation of diluted net loss per share does not include options and warrants with the dilutive potential that would have an antidilutive effect on net loss per share.

3. LICENSE AND SUPPLY AGREEMENTS

On June 13, 2000, the Company entered into a licensing agreement and a supply agreement with Permatec Technologie, AG, a Swiss corporation, covering four hormone products for the treatment of testosterone deficiency in men and estrogen deficiency in women. Under the terms of the license agreement, Permatec granted the Company an exclusive license, with the right to grant sublicenses, to develop and, after receipt of all necessary approvals, market the products in the United States of America and nine other countries. In consideration for the license, the Company paid Permatec an initial license fee of $1,000,000, a portion of which may be applied against future royalty payments and/or sublicense upfront payments. The entire $1,000,000 has been expensed in accordance with the Company's policy to expense all license fees for products which have not yet successfully completed Phase II or similar clinical trials. The agreement requires the Company to pay Permatec a percentage of future net sales, if any, as a royalty. Under the terms of the license agreement, the Company is also obligated to make milestone payments upon the occurrence of certain future events, however, the Company is unconditionally obligated to make minimum future milestone

payments of $250,000, regardless of whether the contract milestones are ever achieved. Under terms of the supply agreement, Permatec has agreed to manufacture or have manufactured and sell exclusively to the Company, and the Company has agreed to purchase exclusively from Permatec, the Company's total requirements for the products covered under the license agreement between the two parties.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

THIS FORM 10-QSB CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS. FOR THIS PURPOSE, ANY STATEMENTS CONTAINED IN THIS FORM 10-QSB THAT ARE NOT STATEMENTS OF HISTORICAL FACT MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, WORDS SUCH AS "MAY," "WILL," "EXPECT," BELIEVE," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE OR OTHER VARIATIONS THEREOF OR COMPARABLE TERMINOLOGY ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE STATEMENTS BY THEIR NATURE INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES, AND ACTUAL RESULTS MAY DIFFER MATERIALLY DEPENDING ON A VARIETY OF FACTORS, INCLUDING THOSE DESCRIBED UNDER THIS SECTION AND THE SECTION ENTITLED "RISK FACTORS" BELOW AND THOSE CONTAINED UNDER THE CAPTION "RISK FACTORS" CONTAINED IN BIOSANTE'S ANNUAL REPORT ON FORM 10-KSB FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999.

The following discussion of the results of the operations and financial condition of BioSante should be read in conjunction with BioSante's financial statements and the related notes thereto.

OVERVIEW

We are an emerging development stage biopharmaceutical company that develops hormone replacement products to treat testosterone deficiency in men and estrogen deficiency in women. We are also engaged in the development and commercialization of vaccine adjuvants, proprietary novel vaccines and drug delivery systems.

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

- the creation of improved versions of current vaccines by the "adjuvant" activity of our proprietary nanoparticles;
- the development of new, unique vaccines against diseases for which there currently are few or no effective methods of prevention, such as genital herpes; and
- the creation of inhaled forms of pharmaceutical compounds that currently must be given by injection, such as insulin.

On June 13, 2000, we announced that we entered into a license agreement with Permatec Technologie, AG of Switzerland under which we are in-licensing a group of hormone replacement products. These products are designed to address a variety of hormone deficiencies that affect both men and women. Symptoms of these hormone deficiencies include impotence, lack of sex drive, muscle weakness and osteoporosis in men and menopausal symptoms in women including hot flashes, vaginal atrophy, decreased libido and osteoporosis.

Three of the four new products we are licensing are gel formulations of testosterone (the natural male hormone), estradiol (the natural female hormone), and a combination of estradiol and a progestogen (another female hormone). These gels are designed to be quickly absorbed through the skin after application on the arms, abdomen or thighs, delivering the required hormone to the bloodstream evenly and in a non-invasive, painless manner. The gels are being formulated to be applied once per day and to be absorbed into the skin without a trace of

residue. The fourth product is an estradiol patch for application on the skin once per week with delivery of estradiol lasting seven days.

Under the terms of our license agreement with Permatec, we acquired exclusive marketing rights, with the right to grant sub-licenses, to the three single active ingredient testosterone and estradiol products for all therapeutic indications in the U.S., Canada, Mexico, Israel, Australia, New Zealand, China, Malaysia, Indonesia and South Africa. We acquired exclusive marketing rights, with the right to grant sub-licenses, for the combination estradiol and progestogen product in the U.S. and Canada. In partial consideration for the license of the proposed hormone products, we paid Permatec an upfront license fee of $1 million in June 2000. In addition, under the terms of the license agreement, we agreed to fund the development of the proposed products, make milestone payments and, once regulatory approval to market is received, pay royalties to Permatec on sales of the products.

Our corporate strategy is to develop a portfolio of pharmaceutical products and to:

- in-license or otherwise acquire products in the late-stage development phase;
- in-license or otherwise acquire products already on the market; and
- enter into business collaborations or joint ventures with complementary firms to further develop and commercialize our products.

PLAN OF OPERATIONS

Our strategy over the next 12 months is to continue development of our nanoparticle technology and to actively seek collaborators and licensees to accelerate the development and commercialization of products incorporating this technology. We hope to file an investigational new drug application with the U.S. Food and Drug Administration (commonly referred to as the "FDA") before the end of 2000 to commence a Phase I human clinical trial with respect to our CAP nanoparticles. In addition, we expect to begin human clinical trials with respect to our hormone replacement products by the end of 2000 or early 2001, in order to obtain FDA approval to market these products.

Pursuant to our hormone replacement product portfolio in-license, we expect to hire commercial development, clinical and regulatory employees as appropriate. Alternatively, in lieu of and possibly in addition to hiring additional employees, we may elect to enter into arrangements with third parties to contract for similar tasks of hired employees.

