

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

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended March 31, 2012

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-31812

**BIOSANTE PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**58-2301143**  
(IRS Employer Identification Number)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

As of May 10, 2012, 120,826,861 shares of common stock and 391,286 shares of class C special stock of the registrant were outstanding.

**BIOSANTE PHARMACEUTICALS, INC.**

**FORM 10-Q  
MARCH 31, 2012**

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As used in this report, references to “BioSante,” the “company,” “we,” “our” or “us,” unless the context otherwise requires, refer to BioSante Pharmaceuticals, Inc.

We own or have the rights to use various trademarks, trade names or service marks, including BioSante®, LibiGel®, GVAX™, The Pill-Plus™ and Elestrin™. This report also contains trademarks, trade names and service marks that are owned by other persons or entities

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**BIOSANTE PHARMACEUTICALS, INC.**  
**Condensed Balance Sheets**  
**March 31, 2012 and December 31, 2011 (Unaudited)**

|   | <u>March 31,</u><br><u>2012</u> | <u>December 31,</u><br><u>2011</u> |
|---|---------------------------------|------------------------------------|
| <b>ASSETS</b>                               |                                 |                                    |
| <b>CURRENT ASSETS</b>                       |                                 |                                    |
| Cash and cash equivalents                   | \$ 49,473,732                   | \$ 57,225,234                      |
| Prepaid expenses and other assets           | 716,920                         | 801,147                            |
|   | <u>50,190,652</u>               | <u>58,026,381</u>                  |
| <b>PROPERTY AND EQUIPMENT, NET</b>          | <u>884,301</u>                  | <u>861,364</u>                     |
| <b>OTHER ASSETS</b>                         |                                 |                                    |
| Investments                                 | 3,413,762                       | 3,405,807                          |
| Deposits                                    | 86,203                          | 86,203                             |
|   | <u>\$ 54,574,918</u>            | <u>\$ 62,379,755</u>               |
| <b>LIABILITIES AND STOCKHOLDERS’ EQUITY</b> |                                 |                                    |
| <b>CURRENT LIABILITIES</b>                  |                                 |                                    |
| Accounts payable                            | \$ 3,281,705                    | \$ 3,150,677                       |
| Accrued compensation                        | 767,672                         | 1,597,329                          |
| Other accrued expenses                      | 2,035,576                       | 2,479,697                          |
|   | <u>6,084,953</u>                | <u>7,227,703</u>                   |

|  |                      |                      |
|--|----------------------|----------------------|
| Long-term convertible senior notes                   | 10,493,589           | 17,336,760           |
| <b>TOTAL LIABILITIES</b>                             | <b>16,578,542</b>    | <b>24,564,463</b>    |
| <b>STOCKHOLDERS' EQUITY</b>                          |                      |                      |
| Capital stock  |                      |                      |
| Issued and outstanding                               |                      |                      |
| 2012 - 391,286; 2011 - 391,286 Class C special stock | 391                  | 391                  |
| 2012 - 120,826,861; 2011 - 109,618,529 Common stock  | 265,499,610          | 255,054,049          |
|  | <b>265,500,001</b>   | <b>255,054,440</b>   |
| Accumulated deficit                                  | (227,503,625)        | (217,239,148)        |
|  | 37,996,376           | 37,815,292           |
|  | <b>\$ 54,574,918</b> | <b>\$ 62,379,755</b> |

See accompanying notes to the condensed financial statements.

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**BIOSANTE PHARMACEUTICALS, INC.**  
**Condensed Statements of Operations**  
**Three months ended March 31, 2012 and 2011 (Unaudited)**

|  | Three Months Ended     |                        |
|--|------------------------|------------------------|
|  | March 31,              | March 31,              |
|  | 2012                   | 2011                   |
| <b>REVENUE</b>                                       |                        |                        |
| Royalty revenue                                      | \$ 114,000             | \$ 57,000              |
|  | <b>114,000</b>         | <b>57,000</b>          |
| <b>EXPENSES</b>                                      |                        |                        |
| Research and development                             | 5,183,217              | 14,864,420             |
| General and administration                           | 1,831,852              | 1,593,557              |
| Depreciation and amortization                        | 30,866                 | 41,944                 |
|  | <b>7,045,935</b>       | <b>16,499,921</b>      |
| <b>OTHER</b>   |                        |                        |
| Convertible note fair value adjustment               | (3,210,338)            | (639,000)              |
| Interest expense                                     | (124,196)              | (172,000)              |
| Interest income                                      | 1,992                  | 3,245                  |
| <b>NET LOSS</b>                                      | <b>\$ (10,264,477)</b> | <b>\$ (17,250,676)</b> |
| <b>BASIC AND DILUTED NET LOSS PER SHARE</b>          | <b>\$ (0.09)</b>       | <b>\$ (0.20)</b>       |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b> | <b>116,266,613</b>     | <b>84,764,512</b>      |

See accompanying notes to the condensed financial statements.

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**BIOSANTE PHARMACEUTICALS, INC.**  
**Condensed Statements of Cash Flows**  
**Three months ended March 31, 2012 and 2011 (Unaudited)**

|  | Three Months Ended March 31, |                 |
|--|------------------------------|-----------------|
|  | 2012                         | 2011            |
| <b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>                             |                              |                 |
| Net loss   | \$ (10,264,477)              | \$ (17,250,676) |
| Adjustments to reconcile net loss to net cash (used in) operating activities |                              |                 |
| Depreciation and amortization  | 30,866                       | 41,944          |
| Loss on disposal of fixed assets   | 432                          | 2,099           |
| Employee and director stock-based compensation                               | 313,027                      | 300,385         |
| Stock warrant expense - noncash  | —                            | 50,410          |
| Convertible note fair value adjustment                                       | 3,210,338                    | 639,000         |
| Changes in other assets and liabilities affecting cash flows from operations |                              |                 |
| Prepaid expenses and other assets  | 84,227                       | 1,332,339       |
| Accounts payable and accrued liabilities                                     | (1,063,726)                  | 4,410,871       |

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Net cash (used in) operating activities</b>                        | <b>(7,689,313)</b>   | <b>(10,473,628)</b>  |
| <b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>                      |                      |                      |
| Purchase of fixed assets  | (54,234)             | (221,229)            |
| Purchase of investment  | (7,955)              | —                    |
| <b>Net cash (used in) investing activities</b>                        | <b>(62,189)</b>      | <b>(221,229)</b>     |
| <b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>                    |                      |                      |
| Proceeds from issuance of common stock by registered direct offerings | —                    | 23,888,627           |
| <b>Net cash provided by financing activities</b>                      | <b>—</b>             | <b>23,888,627</b>    |
| <b>NET (DECREASE)/INCREASE CASH AND CASH EQUIVALENTS</b>              | <b>(7,751,502)</b>   | <b>13,193,770</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>               | <b>57,225,234</b>    | <b>38,155,251</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                     | <b>\$ 49,473,732</b> | <b>\$ 51,349,021</b> |

**SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION**

|  |               |           |
|--|---------------|-----------|
| <b>Noncash investing and financing activities</b>                |               |           |
| Shares issued for convertible senior notes and accrued interest  | \$ 10,132,534 | \$ —      |
| Purchase of fixed assets on account, non-cash investing activity | \$ —          | \$ 38,386 |

See accompanying notes to the condensed financial statements.

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**BIOSANTE PHARMACEUTICALS, INC.**  
**FORM 10-Q**  
**MARCH 31, 2012**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**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.

**2. BASIS OF PRESENTATION**

In the opinion of management, the accompanying unaudited condensed financial statements contain all necessary adjustments, which are of a normal recurring nature, to present fairly the financial position of the Company as of March 31, 2012 and December 31, 2011, the results of operations for the three months ended March 31, 2012 and 2011, and the cash flows for the three months ended March 31, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America. Operating results for the three month period ended March 31, 2012 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012. The Company does not have items of other comprehensive income for either of the three periods ended March 31, 2012 or 2011; and therefore, has not presented comprehensive income.

These unaudited interim condensed financial statements should be read in conjunction with the financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

**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. To date, the Company has used primarily equity financings, and to a lesser extent, licensing income, interest income and the cash received from its 2009 merger with Cell Genesys, Inc. (Cell Genesys), to fund its ongoing business operations and short-term liquidity needs.

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As of March 31, 2012, the Company had \$49.5 million of cash and cash equivalents. As of March 31, 2012, the Company had outstanding \$11.8 million in aggregate principal amount of its 3.125% convertible senior notes due May 1, 2013. Absent the receipt of any additional significant 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 cardiovascular events and breast cancer safety study. The Company expects its cash and cash equivalents as of March 31, 2012 to meet its liquidity requirements through mid 2013. These estimates may prove incorrect or the Company, nonetheless, may choose to raise additional financing earlier.

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. In February 2012, the Company issued an aggregate of approximately 11.2 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. 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 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. BASIC AND DILUTED NET LOSS PER SHARE**

The basic and diluted net loss per share is computed based on the weighted average number of shares of common stock and class C special stock outstanding, all being considered as equivalent of one another. Basic net loss per share is computed by dividing the net loss by the weighted average number of shares outstanding for the reporting period. Diluted net loss per share is intended to reflect the potential

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dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Because the Company has incurred net losses from operations in each of the periods presented, the Company's outstanding options, warrants and convertible debt are antidilutive; accordingly, such securities are excluded from the computation of diluted net loss per share and there is no difference between basic and diluted net loss per share amounts.

#### **5. CONVERTIBLE SENIOR NOTES**

The Company has outstanding 3.125% convertible senior notes due May 1, 2013 (the 2013 Notes). The aggregate principal amount of the 2013 Notes outstanding at March 31, 2012 and December 31, 2011 was \$11,782,000 and \$20,782,000, respectively. In February 2012, the Company issued 11.2 million shares of its common stock to one of the holders of the 2013 Notes in exchange for cancellation of \$9,000,000 in aggregate principal amount of such notes and the related accrued and unpaid interest on such notes. A non-cash fair value adjustment of \$(2,545,530) was recorded as a result of the cancellation of such notes. The remaining \$11,782,000 aggregate principal amount of the 2013 Notes are exchangeable at the option of the holder or upon certain specified events into an aggregate of approximately 3.2 million shares of the Company's common stock at a conversion price of \$3.72 per share.

