

SECURITIES AND EXCHANGE COMMISSION

FORM 425

Filing under Securities Act Rule 425 of certain prospectuses and communications in connection with business combination transactions

Filing Date: **2013-01-28**
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([HTML Version](#) on [secdatabase.com](#))

SUBJECT COMPANY

BIOSANTE PHARMACEUTICALS INC

CIK: [1023024](#) | IRS No.: **582301143** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **425** | Act: **34** | File No.: **001-31812** | Film No.: **13551889**
SIC: **2836** Biological products, (no diagnostic substances)

Mailing Address
*111 BARCLAY BLVD
LINCOLNSHIRE IL 60069*

Business Address
*111 BARCLAY BLVD
LINCOLNSHIRE IL 60069
8474780500*

FILED BY

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**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): **January 28, 2013**

BIOSANTE PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-31812	58-2301143
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

111 Barclay Boulevard	60069
Lincolnshire, Illinois	(Zip Code)
(Address of principal executive offices)	

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 8.01. Other Events.

Subsequent to the issuance of financial statements contained in a registration statement on Form S-4 (the "Form S-4") which was filed by BioSante Pharmaceuticals, Inc. ("BioSante") in connection with its proposed merger with ANIP Acquisition Company d/b/a ANI Pharmaceuticals, Inc. ("ANI") and declared effective by the Securities and Exchange Commission (the "SEC") on January 22, 2013, management of BioSante discovered a misstatement in its statements of stockholders' equity for the years ended December 31, 2011, 2010 and 2009 and balance sheets as of December 31, 2011 and 2010.

The financial statements contained in BioSante's annual report on Form 10-K for the year ended December 31, 2011 and subsequent quarterly reports on Form 10-Q do not contain the misstatement.

The misstatement in the statements of stockholders' equity for the years ended December 31, 2011, 2010 and 2009 contained in the Form S-4 was the result of an inadvertent error in calculating the impact of BioSante's one-for-six reverse stock split effected on June 1, 2012. The line item reflecting \$36,800,043 of common shares issued pursuant to BioSante's merger transaction with Cell Genesys, Inc. during the year ended December 31, 2009 was inadvertently adjusted downward to \$6,133,340 in connection with the recording of the stock split. However, this amount should not have been adjusted but should have remained at \$36,800,043. This error was similarly made to the Total column for that line item and then carried through to each of the Balance line items as of December 31, 2009, 2010 and 2011. As a result of the error in the Balance line items as of December 31, 2011 and 2010 in the statements of stockholders' equity, the Stockholders' equity line item for common stock in the balance sheets as of December 31, 2011 and 2010 were understated by \$30,666,703, resulting in Total stockholders' equity and Total liabilities and stockholders' equity being understated by the same amount.

BioSante is filing this current report on Form 8-K to include audited financial statements for the years ended December 31, 2011, 2010 and 2009 correcting the foregoing misstatement.

The information contained in Exhibit 99.1 to this report is incorporated by reference in this Item 8.01 and should be read in conjunction with, and as a supplement to, information contained in the Form S-4, BioSante's annual report on Form 10-K for its fiscal year ended December 31, 2011 and quarterly report on Form 10-Q for the quarterly period ended September 30, 2012 and any other reports or filings made by BioSante with the Securities and Exchange Commission. For reference to BioSante's annual financial statements, please read BioSante's corrected annual financial statements in this report instead of BioSante's financial statements in the Form S-4.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Audited Financial Statements of BioSante Pharmaceuticals, Inc. for the years ended December 31, 2011, 2010 and 2009 (filed herewith)

No.	Description
101	The following financial statements of BioSante Pharmaceuticals, Inc., formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheets as of December 31, 2011 and 2010, (ii) Statements of Operations for the years ended December 31, 2011, 2010 and 2009, (iii) Statements of Stockholders' Equity for the years ended December 31, 2011, 2010 and 2009, (iv) Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009, and (v) Notes to Financial Statements (furnished herewith)*

* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this report shall be deemed to be not 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 deemed part of a registration statement, prospectus or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

Important Additional Information for Investors and Stockholders

This communication is being made in respect of the proposed merger between BioSante and ANI and related matters involving BioSante and ANI. In connection with the proposed transaction, BioSante has filed with the SEC and the SEC has declared effective a registration statement on Form S-4, containing a joint proxy statement/prospectus and other relevant materials. **Investors and security holders 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 because they contain important information about BioSante, ANI and the proposed transaction.**

Investors and security holders may obtain free copies of the registration statement and the joint proxy statement/prospectus and other documents filed with the SEC by BioSante at the SEC's web site at www.sec.gov. Free copies of the registration statement and the joint proxy statement/prospectus and other documents filed with the SEC also can be obtained by directing a request to BioSante, Attention: Investor Relations, telephone: (847) 478-0500. 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.

BioSante and its directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction described in this release. Information regarding BioSante's directors and executive officers is available in BioSante's annual report on Form 10-K for the year ended December 31, 2011, which was filed with the SEC on March 13, 2012 and BioSante's definitive proxy statement for its 2012 annual meeting of stockholders, which was filed with the SEC on April 9, 2012. If and to the extent that any of the BioSante participants will receive any additional benefits in connection with the proposed transaction that are unknown as of the date of this release, the details of those benefits will be described in the definitive joint proxy statement/prospectus relating to the proposed transaction. Investors and stockholders can obtain more detailed information regarding the direct and indirect interests of BioSante's directors and executive officers in the proposed transaction by reading the definitive joint proxy statement/prospectus.

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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.

/s/ PHILLIP B. DONENBERG

By: Phillip B. Donenberg

Senior Vice President of Finance, Chief Financial Officer and Secretary

Dated: January 28, 2013

BIOSANTE PHARMACEUTICALS, INC.

FORM 8-K

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Audited Financial Statements of BioSante Pharmaceuticals, Inc. for the years ended December 31, 2011, 2010 and 2009	Filed herewith
101	The following financial statements of BioSante Pharmaceuticals, Inc., formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheets as of December 31, 2011 and 2010, (ii) Statements of Operations for the years ended December 31, 2011, 2010 and 2009, (iii) Statements of Stockholders' Equity for the years ended December 31, 2011, 2010 and 2009, (iv) Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009, and (v) Notes to Financial Statements*	Furnished herewith

* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this report shall be deemed to be not 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 deemed part of a registration statement, prospectus or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

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, 2011 and 2010, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. 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, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

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, 2011, 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 13, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Chicago, Illinois

March 13, 2012 (December 11, 2012 as to the effects of the reverse stock split described in Note 2 and January 28, 2013 as to the effects of the misstatement described in Note 2)

BIOSANTE PHARMACEUTICALS, INC.**Balance Sheets****December 31, 2011 and 2010**

	December 31, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 57,225,234	\$ 38,155,251
Prepaid expenses and other assets	801,147	2,469,879
	<u>58,026,381</u>	<u>40,625,130</u>
PROPERTY AND EQUIPMENT, NET	861,364	635,776
OTHER ASSETS		
Investments	3,405,807	3,405,807
Deposits	86,203	99,937
	<u>\$ 62,379,755</u>	<u>\$ 44,766,650</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 3,150,677	\$ 4,864,217
Accrued compensation	1,597,329	526,022
Other accrued expenses	2,479,697	1,681,956
Current portion of Convertible Senior Notes	-	1,111,132
	<u>7,227,703</u>	<u>8,183,327</u>
Long-term Convertible Senior Notes	17,336,760	17,436,201
TOTAL LIABILITIES	<u>24,564,463</u>	<u>25,619,528</u>
STOCKHOLDERS' EQUITY		
Capital stock		
Issued and outstanding		
2011-65,214; 2010-65,214 Class C special stock	391	391
2011-18,269,754; 2010-13,565,188 Common stock	255,054,049	184,777,375
	<u>255,054,440</u>	<u>184,777,766</u>
Accumulated deficit	(217,239,148)	(165,630,644)
	<u>37,815,292</u>	<u>19,147,122</u>
	<u>\$ 62,379,755</u>	<u>\$ 44,766,650</u>

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
Statements of Operations
Years ended December 31, 2011, 2010 and 2009

	Year Ended December 31,		
	2011	2010	2009
REVENUE			
Licensing revenue	\$ 100,000	\$ 115,807	\$ –
Grant revenue	–	51,870	116,389
Royalty revenue	335,160	2,306,560	1,141,665
	<u>435,160</u>	<u>2,474,237</u>	<u>1,258,054</u>
EXPENSES			
Research and development	44,182,260	39,705,502	13,680,573
General and administration	6,981,490	5,940,360	5,373,945
Acquired in-process research and development	–	–	9,000,000
Excess consideration paid over fair value	–	–	20,192,194
Licensing expense	50,000	268,750	299,616
Depreciation and amortization	148,240	167,986	137,280
	<u>51,361,990</u>	<u>46,082,598</u>	<u>48,683,608</u>
OTHER			
Convertible note fair value adjustment	(23,427)	(1,870,916)	33,163
Investment impairment charge	–	(286,000)	–
Interest expense	(681,573)	(688,083)	(147,025)
Other income	15,000	244,479	–
Interest income	8,326	12,665	11,648
NET LOSS	<u><u>\$ (51,608,504)</u></u>	<u><u>\$ (46,196,216)</u></u>	<u><u>\$ (47,527,768)</u></u>
Loss per common share:			
Basic	\$ (3.15)	\$ (4.21)	\$ (8.40)
Diluted	\$ (3.15)	\$ (4.21)	\$ (8.40)
Weighted average number of common and common equivalent shares outstanding:			
Basic	16,397,618	10,985,291	5,658,608
Diluted	<u>16,397,618</u>	<u>10,985,291</u>	<u>5,658,608</u>

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
Statements of Stockholders' Equity
Years ended December 31, 2011, 2010 and 2009

	Class C		Common Stock		Accumulated Deficit	Total
	Special Shares		Shares	Amount		
	Shares	Amount				
Balance, January 1, 2009	65,214	\$ 391	4,507,127	\$ 85,732,688	\$(71,906,660)	\$ 13,826,419
Issuance of common shares						
Stock option expense	–	–	–	1,254,503	–	1,254,503
Stock warrant expense	–	–	–	64,103	–	64,103
Registered direct offering of common shares and warrants, net	–	–	1,000,000	11,352,751	–	11,352,751
Issuance of common shares pursuant to Cell Genesys, Inc. transaction	–	–	3,369,967	36,800,043	–	36,800,043
Credit equity financing facility	–	–	–	60,343	–	60,343
Net loss	–	–	–	–	(47,527,768)	(47,527,768)
Balance, December 31, 2009	65,214	\$ 391	8,877,094	\$135,264,431	\$(119,434,428)	\$ 15,830,394
Issuance of common shares						
Stock option exercise	–	–	222	2,014	–	2,014
Stock option expense	–	–	–	992,757	–	992,757
Stock warrant expense	–	–	–	65,529	–	65,529
Registered direct offerings of common shares and warrants, net	–	–	4,687,871	48,452,644	–	48,452,644
June 1, 2012 Fractional Share Adjustment	–	–	1	–	–	–
Net loss	–	–	–	–	(46,196,216)	(46,196,216)
Balance, December 31, 2010	65,214	\$ 391	13,565,188	\$184,777,375	\$(165,630,644)	\$ 19,147,122
Issuance of common shares						
Stock option exercise	–	–	3,194	32,442	–	32,442
Warrant exercises–various	–	–	1,458	24,062	–	24,062
Stock option expense	–	–	–	1,177,683	–	1,177,683
Stock warrant expense	–	–	–	204,980	–	204,980
Underwritten offering of common shares, net	–	–	2,666,666	44,961,137	–	44,961,137
Registered direct offering of common shares and warrants, net	–	–	2,033,247	23,876,370	–	23,876,370
June 1, 2012 Fractional Share Adjustment	–	–	1	–	–	–
Net loss	–	–	–	–	(51,608,504)	(51,608,504)
Balance, December 31, 2011	65,214	\$ 391	18,269,754	\$255,054,049	\$(217,239,148)	\$ 37,815,292

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
Statements of Cash Flows
Years ended December 31, 2011, 2010 and 2009

	Year Ended December 31,		
	2011	2010	2009
CASH FLOWS (USED IN) OPERATING ACTIVITIES			
Net loss	\$ (51,608,504)	\$ (46,196,216)	\$ (47,527,768)
Adjustments to reconcile net loss to net cash (used in) operating activities			
Acquired in-process research and development	–	–	9,000,000
Excess consideration paid over fair value	–	–	20,192,194
Depreciation and amortization	148,240	167,986	137,280
Employee and director stock-based compensation	1,177,683	992,757	1,254,503
Stock warrant expense–noncash	204,980	65,529	64,103
Loss on disposal of equipment	367,502	4,583	–
Investment impairment charge	–	286,000	–
Other non-cash items	–	(65,807)	60,739
Convertible note fair value adjustment	23,427	1,870,916	(33,163)
Changes in assets and liabilities affecting cash flows from operations			
Prepaid expenses and other assets	1,682,466	(365,332)	(30,263)
Accounts payable and accrued liabilities	134,103	3,142,078	(1,548,535)
Net cash used in operating activities	(47,870,103)	(40,097,506)	(18,430,910)
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES			
Redemption of short term investments	–	–	3,026,334
Proceeds from sale of fixed assets	–	3,075	–
Purchase of fixed assets	(719,925)	(63,441)	(165,724)
Net cash (used in) provided by investing activities	(719,925)	(60,366)	2,860,610
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES			
Cash paid for transaction related costs	–	–	(2,431,252)
Cash received in transaction	–	–	24,746,346
Cash paid for convertible note repayment	(1,234,000)	–	–
Proceeds from common stock option exercises	32,442	2,014	–
Proceeds from common stock warrant exercises	24,062	–	–
Proceeds from issuance of common stock by underwritten offering	44,961,137	–	–
Proceeds from issuance of common stock by registered direct offering	23,876,370	48,452,644	11,352,751
Net cash provided by financing activities	67,660,011	48,454,658	33,667,845
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,069,983	8,296,786	18,097,545
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	38,155,251	29,858,465	11,760,920
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 57,225,234	\$ 38,155,251	\$ 29,858,465
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION			
Interest paid, including acquired accrued interest	\$ 688,000	\$ 688,000	\$ 248,388
Noncash Investing and Financing Activities:			
Investment–non-cash	\$ –	\$ 65,807	\$ –
Liabilities acquired through Cell Genesys transaction	\$ –	\$ –	\$ 18,487,298
Shares issued for Cell Genesys transaction	\$ –	\$ –	\$ 36,800,043
Investment acquired through Cell Genesys transaction	\$ –	\$ –	\$ 3,486,000
Other assets acquired in Cell Genesys transaction	\$ –	\$ –	\$ 293,658

Purchase of fixed assets on account, non-cash investing activity	\$	21,405	\$	-	\$	-
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See accompanying notes to the financial statements.

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BIOSANTE PHARMACEUTICALS, INC.

Notes to the Financial Statements

December 31, 2011

1. DESCRIPTION OF BUSINESS

BioSante Pharmaceuticals, Inc. (the Company) is a specialty pharmaceutical company focused on developing products for female sexual health and oncology. The Company's products, either approved or in human clinical development, include: (1) LibiGel, once daily transdermal testosterone gel in Phase III clinical development for the treatment of female sexual dysfunction (FSD), specifically hypoactive sexual desire disorder (HSDD); (2) a once daily transdermal testosterone gel approved by the U.S. Food and Drug Administration (FDA) indicated for the treatment of hypogonadism, or testosterone deficiency in men, and licensed to Teva Pharmaceuticals USA, Inc. (Teva); (3) GVAX cancer vaccines, a portfolio of cancer vaccines, four of which have been granted FDA orphan drug designation, and are currently in 17 Phase I and Phase II clinical trials for the treatment of various cancers; (4) The Pill-Plus (triple component contraceptive), once daily use of various combinations of estrogens, progestogens and androgens in Phase II development; and (5) Elestrin, once daily transdermal estradiol (estrogen) gel approved by the FDA indicated for the treatment of moderate-to-severe vasomotor symptoms (hot flashes) associated with menopause and marketed in the U.S. by Jazz Pharmaceuticals, Inc. (Jazz Pharmaceuticals), our licensee.

The Company's lead product in development has been LibiGel for the treatment of FSD, specifically HSDD, in postmenopausal women, for which there is no FDA-approved pharmaceutical product. The Company continues to analyze the data from the two pivotal LibiGel Phase III efficacy trials first reported on December 14, 2011. Initial analysis of the efficacy data from these trials shows that the trials did not meet the co-primary or secondary endpoints. Although there were no statistical differences from placebo, results indicated that LibiGel performed as predicted based on previous experience with testosterone products for FSD. However, the placebo response in the two efficacy trials was overwhelming and unpredictable; and therefore, LibiGel's results were not shown to be statistically different from placebo. The LibiGel Phase III safety study, which completed enrollment in June 2011, continues and will continue during further analysis of the LibiGel efficacy data and until a final strategic decision has been made. It is the Company's objective to meet with the FDA to determine the best path forward, and to make a decision during the second quarter of 2012 whether to continue the LibiGel Phase III safety study.

The Company's corporate strategy always has included product development of high value medically-needed pharmaceutical products. In light of recently announced top-line results from the Company's two pivotal LibiGel Phase III efficacy trials, the Company is assessing its corporate strategy. The Company is determining LibiGel's path forward and potential alternative strategies to utilize the continuing LibiGel Phase III cardiovascular events and breast cancer safety study. The Company also has expanded its efforts to explore new product development projects through in-licensing and mergers and acquisitions. In addition, a full review of the Company's GVAX cancer vaccine portfolio is underway.

On January 31, 2012, the Company received a notice from the Listing Qualifications Department of The NASDAQ Stock Market indicating that, for the last 30 consecutive business days, the bid price for the Company's common stock had closed below the minimum \$1.00 per share required for continued inclusion on The NASDAQ Global Market under NASDAQ Listing Rule 5450(a)(1). The notification letter stated that pursuant to NASDAQ Listing Rule 5810(c)(3)(A), the Company will be afforded 180 calendar days, or until July 30, 2012, to regain compliance with the minimum bid price requirement. In order to regain compliance, shares of the Company's common stock must maintain a

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

1. DESCRIPTION OF BUSINESS (Continued)

minimum bid closing price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by July 30, 2012, the Company may transfer its common stock listing to The NASDAQ Capital Market and be eligible for an additional 180-day grace period if the Company meets the market value of publicly held shares requirement for continued listing and all other initial inclusion requirements for listing on The NASDAQ Capital Market, other than the minimum bid price requirement. In order to be afforded the additional 180-day compliance period, the Company also would need to provide NASDAQ written notice of its intention to cure the minimum bid price deficiency during the second compliance period by effecting a reverse stock split, if necessary. If the Company does not indicate its intent to cure the deficiency or if it does not appear to NASDAQ that it is possible for the Company to cure the deficiency, the Company will not be eligible for the second 180-day grace period and its common stock will be subject to delisting, which delisting determination the Company may appeal to a hearings panel at that time.

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. The Company does not have items of other comprehensive income for years ended December 31, 2011, 2010 or 2009; and therefore, has not presented comprehensive income.

On June 1, 2012, the Company effected a one-for-six reverse split of its outstanding common stock and class C special stock. All share and per share numbers have been adjusted retroactively to reflect the one-for-six reverse stock split effected on June 1, 2012.

Subsequent to the issuance of the financial statements contained in the registration statement on Form S-4 as amended and as declared effective by the Securities and Exchange Commission on January 22, 2013, the Company identified a misstatement in the calculation of common stock presented in its statements of stockholders' equity resulting from the retrospective application of the reverse stock split effective June 1, 2012. The misstatement has been corrected in these financial statements.

On October 14, 2009, the Company acquired 100 percent of the common stock of Cell Genesys, Inc. (Cell Genesys) in a direct merger transaction, with the Company being the surviving corporation. The primary reason the Company merged with Cell Genesys was the Company's need for additional funding to continue its Phase III clinical studies for LibiGel and the lack of other available acceptable alternatives for the Company to access capital prior to and at the time the merger agreement was entered into by the parties in June 2009, especially in light of the then state of the markets for equity offerings, which historically had been the Company's primary method for raising additional financing. Effective October 14, 2009, the balance sheet and net loss of the Company reflect

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the purchase price allocation and charges resulting from the purchase price allocation related to the merger, which included adjustments to carrying values of the acquired net assets based on their estimated fair values as of that date.