All of our revenue to date has been derived from interest earned on invested funds. We have not commercially introduced any products. We expect to incur substantial and continuing losses for the foreseeable future as our own product development programs expand, various preclinical and clinical trials commence and we continue to seek product in-licenses or otherwise acquire new products. The amount of these losses may vary significantly from year-to-year and quarter-to-quarter and will depend on, among other factors:

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

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

General and administrative expenses increased from $157,539 during the three month period ended June 30, 1999 to $307,280 during the three month period ended June 30, 2000. This increase of approximately 95% is due primarily to an increase in the expenses associated with filing our Form 10-SB with the SEC.

Research and development expenses increased from $145,509 during the three month period ended June 30, 1999 to $1,164,039 during the three month period ended June 30, 2000 due primarily to a $1 million upfront payment to the licensor of the hormone replacement product portfolio. As a result of our hormone replacement product in-license, we expect that our research and development expenses will increase significantly. We are required under the terms of our license agreement with the University of California to make available certain amounts of funds dedicated to research and development activities. The amount of BioSante's research and development expenditures, however, may fluctuate from quarter-to-quarter and year-to-year depending on: (1) the resources available; (2) its development schedule; (3) results of studies, clinical trials and regulatory decisions; and (4) competitive developments.

Interest income increased from $46,781 during the three month period ended June 30, 1999 to $61,504 during the three month period ended June 30, 2000. We expect interest income to decline in future periods as we use our cash balances for operations.

We incurred a net loss of $1,434,174 for the three month period ended June 30, 2000, compared to a net loss of $279,386 for the three month period ended June 30, 1999. The increase in the net loss is primarily due to the $1 million upfront in-license fee we paid to the licensor of the hormone replacement product portfolio in June 2000. We anticipate that our operating losses will continue for the foreseeable future.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

General and administrative expenses increased from $359,432 during the six month period ended June 30, 1999 to $608,455 during the six month period ended June 30, 2000. This increase of approximately 69% is due primarily to an increase in the expenses associated with filing our Form 10-SB with the SEC.

Research and development expenses increased from $316,531 during the six month period ended June 30, 1999 to $1,355,214 during the six month period ended June 30, 2000, due primarily to a $1 million upfront payment to the licensor of the hormone replacement product portfolio. As a result of our hormone replacement product in-license, we expect that our research and development expenses will increase significantly. We are required under the terms of our license agreement with the University of California to make available certain amounts of funds dedicated to research and development activities. The amount of BioSante's research and development expenditures, however, may fluctuate from quarter-to-quarter and

year-to-year depending on: (1) the resources available; (2) its development schedule; (3) results of studies, clinical trials and regulatory decisions; and (4) competitive developments.

Interest income increased from $72,516 during the six month period ended June 30, 1999 to $121,886 during the six month period ended June 30, 2000. We expect interest income to decline in future periods as we use our cash balances for operations.

BioSante incurred a net loss of $1,889,994 for the six month period ended June 30, 2000, compared to a net loss of $648,267 for the six month period ended June 30, 1999. The increase in the net loss is primarily due to the $1 million upfront in-license fee we paid to the licensor of the hormone replacement product portfolio in June 2000. As of June 30, 2000, BioSante had an accumulated deficit of $14,092,471. We anticipate that our operating losses will continue for the foreseeable future.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have raised equity financing to fund our operations, and we expect to continue this practice to fund our ongoing operations. Since inception, we have raised net proceeds of approximately $9.1 million from private equity financings, class A and class C stock conversions and warrant exercises.

Our cash and cash equivalents were $3,366,063 and $5,274,552 at June 30, 2000 and December 31, 1999, respectively. The decrease in our cash balances is due to cash used in operating activities. We used cash in operating activities of $1,442,894 for the three month period ended June 30, 2000 versus cash used in operating activities of $279,714 for the three month period ended June 30, 1999. This change reflects a $1 million upfront payment to the licensor of the hormone replacement product portfolio license we acquired in June 2000. Net cash used in investing activities was $16,033 for the three month period ended June 30, 2000 versus $975 for the three month period ended June 30, 1999. The uses of cash in investing activities during the three month period ended June 30, 2000 were capital expenditures for the purchase of three computers. The significant uses of cash in investing activities for the three month period ended June 30, 1999 included capital expenditures for a hand-held computer. Net cash provided by financing activities was $12,500 for the three months ended June 30, 2000 compared to $4,210,733 for the three months ended June 30, 1999. Net cash provided during the three months ended June 30, 2000 was the result of conversions of shares of class C stock into shares of common stock while net cash provided during the three months ended June 30, 1999 was the result of a $4.2 million private placement of our common stock in May 1999.

We used cash in operating activities of $1,904,082 for the six month period ended June 30, 2000 versus cash used in operating activities of $1,089,962 for the six month period ended June 30, 1999. This change reflects a $1 million upfront payment to the licensor of the hormone replacement product portfolio license we acquired in June 2000. Net cash used in investing activities was $27,367 for the six month period ended June 30, 2000 versus $4,218 for the six month period ended June 30, 1999. The uses of cash in investing activities during 2000 were capital expenditures for the purchase of six computers. The significant uses of cash in investing activities for the six month period ended June 30, 1999 included capital expenditures for office furniture. Net cash provided by financing activities was $22,960 for the six months ended June 30, 2000 compared to $4,213,233 for the six months ended June 30, 1999. Net cash provided during the six months ended June 30, 2000 was the result of conversions of shares of class C stock into shares of common stock. Net cash provided by financing activities during the six

months ended June 30, 1999 was the result of a $4.2 million private placement of our common stock in May 1999.

We did not have any material commitments for capital expenditures as of June 30, 2000. We have, however several financial commitments, including product development milestone payments to the licensor of our proposed hormone products, payments under the license agreement with the University of California, as well as the minimum annual lease payments.

We currently do not have sufficient resources to complete the commercialization of any of our proposed products. Therefore, we may need to raise substantial additional capital to fund our operations sometime in the future. We cannot be certain that any financing will be available when needed. If we fail to raise additional financing as we need it, we may have to delay or terminate our own product development programs or pass on opportunities to in-license or otherwise acquire new products that we believe may be beneficial to our business. We expect to continue to spend capital on:

- research and development programs;
- preclinical studies and clinical trials;
- regulatory processes;
- establishment of our own commercial scale manufacturing and marketing capabilities or a search for third party manufacturers and marketing partners to manufacture and market our products for us; and
- the licensure or acquisition of new products.

