AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 14, 2001
REGISTRATION NO. 333-64218

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

PRE-EFFECTIVE AMENDMENT NO. 1
TO
FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

BIOSANTE PHARMACEUTICALS, INC.
(Name of small business issuer in its charter)

DELAWARE	2836	58-2301143
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

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111 BARCLAY BOULEVARD, SUITE 280
LINCOLNSHIRE, ILLINOIS 60069
TELEPHONE NO.: (847) 478-0500

PHILLIP B. DONENBERG
CHIEF FINANCIAL OFFICER, TREASURER AND SECRETARY
BIOSANTE PHARMACEUTICALS, INC.
111 BARCLAY BOULEVARD, SUITE 280
LINCOLNSHIRE, ILLINOIS 60069
TELEPHONE NO.: (847) 478-0500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPY TO:
AMY E. CULBERT, ESQ.
OPPENHEIMER WOLFF & DONNELLY LLP
45 SOUTH SEVENTH STREET, SUITE 3300
MINNEAPOLIS, MINNESOTA 55402
(612) 607-7287

Approximate date of commencement of proposed sale to the public:
FROM TIME TO TIME AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or reinvestment plans, check the following box: /X/

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE SECURITIES AND EXCHANGE COMMISSION DECLARES OUR REGISTRATION STATEMENT EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Subject to Completion, dated September 14, 2001

PROSPECTUS

[LOGO]

25,437,500 SHARES

COMMON STOCK

Selling stockholders of BioSante Pharmaceuticals, Inc. are offering 25,437,500 shares of common stock. BioSante will not receive any proceeds from the sale of shares offered by the selling stockholders.

The shares of common stock offered will be sold as described under the heading "Plan of Distribution," beginning on page 20.

Our common stock is listed on the Over-the-Counter Bulletin Board under the symbol "BTPH." On September 10, 2001, the last reported sale price of our common stock on the OTC Bulletin Board was $0.68.

THE COMMON STOCK OFFERED INVOLVES A HIGH DEGREE OF RISK. WE REFER YOU TO "RISK FACTORS," BEGINNING ON PAGE 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2001

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus is accurate as of the date on the front cover. You should not assume that the information contained in this prospectus is accurate as of any other date.

SUMMARY

THE ITEMS IN THE FOLLOWING SUMMARY ARE DESCRIBED IN MORE DETAIL LATER IN THIS PROSPECTUS. THIS SUMMARY PROVIDES AN OVERVIEW OF SELECTED INFORMATION AND DOES NOT CONTAIN ALL THE INFORMATION YOU SHOULD CONSIDER. THEREFORE, YOU SHOULD ALSO READ THE MORE DETAILED INFORMATION CONTAINED IN THIS PROSPECTUS, INCLUDING THE CONSOLIDATED FINANCIAL STATEMENTS.

OUR COMPANY

We are a development stage biopharmaceutical company that is developing a pipeline of hormone replacement products to treat hormone deficiencies in men and in women. We also are engaged in the development of our proprietary calcium phosphate, nanoparticulate-based platform technology, or CAP, for vaccine adjuvants, proprietary novel vaccines, drug delivery systems and to purify the milk of transgenic animals, which are animals that have been genetically modified to produce certain desired results in their milk.

To enhance the value of our current pharmaceutical portfolio, we are pursuing the following corporate growth strategies:

- accelerate the development of our hormone replacement products;
- continue to develop our nanoparticle-based platform technology, or CAP, and seek assistance in the development through corporate partner sub-licenses;
- license or otherwise acquire other drugs that will add value to our current product portfolio; and
- implement business collaborations or joint ventures with other pharmaceutical and biotechnology companies.

Our primary focus is to build a pipeline of hormone replacement products for the treatment of human hormone deficiencies. Symptoms of hormone deficiency in men include impotence, lack of sex drive, muscle weakness and osteoporosis, and in women, menopausal symptoms, such as hot flashes, vaginal atrophy, decreased libido and osteoporosis.

Our hormone replacement products, which we license on an exclusive basis from Antares Pharma Inc., are gel formulations of testosterone, estradiol and a combination of estradiol and a progestogen. The gels are designed to be absorbed quickly through the skin after application on the arms, shoulders, abdomen or thighs, delivering the hormone to the bloodstream evenly and in a non-invasive, painless manner. Human clinical trials have begun on at least two of our hormone replacement products, a necessary step in the process of obtaining United States Food and Drug Administration, or FDA, approval to market the products.