Reclassifications

Certain amounts in the 2010 and 2009 financial statements have been reclassified to conform to their presentation in the 2011 financial statements. Specifically, in the statement of cash flows, the changes related to Accounts receivable in the amounts of \$64,645 and \$285,838 for the years ended December 31, 2010 and 2009, respectively, have been combined into the Prepaid expenses and other assets line item within the net cash used in operating activities section.

Cash and Cash Equivalents

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

As of December 31, 2011, all of the Company's cash and cash equivalents resided in a 100 percent FDIC-insured non-interest bearing checking account, a U.S. Treasury money market fund or a certificate of deposit. As of December 31, 2010, all of the Company's cash and cash equivalents resided in a 100 percent FDIC-insured non-interest bearing checking account in order to ensure maximum safety of principal.

Fair Value of Financial Instruments

The carrying value of certain of the Company's financial instruments, including cash equivalents, accounts receivable and accounts payable, approximate fair value due to their short maturities. Other information about the Company's assets and liabilities recorded at fair value is included in Note 14, "Fair Value Measurements."

Property and Equipment

Property and equipment that currently is being used in the Company's operations is stated at cost less accumulated depreciation and amortization. Depreciation is computed primarily on a straight line basis over the estimated useful lives of the respective assets, typically five and seven years for software and computer equipment and 10 years for non-computer equipment.

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.

Convertible Senior Notes

The Company assumed two series of 3.125% convertible senior note obligations with an aggregate principal balance of \$22,016,000, which contain certain redemption, repurchase and conversion

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

adjustment features as a result of its transaction with Cell Genesys. The Company made an irrevocable election to account for these convertible senior notes at fair value commencing from the date of the merger, resulting in recognition of a single liability for the convertible senior notes which are reported at fair value at each reporting date. Subsequent changes in the carrying value of the convertible senior notes are reflected in fair value adjustment in the accompanying statements of operations.

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.

Legal Costs

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

Basic and Diluted Net Loss Per Share

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

Stock-Based Compensation

The Company recognizes stock-based compensation expense granted to employees generally on a straight-line basis over the estimated service period of the award, or when certain performance-based vesting provisions occur, for awards that contain these features. The Company also has granted options to non-employees in exchange for services. Expense related to such grants is recognized within the Company's statements of operations in accordance with the nature of the service received by the Company.

Warrants issued to non-employees as compensation for services rendered are valued at their fair value on the date of issue and are re-measured until the counterparty's performance under the arrangement is complete.

Revenue Recognition

The Company has entered into various licensing agreements that have generated license revenue or other upfront fees and which also may 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.

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, or as sales-based milestone payments. 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.

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 deferred income tax assets in circumstances where management believes the recoverability of a portion of the assets is not more likely than not. The Company has provided a full valuation allowance against its net deferred tax assets as of December 31, 2011 and 2010.

Investments

The investments balance of \$3,405,807 as of December 31, 2011 and 2010 consists of the Company's investments that are recorded using the cost method, and substantially represents the Company's investment in Ceregene, Inc., a privately held biotechnology company (Ceregene). As a result of the Company's merger with Cell Genesys, the Company acquired a minority investment in Ceregene. The Company has recorded its investment using the cost method, as no active market exists for this investment, and the Company does not possess significant influence over operating and financial policies of Ceregene, although the Company by virtue of its stock ownership of Ceregene has the right to designate one member on the Ceregene board of directors. During 2010, the Company recorded a \$286,000 impairment on this investment. Such impairment was based on a third-party investment in Ceregene in 2010.

The valuation of investments accounted for under the cost method is based on all available financial information related to the investee, including valuations based on recent third party equity investments in the investee. If an unrealized loss on any investment is considered to be other-than-temporary, the loss is recognized in the period the determination is made. All investments are reviewed for changes in circumstances or occurrence of events that suggest the investment may not be recoverable. The fair value of the cost method investments are not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investments and it is not practicable to estimate the fair value of the investments.

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)." This pronouncement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for reporting periods beginning on or after December 15, 2011, with early adoption prohibited. The new guidance will require prospective application. The Company will adopt this guidance at the beginning of its first quarter of 2012. Adoption of this guidance is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

3. LIQUIDITY AND CAPITAL RESOURCES

Substantially all of the Company's revenue to date has been derived from upfront, milestone and royalty payments earned on licensing transactions and from subcontracts. 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 introduced commercially any products. If and when the Company's products for which it has not entered into marketing relationships receive FDA approval, the Company may begin to incur other expenses, including sales and marketing related expenses if it chooses to market the products itself.

During 2011, the Company raised approximately \$68.9 million in net proceeds, after deducting placement agent fees, underwriters' discounts, commissions and other offering expenses, through the sale of common stock in an underwritten public offering and common stock and warrants in a registered direct offering, as more fully described in Note 9, "Stockholders' Equity."

As of December 31, 2011, the Company had \$57.2 million of cash and cash equivalents. Absent the receipt of any additional licensing income or financing, the Company expects its cash and cash equivalents balance to decrease as the Company continues to use cash to fund its operations, including in particular its LibiGel Phase III safety study if the Company decides to continue such study. As of March 12, 2012, the Company has \$11.8 million in aggregate principal amount of 3.125% convertible senior notes due May 1, 2013 outstanding. In February 2012, the Company issued an aggregate of approximately 1.9 million shares of its common stock to one of the holders of the Company's 3.125% convertible senior notes due May 1, 2013 in exchange for cancellation of \$9.0 million in aggregate principal amount of such notes, including accrued and unpaid interest. Assuming the Company continues its LibiGel Phase III safety study, the Company expects its cash and cash equivalents as of December 31, 2011 to meet its liquidity requirements through mid 2013. If the Company terminates its LibiGel Phase III safety study and assuming that the Company does so during the second quarter of 2012 and assuming no other corporate product development and activities, the Company expects its cash and cash equivalents to meet its liquidity requirements through late 2014. These estimates may prove incorrect or the Company, nonetheless, may choose to raise additional financing earlier.

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

3. LIQUIDITY AND CAPITAL RESOURCES (Continued)

The Company's future capital requirements will depend upon numerous factors, including:

the progress, timing, cost and results of the Company's preclinical and clinical development programs, including in particular if the Company decides to continue its LibiGel Phase III safety study;

whether the Company in-licenses additional new products that require further development;

the cost, timing and outcome of regulatory actions with respect to the Company's products;

the Company's ability to obtain value from its current products and technologies and its ability to out-license its products and technologies to third parties for development and commercialization and the terms of such out-licensings;

the Company's ability to acquire or in-license additional new products and technologies and the costs and expenses of such acquisitions or licenses;

the timing and amount of any royalties, milestone or other payments that the Company may receive from or be obligated to pay to current and potential licensors, licensees and other third parties;

the costs of preparing, filing, prosecuting, maintaining and enforcing patent claims and other intellectual property rights;

the emergence of competing products and technologies, and other adverse market developments;

the perceived, potential and actual commercial success of the Company's products;

the outstanding principal amount of the Company's 3.125% convertible senior notes due May 1, 2013 that are scheduled to mature and become due and payable on May 1, 2013 and the Company's ability to avoid a "fundamental change" or an "event of default" under the indenture governing such notes, which may cause such notes to become due and payable prior to their maturity date on May 1, 2013;

the Company's operating expenses;

the success, progress, timing and costs of the Company's business development efforts to implement business collaborations, licenses and other business combinations or transactions, and the Company's efforts to evaluate various strategic alternatives available with respect to its products and the Company; and

the resolution of the Company's pending purported class action litigation.

The Company does not have any existing credit facilities under which the Company could borrow funds. In the event that the Company would require additional working capital to fund future operations, the Company could seek to acquire such funds through additional equity or debt financing arrangements. If the Company raises additional funds by issuing equity securities, the Company's stockholders may experience dilution. Debt financing, if available, may involve covenants restricting the Company's operations or the Company's ability to incur additional debt. There is no assurance that any financing transaction will be available on terms acceptable to the Company, or at all. As an alternative to raising additional financing, the Company may choose to license one or more of its products or

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

3. LIQUIDITY AND CAPITAL RESOURCES (Continued)

technologies to a third party who may finance a portion or all of the continued development and, if approved, commercialization of that licensed product, 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. In addition, from time to time, the Company may purchase, exchange or restructure its outstanding convertible senior notes through cash purchases and/or exchanges for other equity securities of the Company, in open market purchases, privately negotiated transactions and/or a tender offer. Such additional purchases, exchanges or restructurings, if any, will depend on prevailing market conditions, the Company's available cash and cash equivalents, the Company's liquidity requirements, contractual restrictions and other factors. Such future purchases, exchanges or restructurings could dilute the percentage ownership of the Company's stockholders, result in the issuance of securities at a discount to market price or that may have rights, preferences or privileges senior to those of the Company's existing stockholders and/or decrease the Company's cash balance. A significant decrease in the Company's cash balance may impair the Company's ability to execute strategic alternatives or leave the Company without sufficient cash remaining for operations.

The announcement of the results of the Company's LibiGel Phase III efficacy trials has significantly depressed the trading price of the Company's common stock and if the Company terminates its LibiGel Phase III safety study, the trading price of the Company's common stock could be depressed further and affect adversely the Company's ability to raise additional capital. The decrease in the trading price of the Company's common stock has resulted in the bid price for the Company's common stock failing to meet the minimum \$1.00 per share required for continued inclusion on The NASDAQ Global Market. The Company has until July 30, 2012 to regain compliance with the minimum bid price requirement. In order to regain compliance, shares of the Company's common stock must maintain a minimum bid closing price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by July 30, 2012, the Company may transfer its common stock listing to The NASDAQ Capital Market and be eligible for an additional 180-day grace period if the Company meets the market value of publicly held shares requirement for continued listing and all other initial inclusion requirements for listing on The NASDAQ Capital Market, other than the minimum bid price requirement. In order to be afforded the additional 180-day compliance period, the Company also would need to provide NASDAQ written notice of the Company's intention to cure the minimum bid price deficiency during the second compliance period by effecting a reverse stock split, if necessary. If the Company does not indicate its intent to cure the deficiency or if it does not appear to NASDAQ that it is possible for the Company to cure the deficiency, the Company will not be eligible for the second 180-day grace period and its common stock will be subject to delisting, which delisting determination the Company may appeal to a hearings panel at that time. A delisting of the Company's common stock from NASDAQ or even the transfer of the Company's common stock listing to The NASDAQ Capital Market could result in further decreases in the trading price of the Company's common stock and, among other things, could harm the Company's ability to raise financing.

In addition, the announcement of the results of the Company's LibiGel Phase III efficacy trials has resulted in pending purported class action litigation of which the Company, along with its President and Chief Executive Officer, are defendants, which litigation is described in more detail in Note 13, "Commitments and Contingencies". While the Company believes the actions are without merit and intends to defend the actions vigorously, such litigation could divert management's attention, harm the Company's business and/or reputation and result in significant liabilities, as well as harm the Company's ability to raise financing.

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

3. LIQUIDITY AND CAPITAL RESOURCES (Continued)

The Company can provide no assurance that additional financing, if needed, will be available on terms favorable to the Company, or at all. This is particularly true if investors are not confident in the future value of the Company, the Company loses the NASDAQ listing of its common stock and/or economic and market conditions deteriorate. If adequate funds are not available or are not available on acceptable terms when the Company needs them, the Company may need to cut its operating costs further or the Company may be forced to explore other strategic alternatives, such as selling or merging the Company or winding down its operations and liquidating the Company. In such case, the Company's stockholders could lose some or all of their investment.

4. ACQUISITION OF NET ASSETS OF CELL GENESYS

On October 14, 2009, the Company acquired 100 percent of the common stock of Cell Genesys in a direct merger transaction. The merger was accounted as an acquisition of the net assets of Cell Genesys, whereby the individual assets and liabilities of Cell Genesys were recorded by the Company as of the completion of the merger based on their estimated fair values. As Cell Genesys had ceased substantially its operations prior to the date of the transaction, the merger was not considered to be a business combination, and the allocation of the purchase price did not result in recognition of goodwill. 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. The table below displays the purchase price of the merger.

Fair value of BioSante common stock issued (3,369,967 shares)	\$ 36,800,043
Transaction costs of BioSante	2,431,252
Total purchase price	\$ 39,231,295

The total purchase price was allocated as follows:

Cash	\$ 24,746,346
Investment in Ceregene	3,486,000
In-process research and development	9,000,000
Receivables, equipment and other assets	293,658
Accounts payable and accrued liabilities	1,777,323
Convertible senior notes	16,709,580
Total net assets acquired	\$ 19,039,101

In addition to the \$24.7 million in cash acquired, the Company obtained, as a result of the merger, the rights to all in-process research and development of Cell Genesys, which included a portfolio of cancer vaccines and other technologies. The \$9.0 million value attributed to this portfolio was expensed as of the date of the acquisition as acquired in-process technology, as it was considered to have no alternative future use. The \$20.2 million representing the premium of the total value of consideration in excess of fair values of the net assets acquired also was expensed as of the date of the acquisition.

In addition, as a result of the merger, the Company assumed \$1.2 million in aggregate principal amount of 3.125% convertible senior notes due November 1, 2011 and \$20.8 million in aggregate

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

4. ACQUISITION OF NET ASSETS OF CELL GENESYS (Continued)

principal amount of 3.125% convertible senior notes due May 1, 2013 issued by Cell Genesys. As a result of the merger and in accordance with the terms of the indentures governing the 3.125% convertible senior notes due May 1, 2013 as supplemented by supplemental indentures entered into between the Company and the trustees thereunder, such notes became convertible into an aggregate of 931,093 shares of the Company's common stock at a conversion price of \$22.32 per share, in each case subject to adjustments for stock dividends, stock splits, and other similar events. For more details see Note 7, "Convertible Senior Notes."

5. LICENSE AGREEMENTS

Gel Products

The Company licensed the technology underlying LibiGel and Elestrin, but not its male testosterone gel, from Antares Pharma, Inc. (Antares). Under the agreement, Antares granted the Company an exclusive license to certain patents and patent applications covering these gel products, including rights to sublicense, in order to develop and market the products in certain territories. Under the agreement, 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 any sub-licensee sells incorporating the in-licensed technology. The patents covering the formulations used in these gel products are expected to expire in 2022 and 2028. The Company's male testosterone gel was developed and is fully-owned by the Company and is not covered under the Antares license.

GVAX Cancer Vaccine Technology

The Company owns development and commercialization rights to its GVAX cancer vaccine technology as a result of its transaction with Cell Genesys. The original core patent applications covering the cancer vaccine technology were licensed exclusively to Cell Genesys from Johns Hopkins University and The Whitehead Institute for Biomedical Research in 1992. Rights to additional patents and patent applications were licensed from Johns Hopkins University in 2001. The patents are expected to expire between 2012 and 2026. Under the various agreements, the Company is required to pay Johns Hopkins University and The Whitehead Institute for Biomedical Research certain development and regulatory milestone payments and royalties based on net sales of any products the Company or any sub-licensee sells incorporating the in-licensed technology.

The Pill Plus

The Company licensed the technology underlying its triple component contraceptive, or The Pill Plus, from Wake Forest University Health Sciences and Cedars-Sinai Medical Center. The financial terms of this license include regulatory milestone payments, maintenance payments and royalty payments by the Company if a product incorporating the licensed technology gets approved and subsequently is marketed. The patents covering the technology underlying The Pill Plus are expected to expire in 2016.

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

5. LICENSE AGREEMENTS (Continued)

Other License Agreements

The Company has entered into several other license agreements in which the Company has out-licensed certain of the rights and technologies the Company has licensed. Under these agreements, the Company typically is entitled to receive royalty payments on any sales of the products and, in some cases, may be entitled to receive certain development and regulatory milestones.

6. PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation at December 31, 2011 and 2010 consists of the following:

	2011	2010
Computer equipment	\$ 520,647	\$ 417,840
Office equipment	388,659	163,653
Equipment	378,147	500,130
	1,287,453	1,081,623
Accumulated depreciation and amortization	(426,089)	(445,847)
	\$ 861,364	\$ 635,776

There was no construction in progress as of December 31, 2011 or December 31, 2010.

7. CONVERTIBLE SENIOR NOTES

As a result of the Company's merger with Cell Genesys, the Company assumed liabilities related to two series of convertible senior notes of Cell Genesys—\$1,234,000 aggregate principal amount of 3.125% convertible senior notes due November 1, 2011 (the 2011 Notes) and \$20,782,000 aggregate principal amount of 3.125% convertible senior notes due May 1, 2013 (the 2013 Notes and collectively with the 2011 Notes, the Notes). The conversion features of the Notes were adjusted for the exchange ratio used in the merger, as described in Note 9, "Stockholders' Equity."

Immediately prior to November 1, 2011, the Company repaid in its entirety the outstanding aggregate principal amount of the 2011 Notes and all accrued interest thereon through such date. As of December 31, 2011, the 2013 Notes remained outstanding. In February 2012, the Company issued 1.9 million shares of its common stock to one of the holders of the 2013 Notes in exchange for cancellation of an aggregate of \$9.0 million principal amount of such notes, including accrued and unpaid interest. The \$11.8 million principal amount of the remaining 2013 Notes are exchangeable at the option of the holder or upon certain specified events into an aggregate of approximately 0.5 million shares of the Company's common stock at a conversion price of \$22.32 per share. The 2013 Notes are our general, unsecured obligations, ranking equally with all of the Company's existing and future unsubordinated, unsecured indebtedness and senior in right of payment to any subordinated indebtedness, but are effectively subordinated to all of the Company's existing and future secured indebtedness to the extent of the value of the related security, and structurally subordinated to all existing and future liabilities and other indebtedness of the Company's subsidiaries. The 2013 Notes are subject to repurchase by the Company at each holder's option, if a fundamental change (as defined in

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

7. CONVERTIBLE SENIOR NOTES (Continued)

the indenture) occurs, at a repurchase price equal to 100 percent of the principal amount of the 2013 Notes, plus accrued and unpaid interest on the repurchase date and are subject to redemption for cash by the Company, in whole or in part, at a redemption price equal to 100 percent of the principal amount of such notes plus accrued and unpaid interest to the redemption date, if the closing price of the Company's common stock has exceeded 150 percent of the conversion price then in effect with respect to such notes for at least 20 trading days in any period of 30 consecutive trading days ending on the trading day prior to the mailing of the notice of redemption. As of December 31, 2011, the 2013 Notes were not eligible for redemption. The indenture governing the 2013 Notes, as supplemented by the supplemental indenture, does not contain any financial covenants and does not restrict the Company from paying dividends, incurring additional debt or issuing or repurchasing the Company's other securities. In addition, the indenture, as supplemented by the supplemental indenture, does not protect the holders of the 2013 Notes in the event of a highly leveraged transaction or a fundamental change of the Company except in certain circumstances specified in the indenture.

From time to time, the Company may purchase, exchange or restructure its outstanding 2013 Notes through cash purchases and/or exchanges for other equity securities of the Company, in open market purchases, privately negotiated transactions and/or a tender offer. Such additional purchases, exchanges or restructurings, if any, will depend on prevailing market conditions, the Company's available cash and cash equivalents, the Company's liquidity requirements, contractual restrictions and other factors. Such future purchases, exchanges or restructurings could dilute the percentage ownership of the Company's stockholders, result in the issuance of securities at a discount to market price or that may have rights, preferences or privileges senior to those of the Company's existing stockholders and/or decrease the Company's cash balance. A significant decrease in the Company's cash balance may impair the Company's ability to execute strategic alternatives or leave the Company without sufficient cash remaining for operations.

The Company has elected to record the Notes at fair value in order to simplify the accounting for the convertible debt, inclusive of the redemption, repurchase and conversion adjustment features which would otherwise require specialized valuation, bifurcation and recognition. Accordingly, the Company has adjusted the carrying value of the Notes to their fair value as of December 31, 2011, with changes in the fair value of the Notes occurring since December 31, 2010, reflected in fair value adjustment in the statements of operations. The fair value of the Notes is based on Level 2 inputs. The recorded fair value of the Notes of an aggregate of \$17,336,760 as of December 31, 2011 differs from their total stated principal amount of \$20,782,000 by \$3,445,240. The recorded value of the Notes of an aggregate of \$18,547,333 as of December 31, 2010 differs from their total stated principal amount of \$22,016,000 by \$3,468,667. The Company recorded fair value adjustments of \$(23,427) and \$(1,870,916) related to the Notes for the years ended December 31, 2011 and 2010, respectively, to increase its recorded liability and corresponding expense in 2011 and 2010.