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

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

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

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

Our cash on hand as of June 30, 2000 was $3,366,063. We believe this cash will be sufficient to fund our operations through at least December 2001. We have based this estimate on assumptions that may prove to be wrong. As a result, we may need to obtain additional financing prior to that time. In addition, we may need to raise additional capital at an earlier time to fund our ongoing research and development activities, acquire new products or take advantage of other unanticipated opportunities. Any additional equity financings may be dilutive to our existing shareholders, and debt financing, if available, may involve restrictive covenants on our business. In addition, insufficient funds may require us to delay, scale back or eliminate some or all of our programs designed to facilitate the commercial introduction of our proposed products, prevent commercial introduction of our products altogether or restrict us from acquiring new products that we believe may be beneficial to our business.

RISK FACTORS

There are several important factors that could cause our actual results to differ materially from those anticipated by us or which are reflected in any of our forward-looking statements. These factors, and their impact on the success of our operations and our ability to achieve our goals, include the following and those listed under the caption "Risk Factors" in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 1999:

WE ARE A DEVELOPMENT STAGE COMPANY WITH A SHORT OPERATING HISTORY, MAKING IT DIFFICULT FOR YOU TO EVALUATE OUR BUSINESS AND YOUR INVESTMENT.

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

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

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

OUR PROPOSED PRODUCTS ARE IN THE RESEARCH STAGES AND WILL LIKELY NOT BE COMMERCIALLY INTRODUCED FOR SEVERAL YEARS, IF AT ALL.

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

- be successfully developed;
- prove to be safe and efficacious in clinical trials;

- meet applicable regulatory standards;
- demonstrate substantial protective or therapeutic benefits in the prevention or treatment of any disease;
- be capable of being produced in commercial quantities at reasonable costs; or
- be successfully marketed.

We do not anticipate that any of our proposed products will receive the requisite regulatory approvals for commercialization in the United States or abroad for a number of years, if at all, and we cannot assure you that any of our proposed products, if approved and marketed, will generate significant product revenue and provide an acceptable return on our investment.

OUR STRATEGY TO ACQUIRE PRODUCTS IN THE LATE-STAGE DEVELOPMENT PHASE OR PRODUCTS ALREADY ON THE MARKET IS RISKY AND THE MARKET FOR ACQUIRING THESE PRODUCTS IS COMPETITIVE.

We intend to acquire, through outright purchase, license, joint venture or other methods, products in the late-stage development phase or products already on the market, and assist in the final development and commercialization of those products. There are a number of companies that have similar strategies to ours, many of whom have substantially greater resources than us. It is difficult to determine the value of a product that has not been fully developed or commercialized, and the possibility of significant competition for these products may tend to increase the cost to us of these products beyond the point at which we will experience an acceptable return on our investment. We cannot assure you that we will be able to acquire any products on commercially acceptable terms or at all, that any product we may acquire will be approved by the FDA or if approved, will be marketable, or that even if marketed, that we will be able to obtain an acceptable return on our investment.

While we have no current agreements or negotiations underway, if we purchase any products, we could issue stock that would dilute existing shareholders' percentage ownership, incur substantial debt or assume contingent liabilities. These purchases also involve numerous other risks, including:

- problems assimilating the purchased products;
- unanticipated costs associated with the purchase;
- incorrect estimates made in the accounting for acquisitions; and
- risks associated with entering markets in which we have no or limited prior experience.

IF WE FAIL TO OBTAIN REGULATORY APPROVAL TO COMMERCIALLY MANUFACTURE OR SELL ANY OF OUR FUTURE PRODUCTS, OR IF APPROVAL IS DELAYED, WE WILL BE UNABLE TO GENERATE REVENUE FROM THE SALE OF OUR PRODUCTS.

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

Generally, only a very small percentage of newly discovered pharmaceutical products that enter preclinical development are approved for sale. Because of the risks and uncertainties in biopharmaceutical development, our proposed products could take a significantly longer time to gain regulatory approval than we expect or may never gain approval. If regulatory approval is

delayed or never obtained, our management's credibility, the value of our company and our operating results would be adversely affected.

Moreover, even if the FDA approves a product, such approval may be conditioned upon commercially unacceptable limitations on the indications for which a product may be marketed, and further studies may be required to provide additional data on safety or effectiveness. The FDA may also require post-marketing surveillance programs to monitor the product's side effects. The later discovery of previously unknown problems with a product or manufacturer may result in restrictions or sanctions on the product or manufacturer, including the withdrawal of the product from the market.

TO OBTAIN REGULATORY APPROVAL TO MARKET OUR PRODUCTS, COSTLY AND LENGTHY PRECLINICAL STUDIES AND CLINICAL TRIALS MAY BE REQUIRED, AND THE RESULTS OF THE STUDIES AND TRIALS ARE HIGHLY UNCERTAIN.

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

After we have conducted preclinical studies in animals, we must demonstrate that our products are safe and effective for use on the target human patients in order to receive regulatory approval for commercial sale. The data obtained from preclinical and clinical testing are subject to varying interpretations that could delay, limit or prevent regulatory approval. Adverse or inconclusive clinical results would prevent us from filing for regulatory approval of our products. Additional factors that can cause delay or termination of our clinical trials include:

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

BECAUSE OUR INDUSTRY IS VERY COMPETITIVE AND OUR COMPETITORS HAVE SUBSTANTIALLY GREATER CAPITAL RESOURCES AND MORE EXPERIENCE IN RESEARCH AND DEVELOPMENT, MANUFACTURING AND MARKETING THAN US, WE MAY NOT SUCCEED IN DEVELOPING OUR PROPOSED PRODUCTS AND BRINGING THEM TO MARKET.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