The 2013 Notes are general, unsecured obligations of the Company and are described in Note 7 to the Company's financial statements for the year ended December 31, 2011. As of March 31, 2012, 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.

As described in Note 3, 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.

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 March 31, 2012, with changes in the fair value of the Notes occurring since December 31, 2011, 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 \$10,493,589 as of March 31, 2012 differs from their total stated aggregate principal amount of \$11,782,000 as of such date by \$1,288,411. The recorded fair value of the Notes of an aggregate of \$17,336,760 as of December 31, 2011 differed from their total stated aggregate principal amount of \$20,782,000 as of such date by \$3,445,240. During the three months ended March 31, 2012, the Company recorded a fair value adjustment of \$(664,808) related to the 2013 Notes that remained outstanding as of March 31, 2012, that increased the recorded liability and corresponding expense. For the three months ended March 31, 2011, the Company recorded a fair value adjustment of \$(639,000).

For the three months ended March 31, 2012 and 2011, approximately \$293,000 and \$287,000, respectively, of the fair value adjustment was attributable to the change in instrument specific credit risk. The change in the aggregate fair value of the Notes due to instrument specific credit risk for the

three months ended March 31, 2012 was estimated by calculating the difference between the March 31, 2012 fair value of the Notes as recorded and what the fair value of the Notes would have been on March 31, 2012 if the December 31, 2011 discount rate continued to be used in the calculation. The instrument

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specific credit risk for both periods 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 Notes based upon contractual terms of the Notes, as well as certain key assumptions.

The assumptions as of March 31, 2012 were:

|  | <u>2013 Notes</u> |
|--|-------------------|
| Average risk-free rate                       | 0.19%             |
| Volatility of BioSante common stock          | 88.9%             |
| Discount rate for principal payments in cash | 15.4%             |

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 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.

## 6. STOCK-BASED COMPENSATION

On March 21, 2012, the Board of Directors of the Company approved a third amended and restated BioSante Pharmaceuticals, Inc. 2008 Stock Incentive Plan (the Third Amended and Restated 2008 Plan), subject to approval by the Company's stockholders at its next annual meeting of stockholders, which, among other things, increases the number of shares authorized for issuance under the plan from 6,000,000 to 11,000,000 plus the number of shares subject to stock options outstanding under the BioSante Pharmaceuticals, Inc. Amended and Restated 1998 Stock Plan as of the date of stockholder approval of the Third Amended and Restated 2008 Plan but only to the extent that such outstanding awards are forfeited, expire or otherwise terminate without the issuance of such shares. If the Company's stockholders do not approve the Third Amended and Restated 2008 Plan, the current plan will remain in effect until the plan expires or is terminated in accordance with its terms.

During the three months ended March 31, 2012, the Company granted options to purchase an aggregate of 2,123,800 shares of the Company's common stock to certain employees of the Company and the Company's non-employee directors with a weighted average exercise price of \$0.68 per share under the BioSante Pharmaceuticals, Inc. Second Amended and Restated 2008 Stock Incentive Plan. The exercise price of all options is equal to the fair market value of BioSante's common stock on the date of grant. Options to purchase an aggregate of 289,071 shares of the Company's common stock expired and were cancelled during the three months ended March 31, 2012. No options were exercised during the three months ended March 31, 2012.

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No warrants were granted or exercised during the three months ended March 31, 2012.

## 7. STOCKHOLDERS' EQUITY

During the three months ended March 31, 2012, the Company issued 11,208,332 shares of its common stock to one of the holders of the 2013 Notes in exchange for cancellation of \$9,000,000 in aggregate principal amount of such notes, including accrued and unpaid interest. See Note 5, "Convertible Senior Notes" for information regarding the 2013 Notes.

On March 21, 2012, the Board of Directors of the Company approved an amendment to the Company's Restated Certificate of Incorporation to effect a reverse split of the Company's outstanding shares of common stock and class C special stock in the discretion of the Company's Board of Directors at an exchange ratio of not less than 1-for-2 and not more than 1-for-10. If such reverse split proposal is approved by the Company's stockholders, the Company's Board of Directors will have the authority, but not the obligation, in its sole discretion and without any further action on the part of the Company's stockholders, to effect the reverse stock split, at any time prior to the Company's 2013 annual meeting of stockholders that the Board of Directors believes to be most advantageous to the Company and its stockholders. The reverse stock split amendment, if approved and implemented, would not change the number of authorized shares of the Company's common stock or class C special stock or the par value of the Company's common stock or class C special stock, but because the number of authorized shares of the Company's common stock and class C special stock would not be affected, the effect of the reverse stock split amendment would be an increase in the authorized but unissued shares of the Company's common stock and class C special stock. The primary purpose of the reverse stock split, if implemented, would be to increase the Company's ability to maintain the listing of its common stock on The NASDAQ Global Market.

## 8. COMMITMENTS AND CONTINGENCIES

The Company has a commitment with Aptar Pharma to purchase a gel filling machine for \$842,740. As of March 31, 2012, the Company had paid \$337,096 resulting in a remaining obligation of \$505,644 as of such date.

### 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. Although a substantially similar complaint was filed in the same court on February 21, 2012, such complaint was voluntarily dismissed by the plaintiff in April 2012. The plaintiff seeks to represent a class of persons who purchased the Company's securities between February 12, 2010 and December 15, 2011, and seeks unspecified compensatory damages, equitable and/or injunctive relief, and reasonable costs, expert fees and attorneys' fees on behalf of such purchasers. The Company believes the action is without merit and intends to defend the action vigorously.

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On May 7, 2012, Jerome W. Weinstein, a purported stockholder of the Company filed a shareholder derivative action in the United States District Court for the Northern District of Illinois under the caption *Weinstein v. BioSante Pharmaceuticals, Inc. et al.*, naming the Company's directors as defendants and the Company as a nominal defendant. The suit is generally related to the same events that are the subject of the class action litigation described above. The complaint alleges breaches of fiduciary duty, abuse of control, gross mismanagement and unjust enrichment as causes of action occurring from at least February 2010 through December 2011. The complaint seeks unspecified damages, punitive damages, costs and disbursements and unspecified reform and improvements in the Company's corporate governance and internal control procedures. Additional lawsuits may be filed by other purported stockholders of the Company.

The lawsuits are in their early stages; and, therefore, the Company is unable to predict the outcome of the lawsuits and the possible loss or range of loss, if any, associated with their resolution or any potential effect the lawsuits may have on the Company's operations. Depending on the outcome or resolution of these lawsuits, they could have a material effect on the Company's financial condition, results of operations, cash flows or its operations.

The Company is not involved in any other legal actions, however, from time to time may be subject to various pending or threatened legal actions and proceedings, including those that arise in the ordinary course of its business. Such matters are subject to many uncertainties and to outcomes that are not predictable with assurance and that may not be known for extended periods of time.

## 9. FAIR VALUE MEASUREMENTS

The Company accounts for its convertible debt 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 March 31, 2012 and December 31, 2011 are classified in the tables below in one of the three categories described above:

| Description         | March 31, 2012<br>Balance | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
|---------------------|---------------------------|---|--|---|
| <b>Assets:</b>      |                           |   |  |   |
| Money market fund   | \$ 47,467,278             | —   | \$ 47,467,278  | —   |
| Total assets        | \$ 47,467,278             | —   | \$ 47,467,278  | —   |
| <b>Liabilities:</b> |                           |   |  |   |
| 2013 Notes          | 10,493,589                | —   | 10,493,589   | —   |
| Total liabilities   | \$ 10,493,589             | —   | \$ 10,493,589  | —   |

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| Description | December 31, 2011<br>Balance | Quoted Prices in<br>Active Markets | Significant<br>Other | Significant<br>Unobservable |
|-------------|------------------------------|------------------------------------|----------------------|-----------------------------|
|-------------|------------------------------|------------------------------------|----------------------|-----------------------------|

|                     |    | for Identical<br>Assets (Level 1) | Observable<br>Inputs (Level 2) | Inputs (Level 3) |   |
|---------------------|----|-----------------------------------|--------------------------------|------------------|---|
| <b>Assets:</b>      |    |                                   |                                |                  |   |
| Money market fund   | \$ | 55,465,507                        | —                              | \$ 55,465,507    | — |
| Total assets        | \$ | 55,465,507                        | —                              | \$ 55,465,507    | — |
| <b>Liabilities:</b> |    |                                   |                                |                  |   |
| 2013 Notes          |    | 17,336,760                        | —                              | 17,336,760       | — |
| Total liabilities   | \$ | 17,336,760                        | —                              | \$ 17,336,760    | — |

The Company made an election to record the values of the 2013 Notes at fair value with gains and losses related to fluctuations in the value of these financial liabilities recorded in earning immediately. The fair values of the 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 5, "Convertible Senior Notes" for more information and disclosures regarding key assumptions used in this fair value determination.

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

This Management's Discussion and Analysis provides material historical and prospective disclosures intended to enable investors and other users to assess our financial condition and results of operations. Statements that are not historical are forward-looking and involve risks and uncertainties discussed under the heading "Forward-Looking Statements" below. The following discussion of our results of operations and financial condition should be read in conjunction with our financial statements and the related notes thereto included elsewhere in this report.

**Business Overview**

We are a specialty pharmaceutical company focused on developing products for female sexual health and oncology.

Our products, either approved or in human clinical development, include:

- 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).
- Male testosterone gel — 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).
- GVAX cancer vaccines — a portfolio of cancer vaccines, four of which have been granted FDA orphan drug designation, currently in 17 Phase I and Phase II clinical trials for the treatment of various cancers.
- The Pill-Plus (triple component contraceptive) — once daily use of various combinations of estrogens, progestogens and androgens in Phase II development.
- Elestrin — once daily transdermal estradiol (estrogen) gel approved by the FDA indicated for the treatment of hot flashes associated with menopause and marketed in the U.S. by Jazz Pharmaceuticals, Inc. (Jazz Pharmaceuticals), our licensee.