For the year ended December 31, 2010, approximately \$184,000 of the fair value adjustment was attributable to the change in instrument specific credit risk. There was no significant change in the fair value of the convertible senior notes due to a change in instrument specific credit risk for the years ended December 31, 2011 or 2009. The change in the aggregate fair value of the Notes due to instrument specific credit risk was estimated by calculating the difference between the December 31, 2010 fair value of the Notes as recorded and what the fair value of the convertible notes would have

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

7. CONVERTIBLE SENIOR NOTES (Continued)

been on December 31, 2010 if the December 31, 2009 discount rate continued to be used in the calculation. The instrument specific credit risk for the year ended December 31, 2010 has increased the fair value of the Notes as market borrowing rates have decreased for similarly rated companies and are estimated to have decreased for the Company as well, indicating a lower credit spread assuming no significant changes in the risk-free borrowing rate.

The Company establishes the value the convertible senior notes based upon contractual terms of the notes, as well as certain key assumptions.

The assumptions as of December 31, 2011 were:

	<u>2013 Notes</u>
Average risk-free rate	0.19%
Volatility of BioSante common stock	77.4%
Discount rate for principal payments in cash	18.5%

The assumptions as of December 31, 2010 were:

	<u>2013 Notes</u>	<u>2011 Notes</u>
Average risk-free rate	0.82%	0.29%
Volatility of BioSante common stock	78.7%	61.0%
Discount rate for principal payments in cash	17.0%	17.0%

The discount rate is based on observed yields as of the measurement date for debt securities of entities having a Ca and Caa3 rating for long-term corporate obligations as assigned by Moody's Investors Service. Volatility is based on the historical fluctuations in the Company's stock price for a period of time equal to the remaining time until the debt maturity. The risk-free rate is based on observed yields as of the measurement date of one-year, two-year and three-year U.S. Treasury Bonds.

The following table represents the scheduled maturities of required principal payments by year related to the convertible senior notes at December 31, 2011:

2012	\$	-
2013		20,782,000
Total	\$	20,782,000

8. INCOME TAXES

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 Company's U.S. and state tax returns remain subject to examination for the year ended 1998 and all subsequent periods due to the availability of tax loss and credit carryforwards. The Company determined there are no uncertain tax positions existing as of December 31, 2011 or 2010.

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

8. INCOME TAXES (Continued)

The components of the Company's net deferred tax asset at December 31, 2011 and 2010 were as follows:

	2011	2010
Net operating loss carryforwards	\$ 63,969,813	\$ 46,071,206
Tax basis in intangible assets	4,095,269	4,452,360
Deferred financing costs for tax	7,010,462	7,001,619
Research & development credits	8,266,610	5,796,148
Stock option expense	2,754,981	2,310,405
Other	448,140	25,955
	<u>86,545,275</u>	<u>65,657,693</u>
Valuation allowance	<u>(86,545,275)</u>	<u>(65,657,693)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has no current tax provision due to its current and accumulated losses, which result in net operating loss carryforwards. At December 31, 2011, the Company had approximately \$169,456,000 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 2018-2031 and their utilization in future years may be limited as prescribed by Section 382 of the United States Internal Revenue Code. The net operating loss carryforwards as well as amortization of various intangibles, principally acquired in-process research and development, and other items have generated 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, which is the amount management believes is more likely than not to be realized. Additionally, the Company has provided a full valuation allowance against \$8,266,610 of research and development credits, which are available to reduce future income taxes, if any in the future. The research and development credits expire in the years 2018-2031.

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:

	2011	2010	2009
Tax at U.S. federal statutory rate	\$ (17,804,934)	\$ (15,937,695)	\$ (16,397,080)
State taxes, net of federal benefit	(1,677,276)	(1,501,377)	(1,544,652)
Research and development credits	(1,537,863)	(966,941)	(515,235)
Other, net	132,491	133,932	17,718
Change in valuation allowance	20,887,582	18,272,081	18,439,249
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

9. STOCKHOLDERS' EQUITY

Authorized and Outstanding Capital Stock

The Company is authorized to issue 200,000,000 shares of common stock, \$0.0001 par value per share, 4,687,684 shares of class C special stock, \$0.0001 par value per share, and 10,000,000 shares of undesignated preferred stock, \$0.0001 par value per share.

No shares of preferred stock were outstanding as of December 31, 2011 or 2010.

There were 65,214 shares of class C special stock issued and outstanding as of December 31, 2011 and 2010. Each share of class C special stock entitles its holder to one vote per share. Each share of class C special stock is exchangeable, at the option of the holder, for one share of the Company's common stock, at an exchange price of \$15.00 per share, subject to adjustment upon certain capitalization events. Holders of class C special stock are not entitled to receive dividends or to participate in the distribution of the Company's assets upon any liquidation, dissolution or winding-up of the Company. The holders of class C special stock have no cumulative voting, preemptive, subscription, redemption or sinking fund rights.

There were 18,269,754 and 13,565,188 shares of common stock issued and outstanding as of December 31, 2011 and 2010, 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.

Underwritten Public Offering

On August 2, 2011, the Company completed an underwritten public offering of an aggregate of 2.7 million shares of its common stock at a purchase price of \$18.00 per share, resulting in net proceeds of approximately \$45.0 million, after underwriters' discounts, commissions and offering expenses.

Registered Direct Offerings

On March 8, 2011, the Company completed a registered direct offering of 2,033,247 shares of its common stock and warrants to purchase an aggregate of 711,636 shares of its common stock at a purchase price of \$12.3678 per share to institutional investors for gross proceeds of \$25.1 million. The offering resulted in net proceeds to the Company of \$23.9 million, after deducting placement agent fees and offering expenses. The warrants are exercisable immediately and continuing for a period of three years, at an exercise price of \$13.50 per share. In connection with the offering, the Company issued the placement agent warrants to purchase an aggregate of 40,665 shares of the Company's common stock at an exercise price of \$15.48 per share, which warrants are exercisable immediately and will expire on June 9, 2014.

On March 8, 2010, the Company completed a registered direct offering of an aggregate of 1,734,104 shares of its common stock and warrants to an aggregate of 867,052 shares of its common stock, at a purchase price of \$10.38 per share to funds affiliated with two institutional investors resulting in net proceeds to the Company of approximately \$17.5 million, after deducting placement agent fees and other offering expenses. The warrants are exercisable beginning on September 9, 2010, have an exercise price of \$12.48 per share and will expire on September 8, 2015. In connection with the offering, the Company issued the placement agent warrants to purchase an aggregate of 34,682 shares

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

9. STOCKHOLDERS' EQUITY (Continued)

of the Company's common stock at an exercise price of \$12.96 per share, which warrants are exercisable beginning on September 8, 2010 and will expire on June 9, 2014.

On June 23, 2010, the Company completed a registered direct offering of 1,189,061 shares of its common stock and warrants to purchase an aggregate of 594,530 shares of its common stock at a purchase price of \$12.615 per share to funds affiliated with certain institutional investors for gross proceeds of \$15.0 million. The offering resulted in net proceeds to the Company of approximately \$14.1 million, after deducting placement agent fees and offering expenses. The warrants are exercisable immediately, have an exercise price of \$14.70 per share and will expire on June 23, 2015. In connection with the offering, the Company issued the placement agent warrants to purchase an aggregate of 35,671 shares of the Company's common stock at an exercise price of \$15.78 per share, which warrants are exercisable immediately and will expire on June 9, 2015.

On December 31, 2010, the Company completed a registered direct offering of 1,764,706 shares of its common stock and warrants to purchase an aggregate of 882,353 shares of its common stock at a purchase price of \$10.20 per share to funds affiliated with certain institutional investors for gross proceeds of \$18.0 million. The offering resulted in net proceeds to the Company of approximately \$16.9 million, after deducting placement agent fees and offering expenses. The warrants are exercisable immediately, have an exercise price of \$12.00 per share and expire on December 30, 2015. In connection with the offering, the Company issued the placement agent warrants to purchase an aggregate of 52,941 shares of the Company's common stock at an exercise price of \$12.75, which warrants are exercisable immediately and will expire on June 9, 2015.

Acquisition of Net Assets of Cell Genesys

In October 2009, the Company acquired Cell Genesys in a direct merger. 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 was converted into the right to receive 0.0305 of a share of the Company's common stock. In the aggregate, the Company issued approximately 3.4 million shares of its common stock to former Cell Genesys stockholders in connection with the merger. All options to purchase shares of Cell Genesys common stock, other than certain designated options held by certain of Cell Genesys's former officers (Assumed Options), became fully vested and exercisable until immediately prior to the effective time of the merger. At the effective time of the merger, such unexercised options other than the Assumed Options terminated. The Assumed Options were assumed by the Company and will remain outstanding following the merger, but converted into and became options to purchase shares of the Company's common stock on terms substantially identical to those in effect prior to the merger, except for adjustments to the underlying number of shares and the exercise price based on the 0.0305 exchange ratio. As a result of the merger, the Assumed Options converted into options to purchase an aggregate of 39,071 shares of the Company's common stock at a weighted average exercise price of \$118.38 per share. All warrants to purchase shares of Cell Genesys common stock which by their terms survived the merger (Assumed Warrants) were assumed by the Company, but were converted into and became warrants to purchase shares of the Company's common stock on terms substantially identical to those in effect prior to the merger, except for adjustments to the underlying number of shares and the exercise price based on the 0.0305 exchange ratio. As a result of the merger,

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

9. STOCKHOLDERS' EQUITY (Continued)

these Assumed Warrants converted into warrants to purchase an aggregate of 65,874 shares of the Company's common stock at a weighted average exercise price of \$235.62 per share.

For additional discussion regarding the merger with Cell Genesys and the assets and liabilities acquired, see Note 4, "Acquisition of Net Assets of Cell Genesys."

Convertible Senior Notes

See Note 7, "Convertible Senior Notes" for information regarding the convertible senior notes assumed in the Cell Genesys merger.

Warrants

As of December 31, 2011, warrants to purchase an aggregate of 3,794,741 shares of the Company's common stock were outstanding and exercisable as of December 31, 2011:

<u>Issue Date</u>	Number of Underlying Shares Of Common Stock	Per Share Exercise Price	Expiration Date
December 15, 2008	50,000	\$ 24.00	June 14, 2014
July 21, 2009	30,000	\$ 12.00	July 20, 2012
August 13, 2009	400,000	\$ 15.00	August 12, 2014
August 13, 2009	40,000	\$ 15.00	June 9, 2014
October 14, 2009	65,874	\$ 235.62	April 1, 2012
March 8, 2010	867,052	\$ 12.48	September 8, 2015
March 8, 2010	34,682	\$ 12.96	June 9, 2014
June 23, 2010	594,530	\$ 14.70	June 23, 2015
June 23, 2010	35,671	\$ 15.78	June 9, 2015
November 22, 2010	30,000	\$ 12.00	November 21, 2013
December 30, 2010	882,353	\$ 12.00	December 30, 2015
December 30, 2010	52,941	\$ 12.75	June 9, 2015
March 8, 2011	670,971	\$ 13.50	March 8, 2014
March 8, 2011	40,665	\$ 15.48	June 9, 2014

During 2011, the Company issued warrants to purchase an aggregate of 711,636 shares of the Company's common stock in connection with the March 2011 registered direct offering as described above. During 2011, warrants to purchase an aggregate of 1,458 shares of common stock were exercised and warrants to purchase an aggregate of 151,868 shares of the Company's common stock expired unexercised.

During 2010, the Company issued warrants to purchase an aggregate of 2,467,230 shares of the Company's common stock in connection with registered direct offerings as described above, and warrants to purchase 30,000 shares of the Company's common stock as compensation for investor relations services as described below. During 2010, no warrants were exercised and warrants to purchase an aggregate of 127,291 shares of the Company's common stock expired unexercised.

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

9. STOCKHOLDERS' EQUITY (Continued)

During 2009, the Company issued warrants to purchase an aggregate of 440,000 shares of the Company's common stock in connection with a registered direct offering, warrants to purchase an aggregate of 65,874 shares of the Company's common stock in connection with the Cell Genesys merger, and warrants to purchase 30,000 shares of the Company's common stock as compensation for investor relations services as described below. During 2009, no warrants were exercised and warrants to purchase an aggregate of 89,166 shares of the Company's common stock expired unexercised.

In 2011, 2010 and 2009, the Company issued warrants to purchase 0, 30,000 and 30,000 shares of the Company's common stock, respectively, in consideration for various investor relations services. The warrants became exercisable on a ratable basis over a twelve-month period from the date of grant. The Company uses the Black-Scholes pricing model to value these types of warrants and remeasures the awards each quarter until the measurement date is established. For the years ended December 31, 2011, 2010 and 2009, the Company recorded \$204,980, \$65,529 and \$64,103, respectively, in non-cash general and administrative expense pertaining to consultant warrants.

10. STOCK-BASED COMPENSATION

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. Second Amended and Restated 2008 Stock Incentive Plan (2008 Plan) (collectively, the Plans). The 2008 Plan replaced the 1998 Plan except with respect to options outstanding under the 1998 Plan. As of December 31, 2011, the number of shares of the Company's common stock authorized for issuance under the 2008 Plan, subject to adjustment as provided in the 2008 Plan, was 1,000,000 plus the number of shares subject to options outstanding under the 1998 Plan as of the effective date of the 2008 Plan but only to the extent that such outstanding options are forfeited, expire or otherwise terminate without the issuance of such shares. Of such authorized shares, 3,416 shares had been issued and 587,666 shares were subject to outstanding stock options as of December 31, 2011.

Outstanding employee stock options generally vest over a period of three or four years and have 10-year contractual terms. Upon exercise of an option, the Company issues new shares of its common stock. From time to time, the Company grants employee stock options that have performance condition-based vesting provisions which result in expense when such performance conditions are probable of being achieved. None of these options were outstanding as of December 31, 2011. The non-cash, stock-based compensation cost that was incurred by the Company in connection with the 1998 Plan and the 2008 Plan was \$1,177,683, \$992,757 and \$1,254,503 for the years ended December 31, 2011, 2010 and 2009, 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 2011, 2010 and 2009 was \$7.32, \$6.66 and \$6.24 per share, respectively. The fair value of each option

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

10. STOCK-BASED COMPENSATION (Continued)

grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2011	2010	2009
Expected option life (years)	5.5 - 6.25	6.00	6.00
Risk-free interest rate	1.175% - 2.57%	2.42%	2.74%
Expected stock price volatility	69.07% - 72.16%	76.05%	76.75%
Dividend yield	-	-	-

The Company uses the simplified method to estimate the life of options. The risk-free interest 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 calculated a volatility rate based on the closing price for its common stock at the end of each calendar month as reported by the NASDAQ Global Market. The Company has not in the past issued a cash dividend nor does it have any current plans to do so in the future; and 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:

	2011	2010	2009
Research and development	\$ 423,925	\$ 325,208	\$ 361,773
General and administrative	753,758	667,549	892,730
Total stock-based compensation expense	\$ 1,177,683	\$ 992,757	\$ 1,254,503

A summary of activity under the Plans during the year ended December 31, 2011 is presented below:

<u>Options</u>	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
Outstanding December 31, 2010	619,572	\$ 22.14	6.74	\$ 162,892
Granted	346,541	\$ 11.40		
Exercised	3,194	\$ 10.14		
Forfeited or expired	56,059	\$ 17.70		
Outstanding December 31, 2011	906,860	\$ 18.36	6.97	\$ 0
Exercisable at December 31, 2011	474,671	\$ 25.14	5.40	\$ 0
Vested or expected to vest at December 31, 2011	879,777	\$ 18.36	6.95	\$ 0

There is no aggregate intrinsic value of the Company's outstanding and exercisable options as of December 31, 2011.

As of December 31, 2011, there was \$2,089,729 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 2.76 years.

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

10. STOCK-BASED COMPENSATION (Continued)

The intrinsic value of options exercised during the year ended December 31, 2011 and 2010 was \$22,106 and \$974, 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, 2011, 2010 and 2009 was \$667,171, \$764,921 and \$788,461, respectively.

11. RETIREMENT PLAN

The Company offers a discretionary 401(k) Plan to all of its employees. Under the 401(k) Plan, employees may defer income on a tax-exempt basis, subject to limitations under the Internal Revenue Code of 1986, as amended. Under the 401(k) Plan, the Company may make discretionary matching contributions. Company contributions expensed in 2011, 2010 and 2009 totaled \$211,494, \$179,349 and \$117,969, respectively.

12. LEASE ARRANGEMENTS

The Company has entered into lease commitments for rental of its office space which expires in 2014. The future minimum lease payments during 2012, 2013 and 2014 are \$236,747, \$248,632 and \$41,718, respectively.

Rent expense amounted to \$424,294, \$338,588 and \$325,093 for the years ended December 31, 2011, 2010 and 2009, respectively.

13. COMMITMENTS AND CONTINGENCIES

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 2011, 2010 and 2009, the Company paid or accrued \$335,160, \$152,228 and \$63,749, respectively, to Antares as a result of royalties generated by Elestrin revenues. Pursuant to a separate agreement with Antares and related to the December 2009 license amendment with Azur Pharma International II Limited (now known as Jazz Pharmaceuticals, in light of Jazz Pharmaceuticals' acquisition of Azur), the Company paid Antares an aggregate of \$268,750 in February 2010, which is recorded in licensing expense.

Wake Forest License

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

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

13. COMMITMENTS AND CONTINGENCIES (Continued)

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>
2012	\$ 80,000
2013	80,000
2014	80,000
2015	80,000
2016	40,000
Thereafter	80,000

Under the terms of the license agreement with the Wake Forest University Health Sciences 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 Health Sciences 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.

Aptar Pharma–Gel Filling Machine

The Company currently has a commitment with Aptar Pharma to purchase a gel filling machine for \$842,740. As of December 31, 2011, the Company has paid \$337,096 resulting in a remaining obligation of \$505,644.

Pending Litigation

On February 3, 2012, a purported class action lawsuit was filed in the United States District Court for the Northern District of Illinois under the caption *Thomas Lauria, on behalf of himself and all others similarly situated v. BioSante Pharmaceuticals, Inc. and Stephen M. Simes* naming the Company and the Company's President and Chief Executive Officer, Stephen M. Simes, as defendants. The complaint alleges that certain of the Company's disclosures relating to the efficacy of LibiGel and its commercial potential were false and/or misleading and that such false and/or misleading statements had the effect of artificially inflating the price of the Company's securities resulting in violations of Section 10(b) of the Securities Exchange Act of 1934, as amended (Exchange Act), Rule 10b-5 and Section 20(a) of the Exchange Act. A substantially similar complaint was filed in the same court on February 21, 2012. The plaintiffs seek to represent a class of persons who purchased the Company's securities between February 8, 2010 and December 15, 2011, and seek unspecified compensatory damages, equitable and/or injunctive relief, and reasonable costs, expert fees and attorneys' fees on behalf of such purchasers. BioSante believes the actions are without merit and intends to defend the actions vigorously. Additional lawsuits may be filed and, at this time, because the litigation is in its early stages, the Company is unable to predict the outcome of these lawsuits, the possible loss or range of loss, if

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

13. COMMITMENTS AND CONTINGENCIES (Continued)

any, associated with their resolution or any potential effect they may have on BioSante's operations. Failure by the Company to obtain a favorable resolution of the lawsuits, however, could have a material effect on the Company's financial condition, results of operations, cash flows or its operations.

14. FAIR VALUE MEASUREMENTS

The Company accounts for its convertible senior notes and U.S. Treasury money market fund at fair value. 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, a fair value hierarchy has been established 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 and liabilities recorded at fair value on a recurring basis as of December 31, 2011 and 2010 are classified in the table below in one of the three categories described above:

<u>Description</u>	December 31, 2011 Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market fund	\$ 55,465,507	–	\$ 55,465,507	–
Total assets	\$ 55,465,507	–	\$ 55,465,507	–
Liabilities:				
2013 Notes	\$ 17,336,760	–	\$ 17,336,760	–
Total liabilities	\$ 17,336,760	–	\$ 17,336,760	–

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

14. FAIR VALUE MEASUREMENTS (Continued)

<u>Description</u>	December 31, 2010 Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market fund	\$ 21,729,230	–	\$ 21,729,230	–
Total assets	\$ 21,729,230	–	\$ 21,729,230	–
Liabilities:				
2011 Notes	\$ 1,111,132	–	\$ 1,111,132	–
2013 Notes	17,436,201	–	17,436,201	–
Total liabilities	\$ 18,547,333	–	\$ 18,547,333	–

The Company made an election to record the values of the 2011 Notes and 2013 Notes at fair value with gains and losses related to fluctuations in the value of these financial liabilities recorded in earnings immediately pursuant to ASC 825. The fair values of the 2011 Notes and 2013 Notes are estimated based on the risk-free borrowing rate, the volatility of the Company's stock, and the current borrowing rates for similar companies. See Note 7, "Convertible Senior Notes" for more information and disclosures regarding key assumptions used in this fair value determination.

15. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly data for 2011 and 2010 is as follows:

	2011			
	First	Second	Third	Fourth
Revenue	\$ 57,000	\$ 81,003	\$ 182,784	\$ 114,373
Research and development expenses	14,864,420	11,116,323	11,500,053	6,701,465
General and administrative expenses	1,593,557	1,989,103	1,675,268	1,723,562
Licensing expense	0	0	50,000	0
Operating loss	(16,442,921)	(13,064,942)	(13,028,207)	(8,340,710)
Net loss	(17,250,676)	(14,975,231)	(12,733,691)	(6,648,906)
Loss per share:				
Basic and diluted	\$ (1.20)	\$ (0.96)	\$ (0.72)	\$ (0.36)

BIOSANTE PHARMACEUTICALS, INC.
Notes to the Financial Statements (Continued)
December 31, 2011

15. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued)

	2010			
	First	Second	Third	Fourth
Revenue	\$ 2,279,874	\$ 0	\$ 51,331	\$ 143,032
Research and development expenses	9,426,870	8,657,606	9,716,091	11,904,935
General and administrative expenses	1,498,252	1,540,200	1,534,417	1,367,491
Licensing expense	268,750	0	0	0
Operating loss	(8,959,419)	(10,240,352)	(11,240,177)	(13,168,413)
Net loss	(10,540,419)	(10,794,351)	(11,589,711)	(13,271,735)
Loss per share:				
Basic and diluted	\$ (1.14)	\$ (1.02)	\$ (0.96)	\$ (1.08)

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CONVERTIBLE SENIOR NOTES (Details) (USD \$)	12 Months Ended			1 Months Ended	12 Months Ended	0 Months Ended	1 Months Ended	12 Months Ended			0 Months Ended
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Oct. 14, 2009 Convertible senior notes Cell Genesys item	Dec. 31, 2010 Notes	Oct. 14, 2009 Notes Cell Genesys	Feb. 29, 2012 Notes holder	Dec. 31, 2011 Notes	Dec. 31, 2010 Notes	Mar. 12, 2012 Notes	Oct. 14, 2009 Notes Cell Genesys
Convertible Senior Notes											
Number of series of convertible notes assumed in merger				2							
Principal balance of debt assumed				\$ 22,016,000		\$ 1,234,000					\$ 20,782,000
Principal amount								20,782,000	22,016,000	11,800,000	
Interest rate (as a percent)				3.125%		3.125%				3.125%	3.125%
Number of shares issued in exchange for cancellation for debt							1,900,000				
Number of holders of debt instrument to whom shares are issued by the entity							1				
Principal amount of debt cancelled							9,000,000				
Number of shares of common stock receivable upon conversion			931,093					500,000			
Conversion price (in dollars per share)			\$ 22.32					\$ 22.32			
Percentage of principal amount at which the holder may require the entity to repurchase notes								100.00%			
Percentage of principal amount at which the entity may redeem notes in whole or in part								100.00%			
Percentage of the closing sales price of the entity's common stock that the conversion price must exceed in order for the notes to be convertible								150.00%			
Number of days within 30 consecutive trading days in which the closing price of the entity's common stock must exceed the conversion price for the notes to be redeemable								20 days			
Number of consecutive trading days during which the closing price of the entity's common stock must exceed the conversion price for at least 20 days in order for the notes to be redeemable								30 days			
Recorded fair value								17,336,760	18,547,333		
Amount of difference between aggregate recorded fair value of the notes and their total stated principal amount								3,445,240	3,468,667		
Fair value adjustment	(23,427)	(1,870,916)	33,163					(23,427)	(1,870,916)		

<u>Fair value adjustment attributable to the change in instrument specific credit risk</u>			184,000
<u>Average risk-free rate (as a percent)</u>	0.29%	0.19%	0.82%
<u>Volatility of BioSante common stock (as a percent)</u>	61.00%	77.40%	78.70%
<u>Discount rate for principal payments in cash (as a percent)</u>	17.00%	18.50%	17.00%
<u>Maturities of required principal payments by year</u>			
<u>2012</u>		0	
<u>2013</u>		20,782,000	
<u>Total</u>		\$	20,782,000

LEASE ARRANGEMENTS
(Details) (USD \$)

12 Months Ended
Dec. 31, 2011 Dec. 31, 2010 Dec. 31, 2009

Future minimum lease payments

Future minimum lease payments during 2012 \$ 236,747

Future minimum lease payments during 2013 248,632

Future minimum lease payments during 2014 41,718

Rent expense \$ 424,294 \$ 338,588 \$ 325,093

**STOCK-BASED
COMPENSATION (Details
3) (Stock options, USD \$)**

	12 Months Ended		
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Stock options			
<u>Option Shares</u>			
<u>Outstanding at the beginning of the period (in shares)</u>	619,572		
<u>Granted (in shares)</u>	346,541		
<u>Exercised (in shares)</u>	3,194		
<u>Forfeited or expired (in shares)</u>	56,059		
<u>Outstanding at the end of the period (in shares)</u>	906,860	619,572	
<u>Exercisable at the end of the period (in shares)</u>	474,671		
<u>Vested or expected to vest at the end of the period (in shares)</u>	879,777		
<u>Weighted Average Exercise Price</u>			
<u>Outstanding at the beginning of the period (in dollars per share)</u>	\$ 22.14		
<u>Granted (in dollars per share)</u>	\$ 11.40		
<u>Exercised (in dollars per share)</u>	\$ 10.14		
<u>Forfeited or expired (in dollars per share)</u>	\$ 17.70		
<u>Outstanding at the end of the period (in dollars per share)</u>	\$ 18.36	\$ 22.14	
<u>Exercisable at the end of the period (in dollars per share)</u>	\$ 25.14		
<u>Vested or expected to vest at the end of the period (in dollars per share)</u>	\$ 18.36		
<u>Weighted Average Remaining Term</u>			
<u>Outstanding at the end of the period weighted average remaining term</u>	6 years 11 months 19 days	6 years 8 months 26 days	
<u>Exercisable at the end of the period weighted average remaining term</u>	5 years 4 months 24 days		
<u>Vested or expected to vest at the end of the period weighted average remaining term</u>	6 years 11 months 12 days		
<u>Aggregate Intrinsic Value</u>			
<u>Outstanding at the end of the period intrinsic value (in dollars)</u>	\$ 0	\$ 162,892	
<u>Exercisable at the end of the period intrinsic value (in dollars)</u>	0		
<u>Vested or expected to vest at the end of the period intrinsic value (in dollars)</u>	0		
<u>Unrecognized compensation cost</u>			
<u>Unrecognized compensation cost (in dollars)</u>	2,089,729		
<u>Weighted-average period over which unrecognized compensation cost is expected to be recognized</u>	2 years 9 months 4 days		
<u>Additional disclosure related to options</u>			
<u>Intrinsic value of options exercised (in dollars)</u>	22,106	974	
<u>Fair value of shares vested (in dollars)</u>	\$ 667,171	\$ 764,921	\$ 788,461

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Details) (USD \$)**

12 Months Ended

	Dec. 31, 2011 item	Dec. 31, 2010	Dec. 31, 2009	Oct. 14, 2009 Cell Genesys
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Basis of Presentation

Number of operating segments

1

Number of reporting segments

1

Common stock acquired (as a percent)

100.00%

Reclassifications

Changes related to accounts receivable

\$ 64,645

\$ 285,838

Cash and Cash Equivalents

FDIC-insured accounts, percentage of balance insured 100.00%

100.00%

**CONVERTIBLE SENIOR
NOTES (Tables)**

CONVERTIBLE SENIOR NOTES

Schedule of key assumptions used to establish
the value of the 2013 Notes

Schedule of maturities of required principal
payments by year related to the convertible
senior notes

**12 Months Ended
Dec. 31, 2011**

The assumptions as of December 31, 2011 were:

	<u>2013 Notes</u>	
Average risk-free rate	0.19	%
Volatility of BioSante common stock	77.4	%
Discount rate for principal payments in cash	18.5	%

The assumptions as of December 31, 2010 were:

	<u>2013 Notes</u>		<u>2011 Notes</u>	
Average risk-free rate	0.82	%	0.29	%
Volatility of BioSante common stock	78.7	%	61.0	%
Discount rate for principal payments in cash	17.0	%	17.0	%

The following table represents the scheduled maturities of required principal payments by year related to the convertible senior notes at December 31, 2011:

2012	\$—
2013	20,782,000
Total	\$20,782,000

**COMMITMENTS AND
CONTINGENCIES (Details
2) (Gel Filling Machine,
Aptar Pharma, USD \$)**

12 Months Ended

Dec. 31, 2011

Gel Filling Machine | Aptar Pharma

Commitment and contingencies

Amount of commitment to purchase machinery \$ 842,740

Amount paid 337,096

Remaining obligation \$ 505,644

STOCKHOLDERS' EQUITY (Details 2) (Cell Genesys, USD \$)	0 Months Ended Oct. 14, 2009	1 Months Ended Oct. 31, 2009 Common stock	12 Months Ended Dec. 31, 2009 Common stock
------------------------------------------------------------------------	-------------------------------------------------	----------------------------------------------------------------------	-----------------------------------------------------------------------

Stockholders' equity

<u>Number of shares that may be received on conversion of each share of the acquiree entity (as a percent)</u>		3.05%	
<u>Number of shares of common stock issued in connection with merger</u>	3,369,967	3,400,000	
<u>Number of shares of the acquirer entity issued on conversion of assumed options into options</u>		39,071	
<u>Weighted average exercise price of option (in dollars per share)</u>		\$ 118.38	
<u>Number of shares of the acquirer entity issued on conversion of assumed warrants into warrants</u>		65,874	65,874
<u>Weighted average exercise price (in dollars per share)</u>		\$ 235.62	

ACQUISITION OF NET ASSETS OF CELL GENESYS (Details) (USD \$)	12 Months Ended		0 Months Ended	12 Months Ended	0 Months Ended		
	Dec. 31, 2009	Dec. 31, 2011 2013 Notes	Mar. 12, 2012 2013 Notes	Oct. 14, 2009 Cell Genesys	Dec. 31, 2011 Cell Genesys	Oct. 14, 2009 Cell Genesys Notes	Oct. 14, 2009 Cell Genesys Notes
Acquisition							
<u>Interest acquired (as a percent)</u>				100.00%			
Purchase price of the merger							
<u>Number of shares of common stock issued</u>				3,369,967			
<u>Fair value of BioSante common stock issued</u>				\$ 36,800,043			
<u>Transaction costs of BioSante</u>				2,431,252			
<u>Total purchase price</u>				39,231,295			
Allocation of purchase price							
<u>Cash</u>				24,746,346			
<u>Investment in Ceregene</u>				3,486,000			
<u>In-process research and development</u>				9,000,000			
<u>Receivables, equipment and other assets</u>				293,658			
<u>Accounts payable and accrued liabilities</u>				1,777,323			
<u>Convertible senior notes</u>				16,709,580			
<u>Total net assets acquired</u>				19,039,101			
Additional disclosures							
<u>Acquired in-process technology</u>	9,000,000			9,000,000			
<u>Excess consideration paid over fair value</u>	20,192,194			20,200,000			
<u>Principal balance of debt assumed</u>						\$ 1,234,000	\$ 20,782,000
<u>Interest rate (as a percent)</u>			3.125%			3.125%	3.125%
<u>Number of shares of common stock receivable upon conversion</u>		500,000			931,093		
<u>Conversion price (in dollars per share)</u>		\$ 22.32			\$ 22.32		

**SELECTED QUARTERLY
FINANCIAL DATA
(UNAUDITED) (Details)
(USD \$)**

3 Months Ended

12 Months Ended

	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sep. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Selected quarterly data											
Revenue	\$ 114,373	\$ 182,784	\$ 81,003	\$ 57,000	\$ 143,032	\$ 51,331	\$ 0	\$ 2,279,874	\$ 435,160	\$ 2,474,237	\$ 1,258,054
Research and development	6,701,465	11,500,053	11,116,323	14,864,420	11,904,935	9,716,091	8,657,606	9,426,870	44,182,260	39,705,502	13,680,573
General and administration	1,723,562	1,675,268	1,989,103	1,593,557	1,367,491	1,534,417	1,540,200	1,498,252	6,981,490	5,940,360	5,373,945
Licensing expense	0	50,000	0	0	0	0	0	268,750	50,000	268,750	299,616
Operating loss	(8,340,710)	(13,028,207)	(13,064,942)	(16,442,921)	(13,168,413)	(11,240,177)	(10,240,352)	(8,959,419)			
Net loss	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	(6,648,906)	(12,733,691)	(14,975,231)	(17,250,676)	(13,271,735)	(11,589,711)	(10,794,351)	(10,540,419)	(51,608,504)	(46,196,216)	(47,527,768)
Loss per share:											
Basic and diluted (in dollars per share)	\$ (0.36)	\$ (0.72)	\$ (0.96)	\$ (1.20)	\$ (1.08)	\$ (0.96)	\$ (1.02)	\$ (1.14)			

RETIREMENT PLAN (Details) (USD \$)	12 Months Ended		
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
<u>RETIREMENT PLAN</u>			
<u>Contributions expensed</u>	\$ 211,494	\$ 179,349	\$ 117,969

LIQUIDITY AND CAPITAL RESOURCES

**12 Months Ended
Dec. 31, 2011**

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY AND CAPITAL RESOURCES

3. LIQUIDITY AND CAPITAL RESOURCES

Substantially all of the Company's revenue to date has been derived from upfront, milestone and royalty payments earned on licensing transactions and from subcontracts. 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 introduced commercially any products. If and when the Company's products for which it has not entered into marketing relationships receive FDA approval, the Company may begin to incur other expenses, including sales and marketing related expenses if it chooses to market the products itself.

During 2011, the Company raised approximately \$68.9 million in net proceeds, after deducting placement agent fees, underwriters' discounts, commissions and other offering expenses, through the sale of common stock in an underwritten public offering and common stock and warrants in a registered direct offering, as more fully described in Note 9, "Stockholders' Equity."

As of December 31, 2011, the Company had \$57.2 million of cash and cash equivalents. Absent the receipt of any additional licensing income or financing, the Company expects its cash and cash equivalents balance to decrease as the Company continues to use cash to fund its operations, including in particular its LibiGel Phase III safety study if the Company decides to continue such study. As of March 12, 2012, the Company has \$11.8 million in aggregate principal amount of 3.125% convertible senior notes due May 1, 2013 outstanding. In February 2012, the Company issued an aggregate of approximately 1.9 million shares of its common stock to one of the holders of the Company's 3.125% convertible senior notes due May 1, 2013 in exchange for cancellation of \$9.0 million in aggregate principal amount of such notes, including accrued and unpaid interest. Assuming the Company continues its LibiGel Phase III safety study, the Company expects its cash and cash equivalents as of December 31, 2011 to meet its liquidity requirements through mid 2013. If the Company terminates its LibiGel Phase III safety study and assuming that the Company does so during the second quarter of 2012 and assuming no other corporate product development and activities, the Company expects its cash and cash equivalents to meet its liquidity requirements through late 2014. These estimates may prove incorrect or the Company, nonetheless, may choose to raise additional financing earlier.

The Company's future capital requirements will depend upon numerous factors, including:

- the progress, timing, cost and results of the Company's preclinical and clinical development programs, including in particular if the Company decides to continue its LibiGel Phase III safety study;
- whether the Company in-licenses additional new products that require further development;

- the cost, timing and outcome of regulatory actions with respect to the Company's products;
- the Company's ability to obtain value from its current products and technologies and its ability to out-license its products and technologies to third parties for development and commercialization and the terms of such out-licensings;
- the Company's ability to acquire or in-license additional new products and technologies and the costs and expenses of such acquisitions or licenses;
- the timing and amount of any royalties, milestone or other payments that the Company may receive from or be obligated to pay to current and potential licensors, licensees and other third parties;
- the costs of preparing, filing, prosecuting, maintaining and enforcing patent claims and other intellectual property rights;
- the emergence of competing products and technologies, and other adverse market developments;
- the perceived, potential and actual commercial success of the Company's products;
- the outstanding principal amount of the Company's 3.125% convertible senior notes due May 1, 2013 that are scheduled to mature and become due and payable on May 1, 2013 and the Company's ability to avoid a "fundamental change" or an "event of default" under the indenture governing such notes, which may cause such notes to become due and payable prior to their maturity date on May 1, 2013;
- the Company's operating expenses;
- the success, progress, timing and costs of the Company's business development efforts to implement business collaborations, licenses and other business combinations or transactions, and the Company's efforts to evaluate various strategic alternatives available with respect to its products and the Company; and

- the resolution of the Company's pending purported class action litigation.

The Company does not have any existing credit facilities under which the Company could borrow funds. In the event that the Company would require additional working capital to fund future operations, the Company could seek to acquire such funds through additional equity or debt financing arrangements. If the Company raises additional funds by issuing equity securities, the Company's stockholders may experience dilution. Debt financing, if available, may involve covenants restricting the Company's operations or the Company's ability to incur additional debt. There is no assurance that any financing transaction will be available on terms acceptable to the Company, or at all. As an alternative to raising additional financing, the Company may choose to license one or more of its products or technologies to a third party who may finance a portion or all of the continued development and, if approved, commercialization of that licensed product, 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. In addition, from time to time, the Company may purchase, exchange or restructure its outstanding convertible senior notes through cash purchases and/or exchanges for other equity securities of the Company, in open market purchases, privately negotiated transactions and/or a tender offer. Such additional purchases, exchanges or restructurings, if any, will depend on prevailing market conditions, the Company's available cash and cash equivalents, the Company's liquidity requirements, contractual restrictions and other factors. Such future purchases, exchanges or restructurings could dilute the percentage ownership of the Company's stockholders, result in the issuance of securities at a discount to market price or that may have rights, preferences or privileges senior to those of the Company's existing stockholders and/or decrease the Company's cash balance. A significant decrease in the Company's cash balance may impair the Company's ability to execute strategic alternatives or leave the Company without sufficient cash remaining for operations.

The announcement of the results of the Company's LibiGel Phase III efficacy trials has significantly depressed the trading price of the Company's common stock and if the Company terminates its LibiGel Phase III safety study, the trading price of the Company's common stock could be depressed further and affect adversely the Company's ability to raise additional capital. The decrease in the trading price of the Company's common stock has resulted in the bid price for the Company's common stock failing to meet the minimum \$1.00 per share required for continued inclusion on The NASDAQ Global Market. The Company has until July 30, 2012 to regain compliance with the minimum bid price requirement. In order to regain compliance, shares of the Company's common stock must maintain a minimum bid closing price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by July 30, 2012, the Company may transfer its common stock listing to The NASDAQ Capital Market and be eligible for an additional 180-day grace period if the Company meets the market value of publicly held shares requirement for continued listing and all other initial inclusion requirements for listing on The NASDAQ Capital Market, other than the minimum bid price requirement. In order to be afforded the additional 180-day compliance period, the Company also would need to provide NASDAQ written notice of the Company's intention to cure the minimum bid price deficiency during the second compliance period by effecting a reverse stock split, if necessary. If the Company does not indicate its intent to cure the deficiency or if it does not appear to NASDAQ that it is possible for the Company to cure the deficiency, the Company will not be eligible for the second 180-day grace period and its common stock will be subject to delisting, which delisting determination the Company may appeal to a hearings panel at that time. A delisting of the Company's common stock from NASDAQ or even the transfer of the Company's common stock listing to The NASDAQ Capital Market could result

in further decreases in the trading price of the Company's common stock and, among other things, could harm the Company's ability to raise financing.

In addition, the announcement of the results of the Company's LibiGel Phase III efficacy trials has resulted in pending purported class action litigation of which the Company, along with its President and Chief Executive Officer, are defendants, which litigation is described in more detail in Note 13, "Commitments and Contingencies". While the Company believes the actions are without merit and intends to defend the actions vigorously, such litigation could divert management's attention, harm the Company's business and/or reputation and result in significant liabilities, as well as harm the Company's ability to raise financing.

The Company can provide no assurance that additional financing, if needed, will be available on terms favorable to the Company, or at all. This is particularly true if investors are not confident in the future value of the Company, the Company loses the NASDAQ listing of its common stock and/or economic and market conditions deteriorate. If adequate funds are not available or are not available on acceptable terms when the Company needs them, the Company may need to cut its operating costs further or the Company may be forced to explore other strategic alternatives, such as selling or merging the Company or winding down its operations and liquidating the Company. In such case, the Company's stockholders could lose some or all of their investment.