PART II - OTHER INFORMATION

ITEM 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS

During the three months ended June 30, 2000, we issued 91,840 shares of common stock pursuant to the conversion of class C stock.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 13, 2000, at the Annual and Special Meeting of Stockholders, our stockholders re-elected nine directors. Our stockholders also adopted an amendment to increase the number of shares of BioSante common stock reserved for issuance under our 1998 Stock Option Plan from five million to seven million. In addition, our stockholders ratified the appointment of Deloitte & Touche L.L.P. our independent auditors for the fiscal year ending December 31, 2000. The votes on each of these matters were as follows:

	For	Against	Withheld
1. ELECTION OF DIRECTORS			
Louis W. Sullivan	39,027,270		188
Stephen M. Simes	39,027,287		171
Victor Morgenstern	39,027,287		171
Fred Holubow	39,027,287		171
Ross Mangano	39,027,284		174
Edward C. Rosenow	39,027,287		171
Angela Ho	39,027,287		171
Peter Kjaer	39,027,287		171
Avi Ben-Abraham	38,835,287		192,171
2. AMEND 1998 STOCK OPTION PLAN	38,920,429	96,200	11,421
3. APPOINTMENT OF AUDITORS	39,024,431	422	3,197

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS.

Exhibit Number	Description
10.1	Amended and Restated 1998 Stock Option Plan
27.1	Financial Data Schedule

(b) REPORTS ON FORM 8-K

On June 30, 2000, BioSante filed a Current Report on Form 8-K to announce the in-license of a portfolio of hormone replacement products from Permatec Techologie, AG.

SIGNATURES

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

August 11, 2000 BIOSANTE PHARMACEUTICALS, INC.

By: /s/ Stephen M. Simes

Stephen M. Simes
President and Chief Executive Officer
(principal executive officer)

By: /s/ Phillip B. Donenberg

Phillip B. Donenberg
Chief Financial Officer, Secretary and
Treasurer (principal financial and
accounting officer)

EXHIBIT INDEX

Exhibit Number	Description	Location
10.1	Amended and Restated 1998 Stock Option Plan	Filed herewith
27.1	Financial Data Schedule	Filed herewith

BIOSANTE PHARMACEUTICALS, INC.
AMENDED AND RESTATED
1998 STOCK OPTION PLAN

(As amended through June 13, 2000)

1. PURPOSE OF PLAN.

The purpose of the BioSante Pharmaceuticals, Inc. 1998 Stock Option Plan (the "Plan") is to advance the interests of BioSante Pharmaceuticals, Inc. (the "Company") and its shareholders by enabling the Company and its Subsidiaries to attract and retain persons of ability to perform services for the Company and its Subsidiaries by providing an incentive to such individuals through equity participation in the Company and by rewarding such individuals who contribute to the achievement by the Company of its objectives, as the Board of Directors describes them.

2. DEFINITIONS.

The following terms will have the meanings set forth below, unless the context clearly otherwise requires:

2.1 "ASE" means the Alberta Stock Exchange.

2.2 "ASE REQUIREMENTS" means the by-laws, rules, circulars and policies of the ASE.

2.3 "BOARD" means the Board of Directors of the Company.

2.4 "BROKER EXERCISE NOTICE" means a written notice pursuant to which a Participant, upon exercise of an Option, irrevocably instructs a broker or dealer to sell a sufficient number of shares or loan a sufficient amount of money to pay all or a portion of the exercise price of the Option and/or any related withholding tax obligations and remit such sums to the Company and directs the Company to deliver stock certificates to be issued upon such exercise directly to such broker or dealer.

2.5 "CHANGE IN CONTROL" means an event described in Section 9.1 of the Plan.

2.6 "CODE" means the Internal Revenue Code of 1986, as amended.

2.7 "COMMITTEE" means the group of individuals administering the Plan, as provided in Section 3 of the Plan.

2.8 "SUBORDINATE VOTING STOCK" means the subordinate voting stock of the Company, no par value, or the number and kind of shares of stock or other securities into which such subordinate voting stock may be changed in accordance with Section 4.3 of the Plan.

2.9 "DISABILITY" means the disability of the Participant such as would entitle the Participant to receive disability income benefits pursuant to the long-term disability plan of the Company or Subsidiary then covering the Participant or, if no such plan exists or is applicable to the Participant, the permanent and total disability of the Participant within the meaning of Section 22(e)(3) of the Code.

2.10 "ELIGIBLE RECIPIENTS" means all employees of the Company or any Subsidiary and any non-employee directors, officers, consultants and independent contractors of the Company or any Subsidiary.

2.11 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

2.12 "FAIR MARKET VALUE" means, with respect to the Subordinate Voting Stock, as of any date (or, if no shares were traded or quoted on such date, as of the next preceding date on which there was such a trade or quote) (a) the mean between the reported high and low sale prices of the Subordinate Voting Stock if the Subordinate Voting Stock is listed, admitted to unlisted trading privileges or reported on any foreign or national securities exchange or on the Nasdaq National Market or an equivalent foreign market on which sale prices are reported; (b) if the Subordinate Voting Stock is not so listed, admitted to unlisted trading privileges or reported, the closing bid price as reported by the Nasdaq SmallCap Market, OTC Bulletin Board or the National Quotation Bureau, Inc. or other comparable service; or (c) if the Subordinate Voting Stock is not so listed or reported, such price as the Committee determines in good faith in the exercise of its reasonable discretion.

2.13 "INCENTIVE STOCK OPTION" means a right to purchase Subordinate Voting Stock granted to an Eligible Recipient pursuant to Section 6 of the Plan that qualifies as an "incentive stock option" within the meaning of Section 422 of the Code.

2.14 "NON-STATUTORY STOCK OPTION" means a right to purchase Subordinate Voting Stock granted to an Eligible Recipient pursuant to Section 6 of the Plan that does not qualify as an Incentive Stock Option.

2.15 "OPTION" means an Incentive Stock Option or a Non-Statutory Stock Option.

2.16 "PARTICIPANT" means an Eligible Recipient who receives one or more Options under the Plan.