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

Our 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. As reported in mid-December 2011, data from the two pivotal LibiGel Phase III efficacy trials show 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

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different from placebo. The LibiGel Phase III safety study, which completed enrollment in June 2011, continues and will continue until a final strategic decision about LibiGel has been made. It is our objective to make a decision during the second quarter of 2012 whether to continue the LibiGel Phase III safety study. In the meantime, we have instituted certain cost savings measures to minimize the continuing cost of the safety study and our operating expenses overall, including the termination of several of our independent contractor arrangements and a reduction in our total employee headcount. In February 2012, we announced that based upon the eighth unblinded review of safety data from the safety study by the study's independent data monitoring committee (DMC), the DMC unanimously recommended continuing the safety study as described in the FDA-agreed study protocol, with no modifications. At the time of such announcement, 3,656 subjects were enrolled in the safety study resulting in over 5,800 subject-years of exposure. If we continue the safety study, the primary analysis of the safety data will be conducted in the second half of 2012.

Our male testosterone gel is our second FDA approved product. This product initially was developed by BioSante, and then licensed by us to Teva for late stage clinical development. Teva submitted a new drug application (NDA) to the FDA in the beginning of 2011, which was approved by the FDA in



February 2012. Subsequent to Teva submitting the NDA, in April 2011, a subsidiary of Abbott Laboratories, a marketer of a testosterone gel for men, filed a complaint against Teva alleging patent infringement. This litigation was settled in December 2011; however, the terms of the settlement agreement are confidential and have not been publicly disclosed.

Our GVAX cancer vaccines, which are designed to stimulate a patient's immune system to fight effectively the patient's own cancer, are in development for the treatment of several different types of cancer including melanoma, leukemia, pancreatic, breast and prostate cancer. Four of these vaccines — to treat pancreatic cancer, acute myeloid leukemia, chronic myeloid leukemia and melanoma — have been granted FDA orphan drug designation. Currently, there are 17 Phase I and Phase II clinical studies involving our GVAX cancer vaccines ongoing, primarily being conducted at Johns Hopkins Sidney Kimmel Comprehensive Cancer Center in Baltimore, Maryland. The studies are being funded by various sources, including certain foundations and our licensees. Our objective with respect to our GVAX cancer vaccines is to help facilitate further studies and commercialization in order to bring important cancer therapies to patients in need and to maximize the value of our GVAX cancer vaccine portfolio to our stockholders. This objective includes seeking additional licensees to fund and develop the cancer vaccines.

Elestrin is our first FDA approved product. Jazz Pharmaceuticals, Inc. (which recently acquired Azur Pharma International II Limited (Azur), our prior licensee), is marketing Elestrin in the U.S. In December 2009, we entered into an amendment to our original licensing agreement with Azur pursuant to which we received \$3.16 million in non-refundable payments in exchange for the elimination of all remaining future royalty payments and certain milestone payments that could have been paid to us related to sales of Elestrin. We maintain the right to receive up to \$140 million in sales-based milestone payments from Jazz Pharmaceuticals if Elestrin reaches certain predefined sales per calendar year, although based on current sales levels, we believe our receipt of such payments unlikely in the near term, if at all.

We license the technology underlying certain of our gel products, including LibiGel and Elestrin, but not our male testosterone gel, from Antares Pharma, Inc. Our license agreement with Antares requires us to pay Antares certain development and regulatory milestone payments and royalties based on net sales of any products we or our licensees sell incorporating the licensed technology. Specifically, we are obligated to pay Antares 25 percent of all upfront and milestone payments related to a license and a 4.5 percent royalty on net sales of product by us or a licensee. Our male testosterone gel was developed and is fully-owned by us and licensed to Teva. We license the technology underlying The Pill Plus from

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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 us if a product incorporating the licensed technology gets approved and subsequently is marketed.

One of our strategic goals has been, and continues to be, to seek and implement strategic alternatives with respect to our products and our company, including licenses, business collaborations and other business combinations or transactions with other pharmaceutical and biotechnology companies. In particular, as mentioned above, in light of the results from our two pivotal LibiGel Phase III efficacy trials, we have expanded our exploration of new product development projects through in-licensing and mergers and acquisitions. Therefore, as a matter of course, we may engage in discussions with third parties regarding the licensure, sale or acquisition of our products and technologies or the products and technologies of others or a merger or sale of our company.

## **Financial Overview**

Substantially all of our revenue to date has been derived from upfront, milestone and royalty payments earned on licensing and sublicensing transactions and from subcontracts. Our business operations to date have consisted primarily of licensing and research and development activities and we expect this to continue for the immediate future. If and when our products for which we have not entered into marketing relationships receive FDA approval, we may begin to incur other expenses, including sales and marketing related expenses if we choose to market the products ourselves. To date, we have used primarily equity financings, and to a lesser extent, licensing income, interest income and the cash received from our 2009 merger with Cell Genesys, Inc. (Cell Genesys) to fund our ongoing business operations and short-term liquidity needs.

As of March 31, 2012, we had \$49.5 million of cash and cash equivalents. Absent the receipt of any additional licensing income or financing, we expect our cash and cash equivalents balance to decrease as we continue to use cash to fund our operations, including in particular our LibiGel Phase III safety study. In February 2012, we issued an aggregate of approximately 11.2 million shares of our common stock to one of the holders of our 3.125% convertible senior notes in exchange for cancellation of \$9.0 million in aggregate principal amount of such notes and the related accrued and unpaid interest on such notes. As of March 31, 2012, we had \$11.8 million in aggregate principal amount of 3.125% convertible senior notes outstanding that mature on May 1, 2013. We expect our cash and cash equivalents as of March 31, 2012 to meet our liquidity requirements through mid 2013. These estimates may prove incorrect or we, nonetheless, may choose to raise additional financing earlier.

We incurred expenses of \$5.2 million on research and development activities during the three months ended March 31, 2012, which is a 65% percent decrease compared to the same period in 2011, primarily as a result of the conclusion of our two LibiGel Phase III efficacy trials at the end of 2011. Our research and development expenses for the remainder of 2012 will depend significantly upon the continuation of our LibiGel Phase III safety study and if we in-license additional products and technologies requiring additional development. We expect to spend approximately \$2.0 million per month on research and development activities during the remainder of 2012, assuming continuation of the LibiGel safety study. If we discontinue our LibiGel Phase III safety study and assuming we do not in-license additional products and technologies requiring additional development, we expect to spend a minimal amount on research and development activities thereafter during the remainder of 2012.

Our general and administrative expenses for the three months ended March 31, 2012 increased 15% percent compared to the same period in 2011 due primarily to an increase in personnel-related costs, professional fees and other administrative expenses. Our general and administrative expenses for the remainder of 2012 will depend upon continuation of our LibiGel Phase III safety study and if we in-

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license additional products and technologies requiring additional development. Our general and administrative expenses may fluctuate depending upon the amount of non-cash, stock-based compensation expense and the amount of legal, public and investor relations, accounting, corporate governance and other

general and administrative fees and expenses incurred.

We recognized a net loss for the three months ended March 31, 2012 of \$10.3 million compared to a net loss of \$17.3 million for the three months ended March 31, 2011. This decrease was due primarily as a result of the conclusion of our two LibiGel Phase III efficacy trials at the end of 2011 offset by an increase in the fair value adjustment relating to the cancellation of \$9.0 million in aggregate principal amount of our convertible senior notes and an increase in general and administrative expenses. We recognized a net loss per share for the three months ended March 31, 2012 of \$0.09 compared to a net loss per share of \$0.20 for the three months ended March 31, 2011. The decrease in net loss per share was the result of the significantly higher weighted average number of shares outstanding, partially offset by the lower net loss described above, in each case in the three months ended March 31, 2012 as compared to the same period in 2011. We expect to continue to incur substantial and continuing losses for the foreseeable future.

## Results of Operations

### Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

The following table sets forth our results of operations for the three months ended March 31, 2012 and 2011.

|  | Three Months Ended<br>March 31, |                 | \$ Change   | % Change |
|--|---------------------------------|-----------------|-------------|----------|
|  | 2012                            | 2011            |             |          |
| Revenue  | \$ 114,000                      | \$ 57,000       | \$ 57,000   | 100.0%   |
| Expenses   |                                 |                 |             |          |
| Research and development   | 5,183,217                       | 14,864,420      | (9,681,203) | (65.1)%  |
| General and administrative   | 1,831,852                       | 1,593,557       | 238,295     | 15.0%    |
| Other expense — Convertible note fair value adjustment                               | (3,210,338)                     | (639,000)       | 2,571,338   | 402.4%   |
| Other expense — Interest expense   | (124,196)                       | (172,000)       | (47,804)    | (27.8)%  |
| Other income - Interest income   | 1,992                           | 3,245           | (1,253)     | (38.6)%  |
| Net loss   | \$ (10,264,477)                 | \$ (17,250,676) | (6,986,199) | (40.5)%  |
| Net loss per common share (basic and diluted)  | \$ (0.09)                       | \$ (0.20)       | \$ (0.11)   | (55.0)%  |
| Weighted average number of common shares and<br>common equivalent shares outstanding | 116,266,613                     | 84,764,512      | 31,502,101  | 37.2%    |

The only revenue recognized during the three months ended March 31, 2012 and 2011 consisted of the royalty revenue from Jazz Pharmaceuticals (formerly Azur Pharma International II Limited) for Elestrin sales, which royalty revenue is offset by our corresponding obligation to pay Antares royalties representing the same amount. Our corresponding obligation to pay Antares a portion of the royalties received, which equaled \$114,000 during the three months ended March 31, 2012 and \$57,000 during the three months ended March 31, 2011, is recorded within general and administrative expenses in our statements of operations.

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Research and development expenses for the three months ended March 31, 2012 decreased 65 percent compared to the three months ended March 31, 2011 primarily as a result of the conclusion of our two LibiGel Phase III efficacy trials at the end of 2011.

General and administrative expenses for the three months ended March 31, 2012 increased 15 percent compared to the three months ended March 31, 2011 primarily as a result of an increase in personnel-related costs, professional fees and other administrative expenses.