**COMMITMENTS AND
CONTINGENCIES (Tables)**

**12 Months Ended
Dec. 31, 2011**

COMMITMENTS AND CONTINGENCIES

Schedule of future minimum maintenance payments due

<u>Year</u>	<u>Minimum Amount Due</u>
2012	\$80,000
2013	80,000
2014	80,000
2015	80,000
2016	40,000
Thereafter	80,000

**STOCK-BASED
COMPENSATION (Tables)**

**12 Months Ended
Dec. 31, 2011**

STOCK-BASED COMPENSATION

Schedule of weighted average assumptions used in estimation of the fair value of options granted

	2011	2010	2009
Expected option life (years)	5.5 - 6.25	6.00	6.00
Risk-free interest rate	1.175% - 2.57%	2.42 %	2.74 %
Expected stock price volatility	69.07% - 72.16%	76.05%	76.75%
Dividend yield	—	—	—

Summary of stock option compensation expense for employees and non-employees

	2011	2010	2009
Research and development	\$423,925	\$325,208	\$361,773
General and administrative	753,758	667,549	892,730
Total stock-based compensation expense	\$1,177,683	\$992,757	\$1,254,503

Summary of activity under the plans

<u>Options</u>	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
Outstanding December 31, 2010	619,572	\$22.14	6.74	\$162,892
Granted	346,541	\$11.40		
Exercised	3,194	\$10.14		
Forfeited or expired	56,059	\$17.70		
Outstanding December 31, 2011	906,860	\$18.36	6.97	\$0

Exercisable at
December 31,
2011 474,671 \$25.14 5.40 \$0

Vested or
expected to
vest at
December 31,
2011 879,777 \$18.36 6.95 \$0

**STOCK-BASED
COMPENSATION (Details)
(USD \$)**

**12 Months Ended
Dec. 31, 2011 Dec. 31, Dec. 31,
item 2010 2009**

STOCK-BASED COMPENSATION

<u>Number of stockholder-approved equity-based compensation plans</u>	2		
<u>Stock-based compensation</u>			
<u>Stock-based compensation expense</u>	\$ 1,177,683	\$ 992,757	\$ 1,254,503
Stock options			
<u>Stock-based compensation</u>			
<u>Outstanding stock options (in shares)</u>	906,860	619,572	
<u>Contractual term of stock options</u>	10 years		
<u>Stock-based compensation expense</u>	\$ 1,177,683	\$ 992,757	\$ 1,254,503
<u>Weighted average fair value (in dollars per share)</u>	\$ 7.32	\$ 6.66	\$ 6.24
<u>Weighted average assumptions used in estimation of the fair value of options granted</u>			
<u>Expected option life</u>		6 years	6 years
<u>Risk-free interest rate, minimum (as a percent)</u>	1.175%		
<u>Risk-free interest rate, maximum (as a percent)</u>	2.57%		
<u>Risk-free interest rate (as a percent)</u>		2.42%	2.74%
<u>Expected stock price volatility, minimum (as a percent)</u>	69.07%		
<u>Expected stock price volatility, maximum (as a percent)</u>	72.16%		
<u>Expected stock price volatility (as a percent)</u>		76.05%	76.75%
<u>Dividend yield (as a percent)</u>	0.00%		
Stock options Minimum			
<u>Stock-based compensation</u>			
<u>Vesting period of outstanding stock options</u>	3 years		
<u>Weighted average assumptions used in estimation of the fair value of options granted</u>			
<u>Expected option life</u>	5 years 6 months		
Stock options Maximum			
<u>Stock-based compensation</u>			
<u>Vesting period of outstanding stock options</u>	4 years		
<u>Weighted average assumptions used in estimation of the fair value of options granted</u>			
<u>Expected option life</u>	6 years 3 months		
2008 Plan Stock options			
<u>Stock-based compensation</u>			
<u>Number of shares of the entity's common stock authorized for issuance under the plan</u>	1,000,000		
1998 Plan Stock options			

Stock-based compensation

Number of shares of the common stock issued

3,416

Outstanding stock options (in shares)

587,666

**FAIR VALUE
MEASUREMENTS (Tables)**

**12 Months Ended
Dec. 31, 2011**

**FAIR VALUE
MEASUREMENTS**

Schedule of financial assets
and liabilities recorded at fair
value on a recurring basis

<u>Description</u>	<u>December 31, 2011 Balance</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Money market fund	\$55,465,507	—	\$55,465,507	—
Total assets	\$55,465,507	—	\$55,465,507	—
Liabilities:				
2013 Notes	\$17,336,760	—	\$17,336,760	—
Total liabilities	\$17,336,760	—	\$17,336,760	—
<u>Description</u>	<u>December 31, 2010 Balance</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Money market fund	\$21,729,230	—	\$21,729,230	—
Total assets	\$21,729,230	—	\$21,729,230	—
Liabilities:				
2011 Notes	\$1,111,132	—	\$1,111,132	—
2013 Notes	17,436,201	—	17,436,201	—
Total liabilities	\$18,547,333	—	\$18,547,333	—

**SELECTED QUARTERLY
FINANCIAL DATA
(UNAUDITED) (Tables)**

**SELECTED QUARTERLY
FINANCIAL DATA (UNAUDITED)**

Schedule of selected quarterly data

12 Months Ended

Dec. 31, 2011

	2011			
	First	Second	Third	Fourth
Revenue	\$57,000	\$81,003	\$182,784	\$114,373
Research and development expenses	14,864,420	11,116,323	11,500,053	6,701,465
General and administrative expenses	1,593,557	1,989,103	1,675,268	1,723,562
Licensing expense	0	0	50,000	0
Operating loss	(16,442,921)	(13,064,942)	(13,028,207)	(8,340,710)
Net loss	(17,250,676)	(14,975,231)	(12,733,691)	(6,648,906)
Loss per share:				
Basic and diluted	\$(1.20)\$(0.96)\$(0.72)\$(0.36

	2010			
	First	Second	Third	Fourth
Revenue	\$2,279,874	\$0	\$51,331	\$143,032
Research and development expenses	9,426,870	8,657,606	9,716,091	11,904,935
General and administrative expenses	1,498,252	1,540,200	1,534,417	1,367,491
Licensing expense	268,750	0	0	0
Operating loss	(8,959,419)	(10,240,352)	(11,240,177)	(13,168,413)
Net loss	(10,540,419)	(10,794,351)	(11,589,711)	(13,271,735)
Loss per share:				
Basic and diluted	\$(1.14)\$(1.02)\$(0.96)\$(1.08

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

12 Months Ended

Dec. 31, 2011

**Consolidation Basis of
Presentation and Accounting
Policies**

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

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. The Company does not have items of other comprehensive income for years ended December 31, 2011, 2010 or 2009; and therefore, has not presented comprehensive income.

On June 1, 2012, the Company effected a one-for-six reverse split of its outstanding common stock and class C special stock. All share and per share numbers have been adjusted retroactively to reflect the one-for-six reverse stock split effected on June 1, 2012.

Subsequent to the issuance of the financial statements contained in the registration statement on Form S-4 as amended and as declared effective by the Securities and Exchange Commission on January 22, 2013, the Company identified a retrospective application of the misstatement in the calculation of common stock presented in its statements of stockholders' equity resulting from the reverse stock split effective June 1, 2012. The misstatement has been corrected in these financial statements.

On October 14, 2009, the Company acquired 100 percent of the common stock of Cell Genesys, Inc. (Cell Genesys) in a direct merger transaction, with the Company being the surviving corporation. The primary reason the Company merged with Cell Genesys was the Company's need for additional funding to continue its Phase III clinical studies for LibiGel and the lack of other available acceptable alternatives for the Company to access capital prior to and at the time the merger agreement was entered into by the parties in June 2009, especially in light of the then state of the markets for equity offerings, which historically had been the Company's primary method for raising additional financing. Effective October 14, 2009, the balance sheet and net loss of the Company reflect the purchase price allocation and charges resulting from the purchase price allocation related to the merger, which included adjustments to carrying values of the acquired net assets based on their estimated fair values as of that date.

Reclassifications

Certain amounts in the 2010 and 2009 financial statements have been reclassified to conform to their presentation in the 2011 financial statements. Specifically, in the statement of cash flows, the changes related to Accounts receivable in the amounts of \$64,645 and \$285,838 for the years ended December 31, 2010 and 2009, respectively, have been combined into the Prepaid expenses and other assets line item within the net cash used in operating activities section.

Cash and Cash Equivalents

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

As of December 31, 2011, all of the Company's cash and cash equivalents resided in a 100 percent FDIC-insured non-interest bearing checking account, a U.S. Treasury money market fund or a certificate of deposit. As of December 31, 2010, all of the Company's cash and cash equivalents resided in a 100 percent FDIC-insured non-interest bearing checking account in order to ensure maximum safety of principal.

Fair Value of Financial Instruments

The carrying value of certain of the Company's financial instruments, including cash equivalents, accounts receivable and accounts payable, approximate fair value due to their short maturities. Other information about the Company's assets and liabilities recorded at fair value is included in Note 14, "Fair Value Measurements."

Property and Equipment

Property and equipment that currently is being used in the Company's operations is stated at cost less accumulated depreciation and amortization. Depreciation is computed primarily on a straight line basis over the estimated useful lives of the respective assets, typically five and seven years for software and computer equipment and 10 years for non-computer equipment.

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.

Convertible Senior Notes

The Company assumed two series of 3.125% convertible senior note obligations with an aggregate principal balance of \$22,016,000, which contain certain redemption, repurchase and conversion adjustment features as a result of its transaction with Cell Genesys. The Company made an irrevocable election to account for these convertible senior notes at fair value commencing from the date of the merger, resulting in recognition of a single liability for the convertible senior notes which are reported at fair value at each reporting date. Subsequent changes in the carrying value of the convertible senior notes are reflected in fair value adjustment in the accompanying statements of operations.

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.

Legal Costs

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

Basic and Diluted Net Loss Per Share

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

Stock-Based Compensation

The Company recognizes stock-based compensation expense granted to employees generally on a straight-line basis over the estimated service period of the award, or when certain performance-based vesting provisions occur, for awards that contain these features. The Company also has granted options to non-employees in exchange for services. Expense related to such grants is recognized within the Company's statements of operations in accordance with the nature of the service received by the Company.

Warrants issued to non-employees as compensation for services rendered are valued at their fair value on the date of issue and are re-measured until the counterparty's performance under the arrangement is complete.

Revenue Recognition

The Company has entered into various licensing agreements that have generated license revenue or other upfront fees and which also may 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, or as sales-based milestone payments. 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.

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 deferred income tax assets in circumstances where management believes the recoverability of a portion of the assets is not more likely than not. The Company has provided a full valuation allowance against its net deferred tax assets as of December 31, 2011 and 2010.

Investments

The investments balance of \$3,405,807 as of December 31, 2011 and 2010 consists of the Company's investments that are recorded using the cost method, and substantially represents the Company's investment in Ceregene, Inc., a privately held biotechnology company (Ceregene). As a result of the Company's merger with Cell Genesys, the Company acquired a minority investment in Ceregene. The Company has recorded its investment using the cost method, as no active market exists for this investment, and the Company does not possess significant influence over operating and financial policies of Ceregene, although the Company by virtue of its stock ownership of Ceregene has the right to designate one member on the Ceregene board of directors. During 2010, the Company recorded a \$286,000 impairment on this investment. Such impairment was based on a third-party investment in Ceregene in 2010.

The valuation of investments accounted for under the cost method is based on all available financial information related to the investee, including valuations based on recent third party

equity investments in the investee. If an unrealized loss on any investment is considered to be other-than-temporary, the loss is recognized in the period the determination is made. All investments are reviewed for changes in circumstances or occurrence of events that suggest the investment may not be recoverable. The fair value of the cost method investments are not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investments and it is not practicable to estimate the fair value of the investments.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, "*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)*." This pronouncement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for reporting periods beginning on or after December 15, 2011, with early adoption prohibited. The new guidance will require prospective application. The Company will adopt this guidance at the beginning of its first quarter of 2012. Adoption of this guidance is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

**DESCRIPTION OF
BUSINESS (Details) (USD \$)**

	0	12	1 Months	
	Months Ended	Months Ended	Ended	Ended
	Jan. 31, 2012	Dec. 31, 2011	Jan. 31, 2012	Dec. 31, 2011
		vaccine	Minimum	Minimum
		item		
<u>Description of business</u>				
<u>Number of cancer vaccines that have been granted FDA orphan drug designation</u>		4		
<u>Number of Phase I and Phase II clinical trials</u>		17		
<u>Number of new LibiGel Phase III efficacy trials</u>		2		
<u>Number of consecutive business days for which bid price for common stock had closed below the minimum price per share required for continued inclusion on The NASDAQ Global Market under NASDAQ Listing Rule 5450(a)(1)</u>	30 days			
<u>Price per share required for continued inclusion on The NASDAQ Global Market (in dollars per share)</u>			\$ 1.00	\$ 1.00
<u>Number of days afforded to regain compliance with minimum bid price requirement</u>	180 days			
<u>Number of consecutive business days for which minimum bid closing price have to be maintained</u>			10 days	
<u>Additional grace period to regain compliance if stock listing is transferred to NASDAQ Capital Market</u>	180 days			

INCOMETAXES (Details)
(USD \$)

	12 Months Ended		
	Dec. 31,	Dec. 31,	Dec. 31,
	2011	2010	2009
<u>Components of the Company's net deferred tax asset</u>			
<u>Net operating loss carryforwards</u>	\$	\$	
	63,969,813	46,071,206	
<u>Tax basis in intangible assets</u>	4,095,269	4,452,360	
<u>Deferred financing costs for tax</u>	7,010,462	7,001,619	
<u>Research & development credits</u>	8,266,610	5,796,148	
<u>Stock option expense</u>	2,754,981	2,310,405	
<u>Other</u>	448,140	25,955	
<u>Total deferred tax asset</u>	86,545,275	65,657,693	
<u>Valuation allowance</u>	(86,545,275)	(65,657,693)	
<u>Net deferred tax asset</u>	0		
<u>Income Taxes</u>			
<u>Net operating loss carryforwards</u>	169,456,000		
<u>Provision of valuation allowance to reduce deferred tax assets (as a percent)</u>	100.00%		
<u>Statutory federal income tax rate (as a percent)</u>	34.50%		
<u>Difference in the provision for income taxes computed by applying the statutory income rate to pre-tax income</u>			
<u>Tax at U.S. federal statutory rate</u>	(17,804,934)	(15,937,695)	(16,397,080)
<u>State taxes, net of federal benefit</u>	(1,677,276)	(1,501,377)	(1,544,652)
<u>Research and development credits</u>	(1,537,863)	(966,941)	(515,235)
<u>Other, net</u>	132,491	133,932	17,718
<u>Change in valuation allowance</u>	20,887,582	18,272,081	18,439,249
<u>Total income tax expense</u>	\$ 0		
Maximum			
<u>Income Taxes</u>			
<u>Number of years for which net operating loss carryforwards are available to reduce future taxable income</u>	20 years		

Balance Sheets (USD \$)**Dec. 31, 2011 Dec. 31, 2010****CURRENT ASSETS**

Cash and cash equivalents \$ 57,225,234 \$ 38,155,251

Prepaid expenses and other assets 801,147 2,469,879

TOTAL CURRENT ASSETS 58,026,381 40,625,130

PROPERTY AND EQUIPMENT, NET 861,364 635,776

OTHER ASSETS

Investments 3,405,807 3,405,807

Deposits 86,203 99,937

TOTAL ASSETS 62,379,755 44,766,650

CURRENT LIABILITIES

Accounts payable 3,150,677 4,864,217

Accrued compensation 1,597,329 526,022

Other accrued expenses 2,479,697 1,681,956

Current portion of Convertible Senior Notes 1,111,132

TOTAL CURRENT LIABILITIES 7,227,703 8,183,327

Long-term Convertible Senior Notes 17,336,760 17,436,201

TOTAL LIABILITIES 24,564,463 25,619,528

Capital stock

Capital stock 255,054,440 184,777,766

Accumulated deficit (217,239,148) (165,630,644)

TOTAL STOCKHOLDERS' EQUITY 37,815,292 19,147,122

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY 62,379,755 44,766,650

Class C Special Shares

Capital stock

Capital stock 391 391

TOTAL STOCKHOLDERS' EQUITY 391 391

Common stock

Capital stock

Capital stock 255,054,049 184,777,375

TOTAL STOCKHOLDERS' EQUITY \$ 255,054,049 \$ 184,777,375

**STOCK-BASED
COMPENSATION (Details
2) (USD \$)**

	12 Months Ended		
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
<u>Stock option compensation expense for employees and non-employees</u>			
<u>Total stock-based compensation expense</u>	\$ 1,177,683	\$ 992,757	\$ 1,254,503
Stock options			
<u>Stock option compensation expense for employees and non-employees</u>			
<u>Total stock-based compensation expense</u>	1,177,683	992,757	1,254,503
Stock options Research and development			
<u>Stock option compensation expense for employees and non-employees</u>			
<u>Total stock-based compensation expense</u>	423,925	325,208	361,773
Stock options General and administrative			
<u>Stock option compensation expense for employees and non-employees</u>			
<u>Total stock-based compensation expense</u>	\$ 753,758	\$ 667,549	\$ 892,730

Statements of Cash Flows
(USD \$)

12 Months Ended

Dec. 31, Dec. 31, Dec. 31,
2011 2010 2009

CASH FLOWS (USED IN) OPERATING ACTIVITIES

<u>Net loss</u>	\$	\$	\$
	(51,608,504)	(46,196,216)	(47,527,768)

Adjustments to reconcile net loss to net cash (used in) operating activities

<u>Acquired in-process research and development</u>			9,000,000
<u>Excess consideration paid over fair value</u>			20,192,194
<u>Depreciation and amortization</u>	148,240	167,986	137,280
<u>Employee and director stock-based compensation</u>	1,177,683	992,757	1,254,503
<u>Stock warrant expense - noncash</u>	204,980	65,529	64,103
<u>Loss on disposal of equipment</u>	367,502	4,583	
<u>Investment impairment charge</u>		286,000	
<u>Other non-cash items</u>		(65,807)	60,739
<u>Convertible note fair value adjustment</u>	23,427	1,870,916	(33,163)

Changes in assets and liabilities affecting cash flows from operations

<u>Prepaid expenses and other assets</u>	1,682,466	(365,332)	(30,263)
<u>Accounts payable and accrued liabilities</u>	134,103	3,142,078	(1,548,535)
<u>Net cash used in operating activities</u>	(47,870,103)	(40,097,506)	(18,430,910)

CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES

<u>Redemption of short term investments</u>			3,026,334
<u>Proceeds from sale of fixed assets</u>		3,075	
<u>Purchase of fixed assets</u>	(719,925)	(63,441)	(165,724)
<u>Net cash (used in) provided by investing activities</u>	(719,925)	(60,366)	2,860,610

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES

<u>Cash paid for transaction related costs</u>			(2,431,252)
<u>Cash received in transaction</u>			24,746,346
<u>Cash paid for convertible note repayment</u>	(1,234,000)		
<u>Proceeds from common stock option exercises</u>	32,442	2,014	
<u>Proceeds from common stock warrant exercises</u>	24,062		
<u>Proceeds from issuance of common stock by underwritten offering</u>	44,961,137		
<u>Proceeds from issuance of common stock by registered direct offering</u>	23,876,370	48,452,644	11,352,751
<u>Net cash provided by financing activities</u>	67,660,011	48,454,658	33,667,845
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	19,069,983	8,296,786	18,097,545
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</u>	38,155,251	29,858,465	11,760,920
<u>CASH AND CASH EQUIVALENTS AT END OF PERIOD</u>	57,225,234	38,155,251	29,858,465

SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION

<u>Interest paid, including acquired accrued interest</u>	688,000	688,000	248,388
-----------------------------------------------------------	---------	---------	---------

Noncash Investing and Financing Activities:

<u>Investment - non-cash</u>	65,807	
<u>Liabilities acquired through Cell Genesys transaction</u>		18,487,298
<u>Shares issued for Cell Genesys transaction</u>		36,800,043
<u>Investment acquired through Cell Genesys transaction</u>		3,486,000
<u>Other assets acquired in Cell Genesys transaction</u>		293,658
<u>Purchase of fixed assets on account, non-cash investing activity</u>	\$ 21,405	

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Details 3) (USD \$)**

	12 Months Ended	1 Months Ended
	Dec. 31, 2011	Oct. 14, 2009
	item	Convertible senior notes Cell Genesys item

Convertible Senior Notes

<u>Number of series of convertible notes assumed in merger</u>		2
<u>Interest rate (as a percent)</u>		3.125%
<u>Principal balance of debt assumed</u>		\$ 22,016,000

Investments

<u>Investments balance</u>	3,405,807	3,405,807
<u>Number of Board members to be designated</u>	1	
<u>Investment impairment charge</u>		\$ 286,000

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Policies)**

12 Months Ended

Dec. 31, 2011

**Consolidation Basis of
Presentation and Accounting
Policies**

Basis of Presentation

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. The Company does not have items of other comprehensive income for years ended December 31, 2011, 2010 or 2009; and therefore, has not presented comprehensive income.