2.17 "PREVIOUSLY ACQUIRED SHARES" means shares of Subordinate Voting Stock or any other shares of capital stock of the Company that are already owned by the Participant or, with respect to any Option, that are to be issued upon the exercise of such Option.

2.18 "RETIREMENT" means termination of employment or service pursuant to and in accordance with the regular (or, if approved by the Board for purposes of the Plan, early) retirement/pension plan or practice of the Company or Subsidiary then covering the Participant, provided that if the Participant is not covered by any such plan or practice, the Participant will be deemed to be covered by the Company's plan or practice for purposes of this determination.

2.19 "SECURITIES ACT" means the Securities Act of 1933, as amended.

2.20 "SUBSIDIARY" means any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity interest, as determined by the Committee.

2.21 "TAX DATE" means the date any withholding tax obligation arises under the Code or other applicable tax statute for a Participant with respect to an Option.

3. PLAN ADMINISTRATION.

3.1 THE COMMITTEE. The Plan will be administered by the Board or by a committee of the Board. So long as the Company has a class of its equity securities registered under Section 12 of the Exchange Act, any committee administering the Plan will consist solely of two or more members of the Board who are "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act and, if the Board so determines in its sole discretion, who are "outside directors" within the meaning of Section 162(m) of the Code. Such a committee, if established, will act by majority approval of the members (but may also take action with the written consent of all of the members of such committee), and a majority of the members of such a committee will constitute a quorum. As used in the Plan, "Committee" will refer to the Board or to such a committee, if established. To the extent consistent with corporate law, the Committee may delegate to any officers of the Company the duties, power and authority of the Committee under the Plan pursuant to such conditions or limitations as the Committee may establish; provided, however, that only the Committee may exercise such duties, power and authority with respect to Eligible Recipients who are subject to Section 16 of the Exchange Act. The Committee may exercise its duties, power and authority under the Plan in its sole and absolute discretion without the consent of any Participant or other party, unless the Plan specifically provides otherwise. Each determination, interpretation or other action made or taken by the Committee pursuant to the provisions of the Plan will be final, conclusive and binding for all purposes and on all persons, including, without limitation, the Company, the shareholders of the Company, the participants and their respective successors-in-interest. No member of the Committee will be liable for any action or determination made in good faith with respect to the Plan or any Option granted under the Plan.

3.2 AUTHORITY OF THE COMMITTEE.

(a) In accordance with and subject to the provisions of the Plan, the Committee will have the authority to determine all provisions of Options as the Committee may deem necessary or desirable and as consistent with the terms of the Plan, including, without limitation, the following: (i) the Eligible Recipients to be selected as Participants; (ii) the nature and extent of the Options to be made to each Participant (including the number of shares of Subordinate Voting Stock to be subject to each Option, the exercise price and the manner in which Options will become exercisable) and the form of written agreement, if any, evidencing such Option; (iii) the time or times when Options will be granted; (iv) the duration of each Option; and (v) the restrictions and other conditions to which the Options may be subject. In addition, the Committee will have the authority under the Plan in its sole discretion to pay the economic value of any Option in the form of cash, shares of Subordinate Voting Stock, shares of any capital stock of the Company, or any combination of both.

(b) The Committee will have the authority under the Plan to amend or modify the terms of any outstanding Option in any manner, including, without limitation, the authority to modify the number of shares or other terms and conditions of an Option, extend the term of an Option, accelerate the exercisability or otherwise terminate any restrictions relating to an Option, accept the surrender of any outstanding Option or, to the extent not previously exercised or vested, authorize the grant of new Options in substitution for surrendered Options; provided, however that the amended or modified terms are permitted by the Plan as then in effect and that any Participant adversely

affected by such amended or modified terms has consented to such amendment or modification. No amendment or modification to an Option, however, whether pursuant to this Section 3.2 or any other provisions of the Plan, will be deemed to be a re-grant of such Option for purposes of this Plan.

(c) In the event of (i) any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, extraordinary dividend or divestiture (including a spin-off) or any other similar change in corporate structure or shares, (ii) any purchase, acquisition, sale or disposition of a significant amount of assets or a significant business, (iii) any change in accounting principles or practices, or (iv) any other similar change, in each case with respect to the Company or any other entity whose performance is relevant to the grant or vesting of an Option, the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation) may, without the consent of any affected Participant, amend or modify the conditions to the exercisability of any outstanding Option that is based in whole or in part on the financial performance of the Company (or any Subsidiary or division thereof) or such other entity so as equitably to reflect such event, with the desired result that the criteria for evaluating such financial performance of the Company or such other entity will be substantially the same (in the sole discretion of the Committee or the board of directors of the surviving corporation) following such event as prior to such event; provided, however, that the amended or modified terms are permitted by the Plan as then in effect.

4. SHARES AVAILABLE FOR ISSUANCE.

4.1 MAXIMUM NUMBER OF SHARES AVAILABLE. Subject to Section 4.4 below and adjustment as provided in Section 4.3 of the Plan, the maximum number of shares of Subordinate Voting Stock that will be available for issuance under the Plan will be 7,000,000 shares of Subordinate Voting Stock, plus any shares of Subordinate Voting Stock which, as of the date the Plan is approved by the shareholders of the Company, are reserved for issuance under the Company's existing Stock Option Plan and which are not thereafter issued or which have been issued but are subsequently forfeited and which would otherwise have been available for further issuance under such plan.

4.2 ACCOUNTING FOR OPTIONS. Shares of Subordinate Voting Stock that are issued under the Plan or that are subject to outstanding Options will be applied to reduce the maximum number of shares of Subordinate Voting Stock remaining available for issuance under the Plan. Any shares of Subordinate Voting Stock that are subject to an Option that lapses, expires, is forfeited or for any reason is terminated unexercised and any shares of Subordinate Voting Stock that are subject to an Option that is settled or paid in cash or any form other than shares of Subordinate Voting Stock will automatically again become available for issuance under the Plan.