The convertible note fair value adjustment for the three months ended March 31, 2012 increased primarily as a result of a \$2,545,530 non-cash fair value adjustment recorded upon cancellation of \$9.0 million in aggregate principal amount of our convertible senior notes in February 2012. The convertible note fair value adjustment for the three months ended March 31, 2012 also included an adjustment of \$664,808 to increase the recorded liability and corresponding expense of the remaining \$11.8 million in aggregate principal amount of our convertible senior notes due to a decline in the discount rate during the current year period. The convertible fair value adjustment for the three months ended March 31, 2011 increased the recorded liability and corresponding expense by \$639,000 and included the 2011 and 2013 Notes.

Interest expense was \$124,196 and \$172,000 for the three months ended March 31, 2012 and 2011, respectively, as a result of our convertible senior notes. Interest expense decreased during the most recent current year period as a result of the repayment of our convertible senior notes due November 1, 2011 during the fourth quarter of 2011 and the cancellation of \$9.0 million in aggregate principal amount of our convertible senior notes due May 1, 2013, including accrued and unpaid interest, during the first quarter of 2012 in exchange for the issuance of approximately 11.2 million in shares of our common stock.

Interest income decreased \$1,253 for the three months ended March 31, 2012 compared to the three months ended March 31, 2011 as a result of lower average interest rates during the current year period.

## Liquidity and Capital Resources

The following table highlights several items from our balance sheets:

| Balance Sheet Data                | March 31, 2012 | December 31, 2011 |
|-----------------------------------|----------------|-------------------|
| Cash and cash equivalents         | \$ 49,473,732  | \$ 57,225,234     |
| Total current assets              | 50,190,652     | 58,026,381        |
| Investments                       | 3,413,762      | 3,405,807         |
| Total assets                      | 54,574,918     | 62,379,755        |
| Total current liabilities         | 6,084,953      | 7,227,703         |
| Convertible senior notes due 2013 | 10,493,589     | 17,336,760        |
| Total liabilities                 | 16,578,542     | 24,564,463        |
| Total stockholders' equity        | 37,996,376     | 37,815,292        |

## Liquidity

Since our inception, we have incurred significant operating losses resulting in an accumulated deficit of \$227.5 million as of March 31, 2012. To date, we have used primarily equity financings, and to a lesser extent, licensing income, interest income and the cash received from our 2009 merger with Cell Genesys, to fund our ongoing business operations and short-term liquidity needs.

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As of March 31, 2012, we had \$49.5 million of cash and cash equivalents. As of March 31, 2012, we had outstanding \$11.8 million in aggregate principal amount of our 3.125% convertible senior notes due May 1, 2013. Absent the receipt of any additional licensing income or financing, we expect our cash and cash equivalents balance to decrease as we continue to use cash to fund our operations, including in particular our LibiGel Phase III safety study. We expect our cash and cash equivalents as of March 31, 2012 to meet our liquidity requirements through mid 2013. These estimates may prove incorrect or we, nonetheless, may choose to raise additional financing earlier.

Our future capital requirements will depend upon numerous factors, including:

- the progress, timing, cost and results of our clinical development programs, including in particular continuation of our LibiGel Phase III safety study;
- whether we in-license additional new products and technologies that require further development;
- the cost, timing and outcome of regulatory actions with respect to our products;
- our ability to obtain value from our current products and technologies and our ability to out-license our products and technologies to third parties for development and commercialization and the terms of such out-licensings;
- our 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 we 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 our products;
- the outstanding principal amount of our 3.125% convertible senior notes due May 1, 2013 that are scheduled to mature and become due and payable on May 1, 2013 and our 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;
- our operating expenses;
- the success, progress, timing and costs of our business development efforts to implement business collaborations, licenses and other business combinations or transactions, and our efforts to evaluate various strategic alternatives available with respect to our products and our company; and
- the resolution of our pending purported class action and shareholder derivative litigation and any amount we may be required to pay in excess of our directors’ and officers’ liability insurance.

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We do not have any existing credit facilities under which we could borrow funds. In the event that we would require additional working capital to fund future operations, we could seek to acquire such funds through additional equity or debt financing arrangements. If we raise additional funds by issuing equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. There is no assurance that any financing transaction will be available on terms acceptable to us, or at all. As an alternative to raising additional financing, we may choose to license one or more of our 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 our existing license agreements or enter into other business collaborations or combinations, including the possible sale of our company. In addition, from time to time, we may purchase, exchange or restructure our outstanding convertible senior notes through cash purchases and/or exchanges for other equity securities of our 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, our available cash and cash equivalents, our liquidity requirements, contractual restrictions and other factors. Such future purchases, exchanges or restructurings could dilute the percentage ownership of our 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 our existing stockholders and/or decrease our cash balance. A significant decrease in our cash balance may impair our ability to execute strategic alternatives or leave us without sufficient cash remaining for operations.

The announcement of the results of our LibiGel Phase III efficacy trials significantly depressed the trading price of our common stock and if we terminate development of LibiGel, the trading price of our common stock could be depressed further and affect adversely our ability to raise additional capital. The decrease in the trading price of our common stock has resulted in the bid price for our common stock failing to meet the minimum \$1.00 per

share required for continued inclusion on The NASDAQ Global Market. We have until July 30, 2012 to regain compliance with the minimum bid price requirement. In order to regain compliance, shares of our 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 we do not regain compliance by July 30, 2012, we may transfer our common stock listing to The NASDAQ Capital Market and be eligible for an additional 180-day grace period if we meet 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, we also would need to provide NASDAQ written notice of our intention to cure the minimum bid price deficiency during the second compliance period by effecting a reverse stock split, if necessary. If we do not indicate our intent to cure the deficiency or if it does not appear to NASDAQ that it is possible for us to cure the deficiency, we will not be eligible for the second 180-day grace period and our common stock will be subject to delisting, which delisting determination we may appeal to a hearings panel at that time. A delisting of our common stock from NASDAQ or even the transfer of our common stock listing to The NASDAQ Capital Market could result in further decreases in the trading price of our common stock and, among other things, could harm our ability to raise additional financing.

In addition, the announcement of the results of our LibiGel Phase III efficacy trials resulted in pending purported class action and shareholder derivative litigation of which we are involved, which litigation is described in more detail in Note 8 to our unaudited condensed financial statements included in this report. While we believe the class action and shareholder derivative litigation are without merit and intend to defend the litigation vigorously, such litigation could divert management's attention, harm our business and/or reputation and result in significant liabilities, as well as harm our ability to raise additional financing.

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

### ***Uses of Cash and Cash Flow***

Net cash used in operating activities was \$7.7 million for the three months ended March 31, 2012 compared to net cash used in operating activities of \$10.5 million for the three months ended March 31, 2011. Net cash used in operating activities for the three months ended March 31, 2012 was primarily the result of the net loss for that period which was lower compared to the prior period due to lower clinical trial related expenses primarily as a result of the conclusion of our two LibiGel Phase III efficacy trials at the end of 2011, partially offset by a decrease in prepaid expenses and other assets and a decrease in accounts payable and other accrued liabilities.

Net cash used in investing activities was \$62,189 for the three months ended March 31, 2012 compared to net cash used in investing activities of \$221,229 for the three months ended March 31, 2011. Net cash used in investing activities for each of the three months ended March 31, 2012 and 2011 was primarily due to the purchase of fixed assets.

Net cash provided by financing activities was \$0 for the three months ended March 31, 2012 compared to net cash provided by financing activities of \$23.9 million for the three months ended March 31, 2011. Net cash provided by financing activities for the three months ended March 31, 2011 was the result of our March 2011 registered direct offering of approximately 12.2 million shares of our common stock and warrants to purchase an aggregate of approximately 4.0 million shares of our common stock at a purchase price of \$2.0613 per share, resulting in net proceeds of approximately \$23.9 million, after deduction of placement agent fees and offering expenses.

### ***Commitments and Contractual Obligations***

We did not have any material commitments for capital expenditures as of March 31, 2012 other than a purchase obligation relating to a gel filling machine of \$505,644. We have, however, several financial commitments, including our convertible senior notes, product development milestone payments to the licensors of certain of our products, payments under our license agreements with Johns Hopkins University and Wake Forest University Health Sciences, as well as minimum annual lease payments. We refer you to the description of our contractual obligations and commitments as of December 31, 2011 as set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. There were no material changes to such information since that date through March 31, 2012.

### ***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements that have or reasonably are likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, we are not exposed materially to any financing, liquidity, market or credit risk that could arise if we had engaged in these arrangements.

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### **Critical Accounting Policies**

The discussion and analysis of our condensed financial statements and results of operations are based upon our condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Securities and Exchange Commission has defined a company's most critical accounting policies as those that are most important to the portrayal of its financial condition and results of operations, and which requires the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified certain of our accounting policies as critical accounting policies. Our critical accounting policies are described in "Item 7. Management's Discussion and

Analysis of Financial Condition and Results of Operations” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. There have been no changes to the critical accounting policies described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

## Recently Issued Accounting Pronouncements

We do not expect the adoption of any recent accounting pronouncements to have a material effect on our financial position, results of operations or cash flows.

## Forward-Looking Statements

This quarterly report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created by those sections. In addition, we or others on our behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences and/or web casts open to the public, in news releases or reports, on our Internet web site or otherwise. All statements other than statements of historical facts included in this report that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements including, in particular, the statements about our plans, objectives, strategies and prospects regarding, among other things, our financial condition, results of operations and business. We have identified some of these forward-looking statements with words like “believe,” “may,” “could,” “would,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “hope,” “approximate,” “contemplate” or “continue,” the negative of these words, other words and terms of similar meaning or the use of future dates. These forward-looking statements may be contained in the notes to our condensed financial statements and elsewhere in this report, including under the heading “Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our forward-looking statements generally relate to:

- the status of our LibiGel Phase III clinical development program and the timing of our decision whether to continue our LibiGel Phase III safety study;
- our future operating expenses, anticipated burn rate and whether and how long our existing cash and cash equivalents will be sufficient to fund our operations;
- our efforts to evaluate various strategic alternatives with respect to our products and our company;

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- the market size and market acceptance of our approved products and products in development;
- the effect of new accounting pronouncements and future health care, tax and other legislation;
- our need, ability and expected timing of any actions to raise additional capital through future equity and other financings; and
- our substantial and continuing losses.