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

- the creation of improved versions of current vaccines by the "adjuvant" activity of our proprietary nanoparticles that enhance the ability of a vaccine to stimulate an immune response;

- the development of new, unique vaccines against diseases for which there currently are few or no effective methods of prevention (E.G., genital herpes);

- the creation of inhaled forms of drugs that currently must be given by injection (E.G., insulin); and

- the purification of the milk of transgenic animals, in which protein pharmaceuticals are grown by selectively isolating biologically active therapeutic proteins from the transgenic milk.

CORPORATE INFORMATION

Our company, which was initially formed as a corporation organized under the laws of the Province of Ontario on August 29, 1996, was continued as a corporation under the laws of the State of Wyoming on December 19, 1996 and was reincorporated under the laws of the State of Delaware on June 26, 2001.

In this prospectus, references to "BioSante," "the company," "we," and "our," unless the context otherwise requires, refer to BioSante Pharmaceuticals, Inc.

OFFICE AND WEB SITE LOCATION

Our principal executive offices are located at 111 Barclay Boulevard, Suite 280, Lincolnshire, Illinois 60069, and our telephone number is (847) 478-0500. Our web site is located at WWW.BIOSANTEPHARMA.COM. Our web site, and the information contained on that site, or connected to that site, are not intended to be part of this prospectus.

SUMMARY CONSOLIDATED FINANCIAL DATA

The selected statement of operations data shown below for the years ended December 31, 1998, 1999 and 2000 and the balance sheet data as of December 31, 1999 and 2000 are derived from our audited financial statements included elsewhere in this prospectus. The selected statement of operations data shown below for the period from August 29, 1996 (date of incorporation) to December 31, 1996 and for the year ended December 31, 1997 and the balance sheet data as of December 31, 1996, 1997 and 1998 are derived from our audited financial statements not included elsewhere in this prospectus. The selected financial data for the six months ended June 30, 2000 and 2001 and as of June 30, 2001 have been derived from our unaudited financial statements included elsewhere in this prospectus, which, in the opinion of management, include all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the financial information shown in these statements. The results for the six months ended June 30, 2000 and 2001 are not necessarily indicative of the results to be expected for the full year or for any future period. When you read this selected consolidated financial data, it is important that you also read the historical financial statements and related notes included in this prospectus, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." Historical results are not necessarily indicative of future results.

	PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO DECEMBER 31,	YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,	
	1996	1997	1998	1999	2000	2000	2001
	(in thousands, except per share data)						
STATEMENT OF OPERATIONS DATA:							
Interest income	$ 53	$ 144	$ 123	$ 199	$ 228	$ 122	$ 83
Expenses:							
Research and development	--	336	1,400	661	1,888	1,355	620
General and administration	547	1,618	1,112	853	1,679	608	963
Depreciation and amortization	1	52	140	91	98	49	49
Loss on disposal of capital assets	--	28	130	--	--	--	--
Total expenses	548	2,034	2,782	1,605	3,665	2,012	1,632
Loss before other expenses	(495)	(1,890)	(2,659)	(1,406)	(3,437)	(1,890)	(1,549)
Cost of acquisition of Structured Biologicals, Inc	375	--	--	--	--	--	--
Purchased in-process research and development	5,377	--	--	--	--	--	--
Total other expenses	5,752	--	--	--	--	--	--
Net loss	$ (6,247)	$ (1,890)	$ (2,659)	$ (1,406)	$ (3,437)	$ (1,890)	$ (1,549)
Basic and diluted net loss per share	$ (0.26)	$ (0.05)	$ (0.08)	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.02)
Weighted average number of shares outstanding	24,366	35,962	34,858	49,424	57,537	57,451	62,087

	AS OF DECEMBER 31,					AS OF JUNE 30,
	1996	1997	1998	1999	2000	2001
	(in thousands)					
BALANCE SHEET DATA:						
Cash and cash equivalents	$ 3,474	$ 1,750	$ 2,841	$ 5,275	$ 2,612	$ 4,782
Working capital	2,236	356	2,099	5,004	1,735	3,905
Total assets	3,519	2,450	3,449	5,780	3,067	5,210
Convertible debenture - current	--	--	--	--	500	500
Stockholders' equity	2,269	1,034	2,631	5,451	2,126	4,269

RISK FACTORS

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND UNCERTAINTIES DESCRIBED BELOW AND THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE DECIDING WHETHER TO INVEST IN SHARES OF OUR COMMON STOCK. IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCUR, OUR BUSINESS, FINANCIAL CONDITION OR OPERATING RESULTS COULD BE HARMED. IN THAT CASE, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE, AND YOU MAY LOSE PART OR ALL OF YOUR INVESTMENT. THESE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES FACING BIOSANTE. ADDITIONAL RISKS AND UNCERTAINTIES NOT CURRENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM IMMATERIAL MAY ALSO IMPAIR OUR BUSINESS OPERATIONS AND ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK.