4.3 ADJUSTMENTS TO SHARES AND OPTIONS. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, divestiture or extraordinary dividend (including a spin-off) or any other change in the corporate structure or shares of the Company, the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation) will make appropriate adjustment (which determination will be conclusive) as to the number and kind of securities or other property (including cash) available

for issuance or payment under the Plan and, in order to prevent dilution or enlargement of the rights of Participants, the number and kind of securities or other property (including cash) subject to, and the exercise price of, outstanding Options.

4.4 ASE REQUIREMENTS. So long as the Subordinate Voting Stock of the Company is listed on the ASE and the Company has not been exempted from the ASE Requirements in this regard:

(a) the aggregate number of shares of Subordinate Voting Stock that may be reserved for issuance pursuant to the Plan and any other stock option plan, stock purchase plan or for remuneration for any service performed for or on behalf of the Company shall not exceed 10% of the outstanding shares of Subordinate Voting Stock, on a non-diluted basis;

(b) the aggregate number of shares of Subordinate Voting Stock that may be reserved for issuance pursuant to the Plan and any other stock option plan, stock purchase plan or for remuneration for any service performed for or on behalf of the Company to any one party shall not exceed 5% of the outstanding shares of Subordinate Voting Stock, on a non-diluted basis;

(c) the aggregate number of shares of Subordinate Voting Stock that may be reserved for issuance pursuant to the Plan to any party other than a director, officer, employee or insider shall not exceed 1% of the outstanding shares of Subordinate Voting Stock of the Company, on a non-diluted basis per annum; and

(d) the aggregate number of shares of Subordinate Voting Stock that may be reserved for issuance pursuant to the Plan to all parties other than directors, officers, employees or insiders shall not exceed (i) 2.5% of the outstanding shares of Subordinate Voting Stock of the Company, on a non-diluted basis in any one calendar year, (ii) 10% of the outstanding shares of Subordinate Voting Stock of the Company, on a non-diluted basis at any time.

5. PARTICIPATION.

Participants in the Plan will be those Eligible Recipients who, in the judgment of the Committee, have contributed, are contributing or are expected to contribute to the achievement of objectives as determined by the Board of the Company or its Subsidiaries. Eligible Recipients may be granted from time to time one or more Options as may be determined by the Committee in its sole discretion. Options will be deemed to be granted as of the date specified in the grant resolution of the Committee, which date will be the date of any related agreement with the Participant.

6. OPTIONS.

6.1 GRANT. An Eligible Recipient may be granted one or more Options under the Plan, and such Options will be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion. The Committee may designate whether an Option is to be considered an Incentive Stock Option or a Non-Statutory Stock Option. To the extent that any Incentive Stock Option granted under the

Plan ceases for any reason to qualify as an "incentive stock option" for purposes of Section 422 of the Code, such Incentive Stock Option will continue to be outstanding for purposes of the Plan but will thereafter be deemed to be a Non-Statutory Stock Option.

6.2 EXERCISE PRICE. The per share price to be paid by a Participant upon exercise of an Option will be determined by the Committee in its discretion at the time of the Option grant; provided, however, that (a) such price will not be less than 100% of the Fair Market Value of one share of Subordinate Voting Stock on the date of grant with respect to an Incentive Stock Option (110% of the Fair Market Value if, at the time the Incentive Stock Option is granted, the Participant owns, directly or indirectly, more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company), and (b) such price will not be less than 85% of the Fair Market Value of one share of Subordinate Voting Stock on the date of grant with respect to a Non-Statutory Stock Option. Notwithstanding the foregoing, so long as the Subordinate Voting Stock of the Company is listed on the ASE and the Company has not been exempted from the ASE Requirements in this regard, the exercise price per share of an Option shall not be less than the price per share permitted by the ASE Requirements.

6.3 EXERCISABILITY AND DURATION. An Option will become exercisable at such times and in such installments as may be determined by the Committee in its sole discretion at the time of grant; provided, however, that no Incentive Stock Option may be exercisable after 10 years from its date of grant (five years from its date of grant if, (a) at the time the Incentive Stock Option is granted, the Participant owns, directly or indirectly, more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company or (b) the Subordinate Voting Stock of the Company is then listed on the ASE and the Company has not been exempted from the ASE Requirements in this regard).

6.4 PAYMENT OF EXERCISE PRICE. The total purchase price of the shares to be purchased upon exercise of an Option must be paid entirely in cash (including check, bank draft or money order); provided, however, that the Committee, in its sole discretion and upon terms and conditions established by the Committee, may allow such payments to be made, in whole or in part, by tender of a Broker Exercise Notice, Previously Acquired Shares, a promissory note (on terms acceptable to the Committee in its sole discretion) or by a combination of such methods.

6.5 MANNER OF EXERCISE. An Option may be exercised by a Participant in whole or in part from time to time, subject to the conditions contained in the Plan and in the agreement evidencing such Option, by delivery in person, by facsimile or electronic transmission or through the mail of written notice of exercise to the Company (Attention: Chief Financial Officer) at its principal executive office in Lincolnshire, Illinois and by paying in full the total exercise price for the shares of Subordinate Voting Stock to be purchased in accordance with Section 6.4 of the Plan.

6.6 AGGREGATE LIMITATION OF STOCK SUBJECT TO INCENTIVE STOCK OPTIONS. To the extent that the aggregate Fair Market Value (determined as of the date an Incentive Stock Option is granted) of the shares of Subordinate Voting Stock with respect to which incentive stock options (within the meaning of Section 422 of the Code) are exercisable for the first time by a Participant during any calendar year (under the Plan and any other incentive stock option plans of the Company or any subsidiary or parent corporation of the Company (within the meaning of the

Code)) exceeds $100,000 (or such other amount as may be prescribed by the Code from time to time), such excess Options will be treated as Non-Statutory Stock Options. The determination will be made by taking incentive stock options into account in the order in which they were granted. If such excess only applies to a portion of an Incentive Stock Option, the Committee, in its discretion, will designate which shares will be treated as shares to be acquired upon exercise of an Incentive Stock Option.