Forward-looking statements are based on current expectations about future events affecting us and are subject to uncertainties and factors that affect all businesses operating in a global market as well as matters specific to us. These uncertainties and factors are difficult to predict and many of them are beyond our control.

The following are some of the uncertainties and factors known to us that could cause our actual results to differ materially from what we have anticipated in our forward-looking statements or otherwise could materially adversely affect our business, financial condition or operating results:

- the future of our LibiGel Phase III clinical development program and the possibility that we may terminate it depending upon our ultimate strategic direction;
- our ability to generate significant revenues and obtain profitability;
- our ability to obtain additional capital when needed or on acceptable terms and the effect of any future equity or debt financings or debt restructurings on our stockholders;
- our substantial indebtedness and our ability to repay such debt when it becomes due and payable and the effect of such debt on our ability to operate our business;
- the resolution of our pending purported class action and shareholder derivative litigation and the effect of such resolution on our business, operating results and financial condition;
- our ability to maintain the listing of our common stock on The NASDAQ Global Market;
- the significant costs that we may incur in terminating our LibiGel Phase III clinical development program if we decide to do so;
- our ability to acquire or invest in new businesses, products and technologies and the effect of such actions on our business, operating results and financial condition;
- our success in developing new products and technologies, obtaining any required regulatory approvals for such products and technologies and obtaining market acceptance and commercial success with respect to such new products and technologies;
- results of our clinical studies and the actions of the independent DMC or certain regulatory bodies, including the FDA;

- our ability to submit applications for and obtain and maintain required regulatory approvals on a timely basis or at all;

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- the timing of when, if ever, our products will be approved and introduced commercially;
- the size of the market and the level of market acceptance of our products if and when they are commercialized;
- our dependence upon the maintenance of our license with Antares Pharma IPL AG and, to a lesser extent, other licensors;
- our dependence upon our licensees for the development, marketing and sale of certain of our products, including in particular Teva Pharmaceuticals USA Inc. with respect to our male testosterone gel and the uncertainty involved in when Teva will launch commercially our male testosterone gel and the commercial success of such product and the amount of revenues we may receive, if any, from such product;
- our dependence upon certain third parties who assist us in certain aspects of our clinical studies and certain manufacturers who produce our products;
- our ability to implement strategic alternatives with respect to our products and our company, including licenses, business collaborations, and other business combinations or transactions with other pharmaceutical and biotechnology companies;
- our ability to achieve projected goals and objectives within the time periods that we anticipate or announce publicly;
- uncertainties associated with the impact of published studies regarding the adverse health effects of certain forms of hormone therapy;
- our ability to protect our proprietary technology and to operate our business without infringing the proprietary rights of third parties;
- our ability to compete in a competitive industry;
- our dependence upon key employees;
- the risk of product liability lawsuits against us or our licensees;
- our ability to maintain effective internal control over financial reporting;
- changes in applicable laws or regulations and our failure to comply with applicable laws and regulations;
- changes in generally accepted accounting principles and the effect of new accounting pronouncements; or
- conditions and changes in the biopharmaceutical industry or in general economic or business conditions.

For more information regarding these and other uncertainties and factors that could cause our actual results to differ materially from what we have anticipated in our forward-looking statements or otherwise could materially adversely affect our business, financial condition or operating results, see our

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Annual Report on Form 10-K for the fiscal year ended December 31, 2011 under the heading “Part I — Item 1A. Risk Factors” on pages 20 through 49 of such report.

All forward-looking statements included in this report are expressly qualified in their entirety by the foregoing cautionary statements. We wish to caution readers not to place undue reliance on any forward-looking statement that speaks only as of the date made and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the uncertainties and factors described above and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 under the heading “Part I — Item 1A. Risk Factors” as well as others that we may consider immaterial or do not anticipate at this time. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. Our expectations reflected in our forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown uncertainties and factors, including those described above and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 under the heading “Part I — Item 1A. Risk Factors”. The risks and uncertainties described above are not exclusive and further information concerning us and our business, including factors that potentially could materially affect our financial results or condition, may emerge from time to time. We assume no obligation to update, amend or clarify forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. We advise you, however, to consult any further disclosures we make on related subjects in our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K we file with or furnish to the Securities and Exchange Commission.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to interest rate sensitivity on our cash equivalents in money market funds and our outstanding fixed rate debt. The objective of our investment activities is to preserve principal, while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in highly liquid U.S. Treasury money market funds. Our investments in U.S. Treasury money market funds are subject to interest rate risk. To minimize the exposure due to an adverse shift in interest rates, we invest in short-term securities and our goal is to maintain an average maturity of less than one year. As of the date of this report, all of our cash equivalents are only invested in a U.S. Treasury money market fund and a certificate of deposit.

The following table provides information about our financial instruments that are sensitive to changes in interest rates.

**Interest Rate Sensitivity  
Principal Amount by Expected Maturity and Average Interest Rate**

| As of March 31, 2012                              | 2012          | 2013       | 2014   | Total      | Fair Value<br>March 31,<br>2012 |
|---|---------------|------------|--------|------------|---------------------------------|
| Total Cash Equivalents                            | \$ 47,467,278 | —          | —      | —          | \$ 47,467,278                   |
| Average Interest Rate                             | 0.01%         | —          | —      | —          | —                               |
| Fixed Interest Rate 2013 Convertible Senior Notes | —             | 11,782,000 | —      | 11,782,000 | \$ 10,493,589                   |
| Average Interest Rate                             | 3.125%        | 3.125%     | 3.125% | 3.125%     | —                               |

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| As of December 31, 2011                           | 2012          | 2013       | 2014   | Total      | Fair Value<br>December 31,<br>2011 |
|---|---------------|------------|--------|------------|------------------------------------|
| Total Cash Equivalents                            | \$ 55,465,507 | —          | —      | —          | \$ 55,465,507                      |
| Average Interest Rate                             | 0.02%         | —          | —      | —          | —                                  |
| Fixed Interest Rate 2013 Convertible Senior Notes | —             | 20,782,000 | —      | 20,782,000 | \$ 17,336,760                      |
| Average Interest Rate                             | 3.125%        | 3.125%     | 3.125% | 3.125%     | —                                  |

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we are required to apply our judgment in evaluating the cost-benefit relationship of possible internal controls. Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered in this quarterly report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that material information relating to our company is made known to management, including our Chief Executive Officer and Chief Financial Officer, particularly during the period when our periodic reports are being prepared.

**Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting that occurred during the three months ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

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**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

A description of our legal proceedings in Note 8 to our unaudited condensed financial statements included in this report is incorporated herein by reference.

**ITEM 1A. RISK FACTORS**

We are affected by risks specific to us as well as factors that affect all businesses. In addition to the other information set forth in this report, careful consideration should be taken of the factors described in our most recent annual report on Form 10-K for the fiscal year ended December 31, 2011 under the heading "Part I — Item 1A. Risk Factors," which could materially adversely affect our business, financial condition or operating results. There has been no material change to those risk factors.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Recent Sales of Unregistered Equity Securities**

During the three months ended March 31, 2012, we did not issue or sell any shares of our common stock or other equity securities of ours that were not registered under the Securities Act of 1933, as amended (Securities Act), other than the issuance of an aggregate of approximately 11.2 million shares of our common stock to one of the holders of our convertible senior notes in exchange for cancellation of \$9.0 million in aggregate principal amount of such notes, including accrued and unpaid interest, which shares were issued in a transaction exempt from the registration requirements of the Securities Act by virtue of the exemption provided for in Section 3(a)(9) of the Securities Act for securities exchanged by the issuer with an existing security holder. No commission or other remuneration was paid or given directly or indirectly for soliciting such exchange.

### Issuer Purchases of Equity Securities

We did not purchase any shares of our common stock or other equity securities of ours during the three months ended March 31, 2012. Our Board of Directors has not authorized any repurchase plan or program for purchase of our shares of common stock or other equity securities on the open market or otherwise, other than in connection with the cashless exercise of outstanding warrants and stock options.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

Not applicable.

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### ITEM 6. EXHIBITS

The following exhibits are being filed or furnished with this quarterly report on Form 10-Q:

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 10.1               | Securities Exchange Agreement dated as of February 7, 2012 between BioSante Pharmaceuticals, Inc. and Tang Capital Partners, LP (Filed herewith)   |
| 10.2               | Securities Exchange Agreement dated as of February 15, 2012 between BioSante Pharmaceuticals, Inc. and Tang Capital Partners, LP (Filed herewith)  |
| 31.1               | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and SEC Rule 13a-14(a) (Filed herewith)   |
| 31.2               | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and SEC Rule 13a-14(a) (Filed herewith)   |
| 32.1               | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished herewith)   |
| 32.2               | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished herewith)   |
| 101                | The following materials from BioSante Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Condensed Balance Sheets, (ii) the unaudited Condensed Statements of Operations, (iii) the unaudited Condensed Statements of Cash Flows, and (iv) Notes to Condensed Financial Statements. (Furnished herewith)* |

\* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, 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 Section 11 or 12 of the Securities Act of 1933, as amended, or otherwise subject to the liability of those sections, except as shall be expressly set forth by specific reference in such filings.

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### SIGNATURES

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.

May 8, 2012

**BIOSANTE PHARMACEUTICALS, INC.**



By: /s/ Stephen M. Simes

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

By: /s/ Phillip B. Donenberg

Phillip B. Donenberg  
Senior Vice President of Finance, Chief  
Financial Officer and Secretary  
(principal financial and accounting officer)

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**BIOSANTE PHARMACEUTICALS, INC.  
QUARTERLY REPORT ON FORM 10-Q  
EXHIBIT INDEX**

| <b>Exhibit No.</b> | <b>Description</b>  | <b>Method of Filing</b> |
|--------------------|---|-------------------------|
| 10.1               | Securities Exchange Agreement dated as of February 7, 2012 between BioSante Pharmaceuticals, Inc. and Tang Capital Partners, LP   | Filed herewith          |
| 10.2               | Securities Exchange Agreement dated as of February 15, 2012 between BioSante Pharmaceuticals, Inc. and Tang Capital Partners, LP  | Filed herewith          |
| 31.1               | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and SEC Rule 13a-14(a)   | Filed herewith          |
| 31.2               | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and SEC Rule 13a-14(a)   | Filed herewith          |
| 32.1               | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   | Furnished herewith      |
| 32.2               | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   | Furnished herewith      |
| 101                | The following materials from BioSante Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Condensed Balance Sheets, (ii) the unaudited Condensed Statements of Operations, (iii) the unaudited Condensed Statements of Cash Flows, and (iv) Notes to Condensed Financial Statements.* | Furnished herewith      |

\* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, 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 Section 11 or 12 of the Securities Act of 1933, as amended, or otherwise subject to the liability of those sections, except as shall be expressly set forth by specific reference in such filings.