RISKS RELATING TO OUR COMPANY

WE HAVE A HISTORY OF OPERATING LOSSES, EXPECT CONTINUING LOSSES FOR THE FORESEEABLE FUTURE AND MAY NEVER ACHIEVE PROFITABILITY.

We have incurred losses in each year since our amalgamation in 1996 and expect to incur substantial and continuing losses for the foreseeable future. We incurred a net loss of $3,437,195 for the year ended December 31, 2000, and as of December 31, 2000, our accumulated deficit was $15,639,672. We incurred a net loss of $1,548,813 for the six months ended June 30, 2001, and as of June 30, 2001, our accumulated deficit was $17,188,485.

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

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

In order to generate revenues, we must successfully develop and commercialize our own proposed products in pre-clinical development, in late-stage human clinical development, or already on the market that we may in-license or otherwise acquire, or enter into collaborative agreements with others who can successfully develop and commercialize them. Even if our proposed products and the products we may license or otherwise acquire are commercially introduced, they may never achieve market acceptance and we may never generate revenues or achieve profitability.

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

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

- the absence of an operating history;

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

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

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

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

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

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

WE WILL NEED TO RAISE SUBSTANTIAL ADDITIONAL CAPITAL IN THE FUTURE TO FUND OUR OPERATIONS AND WE MAY BE UNABLE TO RAISE SUCH FUNDS WHEN NEEDED AND ON ACCEPTABLE TERMS.

We currently do not have sufficient resources to complete the commercialization of any of our proposed products. Therefore, we will need to raise substantial additional capital to fund our operations sometime in the future. We cannot be certain that any financing will be available when needed. If we fail to raise

additional financing as we need it, we may have to delay or terminate our own product development programs or pass on opportunities to in-license or otherwise acquire new products that we believe may be beneficial to our business.

Our cash on hand as of June 30, 2001 was $4,782,058. We believe this cash will be sufficient to fund our operations through December 2002. We have based this estimate on assumptions that may prove to be wrong. As a result, we may need to obtain additional financing prior to that time. In addition, we may need to raise additional capital at an earlier time to fund our ongoing research and development activities, acquire new products or take advantage of other unanticipated opportunities. Any additional equity financings may be dilutive to our existing stockholders, and debt financing, if available, may involve restrictive covenants on our business. In addition, insufficient funds may require us to delay, scale back or eliminate some or all of our programs designed to facilitate the commercial introduction of our proposed products, prevent commercial introduction of our products altogether or restrict us from acquiring new products that we believe may be beneficial to our business.

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

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

While we have no current agreements or negotiations underway, if we purchase any products, we could issue common or preferred stock that would dilute our existing stockholders' percentage ownership, incur substantial debt or assume contingent liabilities by paying cash for such products. For example, we paid a $1.0 million upfront license fee for our hormone replacement products in June 2000. In September 2000, we sublicensed some of these products to a Canadian company and in connection with this transaction and subject to our achieving certain milestones we agreed to sell shares of our common stock to this licensee in the future at a premium of the then market value of our common stock. Purchases of new products also involve numerous other risks, including:

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

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

We must obtain regulatory approval to sell any of our products in the United States and abroad. In the United States, we must obtain the approval of the FDA for each product or drug that we intend to

commercialize. The FDA approval process is typically lengthy and expensive, and approval is never certain. Products to be commercialized abroad are subject to similar foreign government regulation.

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

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

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

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

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

IF WE FAIL TO OBTAIN AN ADEQUATE LEVEL OF REIMBURSEMENT FOR OUR PRODUCTS BY THIRD PARTY PAYORS, THERE WOULD BE NO COMMERCIALLY VIABLE MARKETS FOR OUR PRODUCTS.

Our ability to commercialize our products successfully will depend in part upon the price we may be able to charge for our products and on the extent to which reimbursement for the cost of our products and related treatment will be available from government health administration authorities, private health insurers and other third party payors. We currently have limited expertise obtaining reimbursement. We will need to seek additional reimbursement expertise unless we enter into collaborations with other companies with the necessary expertise. Even if we are able to obtain reimbursement from third party payors, we cannot be certain that reimbursement rates will be high enough to allow us to profit from sales of our products and realize an acceptable return on our investment in product development.