7. EFFECT OF TERMINATION OF EMPLOYMENT OR OTHER SERVICE.

7.1 TERMINATION DUE TO DEATH, DISABILITY OR RETIREMENT. Unless otherwise provided by the Committee in its sole discretion in the agreement evidencing an Option:

(a) In the event a Participant's employment or other service with the Company and all Subsidiaries is terminated by reason of death or Disability, all outstanding Options then held by the Participant will remain exercisable, to the extent exercisable as of the date of such termination, for a period of six months after such termination (but in no event after the expiration date of any such Option).

(b) In the event a Participant's employment or other service with the Company and all Subsidiaries is terminated by reason of Retirement, all outstanding Options then held by the Participant will remain exercisable, to the extent exercisable as of the date of such termination, for a period of three months after such termination (but in no event after the expiration date of any such Option).

7.2 TERMINATION FOR REASONS OTHER THAN DEATH, DISABILITY OR RETIREMENT.

(a) Unless otherwise provided by the Committee in its sole discretion in the agreement evidencing an Option, in the event a Participant's employment or other service is terminated with the Company and all Subsidiaries for any reason other than death, Disability or Retirement, or a Participant is in the employ or service of a Subsidiary and the Subsidiary ceases to be a Subsidiary of the Company (unless the Participant continues in the employ or service of the Company or another Subsidiary), all rights of the Participant under the Plan and any agreements evidencing an Option will immediately terminate without notice of any kind, and no Options then held by the Participant will thereafter be exercisable; provided, however, that if such termination is due to any reason other than termination by the Company or any Subsidiary for "cause," all outstanding Options then held by such Participant will remain exercisable, to the extent exercisable as of such termination, for a period of three months after such termination (but in no event after the expiration date of any such Option).

(b) For purposes of this Section 7.2, "cause" (as determined by the Committee) will be as defined in any employment or other agreement or policy applicable to the Participant or, if no such agreement or policy exists, will mean (i) dishonesty, fraud, misrepresentation, embezzlement or deliberate injury or attempted injury, in each case related to the Company or any Subsidiary, (ii) any unlawful or criminal activity of a serious nature, (iii) any intentional and deliberate breach of a duty or duties that, individually or in the aggregate, are material in relation to the Participant's overall duties, or (iv) any material breach of any employment, service, confidentiality or non-compete agreement entered into with the Company or any Subsidiary.

7.3 MODIFICATION OF RIGHTS UPON TERMINATION. Notwithstanding the other provisions of this Section 7, upon a Participant's termination of employment or other service with the Company and all Subsidiaries, the Committee may, in its sole discretion (which may be exercised at any time on or after the date of grant, including following such termination), cause Options (or any part thereof) then held by such Participant to become or continue to become exercisable and/or remain exercisable following such termination of employment or service; provided, however, that no Option may remain exercisable beyond its expiration date.

7.4 EXERCISE OF INCENTIVE STOCK OPTIONS FOLLOWING TERMINATION. Any Incentive Stock Option that remains unexercised more than one year following termination of employment by reason of Disability or more than three months following termination for any reason other than death or Disability will thereafter be deemed to be a Non-Statutory Stock Option.

7.5 DATE OF TERMINATION OF EMPLOYMENT OR OTHER SERVICE. Unless the Committee otherwise determines in its sole discretion, a Participant's employment or other service will, for purposes of the Plan, be deemed to have terminated on the date recorded on the personnel or other records of the Company or the Subsidiary for which the Participant provides employment or other service, as determined by the Committee in its sole discretion based upon such records.

8. PAYMENT OF WITHHOLDING TAXES.

8.1 GENERAL RULES. The Company is entitled to (a) withhold and deduct from future wages of the Participant (or from other amounts that may be due and owing to the Participant from the Company or a Subsidiary), or make other arrangements for the collection of, all legally required amounts necessary to satisfy any and all foreign, federal, state and local withholding and employment-related tax requirements attributable to an Option, including, without limitation, the grant or exercise of an Option or a disqualifying disposition of stock received upon exercise of an Incentive Stock Option, or (b) require the Participant promptly to remit the amount of such withholding to the Company before taking any action, including issuing any shares of Subordinate Voting Stock, with respect to an Option.

8.2 SPECIAL RULES. The Committee may, in its sole discretion and upon terms and conditions established by the Committee, permit or require a Participant to satisfy, in whole or in part, any withholding or employment-related tax obligation described in Section 8.1 of the Plan by electing to tender Previously Acquired Shares, a Broker Exercise Notice or a promissory note (on terms acceptable to the Committee in its sole discretion), or by a combination of such methods.

9. CHANGE IN CONTROL.

9.1 CHANGE IN CONTROL. For purposes of this Section 9, a "Change in Control" of the Company will mean the following:

(a) the sale, lease, exchange or other transfer, directly or indirectly, of substantially all of the assets of the Company (in one transaction or in a series of related transactions) to a person or entity that is not controlled by the Company;

(b) the approval by the shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company;

(c) any person becomes after the effective date of the Plan the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of (i) 20% or more, but not 50% or more, of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors, unless the transaction resulting in such ownership has been approved in advance by the Continuity Directors (as defined in Section 9.2 below), or (ii) 50% or more of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors (regardless of any approval by the Continuity Directors);

(d) a merger or consolidation to which the Company is a party if the shareholders of the Company immediately prior to effective date of such merger or consolidation have "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act), immediately following the effective date of such merger or consolidation, of securities of the surviving corporation representing (i) more than 50%, but less than 80%, of the combined voting power of the surviving corporation's then outstanding securities ordinarily having the right to vote at elections of directors, unless such merger or consolidation has been approved in advance by the Continuity Directors, or (ii) 50% or less of the combined voting power of the surviving corporation's then outstanding securities ordinarily having the right to vote at elections of directors (regardless of any approval by the Continuity Directors);

(e) the Continuity Directors cease for any reason to constitute at least a majority of the Board; or

(f) any other change in control of the Company of a nature that would be required to be reported pursuant to Section 13 or 15(d) of the Exchange Act, whether or not the Company is then subject to such reporting requirement.