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**BIOSANTE PHARMACEUTICALS, INC.**  
**SECURITIES EXCHANGE AGREEMENT**

**FEBRUARY 7, 2012**

**BIOSANTE PHARMACEUTICALS, INC.**  
**SECURITIES EXCHANGE AGREEMENT**

This Securities Exchange Agreement (this "**Agreement**") is made as of February 7, 2012 (the "**Effective Date**") by and between **BIOSANTE PHARMACEUTICALS, INC.**, a Delaware corporation (the "**Company**"), and **TANG CAPITAL PARTNERS, LP**, a Delaware limited partnership (the "**Bond Holder**").

**RECITALS**

**WHEREAS**, the Bond Holder wishes to exchange an aggregate of \$5,000,000.00 principal amount of the Company's 3.125% convertible senior notes due May 1, 2013 (collectively, the "**Bonds**").

**WHEREAS**, the Company wishes to issue to the Bond Holder, pursuant to the exemption from registration provided by Section 3(a)(9) ("**Section 3(a)(9)**") under the Securities Act of 1933, as amended (the "**Securities Act**"), 6,723,173 shares of the Company's common stock, par value \$0.0001 per share (the "**Common Stock**"), in exchange for the Bonds (the "**Exchange**") and to cancel the Bonds upon the terms and conditions set forth herein.

**AGREEMENT**

**1. Exchange; Delivery.** Bond Holder hereby assigns, sells and transfers the Bonds, plus all claims arising out of or relating to the Bonds, including but not limited to any accrued but unpaid interest, to the Company in exchange for the issuance by the Company, effective as of the Effective Date, of 6,723,173 shares of Common Stock (the "**Shares**") to the Bond Holder (the "**Exchange**"). On the business day immediately following the Effective Date, the Company shall deliver the Shares to the Bond Holder via DWAC to an account specified in writing by the Bond Holder, and Bond Holder shall deliver the Bonds to the Company via DTC to an account specified in writing by the Company.

**2. Representations and Warranties of the Company.** The Company hereby represents and warrants to the Bond Holder that as of the Effective Date:

**2.1 Organization.** The Company is duly incorporated and validly existing in good standing under the laws of the State of Delaware. The Company has full corporate power and authority to own, operate and occupy its properties and to conduct its business as presently conducted and is registered or qualified to do business and is in good standing in each jurisdiction in which it owns or leases property or transacts business and where the failure to be so qualified would have a material adverse effect on the Company, and, to the Company's knowledge (as defined below), no proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification.

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**2.2 Due Authorization.** The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly authorized and validly executed and delivered by the Company and no other corporate action on the part of the Company, its board of directors or its stockholders is necessary to authorize the execution and delivery by the Company of this Agreement or the consummation of the transactions contemplated by this Agreement, including, without limitation, the issuance and delivery of the Shares. Furthermore, the Company's board of directors has authorized the execution and delivery by the Company of this Agreement and the transactions contemplated hereunder. This Agreement, assuming due and valid authorization, execution and delivery hereof and thereof by the Bond Holder, constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as rights to indemnity and contribution may be limited by state or federal securities laws, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally, and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

**2.3 Valid Issuance; Reservation of Shares; Preemptive Rights.** The Shares are duly authorized and, when issued and exchanged in accordance with the terms hereof, (i) will be duly and validly issued, free and clear of any liens, claims or encumbrances ("**Liens**") imposed by or through the Company or by operation of law of which the Company has knowledge and (ii) will be issued and delivered in compliance with all applicable Federal and state securities laws. Neither the cancellation of the Bonds, nor the Exchange nor the performance by the Company of its obligations under this Agreement will trigger any preemptive, "poison-pill", anti-takeover, anti-dilution, reset or other similar rights.

**2.4 Non-Contravention.** The execution and delivery of this Agreement, the issuance of the Shares and the consummation of the transactions contemplated hereby and thereby will not (a) conflict with or constitute a material violation of or default (with the passage of time or otherwise) under or give rise to any right of termination, material amendment, cancellation or acceleration or loss of any material rights under (i) any material contracts to which the Company is a party, or (ii) the certificate of incorporation or the bylaws of the Company or any similar organizational document of the Company, or (b) (i) result in the creation or imposition (or the obligation to create or impose) of any material lien, encumbrance, claim, security interest, pledge, charge or restriction of any kind upon any of the properties or assets of the Company or (ii) result in an acceleration of indebtedness pursuant to any obligation, agreement or condition contained in agreement or document to which the Company is a party or is bound, other than with respect to the Bonds, or (c) to the Company's knowledge, violate any order or decree applicable to the Company, or by which it or any of its operations are bound, and no such violation or default currently exists. No consent, approval, authorization or other order of, or registration, qualification or filing with, any regulatory body,

administrative agency or other governmental body in the United States is required for the execution and delivery of the Agreement and the valid issuance of the Shares prior to the Effective Date except for any securities filings required to be made under state securities laws.

**2.5 Exchange Act Compliance.** The documents that the Company filed under the Securities Exchange Act of 1934 (the “*Exchange Act*”) since December 31, 2010

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(including all exhibits included therein and documents incorporated by reference therein hereinafter being referred to as the “*Required Documents*”) complied in all material respects with the requirements of the Exchange Act, and the rules and regulations of the Commission promulgated thereunder as of their respective filing dates, and none of the Required Documents, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

**2.6 Non-Public Information.** Other than information concerning the Exchange and this Agreement, which will be disclosed to the public pursuant to Section 5.11, the Company is not in possession of any material non-public information as of the execution of this Agreement, and the Company has not disclosed any material non-public information to the Bond Holder.

**2.7 Exemption from Registration.** The Exchange is exempt from the registration requirements of the Securities Act pursuant to the provisions of Section 3(a)(9) thereof. The Company has complied in all material respects with such provisions and, without limiting the generality thereof, has not paid to any person, directly or indirectly, any commission or other remuneration for soliciting the Exchange. Neither the Company nor any of its Affiliates, nor any person acting on its or their behalf, (i) has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the Exchange, (ii) in the three months prior to Effective Date, has, other than the transactions contemplated with respect to the Bonds and pursuant to this Agreement, directly or indirectly, made any offers or sales of any security or solicited any offers to buy or exchange any security, under any circumstances that would require registration of the Shares under the Securities Act or (iii) has issued any shares of Common Stock or shares of any series of preferred stock or other securities or instruments convertible into, exchangeable for or otherwise entitling the holder thereof to acquire shares of Common Stock which would be integrated with the Exchange or the issuance of the Shares for purposes of the Securities Act or of any applicable stockholder approval provisions, nor will the Company or any of its Affiliates take any action or steps that would require registration of the Shares under the Securities Act.

**2.8 No Reliance.** In entering into this Agreement, the Company (i) is not relying on any advice or representation of the Bond Holder or any of its affiliates (other than the representations of the Bond Holder contained herein), (ii) has not received from the Bond Holder or any of its affiliates any assurance or guarantee as to the merits (whether legal, regulatory, tax, financial or otherwise) of the Exchange or entering into this Agreement, (iii) has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent that it has deemed necessary, and (iv) has entered into this Agreement based on its own independent judgment and on the advice of its advisors as it has deemed necessary, and not on any view (whether written or oral) expressed by the Bond Holder or any of its affiliates. Neither the Bond Holder nor any of its affiliates is now or has ever been a financial advisor, or other fiduciary, with respect to the Company.

**2.9 Bankruptcy Protection.** The Company has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to 11 U.S.C. §§ 101 et seq. (the “*Bankruptcy Code*”) or any similar state bankruptcy law nor does the Company have

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any knowledge or reason to believe that its creditors intend to initiate an involuntary proceeding under the Bankruptcy Code or any such state law.

**2.10 Solvency.** To the Company’s knowledge, as of the date of this Agreement and, based upon fair and reasonable estimates made by the Company, after giving effect to the Exchange, (a) the fair value of the Company’s assets will exceed the amount of its liabilities, contingent or otherwise, as determined in accordance with generally accepted accounting principles, and (b) the Company will be able to pay its debts as they mature.

**3. Representations, Warranties and Covenants of the Bond Holder.** The Bond Holder hereby represents and warrants to the Company and agrees as follows:

**3.1 Due Authorization.** The Bond Holder has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement, and this Agreement has been duly authorized and validly executed and delivered by the Bond Holder and no other corporate action on the part of the Bond Holder is necessary to authorize the execution and delivery by the Bond Holder of this Agreement. This Agreement constitutes a legal, valid and binding agreement of the Bond Holder, enforceable against the Bond Holder in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ and contracting parties’ rights generally, and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

**3.2 No Legal, Tax or Investment Advice.** The Bond Holder understands that nothing in this Agreement or any other materials presented to the Bond Holder by or on behalf of the Company in connection with the Exchange constitutes legal, tax or investment advice and represents and warrants to the Company that it has consulted such legal, regulatory, accounting, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with the Exchange or determining the merits thereof.

**3.3 Affiliate Status; 20% Holder Status.**

(a) As of Effective Date, the Bond Holder represents and warrants that the Bond Holder is not an Affiliate of the Company, and has not been an Affiliate of the Company for the three months preceding the Effective Date.