On June 1, 2012, the Company effected a one-for-six reverse split of its outstanding common stock and class C special stock. All share and per share numbers have been adjusted retroactively to reflect the one-for-six reverse stock split effected on June 1, 2012.

Subsequent to the issuance of the financial statements contained in the registration statement on Form S-4 as amended and as declared effective by the Securities and Exchange Commission on January 22, 2013, the Company identified a retrospective application of the misstatement in the calculation of common stock presented in its statements of stockholders' equity resulting from the reverse stock split effective June 1, 2012. The misstatement has been corrected in these financial statements.

On October 14, 2009, the Company acquired 100 percent of the common stock of Cell Genesys, Inc. (Cell Genesys) in a direct merger transaction, with the Company being the surviving corporation. The primary reason the Company merged with Cell Genesys was the Company's need for additional funding to continue its Phase III clinical studies for LibiGel and the lack of other available acceptable alternatives for the Company to access capital prior to and at the time the merger agreement was entered into by the parties in June 2009, especially in light of the then state of the markets for equity offerings, which historically had been the Company's primary method for raising additional financing. Effective October 14, 2009, the balance sheet and net loss of the Company reflect the purchase price allocation and charges resulting from the purchase price allocation related to the merger, which included adjustments to carrying values of the acquired net assets based on their estimated fair values as of that date.

Reclassifications

Reclassifications

Certain amounts in the 2010 and 2009 financial statements have been reclassified to conform to their presentation in the 2011 financial statements. Specifically, in the statement of cash flows, the changes related to Accounts receivable in the amounts of \$64,645 and \$285,838 for the years ended December 31, 2010 and 2009, respectively, have been combined into the Prepaid expenses and other assets line item within the net cash used in operating activities section.

Cash and Cash Equivalents

Cash and Cash Equivalents

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

As of December 31, 2011, all of the Company's cash and cash equivalents resided in a 100 percent FDIC-insured non-interest bearing checking account, a U.S. Treasury money market fund or a certificate of deposit. As of December 31, 2010, all of the Company's cash and cash equivalents resided in a 100 percent FDIC-insured non-interest bearing checking account in order to ensure maximum safety of principal.

[Fair Value of Financial Instruments](#)

Fair Value of Financial Instruments

The carrying value of certain of the Company's financial instruments, including cash equivalents, accounts receivable and accounts payable, approximate fair value due to their short maturities. Other information about the Company's assets and liabilities recorded at fair value is included in Note 14, "Fair Value Measurements."

[Property and Equipment](#)

Property and Equipment

Property and equipment that currently is being used in the Company's operations is stated at cost less accumulated depreciation and amortization. Depreciation is computed primarily on a straight line basis over the estimated useful lives of the respective assets, typically five and seven years for software and computer equipment and 10 years for non-computer equipment.

[Long-Lived Assets](#)

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.

[Convertible Senior Notes](#)

Convertible Senior Notes

The Company assumed two series of 3.125% convertible senior note obligations with an aggregate principal balance of \$22,016,000, which contain certain redemption, repurchase and conversion adjustment features as a result of its transaction with Cell Genesys. The Company made an irrevocable election to account for these convertible senior notes at fair value commencing from the date of the merger, resulting in recognition of a single liability for the convertible senior notes which are reported at fair value at each reporting date. Subsequent changes in the carrying value of the convertible senior notes are reflected in fair value adjustment in the accompanying statements of operations.

[Research and Development](#)

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.

[Legal Costs](#)

Legal Costs

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

[Basic and Diluted Net Loss Per Share](#)

Basic and Diluted Net Loss Per Share

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

[Stock-Based Compensation](#)

Stock-Based Compensation

The Company recognizes stock-based compensation expense granted to employees generally on a straight-line basis over the estimated service period of the award, or when certain performance-based vesting provisions occur, for awards that contain these features. The Company also has granted options to non-employees in exchange for services. Expense related to such grants is recognized within the Company's statements of operations in accordance with the nature of the service received by the Company.

Warrants issued to non-employees as compensation for services rendered are valued at their fair value on the date of issue and are re-measured until the counterparty's performance under the arrangement is complete.

Revenue Recognition

Revenue Recognition

The Company has entered into various licensing agreements that have generated license revenue or other upfront fees and which also may 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, or as sales-based milestone payments. 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.

Income Taxes

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 deferred income tax assets in circumstances where management believes the recoverability of a portion of the assets is not more likely than not. The Company has provided a full valuation allowance against its net deferred tax assets as of December 31, 2011 and 2010.

Investments

Investments

The investments balance of \$3,405,807 as of December 31, 2011 and 2010 consists of the Company's investments that are recorded using the cost method, and substantially represents the Company's investment in Ceregene, Inc., a privately held biotechnology company (Ceregene). As a result of the Company's merger with Cell Genesys, the Company acquired a minority investment in Ceregene. The Company has recorded its investment using the cost method, as no active market exists for this investment, and the Company does not possess significant influence over operating and financial policies of Ceregene, although the Company by virtue of its stock ownership of Ceregene has the right to designate one member on the Ceregene board of directors. During 2010, the Company recorded a \$286,000 impairment on this investment. Such impairment was based on a third-party investment in Ceregene in 2010.

The valuation of investments accounted for under the cost method is based on all available financial information related to the investee, including valuations based on recent third party equity investments in the investee. If an unrealized loss on any investment is considered to be other-than-temporary, the loss is recognized in the period the determination is made. All investments are reviewed for changes in circumstances or occurrence of events that suggest the investment may not be recoverable. The fair value of the cost method investments are not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investments and it is not practicable to estimate the fair value of the investments.

[Recent Accounting Pronouncements](#)

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, "*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)*." This pronouncement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for reporting periods beginning on or after December 15, 2011, with early adoption prohibited. The new guidance will require prospective application. The Company will adopt this guidance at the beginning of its first quarter of 2012. Adoption of this guidance is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

LIQUIDITY AND CAPITAL RESOURCES (Details) (USD \$) Share data in Millions, except Per Share data, unless otherwise specified	0 Months Ended					12 Months Ended	1 Months Ended		1 Months Ended	12 Months Ended	Mar. 12, 2012	Dec. 31, 2010
	Jan. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2011 Common stock	Jan. 31, 2012 Minimum	Dec. 31, 2011 Minimum	Feb. 29, 2012 2013 Notes holder	Dec. 31, 2011 2013 Notes item	Notes	Notes
Liquidity and capital resources												
Net proceeds from issuance of shares and warrants						\$ 68,900,000						
Cash and cash equivalents		57,225,234	38,155,251	29,858,465	11,760,920							
Principal amount										20,782,000	11,800,000	22,016,000
Interest rate (as a percent)											3.125%	
Number of shares issued in exchange for cancellation for debt									1.9			
Number of holders of debt instrument to whom shares are issued by the entity									1			
Principal amount of debt cancelled									\$ 9,000,000			
Number of products or technologies licensed by the entity as an alternative to raising additional financing										1		
Price per share required for continued inclusion on The NASDAQ Global Market (in dollars per share)							\$ 1.00	\$ 1.00				
Number of consecutive business days for which minimum bid closing price have to be maintained							10 days					
Additional grace period to regain compliance if stock listing is transferred to NASDAQ Capital Market	180 days											

**PROPERTY AND
EQUIPMENT (Tables)**

**12 Months Ended
Dec. 31, 2011**

PROPERTY AND EQUIPMENT

Schedule of property and equipment, net of
accumulated depreciation

	<u>2011</u>	<u>2010</u>
Computer equipment	\$520,647	\$417,840
Office equipment	388,659	163,653
Equipment	378,147	500,130
	<u>1,287,453</u>	<u>1,081,623</u>
Accumulated depreciation and amortization	<u>(426,089)</u>	<u>(445,847)</u>
	<u>\$861,364</u>	<u>\$635,776</u>

**DESCRIPTION OF
BUSINESS**

**12 Months Ended
Dec. 31, 2011**

**DESCRIPTION OF
BUSINESS**

**DESCRIPTION OF
BUSINESS**

1. DESCRIPTION OF BUSINESS

BioSante Pharmaceuticals, Inc. (the Company) is a specialty pharmaceutical company focused on developing products for female sexual health and oncology. The Company's products, either approved or in human clinical development, include: (1) LibiGel, once daily transdermal testosterone gel in Phase III clinical development for the treatment of female sexual dysfunction (FSD), specifically hypoactive sexual desire disorder (HSDD); (2) a once daily transdermal testosterone gel approved by the U.S. Food and Drug Administration (FDA) indicated for the treatment of hypogonadism, or testosterone deficiency in men, and licensed to Teva Pharmaceuticals USA, Inc. (Teva); (3) GVAX cancer vaccines, a portfolio of cancer vaccines, four of which have been granted FDA orphan drug designation, and are currently in 17 Phase I and Phase II clinical trials for the treatment of various cancers; (4) The Pill-Plus (triple component contraceptive), once daily use of various combinations of estrogens, progestogens and androgens in Phase II development; and (5) Elestrin, once daily transdermal estradiol (estrogen) gel approved by the FDA indicated for the treatment of moderate-to-severe vasomotor symptoms (hot flashes) associated with menopause and marketed in the U.S. by Jazz Pharmaceuticals, Inc. (Jazz Pharmaceuticals), our licensee.

The Company's lead product in development has been LibiGel for the treatment of FSD, specifically HSDD, in postmenopausal women, for which there is no FDA-approved pharmaceutical product. The Company continues to analyze the data from the two pivotal LibiGel Phase III efficacy trials first reported on December 14, 2011. Initial analysis of the efficacy data from these trials shows that the trials did not meet the co-primary or secondary endpoints. Although there were no statistical differences from placebo, results indicated that LibiGel performed as predicted based on previous experience with testosterone products for FSD. However, the placebo response in the two efficacy trials was overwhelming and unpredictable; and therefore, LibiGel's results were not shown to be statistically different from placebo. The LibiGel Phase III safety study, which completed enrollment in June 2011, continues and will continue during further analysis of the LibiGel efficacy data and until a final strategic decision has been made. It is the Company's objective to meet with the FDA to determine the best path forward, and to make a decision during the second quarter of 2012 whether to continue the LibiGel Phase III safety study.

The Company's corporate strategy always has included product development of high value medically-needed pharmaceutical products. In light of recently announced top-line results from the Company's two pivotal LibiGel Phase III efficacy trials, the Company is assessing its corporate strategy. The Company is determining LibiGel's path forward and potential alternative strategies to utilize the continuing LibiGel Phase III cardiovascular events and breast cancer safety study. The Company also has expanded its efforts to explore new product development projects through in-licensing and mergers and acquisitions. In addition, a full review of the Company's GVAX cancer vaccine portfolio is underway.

On January 31, 2012, the Company received a notice from the Listing Qualifications Department of The NASDAQ Stock Market indicating that, for the last 30 consecutive business days, the bid price for the Company's common stock had closed below the minimum \$1.00 per share required for continued inclusion on The NASDAQ Global Market under NASDAQ Listing Rule 5450(a)(1). The notification letter stated that pursuant to NASDAQ Listing

Rule 5810(c)(3)(A), the Company will be afforded 180 calendar days, or until July 30, 2012, to regain compliance with the minimum bid price requirement. In order to regain compliance, shares of the Company's common stock must maintain a minimum bid closing price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by July 30, 2012, the Company may transfer its common stock listing to The NASDAQ Capital Market and be eligible for an additional 180-day grace period if the Company meets the market value of publicly held shares requirement for continued listing and all other initial inclusion requirements for listing on The NASDAQ Capital Market, other than the minimum bid price requirement. In order to be afforded the additional 180-day compliance period, the Company also would need to provide NASDAQ written notice of its intention to cure the minimum bid price deficiency during the second compliance period by effecting a reverse stock split, if necessary. If the Company does not indicate its intent to cure the deficiency or if it does not appear to NASDAQ that it is possible for the Company to cure the deficiency, the Company will not be eligible for the second 180-day grace period and its common stock will be subject to delisting, which delisting determination the Company may appeal to a hearings panel at that time.

**Balance Sheets
(Parenthetical)**

Dec. 31, 2011 Dec. 31, 2010 Dec. 31, 2009 Dec. 31, 2008

Class C Special Shares

[Capital stock, issued shares](#) 65,214 65,214 65,214 65,214

[Capital stock, outstanding shares](#) 65,214 65,214

Common stock

[Capital stock, issued shares](#) 18,269,754 13,565,188 8,877,094 4,507,127

[Capital stock, outstanding shares](#) 18,269,754 13,565,188

RETIREMENT PLAN

**12 Months Ended
Dec. 31, 2011**

[RETIREMENT PLAN](#)
[RETIREMENT PLAN](#)

11. RETIREMENT PLAN

The Company offers a discretionary 401(k) Plan to all of its employees. Under the 401(k) Plan, employees may defer income on a tax-exempt basis, subject to limitations under the Internal Revenue Code of 1986, as amended. Under the 401(k) Plan, the Company may make discretionary matching contributions. Company contributions expensed in 2011, 2010 and 2009 totaled \$211,494, \$179,349 and \$117,969, respectively.

**Document and Entity
Information**

**12 Months Ended
Dec. 31, 2011**

Document and Entity Information

<u>Entity Registrant Name</u>	BIOSANTE PHARMACEUTICALS INC
<u>Entity Central Index Key</u>	0001023024
<u>Document Type</u>	8-K
<u>Document Period End Date</u>	Dec. 31, 2011
<u>Amendment Flag</u>	false

LEASE ARRANGEMENTS

**12 Months Ended
Dec. 31, 2011**

LEASE ARRANGEMENTS

LEASE ARRANGEMENTS

12. LEASE ARRANGEMENTS

The Company has entered into lease commitments for rental of its office space which expires in 2014. The future minimum lease payments during 2012, 2013 and 2014 are \$236,747, \$248,632 and \$41,718, respectively.

Rent expense amounted to \$424,294, \$338,588 and \$325,093 for the years ended December 31, 2011, 2010 and 2009, respectively.

Statements of Operations
(USD \$)

	12 Months Ended		
	Dec. 31,	Dec. 31,	Dec. 31,
	2011	2010	2009
<u>REVENUE</u>			
<u>Licensing revenue</u>	\$ 100,000	\$ 115,807	
<u>Grant revenue</u>		51,870	116,389
<u>Royalty revenue</u>	335,160	2,306,560	1,141,665
<u>Total revenue</u>	435,160	2,474,237	1,258,054
<u>EXPENSES</u>			
<u>Research and development</u>	44,182,260	39,705,502	13,680,573
<u>General and administration</u>	6,981,490	5,940,360	5,373,945
<u>Acquired in-process research and development</u>			9,000,000
<u>Excess consideration paid over fair value</u>			20,192,194
<u>Licensing expense</u>	50,000	268,750	299,616
<u>Depreciation and amortization</u>	148,240	167,986	137,280
<u>Total expenses</u>	51,361,990	46,082,598	48,683,608
<u>OTHER</u>			
<u>Convertible note fair value adjustment</u>	(23,427)	(1,870,916)	33,163
<u>Investment impairment charge</u>		(286,000)	
<u>Interest expense</u>	(681,573)	(688,083)	(147,025)
<u>Other income</u>	15,000	244,479	
<u>Interest income</u>	8,326	12,665	11,648
<u>Net loss</u>	\$	\$	\$
	(51,608,504)	(46,196,216)	(47,527,768)
<u>Loss per common share:</u>			
<u>Basic (in dollars per share)</u>	\$ (3.15)	\$ (4.21)	\$ (8.40)
<u>Diluted (in dollars per share)</u>	\$ (3.15)	\$ (4.21)	\$ (8.40)
<u>Weighted average number of common and common equivalent shares outstanding:</u>			
<u>Basic (in shares)</u>	16,397,618	10,985,291	5,658,608
<u>Diluted (in shares)</u>	16,397,618	10,985,291	5,658,608

**PROPERTY AND
EQUIPMENT**

**12 Months Ended
Dec. 31, 2011**

[PROPERTY AND
EQUIPMENT](#)

[PROPERTY AND
EQUIPMENT](#)

6. PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation at December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Computer equipment	\$520,647	\$417,840
Office equipment	388,659	163,653
Equipment	378,147	500,130
	<u>1,287,453</u>	<u>1,081,623</u>
Accumulated depreciation and amortization	<u>(426,089)</u>	<u>(445,847)</u>
	<u>\$861,364</u>	<u>\$635,776</u>

There was no construction in progress as of December 31, 2011 or December 31, 2010.

LICENSE AGREEMENTS

**12 Months Ended
Dec. 31, 2011**

LICENSE AGREEMENTS LICENSE AGREEMENTS

5. LICENSE AGREEMENTS

Gel Products

The Company licensed the technology underlying LibiGel and Elestrin, but not its male testosterone gel, from Antares Pharma, Inc. (Antares). Under the agreement, Antares granted the Company an exclusive license to certain patents and patent applications covering these gel products, including rights to sublicense, in order to develop and market the products in certain territories. Under the agreement, 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 any sub-licensee sells incorporating the in-licensed technology. The patents covering the formulations used in these gel products are expected to expire in 2022 and 2028. The Company's male testosterone gel was developed and is fully-owned by the Company and is not covered under the Antares license.

GVAX Cancer Vaccine Technology

The Company owns development and commercialization rights to its GVAX cancer vaccine technology as a result of its transaction with Cell Genesys. The original core patent applications covering the cancer vaccine technology were licensed exclusively to Cell Genesys from Johns Hopkins University and The Whitehead Institute for Biomedical Research in 1992. Rights to additional patents and patent applications were licensed from Johns Hopkins University in 2001. The patents are expected to expire between 2012 and 2026. Under the various agreements, the Company is required to pay Johns Hopkins University and The Whitehead Institute for Biomedical Research certain development and regulatory milestone payments and royalties based on net sales of any products the Company or any sub-licensee sells incorporating the in-licensed technology.

The Pill Plus

The Company licensed the technology underlying its triple component contraceptive, or The Pill Plus, from Wake Forest University Health Sciences and Cedars-Sinai Medical Center. The financial terms of this license include regulatory milestone payments, maintenance payments and royalty payments by the Company if a product incorporating the licensed technology gets approved and subsequently is marketed. The patents covering the technology underlying The Pill Plus are expected to expire in 2016.

Other License Agreements

The Company has entered into several other license agreements in which the Company has out-licensed certain of the rights and technologies the Company has licensed. Under these agreements, the Company typically is entitled to receive royalty payments on any sales of the products and, in some cases, may be entitled to receive certain development and regulatory milestones.

**ACQUISITION OF NET
ASSETS OF CELL
GENESYS (Tables)**

12 Months Ended

Dec. 31, 2011

**ACQUISITION OF NET ASSETS OF
CELL GENESYS**

Schedule of purchase price of the merger

Fair value of BioSante common stock issued (3,369,967 shares)	\$36,800,043
Transaction costs of BioSante	2,431,252
Total purchase price	\$39,231,295

Schedule of purchase price allocation

Cash	\$24,746,346
Investment in Ceregene	3,486,000
In-process research and development	9,000,000
Receivables, equipment and other assets	293,658
Accounts payable and accrued liabilities	1,777,323
Convertible senior notes	16,709,580
Total net assets acquired	\$19,039,101

COMMITMENTS AND CONTINGENCIES

12 Months Ended
Dec. 31, 2011

COMMITMENTS AND CONTINGENCIES

COMMITMENTS AND CONTINGENCIES

13. COMMITMENTS AND CONTINGENCIES

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 2011, 2010 and 2009, the Company paid or accrued \$335,160, \$152,228 and \$63,749, respectively, to Antares as a result of royalties generated by Elestrin revenues. Pursuant to a separate agreement with Antares and related to the December 2009 license amendment with Azur Pharma International II Limited (now known as Jazz Pharmaceuticals, in light of Jazz Pharmaceuticals' acquisition of Azur), the Company paid Antares an aggregate of \$268,750 in February 2010, which is recorded in licensing expense.