9.2 CONTINUITY DIRECTORS. For purposes of this Section 9, "Continuity Directors" of the Company will mean any individuals who are members of the Board on the effective date of the Plan and any individual who subsequently becomes a member of the Board whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Continuity Directors (either by specific vote or by approval of the Company's proxy statement in which such individual is named as a nominee for director without objection to such nomination).

9.3 ACCELERATION OF EXERCISABILITY. Without limiting the authority of the Committee under Sections 3.2 and 4.3 of the Plan, if a Change in Control of the Company occurs, then, unless otherwise provided by the Committee in its sole discretion either in the agreement evidencing an Option at the time of grant or at any time after the grant of an Option, all outstanding Options will become immediately exercisable in full and will remain exercisable for the remainder of their terms, regardless of whether the Participant to whom such Options have been granted remains in the employ or service of the Company or any Subsidiary.

10. RIGHTS OF ELIGIBLE RECIPIENTS AND PARTICIPANTS; TRANSFERABILITY.

10.1 EMPLOYMENT OR SERVICE. Nothing in the Plan will interfere with or limit in any way the right of the Company or any Subsidiary to terminate the employment or service of any

Eligible Recipient or Participant at any time, nor confer upon any Eligible Recipient or Participant any right to continue in the employ or service of the Company or any Subsidiary.

10.2 RIGHTS AS A SHAREHOLDER. As a holder of Options, a Participant will have no rights as a shareholder unless and until such Options are exercised for, or paid in the form of, shares of Subordinate Voting Stock and the Participant becomes the holder of record of such shares. Except as otherwise provided in the Plan, no adjustment will be made for dividends or distributions with respect to such Options as to which there is a record date preceding the date the Participant becomes the holder of record of such shares, except as the Committee may determine in its discretion.

10.3 RESTRICTIONS ON TRANSFER. Except pursuant to testamentary will or the laws of descent and distribution or as otherwise expressly permitted by the Plan (unless approved by the Committee in its sole discretion and the ASE, if necessary), no right or interest of any Participant in an Option prior to the exercise of such Option will be assignable or transferable, or subjected to any lien, during the lifetime of the Participant, either voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise. A Participant will, however, be entitled to designate a beneficiary to receive an Option upon such Participant's death, and in the event of a Participant's death, payment of any amounts due under the Plan will be made to, and exercise of Options (to the extent permitted pursuant to Section 7 of the Plan) may be made by, the Participant's legal representatives, heirs and legatees.

10.4 BREACH OF CONFIDENTIALITY OR NON-COMPETE AGREEMENTS. Notwithstanding anything in the Plan to the contrary, in the event that a Participant materially breaches the terms of any confidentiality or non-compete agreement entered into with the Company or any Subsidiary, whether such breach occurs before or after termination of such Participant's employment or other service with the Company or any Subsidiary, the Committee in its sole discretion may immediately terminate all rights of the Participant under the Plan and any agreements evidencing an Option then held by the Participant without notice of any kind.

10.5 NON-EXCLUSIVITY OF THE PLAN. Nothing contained in the Plan is intended to modify or rescind any previously approved compensation plans or programs of the Company or create any limitations on the power or authority of the Board to adopt such additional or other compensation arrangements as the Board may deem necessary or desirable.

11. SECURITIES LAW AND OTHER RESTRICTIONS.

Notwithstanding any other provision of the Plan or any agreements entered into pursuant to the Plan, the Company will not be required to issue any shares of Subordinate Voting Stock under this Plan, and a Participant may not sell, assign, transfer or otherwise dispose of shares of Subordinate Voting Stock issued pursuant to Options granted under the Plan, unless (a) there is in effect with respect to such shares a registration statement under the Securities Act and any applicable state or foreign securities laws or an exemption from such registration under the Securities Act and applicable state or foreign securities laws, and (b) there has been obtained any other consent, approval or permit from any other regulatory body which the Committee, in its sole discretion, deems necessary or advisable. The Company may condition such issuance, sale or transfer upon the receipt of any representations or agreements from the parties involved, and the placement of any legends on certificates representing shares of Subordinate Voting Stock, as

may be deemed necessary or advisable by the Company in order to comply with such securities law or other restrictions.

12. PLAN AMENDMENT, MODIFICATION AND TERMINATION.

The Board may suspend or terminate the Plan or any portion thereof at any time, and may amend the Plan from time to time in such respects as the Board may deem advisable in order that Options under the Plan will conform to any change in applicable laws or regulations or in any other respect the Board may deem to be in the best interests of the Company; provided, however, that no amendments to the Plan will be effective without approval of the shareholders of the Company if shareholder approval of the amendment is then required pursuant to Section 422 of the Code or the rules of any stock exchange or Nasdaq or similar regulatory body. No termination, suspension or amendment of the Plan may adversely affect any outstanding Option without the consent of the affected Participant; provided, however, that this sentence will not impair the right of the Committee to take whatever action it deems appropriate under Sections 3.2, 4.3 and 9 of the Plan.

13. EFFECTIVE DATE AND DURATION OF THE PLAN.

The Plan is effective as of December 8, 1998, the date it was adopted by the Board. The Plan will terminate at midnight on December 8, 2008 and may be terminated prior to such time to by Board action, and no Option will be granted after such termination. Options outstanding upon termination of the Plan may continue to be exercised in accordance with their terms.

14. MISCELLANEOUS.

14.1 GOVERNING LAW. The validity, construction, interpretation, administration and effect of the Plan and any rules, regulations and actions relating to the Plan will be governed by and construed exclusively in accordance with the laws of the State of Wyoming, notwithstanding the conflicts of laws principles of any jurisdictions.

14.2 SUCCESSORS AND ASSIGNS. The Plan will be binding upon and inure to the benefit of the successors and permitted assigns of the Company and the Participants.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY TO SUCH FINANCIAL STATEMENTS.

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JAN-01-2000
JUN-30-2000
3,666
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3,406
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232
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