(b) The Bond Holder further represents and warrants that, immediately after the consummation of the transactions contemplated herein, the Bond Holder will not beneficially own more than 19.99% of the Company’s issued and outstanding Common Stock, based on the

**3.4 Voting of Shares.** The Bond Holder covenants and agrees that at the Company's 2012 Annual Meeting of Stockholders (the "**Annual Meeting**"), the Bond Holder will, to the extent that the Bond Holder owns the Shares on the record date for the Annual Meeting, vote the Shares in accordance with the Company's recommendations on proposals

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presented to stockholders, as such proposals are set forth in a definitive proxy statement on Schedule 14A under the Exchange Act.

**3.5 Stand-Still.** The Bond Holder agrees that, through the date of the Annual Meeting, without the prior written consent of the board of directors of the Company:

- (a) the Bond Holder will not acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any voting securities or direct or indirect rights to acquire any voting securities of the Company other than the Shares; *provided, however*, in the absence of a public solicitation, the restriction in this Section 3.5 shall not apply if, as a result of such acquisition, the Bond Holder would not beneficially own more than 9.999% of the then outstanding Common Stock;
- (b) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" to vote (as such terms are used in the rules of the Commission), or seek to advise or influence any person or entity with respect to the voting of any voting securities of the Company, except as contemplated in Section 3.4;
- (c) make any public announcement with respect to, or submit a proposal for, or offer of (with or without conditions) any extraordinary transaction involving the Company or any of its securities or assets;
- (d) form, join or in any way participate in a "group" as defined in Section 13(d)(3) of the Exchange Act, in connection with any of the foregoing;
- (e) otherwise act or seek to control or influence the management, Board of Directors or policies of the Company;
- (f) take any action that could reasonably be expected to require the Company to make a public announcement regarding the possibility of any of the events described in clauses (a) through (e) above; or
- (g) request the Company, the board of directors of the Company or any committee thereof directly or indirectly, to amend or waive any provision of this Section 3.5.

**3.6 No Transactions in Company Securities.** Neither the Bond Holder, directly or indirectly, nor any person acting on behalf of or pursuant to any understanding with the Bond Holder, has engaged in any transactions in the securities of the Company (including, without limitation, any short sales involving any of the Company's securities) since the time that Bond Holder and the Company reached agreement regarding the Exchange. The Bond Holder covenants that neither it nor any person acting on its behalf or pursuant to any understanding with the Bond Holder will engage, directly or indirectly, in any transactions in the securities of the Company (including short sales) prior to the time the transactions contemplated by this Agreement are first publicly disclosed.

**3.7 Ownership.** The Bond Holder owns the Bonds, free and clear of all Liens and upon execution of this Agreement, the Company will take title to the Bonds, free

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and clear of all Liens. There are no actions, suits or proceedings against the Bond Holder affecting the title of any of the Bonds or the right of the Bond Holder to execute, deliver and perform this Agreement.

**4. Amendment and Waiver.** No provision of this Agreement may be amended or modified except upon the written consent of the Company and the Bond Holder, and no provision hereof may be waived other than by a written instrument signed by the party against whom enforcement of any such waiver is sought.

**5. Miscellaneous.**

**5.1 Attorneys' Fees.** In the event that any suit or action is instituted under or in relation to this Agreement, including without limitation to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

**5.2 Headings; Construction.** The headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement. The language used in this Agreement is and will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

**5.3 Pronouns.** All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

**5.4 Severability.** In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

**5.5 Governing Law.** This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of conflicts of law. The parties agree that any action brought by either party under or in relation to this Agreement, including without limitation to interpret or enforce any provision of this Agreement, shall be brought in, and each party agrees to and does hereby submit to the jurisdiction and venue of, any state or federal court located in New York.

**5.6 Entire Agreement.** This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof, and no party shall be liable or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth herein. Each party expressly represents and warrants that it is not relying on any oral or written representations, warranties, covenants or agreements outside of this Agreement.

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**5.7 Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one (1) instrument, and shall become effective when one (1) or more counterparts have been signed by each party hereto and delivered to the other parties.

**5.8 Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

**5.9 No Third Party Beneficiaries.** This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assignees, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

**5.10 Further Assurances.** Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

**5.11 Form 8-K.** The Company agrees that it will on or before 9:30 a.m., Eastern Time, on the business day immediately following the date on which this Agreement is executed and delivered by the Company and the Bond Holder file with the Commission a Current Report on Form 8-K disclosing the material terms of this Agreement and the transactions contemplated hereby, including the issuance of the Shares, ; provided, however, that the Bond Holder shall have a reasonable opportunity to review and comment on any such Form 8-K prior to the filing thereof..

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**IN WITNESS WHEREOF**, the parties hereto have executed this **SECURITIES EXCHANGE AGREEMENT** as of the date set forth in the first paragraph hereof.

**COMPANY:**

**BIOSANTE PHARMACEUTICALS, INC.**

By: /s/ Stephen M. Simes

Name: Stephen M. Simes

Title: President and Chief Executive Officer

**BOND HOLDERS:**

**TANG CAPITAL PARTNERS, LP**

By: /s/ Kevin Tang

Name: Kevin Tang

Title: Managing Director

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BIOSANTE PHARMACEUTICALS, INC.  
 SECURITIES EXCHANGE AGREEMENT  
 FEBRUARY 15, 2012

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BIOSANTE PHARMACEUTICALS, INC.  
 SECURITIES EXCHANGE AGREEMENT

This Securities Exchange Agreement (this "**Agreement**") is made as of February 15, 2012 (the "**Effective Date**") by and between BIOSANTE PHARMACEUTICALS, INC., a Delaware corporation (the "**Company**"), and TANG CAPITAL PARTNERS, LP, a Delaware limited partnership (the "**Bond Holder**").

**RECITALS**

**WHEREAS**, the Bond Holder wishes to exchange an aggregate of \$4,000,000.00 principal amount of the Company's 3.125% convertible senior notes due May 1, 2013 (collectively, the "**Bonds**").

**WHEREAS**, the Company wishes to issue to the Bond Holder, pursuant to the exemption from registration provided by Section 3(a)(9) ("**Section 3(a)(9)**") under the Securities Act of 1933, as amended (the "**Securities Act**"), 4,485,159 shares of the Company's common stock, par value \$0.0001 per share (the "**Common Stock**"), in exchange for the Bonds (the "**Exchange**") and to cancel the Bonds upon the terms and conditions set forth herein.

**AGREEMENT**

**1. Exchange; Delivery.** Bond Holder hereby assigns, sells and transfers the Bonds, plus all claims arising out of or relating to the Bonds, including but not limited to any accrued but unpaid interest, to the Company in exchange for the issuance by the Company, effective as of the Effective Date, of 4,485,159 shares of Common Stock (the "**Shares**") to the Bond Holder (the "**Exchange**"). On the business day immediately following the Effective Date, the Company shall deliver the Shares to the Bond Holder via DWAC to an account specified in writing by the Bond Holder, and Bond Holder shall deliver the Bonds to the Company via DTC to an account specified in writing by the Company.

**2. Representations and Warranties of the Company.** The Company hereby represents and warrants to the Bond Holder that as of the Effective Date:

**2.1 Organization.** The Company is duly incorporated and validly existing in good standing under the laws of the State of Delaware. The Company has full corporate power and authority to own, operate and occupy its properties and to conduct its business as presently conducted and is registered or qualified to do business and is in good standing in each jurisdiction in which it owns or leases property or transacts business and where the failure to be so qualified would have a material adverse effect on the Company, and, to the Company's knowledge (as defined below), no proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification.

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**2.2 Due Authorization.** The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly authorized and validly executed and delivered by the Company and no other corporate action on the part of the Company, its board of directors or its stockholders is necessary to authorize the execution and delivery by the Company of this Agreement or the consummation of the transactions contemplated by this Agreement, including, without limitation, the issuance and delivery of the Shares. Furthermore, the Company's board of directors has authorized the execution and delivery by the Company of this Agreement and the transactions contemplated hereunder. This Agreement, assuming due and valid authorization, execution and delivery hereof and thereof by the Bond Holder, constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as rights to indemnity and contribution may be limited by state or federal securities laws, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally, and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

**2.3 Valid Issuance; Reservation of Shares; Preemptive Rights.** The Shares are duly authorized and, when issued and exchanged in accordance with the terms hereof, (i) will be duly and validly issued, free and clear of any liens, claims or encumbrances ("**Liens**") imposed by or through the Company or by operation of law of which the Company has knowledge and (ii) will be issued and delivered in compliance with all applicable Federal and state securities laws. Neither the cancellation of the Bonds, nor the Exchange nor the performance by the Company of its obligations under this Agreement will trigger any preemptive, "poison-pill", anti-takeover, anti-dilution, reset or other similar rights.

**2.4 Non-Contravention.** The execution and delivery of this Agreement, the issuance of the Shares and the consummation of the transactions contemplated hereby and thereby will not (a) conflict with or constitute a material violation of or default (with the passage of time or otherwise) under or give rise to any right of termination, material amendment, cancellation or acceleration or loss of any material rights under (i) any material contracts to which the Company is a party, or (ii) the certificate of incorporation or the bylaws of the Company or any similar organizational document of the Company, or (b) (i) result in the creation or imposition (or the obligation to create or impose) of any material lien, encumbrance, claim, security interest, pledge, charge or restriction of any kind upon any of the properties or assets of the Company or (ii) result in an acceleration of indebtedness pursuant to any obligation, agreement or condition contained in agreement or document to which the Company is a party or is bound, other than with respect to the Bonds, or (c) to the Company's knowledge, violate any order or decree applicable to the Company, or by which it or any of its operations are bound, and no such violation or default currently exists. No consent, approval, authorization or other order of, or registration, qualification or filing with, any regulatory body,

administrative agency or other governmental body in the United States is required for the execution and delivery of the Agreement and the valid issuance of the Shares prior to the Effective Date except for any securities filings required to be made under state securities laws.

**2.5 Exchange Act Compliance.** The documents that the Company filed under the Securities Exchange Act of 1934 (the “*Exchange Act*”) since December 31, 2010

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(including all exhibits included therein and documents incorporated by reference therein hereinafter being referred to as the “*Required Documents*”) complied in all material respects with the requirements of the Exchange Act, and the rules and regulations of the Commission promulgated thereunder as of their respective filing dates, and none of the Required Documents, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

**2.6 Non-Public Information.** Other than information concerning the Exchange and this Agreement, which will be disclosed to the public pursuant to Section 5.11, the Company is not in possession of any material non-public information as of the execution of this Agreement, and the Company has not disclosed any material non-public information to the Bond Holder.