Wake Forest License

In April 2002, the Company exclusively in-licensed from Wake Forest University Health Sciences and Cedars-Sinai Medical Center three issued U.S. patents claiming triple component therapy (the combination use of estrogen plus progesterone plus androgen, e.g. testosterone) and obtained an option to license the patents for triple component 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 component 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>
2012	\$80,000
2013	80,000
2014	80,000
2015	80,000
2016	40,000
Thereafter	80,000

Under the terms of the license agreement with the Wake Forest University Health Sciences 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 Health Sciences 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.

Aptar Pharma—Gel Filling Machine

The Company currently has a commitment with Aptar Pharma to purchase a gel filling machine for \$842,740. As of December 31, 2011, the Company has paid \$337,096 resulting in a remaining obligation of \$505,644.

Pending Litigation

On February 3, 2012, a purported class action lawsuit was filed in the United States District Court for the Northern District of Illinois under the caption *Thomas Lauria, on behalf of himself and all others similarly situated v. BioSante Pharmaceuticals, Inc. and Stephen M. Simes* naming the Company and the Company's President and Chief Executive Officer, Stephen M. Simes, as defendants. The complaint alleges that certain of the Company's disclosures relating to the efficacy of LibiGel and its commercial potential were false and/or misleading and that such false and/or misleading statements had the effect of artificially inflating the price of the Company's securities resulting in violations of Section 10(b) of the Securities Exchange Act of 1934, as amended (Exchange Act), Rule 10b-5 and Section 20(a) of the Exchange Act. A substantially similar complaint was filed in the same court on February 21, 2012. The plaintiffs seek to represent a class of persons who purchased the Company's securities between February 8, 2010 and December 15, 2011, and seek unspecified compensatory damages, equitable and/or injunctive relief, and reasonable costs, expert fees and attorneys' fees on behalf of such purchasers. BioSante believes the actions are without merit and intends to defend the actions vigorously. Additional lawsuits may be filed and, at this time, because the litigation is in its early stages, the Company is unable to predict the outcome of these lawsuits, the possible loss or range of loss, if any, associated with their resolution or any potential effect they may have on BioSante's operations. Failure by the Company to obtain a favorable resolution of the lawsuits, however, could have a material effect on the Company's financial condition, results of operations, cash flows or its operations.

**STOCKHOLDERS'
EQUITY**

**12 Months Ended
Dec. 31, 2011**

**STOCKHOLDERS'
EQUITY**

STOCKHOLDERS' EQUITY 9. STOCKHOLDERS' EQUITY

Authorized and Outstanding Capital Stock

The Company is authorized to issue 200,000,000 shares of common stock, \$0.0001 par value per share, 4,687,684 shares of class C special stock, \$0.0001 par value per share, and 10,000,000 shares of undesignated preferred stock, \$0.0001 par value per share.

No shares of preferred stock were outstanding as of December 31, 2011 or 2010.

There were 65,214 shares of class C special stock issued and outstanding as of December 31, 2011 and 2010. Each share of class C special stock entitles its holder to one vote per share. Each share of class C special stock is exchangeable, at the option of the holder, for one share of the Company's common stock, at an exchange price of \$15.00 per share, subject to adjustment upon certain capitalization events. Holders of class C special stock are not entitled to receive dividends or to participate in the distribution of the Company's assets upon any liquidation, dissolution or winding-up of the Company. The holders of class C special stock have no cumulative voting, preemptive, subscription, redemption or sinking fund rights.

There were 18,269,754 and 13,565,188 shares of common stock issued and outstanding as of December 31, 2011 and 2010, 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.

Underwritten Public Offering

On August 2, 2011, the Company completed an underwritten public offering of an aggregate of 2.7 million shares of its common stock at a purchase price of \$18.00 per share, resulting in net proceeds of approximately \$45.0 million, after underwriters' discounts, commissions and offering expenses.

Registered Direct Offerings

On March 8, 2011, the Company completed a registered direct offering of 2,033,247 shares of its common stock and warrants to purchase an aggregate of 711,636 shares of its common stock at a purchase price of \$12.3678 per share to institutional investors for gross proceeds of \$25.1 million. The offering resulted in net proceeds to the Company of \$23.9 million, after deducting placement agent fees and offering expenses. The warrants are exercisable immediately and continuing for a period of three years, at an exercise price of \$13.50 per share. In connection with the offering, the Company issued the placement agent warrants to purchase an aggregate of 40,665 shares of the Company's common stock at an exercise price of \$15.48 per share, which warrants are exercisable immediately and will expire on June 9, 2014.

On March 8, 2010, the Company completed a registered direct offering of an aggregate of 1,734,104 shares of its common stock and warrants to an aggregate of 867,052 shares of its common stock, at a purchase price of \$10.38 per share to funds affiliated with two institutional investors resulting in net proceeds to the Company of approximately \$17.5 million, after deducting placement agent fees and other offering expenses. The warrants are exercisable beginning on September 9, 2010, have an exercise price of \$12.48 per share and will expire on September 8, 2015. In connection with the offering, the Company issued the placement agent warrants to purchase an aggregate of 34,682 shares of the Company's common stock at an exercise price of \$12.96 per share, which warrants are exercisable beginning on September 8, 2010 and will expire on June 9, 2014.

On June 23, 2010, the Company completed a registered direct offering of 1,189,061 shares of its common stock and warrants to purchase an aggregate of 594,530 shares of its common stock at a purchase price of \$12.615 per share to funds affiliated with certain institutional investors for gross proceeds of \$15.0 million. The offering resulted in net proceeds to the Company of approximately \$14.1 million, after deducting placement agent fees and offering expenses. The warrants are exercisable immediately, have an exercise price of \$14.70 per share and will expire on June 23, 2015. In connection with the offering, the Company issued the placement agent warrants to purchase an aggregate of 35,671 shares of the Company's common stock at an exercise price of \$15.78 per share, which warrants are exercisable immediately and will expire on June 9, 2015.

On December 31, 2010, the Company completed a registered direct offering of 1,764,706 shares of its common stock and warrants to purchase an aggregate of 882,353 shares of its common stock at a purchase price of \$10.20 per share to funds affiliated with certain institutional investors for gross proceeds of \$18.0 million. The offering resulted in net proceeds to the Company of approximately \$16.9 million, after deducting placement agent fees and offering expenses. The warrants are exercisable immediately, have an exercise price of \$12.00 per share and expire on December 30, 2015. In connection with the offering, the Company issued the placement agent warrants to purchase an aggregate of 52,941 shares of the Company's common stock at an exercise price of \$12.75, which warrants are exercisable immediately and will expire on June 9, 2015.

Acquisition of Net Assets of Cell Genesys

In October 2009, the Company acquired Cell Genesys in a direct merger. 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 was converted into the right to receive 0.0305 of a share of the Company's common stock. In the aggregate, the Company issued approximately 3.4 million shares of its common stock to former Cell Genesys stockholders in connection with the merger. All options to purchase shares of Cell Genesys common stock, other than certain designated options held by certain of Cell Genesys's former officers (Assumed Options), became fully vested and exercisable until immediately prior to the effective time of the merger. At the effective time of the merger, such unexercised options other than the Assumed Options terminated. The Assumed Options were assumed by the Company and will remain outstanding following the merger, but converted into and became options to purchase shares of the Company's common stock on terms substantially identical to those in effect prior to the merger, except for adjustments to the underlying number of shares and the exercise price based on the 0.0305 exchange ratio. As a result of the merger, the Assumed Options converted into options to purchase an aggregate of 39,071 shares of the Company's common stock at a weighted average exercise price of \$118.38 per share. All warrants to purchase shares of Cell Genesys common stock which by their terms survived the merger (Assumed Warrants) were assumed by the Company, but were converted into and became warrants to purchase shares of the Company's common stock on terms substantially identical to those in effect prior to the merger, except for adjustments to the underlying number of shares and the exercise price based on the 0.0305 exchange ratio. As a result of the merger, these Assumed Warrants converted into warrants to purchase an aggregate of 65,874 shares of the Company's common stock at a weighted average exercise price of \$235.62 per share.

For additional discussion regarding the merger with Cell Genesys and the assets and liabilities acquired, see Note 4, "Acquisition of Net Assets of Cell Genesys."

Convertible Senior Notes

See Note 7, "Convertible Senior Notes" for information regarding the convertible senior notes assumed in the Cell Genesys merger.

Warrants

As of December 31, 2011, warrants to purchase an aggregate of 3,794,741 shares of the Company's common stock were outstanding and exercisable as of December 31, 2011:

<u>Issue Date</u>	<u>Number of Underlying Shares Of Common Stock</u>	<u>Per Share Exercise Price</u>	<u>Expiration Date</u>
December 15, 2008	50,000	\$24.00	June 14, 2014
July 21, 2009	30,000	\$12.00	July 20, 2012
August 13, 2009	400,000	\$15.00	August 12, 2014
August 13, 2009	40,000	\$15.00	June 9, 2014
October 14, 2009	65,874	\$235.62	April 1, 2012
March 8, 2010	867,052	\$12.48	September 8, 2015
March 8, 2010	34,682	\$12.96	June 9, 2014
June 23, 2010	594,530	\$14.70	June 23, 2015
June 23, 2010	35,671	\$15.78	June 9, 2015
November 22, 2010	30,000	\$12.00	November 21, 2013
December 30, 2010	882,353	\$12.00	December 30, 2015
December 30, 2010	52,941	\$12.75	June 9, 2015
March 8, 2011	670,971	\$13.50	March 8, 2014
March 8, 2011	40,665	\$15.48	June 9, 2014

During 2011, the Company issued warrants to purchase an aggregate of 711,636 shares of the Company's common stock in connection with the March 2011 registered direct offering as described above. During 2011, warrants to purchase an aggregate of 1,458 shares of common stock were exercised and warrants to purchase an aggregate of 151,868 shares of the Company's common stock expired unexercised.

During 2010, the Company issued warrants to purchase an aggregate of 2,467,230 shares of the Company's common stock in connection with registered direct offerings as described above, and warrants to purchase 30,000 shares of the Company's common stock as compensation for investor relations services as described below. During 2010, no warrants were exercised and warrants to purchase an aggregate of 127,291 shares of the Company's common stock expired unexercised.

During 2009, the Company issued warrants to purchase an aggregate of 440,000 shares of the Company's common stock in connection with a registered direct offering, warrants to purchase an aggregate of 65,874 shares of the Company's common stock in connection with the Cell Genesys merger, and warrants to purchase 30,000 shares of the Company's common stock as compensation for investor relations services as described below. During 2009, no warrants were exercised and warrants to purchase an aggregate of 89,166 shares of the Company's common stock expired unexercised.

In 2011, 2010 and 2009, the Company issued warrants to purchase 0, 30,000 and 30,000 shares of the Company's common stock, respectively, in consideration for various investor relations services. The warrants became exercisable on a ratable basis over a twelve-month period from the date of grant. The Company uses the Black-Scholes pricing model to value these types of warrants and remeasures the awards each quarter until the measurement date is established. For

the years ended December 31, 2011, 2010 and 2009, the Company recorded \$204,980, \$65,529 and \$64,103, respectively, in non-cash general and administrative expense pertaining to consultant warrants.

**CONVERTIBLE SENIOR
NOTES**

**12 Months Ended
Dec. 31, 2011**

**CONVERTIBLE SENIOR
NOTES**

**CONVERTIBLE SENIOR
NOTES**

7. CONVERTIBLE SENIOR NOTES

As a result of the Company's merger with Cell Genesys, the Company assumed liabilities related to two series of convertible senior notes of Cell Genesys—\$1,234,000 aggregate principal amount of 3.125% convertible senior notes due November 1, 2011 (the 2011 Notes) and \$20,782,000 aggregate principal amount of 3.125% convertible senior notes due May 1, 2013 (the 2013 Notes and collectively with the 2011 Notes, the Notes). The conversion features of the Notes were adjusted for the exchange ratio used in the merger, as described in Note 9, "Stockholders' Equity."

Immediately prior to November 1, 2011, the Company repaid in its entirety the outstanding aggregate principal amount of the 2011 Notes and all accrued interest thereon through such date. As of December 31, 2011, the 2013 Notes remained outstanding. In February 2012, the Company issued 1.9 million shares of its common stock to one of the holders of the 2013 Notes in exchange for cancellation of an aggregate of \$9.0 million principal amount of such notes, including accrued and unpaid interest. The \$11.8 million principal amount of the remaining 2013 Notes are exchangeable at the option of the holder or upon certain specified events into an aggregate of approximately 0.5 million shares of the Company's common stock at a conversion price of \$22.32 per share. The 2013 Notes are our general, unsecured obligations, ranking equally with all of the Company's existing and future unsubordinated, unsecured indebtedness and senior in right of payment to any subordinated indebtedness, but are effectively subordinated to all of the Company's existing and future secured indebtedness to the extent of the value of the related security, and structurally subordinated to all existing and future liabilities and other indebtedness of the Company's subsidiaries. The 2013 Notes are subject to repurchase by the Company at each holder's option, if a fundamental change (as defined in the indenture) occurs, at a repurchase price equal to 100 percent of the principal amount of the 2013 Notes, plus accrued and unpaid interest on the repurchase date and are subject to redemption for cash by the Company, in whole or in part, at a redemption price equal to 100 percent of the principal amount of such notes plus accrued and unpaid interest to the redemption date, if the closing price of the Company's common stock has exceeded 150 percent of the conversion price then in effect with respect to such notes for at least 20 trading days in any period of 30 consecutive trading days ending on the trading day prior to the mailing of the notice of redemption. As of December 31, 2011, the 2013 Notes were not eligible for redemption. The indenture governing the 2013 Notes, as supplemented by the supplemental indenture, does not contain any financial covenants and does not restrict the Company from paying dividends, incurring additional debt or issuing or repurchasing the Company's other securities. In addition, the indenture, as supplemented by the supplemental indenture, does not protect the holders of the 2013 Notes in the event of a highly leveraged transaction or a fundamental change of the Company except in certain circumstances specified in the indenture.

From time to time, the Company may purchase, exchange or restructure its outstanding 2013 Notes through cash purchases and/or exchanges for other equity securities of the Company, in open market purchases, privately negotiated transactions and/or a tender offer. Such additional purchases, exchanges or restructurings, if any, will depend on prevailing market conditions, the Company's available cash and cash equivalents, the Company's liquidity requirements, contractual restrictions and other factors. Such future purchases, exchanges or restructurings

could dilute the percentage ownership of the Company's stockholders, result in the issuance of securities at a discount to market price or that may have rights, preferences or privileges senior to those of the Company's existing stockholders and/or decrease the Company's cash balance. A significant decrease in the Company's cash balance may impair the Company's ability to execute strategic alternatives or leave the Company without sufficient cash remaining for operations.

The Company has elected to record the Notes at fair value in order to simplify the accounting for the convertible debt, inclusive of the redemption, repurchase and conversion adjustment features which would otherwise require specialized valuation, bifurcation and recognition. Accordingly, the Company has adjusted the carrying value of the Notes to their fair value as of December 31, 2011, with changes in the fair value of the Notes occurring since December 31, 2010, reflected in fair value adjustment in the statements of operations. The fair value of the Notes is based on Level 2 inputs. The recorded fair value of the Notes of an aggregate of \$17,336,760 as of December 31, 2011 differs from their total stated principal amount of \$20,782,000 by \$3,445,240. The recorded value of the Notes of an aggregate of \$18,547,333 as of December 31, 2010 differs from their total stated principal amount of \$22,016,000 by \$3,468,667. The Company recorded fair value adjustments of \$(23,427) and \$(1,870,916) related to the Notes for the years ended December 31, 2011 and 2010, respectively, to increase its recorded liability and corresponding expense in 2011 and 2010.

For the year ended December 31, 2010, approximately \$184,000 of the fair value adjustment was attributable to the change in instrument specific credit risk. There was no significant change in the fair value of the convertible senior notes due to a change in instrument specific credit risk for the years ended December 31, 2011 or 2009. The change in the aggregate fair value of the Notes due to instrument specific credit risk was estimated by calculating the difference between the December 31, 2010 fair value of the Notes as recorded and what the fair value of the convertible notes would have been on December 31, 2010 if the December 31, 2009 discount rate continued to be used in the calculation. The instrument specific credit risk for the year ended December 31, 2010 has increased the fair value of the Notes as market borrowing rates have decreased for similarly rated companies and are estimated to have decreased for the Company as well, indicating a lower credit spread assuming no significant changes in the risk-free borrowing rate.

The Company establishes the value the convertible senior notes based upon contractual terms of the notes, as well as certain key assumptions.

The assumptions as of December 31, 2011 were:

	<u>2013 Notes</u>	
Average risk-free rate	0.19	%
Volatility of BioSante common stock	77.4	%
Discount rate for principal payments in cash	18.5	%

The assumptions as of December 31, 2010 were:

	<u>2013 Notes</u>		<u>2011 Notes</u>	
Average risk-free rate	0.82	%	0.29	%
Volatility of BioSante common stock	78.7	%	61.0	%
Discount rate for principal payments in cash	17.0	%	17.0	%

The discount rate is based on observed yields as of the measurement date for debt securities of entities having a Ca and Caa3 rating for long-term corporate obligations as assigned by Moody's Investors Service. Volatility is based on the historical fluctuations in the Company's stock price for a period of time equal to the remaining time until the debt maturity. The risk-free rate is based on observed yields as of the measurement date of one-year, two-year and three-year U.S. Treasury Bonds.

The following table represents the scheduled maturities of required principal payments by year related to the convertible senior notes at December 31, 2011:

2012	\$—
2013	20,782,000
Total	<u>\$20,782,000</u>

INCOME TAXES

**12 Months Ended
Dec. 31, 2011**

INCOME TAXES INCOME TAXES

8. INCOME TAXES

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 Company's U.S. and state tax returns remain subject to examination for the year ended 1998 and all subsequent periods due to the availability of tax loss and credit carryforwards. The Company determined there are no uncertain tax positions existing as of December 31, 2011 or 2010.

The components of the Company's net deferred tax asset at December 31, 2011 and 2010 were as follows:

	2011	2010
Net operating loss		
carryforwards	\$63,969,813	\$46,071,206
Tax basis in intangible assets	4,095,269	4,452,360
Deferred financing costs for tax	7,010,462	7,001,619
Research & development		
credits	8,266,610	5,796,148
Stock option expense	2,754,981	2,310,405
Other	448,140	25,955
	86,545,275	65,657,693
Valuation allowance	(86,545,275)	(65,657,693)
	\$—	\$—

The Company has no current tax provision due to its current and accumulated losses, which result in net operating loss carryforwards. At December 31, 2011, the Company had approximately \$169,456,000 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 2018-2031 and their utilization in future years may be limited as prescribed by Section 382 of the United States Internal Revenue Code. The net operating loss carryforwards as well as amortization of various intangibles, principally acquired in-process research and development, and other items have generated 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, which is the amount management believes is more likely than not to be realized. Additionally, the Company has provided a full valuation allowance against \$8,266,610 of research and development credits, which are available to reduce future income taxes, if any in the future. The research and development credits expire in the years 2018-2031.

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:

	2011	2010	2009
Tax at U.S. federal			
statutory rate	\$(17,804,934)	\$(15,937,695)	\$(16,397,080)
State taxes, net of			
federal benefit	(1,677,276)	(1,501,377)	(1,544,652)
Research and			
development credits	(1,537,863)	(966,941)	(515,235)

Other, net	132,491	133,932	17,718
Change in valuation allowance	20,887,582	18,272,081	18,439,249
	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

**STOCK-BASED
COMPENSATION**

**12 Months Ended
Dec. 31, 2011**

**STOCK-BASED
COMPENSATION**

**STOCK-BASED
COMPENSATION**

10. STOCK-BASED COMPENSATION

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. Second Amended and Restated 2008 Stock Incentive Plan (2008 Plan) (collectively, the Plans). The 2008 Plan replaced the 1998 Plan except with respect to options outstanding under the 1998 Plan. As of December 31, 2011, the number of shares of the Company's common stock authorized for issuance under the 2008 Plan, subject to adjustment as provided in the 2008 Plan, was 1,000,000 plus the number of shares subject to options outstanding under the 1998 Plan as of the effective date of the 2008 Plan but only to the extent that such outstanding options are forfeited, expire or otherwise terminate without the issuance of such shares. Of such authorized shares, 3,416 shares had been issued and 587,666 shares were subject to outstanding stock options as of December 31, 2011.