**2.7 Exemption from Registration.** The Exchange is exempt from the registration requirements of the Securities Act pursuant to the provisions of Section 3(a)(9) thereof. The Company has complied in all material respects with such provisions and, without limiting the generality thereof, has not paid to any person, directly or indirectly, any commission or other remuneration for soliciting the Exchange. Neither the Company nor any of its Affiliates, nor any person acting on its or their behalf, (i) has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the Exchange, (ii) in the three months prior to Effective Date, has, other than the transactions contemplated with respect to the Bonds and pursuant to this Agreement, directly or indirectly, made any offers or sales of any security or solicited any offers to buy or exchange any security, under any circumstances that would require registration of the Shares under the Securities Act or (iii) has issued any shares of Common Stock or shares of any series of preferred stock or other securities or instruments convertible into, exchangeable for or otherwise entitling the holder thereof to acquire shares of Common Stock which would be integrated with the Exchange or the issuance of the Shares for purposes of the Securities Act or of any applicable stockholder approval provisions, nor will the Company or any of its Affiliates take any action or steps that would require registration of the Shares under the Securities Act.

**2.8 No Reliance.** In entering into this Agreement, the Company (i) is not relying on any advice or representation of the Bond Holder or any of its affiliates (other than the representations of the Bond Holder contained herein), (ii) has not received from the Bond Holder or any of its affiliates any assurance or guarantee as to the merits (whether legal, regulatory, tax, financial or otherwise) of the Exchange or entering into this Agreement, (iii) has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent that it has deemed necessary, and (iv) has entered into this Agreement based on its own independent judgment and on the advice of its advisors as it has deemed necessary, and not on any view (whether written or oral) expressed by the Bond Holder or any of its affiliates. Neither the Bond Holder nor any of its affiliates is now or has ever been a financial advisor, or other fiduciary, with respect to the Company.

**2.9 Bankruptcy Protection.** The Company has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to 11 U.S.C. §§ 101 et seq. (the “*Bankruptcy Code*”) or any similar state bankruptcy law nor does the Company have

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any knowledge or reason to believe that its creditors intend to initiate an involuntary proceeding under the Bankruptcy Code or any such state law.

**2.10 Solvency.** To the Company’s knowledge, as of the date of this Agreement and, based upon fair and reasonable estimates made by the Company, after giving effect to the Exchange, (a) the fair value of the Company’s assets will exceed the amount of its liabilities, contingent or otherwise, as determined in accordance with generally accepted accounting principles, and (b) the Company will be able to pay its debts as they mature.

**3. Representations, Warranties and Covenants of the Bond Holder.** The Bond Holder hereby represents and warrants to the Company and agrees as follows:

**3.1 Due Authorization.** The Bond Holder has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement, and this Agreement has been duly authorized and validly executed and delivered by the Bond Holder and no other corporate action on the part of the Bond Holder is necessary to authorize the execution and delivery by the Bond Holder of this Agreement. This Agreement constitutes a legal, valid and binding agreement of the Bond Holder, enforceable against the Bond Holder in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ and contracting parties’ rights generally, and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

**3.2 No Legal, Tax or Investment Advice.** The Bond Holder understands that nothing in this Agreement or any other materials presented to the Bond Holder by or on behalf of the Company in connection with the Exchange constitutes legal, tax or investment advice and represents and warrants to the Company that it has consulted such legal, regulatory, accounting, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with the Exchange or determining the merits thereof.

**3.3 Affiliate Status; 20% Holder Status.**

(a) As of Effective Date, the Bond Holder represents and warrants that the Bond Holder is not an Affiliate of the Company, and has not been an Affiliate of the Company for the three months preceding the Effective Date.

(b) The Bond Holder further represents and warrants that, immediately after the consummation of the transactions contemplated herein, the Bond Holder will not beneficially own more than 19.99% of the Company’s issued and outstanding Common Stock, based on the

**3.4 Voting of Shares.** The Bond Holder covenants and agrees that at the Company's 2012 Annual Meeting of Stockholders (the "**Annual Meeting**"), the Bond Holder will, to the extent that the Bond Holder owns the Shares on the record date for the Annual Meeting, vote the Shares in accordance with the Company's recommendations on proposals

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presented to stockholders, as such proposals are set forth in a definitive proxy statement on Schedule 14A under the Exchange Act.

**3.5 Stand-Still.** The Bond Holder agrees that, through the date of the Annual Meeting, without the prior written consent of the board of directors of the Company:

- (a) the Bond Holder will not acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any voting securities or direct or indirect rights to acquire any voting securities of the Company other than the Shares; *provided, however*, in the absence of a public solicitation, the restriction in this Section 3.5 shall not apply if, as a result of such acquisition, the Bond Holder would not beneficially own more than 9.999% of the then outstanding Common Stock;
- (b) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" to vote (as such terms are used in the rules of the Commission), or seek to advise or influence any person or entity with respect to the voting of any voting securities of the Company, except as contemplated in Section 3.4;
- (c) make any public announcement with respect to, or submit a proposal for, or offer of (with or without conditions) any extraordinary transaction involving the Company or any of its securities or assets;
- (d) form, join or in any way participate in a "group" as defined in Section 13(d)(3) of the Exchange Act, in connection with any of the foregoing;
- (e) otherwise act or seek to control or influence the management, Board of Directors or policies of the Company;
- (f) take any action that could reasonably be expected to require the Company to make a public announcement regarding the possibility of any of the events described in clauses (a) through (e) above; or
- (g) request the Company, the board of directors of the Company or any committee thereof directly or indirectly, to amend or waive any provision of this Section 3.5.

**3.6 No Transactions in Company Securities.** Neither the Bond Holder, directly or indirectly, nor any person acting on behalf of or pursuant to any understanding with the Bond Holder, has engaged in any transactions in the securities of the Company (including, without limitation, any short sales involving any of the Company's securities) since the time that Bond Holder and the Company reached agreement regarding the Exchange. The Bond Holder covenants that neither it nor any person acting on its behalf or pursuant to any understanding with the Bond Holder will engage, directly or indirectly, in any transactions in the securities of the Company (including short sales) prior to the time the transactions contemplated by this Agreement are first publicly disclosed.

**3.7 Ownership.** The Bond Holder owns the Bonds, free and clear of all Liens and upon execution of this Agreement, the Company will take title to the Bonds, free

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and clear of all Liens. There are no actions, suits or proceedings against the Bond Holder affecting the title of any of the Bonds or the right of the Bond Holder to execute, deliver and perform this Agreement.

**4. Amendment and Waiver.** No provision of this Agreement may be amended or modified except upon the written consent of the Company and the Bond Holder, and no provision hereof may be waived other than by a written instrument signed by the party against whom enforcement of any such waiver is sought.

**5. Miscellaneous.**

**5.1 Attorneys' Fees.** In the event that any suit or action is instituted under or in relation to this Agreement, including without limitation to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

**5.2 Headings; Construction.** The headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement. The language used in this Agreement is and will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

**5.3 Pronouns.** All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

**5.4 Severability.** In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.



**5.5 Governing Law.** This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of conflicts of law. The parties agree that any action brought by either party under or in relation to this Agreement, including without limitation to interpret or enforce any provision of this Agreement, shall be brought in, and each party agrees to and does hereby submit to the jurisdiction and venue of, any state or federal court located in New York.

**5.6 Entire Agreement.** This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof, and no party shall be liable or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth herein. Each party expressly represents and warrants that it is not relying on any oral or written representations, warranties, covenants or agreements outside of this Agreement.

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**5.7 Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one (1) instrument, and shall become effective when one (1) or more counterparts have been signed by each party hereto and delivered to the other parties.

**5.8 Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

**5.9 No Third Party Beneficiaries.** This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assignees, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

**5.10 Further Assurances.** Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

**5.11 Form 8-K.** The Company agrees that it will on or before 9:30 a.m., Eastern Time, on the business day immediately following the date on which this Agreement is executed and delivered by the Company and the Bond Holder file with the Commission a Current Report on Form 8-K disclosing the material terms of this Agreement and the transactions contemplated hereby, including the issuance of the Shares, ; provided, however, that the Bond Holder shall have a reasonable opportunity to review and comment on any such Form 8-K prior to the filing thereof..

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**IN WITNESS WHEREOF**, the parties hereto have executed this **SECURITIES EXCHANGE AGREEMENT** as of the date set forth in the first paragraph hereof.

**COMPANY:**

**BIOSANTE PHARMACEUTICALS, INC.**

By: /s/ Stephen M. Simes

Name: Stephen M. Simes

Title: President and Chief Executive Officer

**BOND HOLDERS:**

**TANG CAPITAL PARTNERS, LP**

By: /s/ Kevin Tang

Name: Kevin Tang

Title: Managing Director

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**CERTIFICATION OF CEO PURSUANT TO SECTION 302 OF THE  
SARBANES OXLEY ACT OF 2002 AND SEC RULE 13a-14(a)**

I, Stephen M. Simes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BioSante Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2012

/s/ Stephen M. Simes

Stephen M. Simes

Vice Chairman, President and Chief Executive Officer  
(principal executive officer)

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**CERTIFICATION OF CFO PURSUANT TO SECTION 302 OF THE  
SARBANES OXLEY ACT OF 2002 AND SEC RULE 13a-14(a)**

I, Phillip B. Donenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BioSante Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2012

/s/ Phillip B. Donenberg

Phillip B. Donenberg

Senior Vice President of Finance, Chief Financial Officer and  
Secretary

(principal financial officer)

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

In connection with the Quarterly Report of BioSante Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. Simes, Vice Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen M. Simes

Stephen M. Simes

Vice Chairman, President and Chief Executive Officer

May 8, 2012

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

In connection with the Quarterly Report of BioSante Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip B. Donenberg, Senior Vice President of Finance, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Phillip B. Donenberg

Phillip B. Donenberg

Senior Vice President of Finance, Chief Financial  
Officer and Secretary

May 8, 2012

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