Outstanding employee stock options generally vest over a period of three or four years and have 10-year contractual terms. Upon exercise of an option, the Company issues new shares of its common stock. From time to time, the Company grants employee stock options that have performance condition-based vesting provisions which result in expense when such performance conditions are probable of being achieved. None of these options were outstanding as of December 31, 2011. The non-cash, stock-based compensation cost that was incurred by the Company in connection with the 1998 Plan and the 2008 Plan was \$1,177,683, \$992,757 and \$1,254,503 for the years ended December 31, 2011, 2010 and 2009, 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 2011, 2010 and 2009 was \$7.32, \$6.66 and \$6.24 per share, 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:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expected option life (years)	5.5 - 6.25	6.00	6.00
Risk-free interest rate	1.175% - 2.57%	2.42 %	2.74 %
Expected stock price volatility	69.07% - 72.16%	76.05%	76.75%
Dividend yield	—	—	—

The Company uses the simplified method to estimate the life of options. The risk-free interest 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 calculated a volatility rate based on the closing price for its common stock at the end of each calendar month as reported by the NASDAQ Global Market. The Company has not in the past issued a cash dividend nor does it have any current plans to do so in the future; and 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:

	2011	2010	2009
Research and development	\$423,925	\$325,208	\$361,773
General and administrative	753,758	667,549	892,730
Total stock-based compensation expense	\$1,177,683	\$992,757	\$1,254,503

A summary of activity under the Plans during the year ended December 31, 2011 is presented below:

<u>Options</u>	<u>Option Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding December 31, 2010	619,572	\$22.14	6.74	\$162,892
Granted	346,541	\$11.40		
Exercised	3,194	\$10.14		
Forfeited or expired	56,059	\$17.70		
Outstanding December 31, 2011	<u>906,860</u>	<u>\$18.36</u>	6.97	\$0
Exercisable at December 31, 2011	<u>474,671</u>	<u>\$25.14</u>	5.40	\$0
Vested or expected to vest at December 31, 2011	<u>879,777</u>	<u>\$18.36</u>	6.95	\$0

There is no aggregate intrinsic value of the Company's outstanding and exercisable options as of December 31, 2011.

As of December 31, 2011, there was \$2,089,729 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 2.76 years.

The intrinsic value of options exercised during the year ended December 31, 2011 and 2010 was \$22,106 and \$974, 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, 2011, 2010 and 2009 was \$667,171, \$764,921 and \$788,461, respectively.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **12 Months Ended**
(Details 2) **Dec. 31, 2011**

Software

Property and equipment

Estimated useful lives 5 years

Computer equipment

Property and equipment

Estimated useful lives 7 years

Non-computer equipment

Property and equipment

Estimated useful lives 10 years

**FAIR VALUE
MEASUREMENTS (Details)
(Recurring basis, USD \$)**

Dec. 31, 2011 Dec. 31, 2010

Total		
<u>Assets:</u>		
<u>Total Assets</u>	\$ 55,465,507	\$ 21,729,230
<u>Liabilities:</u>		
<u>Total liabilities</u>	17,336,760	18,547,333
Total 2011 Notes		
<u>Liabilities:</u>		
<u>Fair value of convertible debt</u>		1,111,132
Total 2013 Notes		
<u>Liabilities:</u>		
<u>Fair value of convertible debt</u>	17,336,760	17,436,201
Total Money market fund		
<u>Assets:</u>		
<u>Total Assets</u>	55,465,507	21,729,230
Significant Other Observable Inputs (Level 2)		
<u>Assets:</u>		
<u>Total Assets</u>	55,465,507	21,729,230
<u>Liabilities:</u>		
<u>Total liabilities</u>	17,336,760	18,547,333
Significant Other Observable Inputs (Level 2) 2011 Notes		
<u>Liabilities:</u>		
<u>Fair value of convertible debt</u>		1,111,132
Significant Other Observable Inputs (Level 2) 2013 Notes		
<u>Liabilities:</u>		
<u>Fair value of convertible debt</u>	17,336,760	17,436,201
Significant Other Observable Inputs (Level 2) Money market fund		
<u>Assets:</u>		
<u>Total Assets</u>	\$ 55,465,507	\$ 21,729,230

**SELECTED QUARTERLY
FINANCIAL DATA
(UNAUDITED)**

**SELECTED QUARTERLY
FINANCIAL DATA (UNAUDITED)**

**SELECTED QUARTERLY
FINANCIAL DATA (UNAUDITED)**

12 Months Ended

Dec. 31, 2011

15. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly data for 2011 and 2010 is as follows:

	2011			
	First	Second	Third	Fourth
Revenue	\$57,000	\$81,003	\$182,784	\$114,373
Research and development expenses	14,864,420	11,116,323	11,500,053	6,701,465
General and administrative expenses	1,593,557	1,989,103	1,675,268	1,723,562
Licensing expense	0	0	50,000	0
Operating loss	(16,442,921)	(13,064,942)	(13,028,207)	(8,340,710)
Net loss	(17,250,676)	(14,975,231)	(12,733,691)	(6,648,906)
Loss per share:				
Basic and diluted	\$(1.20)	\$(0.96)	\$(0.72)	\$(0.36)

	2010			
	First	Second	Third	Fourth
Revenue	\$2,279,874	\$0	\$51,331	\$143,032
Research and development expenses	9,426,870	8,657,606	9,716,091	11,904,935
General and administrative expenses	1,498,252	1,540,200	1,534,417	1,367,491
Licensing expense	268,750	0	0	0
Operating loss	(8,959,419)	(10,240,352)	(11,240,177)	(13,168,413)
Net loss	(10,540,419)	(10,794,351)	(11,589,711)	(13,271,735)
Loss per share:				
Basic and diluted	\$(1.14)	\$(1.02)	\$(0.96)	\$(1.08)

INCOME TAXES (Tables)

12 Months Ended
Dec. 31, 2011

INCOME TAXES

Schedule of the Company's net deferred tax asset

	2011	2010
Net operating loss carryforwards	\$63,969,813	\$46,071,206
Tax basis in intangible assets	4,095,269	4,452,360
Deferred financing costs for tax	7,010,462	7,001,619
Research & development credits	8,266,610	5,796,148
Stock option expense	2,754,981	2,310,405
Other	448,140	25,955
	86,545,275	65,657,693
Valuation allowance	(86,545,275)	(65,657,693)
	\$—	\$—

Schedule of difference in the provision for income taxes computed by applying the statutory income rate to pre-tax income

	2011	2010	2009
Tax at U.S. federal statutory rate	\$(17,804,934)	\$(15,937,695)	\$(16,397,080)
State taxes, net of federal benefit	(1,677,276)	(1,501,377)	(1,544,652)
Research and development credits	(1,537,863)	(966,941)	(515,235)
Other, net	132,491	133,932	17,718
Change in valuation allowance	20,887,582	18,272,081	18,439,249
	\$—	\$—	\$—

COMMITMENTS AND CONTINGENCIES (Details) (USD \$)	3 Months Ended				12 Months Ended			1 Months Ended	12 Months Ended			Dec. 31, 2011 Wake Forest License item	
	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sep. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2010		Dec. 31, 2009
License agreement									Feb. 28, 2010 Antares Pharma, Inc. License	Dec. 31, 2011 Antares Pharma, Inc. License	Dec. 31, 2010 Antares Pharma, Inc. License	Dec. 31, 2009 Antares Pharma, Inc. License	
Royalties on sales of products										\$ 335,160	\$ 152,228	\$ 63,749	
Licensing expense	0	50,000	0	0	0	0	268,750	50,000	268,750	299,616	268,750		
Number of patents for which an option for an exclusive license is exercised													3
Minimum Amount Due													
2012													80,000
2013													80,000
2014													80,000
2015													80,000
2016													40,000
Thereafter													\$ 80,000

STOCKHOLDERS' EQUITY (Details) (USD \$)	0 Months Ended				Mar. 08, 2010 item	12 Months Ended			
	Aug. 02, 2011	Mar. 08, 2011	Dec. 31, 2010	Jun. 23, 2010		Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
<u>Stockholders' equity</u>									
<u>Proceeds from issuance of common stock by underwritten offering net of discounts, commissions and offering expenses</u>						\$ 44,961,137			
<u>Net proceeds from issuance of common stock by registered direct offering after deducting placement agent fees and offering expenses</u>						23,876,370	48,452,644	11,352,751	
Issued on March 8, 2011 and expired on March 8, 2014									
<u>Stockholders' equity</u>									
<u>Exercise price (in dollars per share)</u>						\$ 13.50			
Issued on March 8, 2011 and expired on June 9, 2014									
<u>Stockholders' equity</u>									
<u>Exercise price (in dollars per share)</u>						\$ 15.48			
Issued on March 8, 2010 and expired on September 8, 2015									
<u>Stockholders' equity</u>									
<u>Exercise price (in dollars per share)</u>						\$ 12.48			
Issued on March 8, 2010 and expired on June 9, 2014									
<u>Stockholders' equity</u>									
<u>Exercise price (in dollars per share)</u>						\$ 12.96			
Issued on June 23, 2010 and expired on June 23, 2015									
<u>Stockholders' equity</u>									
<u>Exercise price (in dollars per share)</u>						\$ 14.70			
Issued on June 23, 2010 and expired on June 9, 2015									
<u>Stockholders' equity</u>									
<u>Exercise price (in dollars per share)</u>						\$ 15.78			
Issued on December 30, 2010 and expired on December 30, 2015									
<u>Stockholders' equity</u>									
<u>Exercise price (in dollars per share)</u>						\$ 12.00			
Issued on December 30, 2010 and expired on June 9, 2015									
<u>Stockholders' equity</u>									

Exercise price (in dollars per share)		\$ 12.48			
Common stock Issued on March 8, 2010 and expired on June 9, 2014					
Stockholders' equity					
Exercise price (in dollars per share)		\$ 12.96			
Common stock Issued on June 23, 2010 and expired on June 23, 2015					
Stockholders' equity					
Exercise price (in dollars per share)		\$ 14.70			
Common stock Issued on June 23, 2010 and expired on June 9, 2015					
Stockholders' equity					
Exercise price (in dollars per share)		\$ 15.78			
Common stock Issued on December 30, 2010 and expired on December 30, 2015					
Stockholders' equity					
Exercise price (in dollars per share)	\$ 12.00		\$ 12.00		
Common stock Issued on December 30, 2010 and expired on June 9, 2015					
Stockholders' equity					
Exercise price (in dollars per share)	\$ 12.75		\$ 12.75		
Class C Special Shares					
Stockholders' equity					
Common stock, shares authorized			4,687,684		
Common stock, par value (in dollars per share)			\$ 0.0001		
Shares issued	65,214		65,214	65,214	65,214
Shares Outstanding	65,214		65,214	65,214	
Number of votes per share, entitled to its holder			1		
Conversion ratio for conversion of units into common stock (as a percent)			100.00%		
Exchange price per share (in dollars per share)			\$ 15.00		
Undesignated preferred stock					
Stockholders' equity					
Preferred stock, shares authorized			10,000,000		
Preferred stock, par value (in dollars per share)			\$ 0.0001		

Statements of Stockholders' Equity (USD \$)	Total	Accumulated Deficit	Class C Special Shares	Common stock
<u>Balance at beginning of period at Dec. 31, 2008</u>	\$ 13,826,419	\$ (71,906,660)	\$ 391	\$ 85,732,688
<u>Balance at beginning of period (in shares) at Dec. 31, 2008</u>			65,214	4,507,127
Issuance of common shares				
<u>Stock option expense</u>	1,254,503			1,254,503
<u>Stock warrant expense</u>	64,103			64,103
<u>Registered direct offerings of common shares and warrants, net</u>	11,352,751			11,352,751
<u>Registered direct offerings of common shares and warrants, net (in shares)</u>				1,000,000
<u>Issuance of common shares pursuant to Cell Genesys, Inc. transaction</u>	36,800,043			36,800,043
<u>Issuance of common shares pursuant to Cell Genesys, Inc. transaction (in shares)</u>				3,369,967
<u>Credit equity financing facility</u>	60,343			60,343
<u>Net loss</u>	(47,527,768)	(47,527,768)		
<u>Balance at end of period at Dec. 31, 2009</u>	15,830,394	(119,434,428)	391	135,264,431
<u>Balance at end of period (in shares) at Dec. 31, 2009</u>			65,214	8,877,094
Issuance of common shares				
<u>Stock option exercise</u>	2,014			2,014
<u>Stock option exercise (in shares)</u>				222
<u>Stock option expense</u>	992,757			992,757
<u>Stock warrant expense</u>	65,529			65,529
<u>Registered direct offerings of common shares and warrants, net</u>	48,452,644			48,452,644
<u>Registered direct offerings of common shares and warrants, net (in shares)</u>				4,687,871
<u>June 1, 2012 Fractional Share Adjustment</u>				1
<u>Net loss</u>	(46,196,216)	(46,196,216)		
<u>Balance at end of period at Dec. 31, 2010</u>	19,147,122	(165,630,644)	391	184,777,375
<u>Balance at end of period (in shares) at Dec. 31, 2010</u>			65,214	13,565,188
<u>Balance at beginning of period at Dec. 29, 2010</u>				
Issuance of common shares				
<u>Registered direct offerings of common shares and warrants, net (in shares)</u>				1,764,706
<u>Balance at end of period at Dec. 31, 2010</u>	19,147,122	(165,630,644)	391	184,777,375
<u>Balance at end of period (in shares) at Dec. 31, 2010</u>			65,214	13,565,188
Issuance of common shares				
<u>Stock option exercise</u>	32,442			32,442
<u>Stock option exercise (in shares)</u>				3,194
<u>Warrant exercises - various</u>	24,062			24,062

<u>Warrant exercises - various (in shares)</u>			1,458
<u>Stock option expense</u>	1,177,683		1,177,683
<u>Stock warrant expense</u>	204,980		204,980
<u>Underwritten offering of common shares, net</u>	44,961,137		44,961,137
<u>Underwritten offering of common shares, net (in shares)</u>			2,666,666
<u>Registered direct offerings of common shares and warrants, net</u>	23,876,370		23,876,370
<u>Registered direct offerings of common shares and warrants, net (in shares)</u>			2,033,247
<u>June 1, 2012 Fractional Share Adjustment</u>			1
<u>Net loss</u>	(51,608,504)	(51,608,504)	
<u>Balance at end of period at Dec. 31, 2011</u>	\$ 37,815,292	\$ (217,239,148)	\$ 255,054,049
<u>Balance at end of period (in shares) at Dec. 31, 2011</u>			18,269,754
		65,214	

**ACQUISITION OF NET
ASSETS OF CELL
GENESYS**

12 Months Ended

Dec. 31, 2011

**ACQUISITION OF NET
ASSETS OF CELL
GENESYS**

**ACQUISITION OF NET
ASSETS OF CELL
GENESYS**

4. ACQUISITION OF NET ASSETS OF CELL GENESYS

On October 14, 2009, the Company acquired 100 percent of the common stock of Cell Genesys in a direct merger transaction. The merger was accounted as an acquisition of the net assets of Cell Genesys, whereby the individual assets and liabilities of Cell Genesys were recorded by the Company as of the completion of the merger based on their estimated fair values. As Cell Genesys had ceased substantially its operations prior to the date of the transaction, the merger was not considered to be a business combination, and the allocation of the purchase price did not result in recognition of goodwill. 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. The table below displays the purchase price of the merger.

Fair value of BioSante common stock issued (3,369,967 shares)	\$36,800,043
Transaction costs of BioSante	2,431,252
Total purchase price	\$39,231,295

The total purchase price was allocated as follows:

Cash	\$24,746,346
Investment in Ceregene	3,486,000
In-process research and development	9,000,000
Receivables, equipment and other assets	293,658
Accounts payable and accrued liabilities	1,777,323
Convertible senior notes	16,709,580
Total net assets acquired	\$19,039,101

In addition to the \$24.7 million in cash acquired, the Company obtained, as a result of the merger, the rights to all in-process research and development of Cell Genesys, which included a portfolio of cancer vaccines and other technologies. The \$9.0 million value attributed to this portfolio was expensed as of the date of the acquisition as acquired in-process technology, as it was considered to have no alternative future use. The \$20.2 million representing the premium of the total value of consideration in excess of fair values of the net assets acquired also was expensed as of the date of the acquisition.

In addition, as a result of the merger, the Company assumed \$1.2 million in aggregate principal amount of 3.125% convertible senior notes due November 1, 2011 and \$20.8 million in aggregate principal amount of 3.125% convertible senior notes due May 1, 2013 issued by Cell Genesys. As a result of the merger and in accordance with the terms of the indentures governing the 3.125% convertible senior notes due May 1, 2013 as supplemented by supplemental indentures entered into between the Company and the trustees thereunder, such notes became convertible into an aggregate of 931,093 shares of the Company's common stock at a conversion price of \$22.32 per share, in each case subject to adjustments for stock dividends, stock splits, and other similar events. For more details see Note 7, "Convertible Senior Notes."

**STOCKHOLDERS'
EQUITY (Tables)**

**12 Months Ended
Dec. 31, 2011**

STOCKHOLDERS' EQUITY

Schedule of warrants to purchase common stock
outstanding and exercisable

<u>Issue Date</u>	<u>Number of Underlying Shares Of Common Stock</u>	<u>Per Share Exercise Price</u>	<u>Expiration Date</u>
December 15, 2008	50,000	\$24.00	June 14, 2014
July 21, 2009	30,000	\$12.00	July 20, 2012
August 13, 2009	400,000	\$15.00	August 12, 2014
August 13, 2009	40,000	\$15.00	June 9, 2014
October 14, 2009	65,874	\$235.62	April 1, 2012
March 8, 2010	867,052	\$12.48	September 8, 2015
March 8, 2010	34,682	\$12.96	June 9, 2014
June 23, 2010	594,530	\$14.70	June 23, 2015
June 23, 2010	35,671	\$15.78	June 9, 2015
November 22, 2010	30,000	\$12.00	November 21, 2013
December 30, 2010	882,353	\$12.00	December 30, 2015
December 30, 2010	52,941	\$12.75	June 9, 2015
March 8, 2011	670,971	\$13.50	March 8, 2014
March 8, 2011	40,665	\$15.48	June 9, 2014

**PROPERTY AND
EQUIPMENT (Details)
(USD \$)**

Dec. 31, 2011 Dec. 31, 2010

Property and equipment

Property and equipment, gross \$ 1,287,453 \$ 1,081,623

Accumulated depreciation and amortization (426,089) (445,847)

Property and equipment, net 861,364 635,776

Computer equipment

Property and equipment

Property and equipment, gross 520,647 417,840

Office equipment

Property and equipment

Property and equipment, gross 388,659 163,653

Equipment

Property and equipment

Property and equipment, gross \$ 378,147 \$ 500,130

**FAIR VALUE
MEASUREMENTS**

**12 Months Ended
Dec. 31, 2011**

[FAIR VALUE
MEASUREMENTS](#)

[FAIR VALUE
MEASUREMENTS](#)

14. FAIR VALUE MEASUREMENTS

The Company accounts for its convertible senior notes and U.S. Treasury money market fund at fair value. 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, a fair value hierarchy has been established 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 and liabilities recorded at fair value on a recurring basis as of December 31, 2011 and 2010 are classified in the table below in one of the three categories described above:

<u>Description</u>	<u>December 31, 2011 Balance</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Money market fund	\$55,465,507	—	\$55,465,507	—
Total assets	\$55,465,507	—	\$55,465,507	—

Liabilities:				
2013 Notes	\$17,336,760	—	\$17,336,760	—
Total liabilities	\$17,336,760	—	\$17,336,760	—

<u>Description</u>	<u>December 31, 2010 Balance</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				

Money				
market				
fund	\$21,729,230	—	\$21,729,230	—
Total assets	\$21,729,230	—	\$21,729,230	—
Liabilities:				
2011 Notes	\$1,111,132	—	\$1,111,132	—
2013 Notes	17,436,201	—	17,436,201	—
Total				
liabilities	\$18,547,333	—	\$18,547,333	—

The Company made an election to record the values of the 2011 Notes and 2013 Notes at fair value with gains and losses related to fluctuations in the value of these financial liabilities recorded in earnings immediately pursuant to ASC 825. The fair values of the 2011 Notes and 2013 Notes are estimated based on the risk-free borrowing rate, the volatility of the Company's stock, and the current borrowing rates for similar companies. See Note 7, "Convertible Senior Notes" for more information and disclosures regarding key assumptions used in this fair value determination.