WE LICENSE OUR HORMONE REPLACEMENT PRODUCTS AND OUR CAP TECHNOLOGY FROM THIRD PARTIES AND MAY LOSE THE RIGHTS TO LICENSE THEM.

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

WE DO NOT HAVE ANY FACILITIES APPROPRIATE FOR CLINICAL TESTING, WE LACK MANUFACTURING EXPERIENCE AND WE HAVE VERY LIMITED SALES AND MARKETING PERSONNEL. WE WILL, THEREFORE, BE DEPENDENT UPON OTHERS FOR OUR CLINICAL TESTING, MANUFACTURING, SALES AND MARKETING.

Our current facilities do not include accommodation for the testing of our proposed products in animals or in humans for the clinical testing required by the FDA. We do not have a manufacturing facility that can be used for full-scale production of our products. In addition, at this time, we have very limited sales and marketing personnel. In the course of our development program, we will therefore be required to enter into arrangements with other companies or universities for our animal testing, human clinical testing, manufacturing, and sales and marketing activities. If we are unable to retain third parties for these purposes on acceptable terms, we may be unable to successfully develop, manufacture and market our proposed products. In addition, any failures by third parties to adequately perform their responsibilities may delay the submission of our proposed products for regulatory approval, impair our ability to deliver our products on a timely basis or otherwise impair our competitive position. Our dependence on third parties for the development, manufacture, sale and marketing of our products also may adversely affect our profit margins.

IF WE ARE UNABLE TO PROTECT OUR PROPRIETARY TECHNOLOGY, WE MAY NOT BE ABLE TO COMPETE AS EFFECTIVELY.

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

Where appropriate, we seek patent protection for certain aspects of our technology. In February 2000 and June 1999, we filed patent applications relating to our CAP technology. However, our owned and licensed patents and patent applications may not ensure the protection of our intellectual property for a number of other reasons:

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

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

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

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

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

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

CLAIMS BY OTHERS THAT OUR PRODUCTS INFRINGE THEIR PATENTS OR OTHER INTELLECTUAL PROPERTY RIGHTS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION.

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

- result in costly litigation;

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

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

BECAUSE WE ARE DEVELOPING NEW PRODUCTS, WE MAY FAIL TO GAIN MARKET ACCEPTANCE FOR OUR PRODUCTS AND OUR BUSINESS COULD SUFFER.

None of the products we propose to develop or are developing have yet been approved for marketing by regulatory authorities in the United States or elsewhere. Even if our proposed products ultimately are approved for sale, there can be no assurance that they will be commercially successful.

RISKS RELATING TO OUR INDUSTRY

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

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

WE ARE DEPENDENT UPON KEY PERSONNEL, MANY OF WHOM WOULD BE DIFFICULT TO REPLACE.

Our success will be largely dependent upon the efforts of Stephen M. Simes, our Vice Chairman, President and Chief Executive Officer, and other key employees. We are not the stated beneficiary of key person life insurance on any of our key personnel. Our future success also will depend in large part upon our ability to identify, attract and retain other highly qualified managerial, technical and sales and marketing personnel. Competition for these individuals is intense. The loss of the services of any of our key personnel, the inability to identify, attract or retain qualified personnel in the future or delays in hiring qualified personnel, could make it more difficult for us to manage our business and meet key objectives, such as the timely introduction of our proposed products, which would harm our business, financial condition and operating results.

RISKS RELATING TO OUR COMMON STOCK

BECAUSE OUR COMMON STOCK IS TRADED ON THE OTC BULLETIN BOARD, YOUR ABILITY TO SELL YOUR SHARES IN THE SECONDARY TRADING MARKET MAY BE LIMITED.

Our common stock currently is traded on the over-the-counter market on the OTC Bulletin Board. Consequently, the liquidity of our common stock is impaired, not only in the number of shares that are bought and sold, but also through delays in the timing of transactions, and coverage by security analysts and the news media, if any, of our company. As a result, prices for shares of our common stock may be lower than might otherwise prevail if our common stock was traded on the Nasdaq Stock Market or a national securities exchange, like the American Stock Exchange.

BECAUSE OUR SHARES ARE "PENNY STOCKS," YOU MAY HAVE DIFFICULTY SELLING THEM IN THE SECONDARY TRADING MARKET.

Federal regulations under the Securities Exchange Act of 1934 regulate the trading of so-called "penny stocks," which are generally defined as any security not listed on a national securities exchange or Nasdaq, priced at less than $5.00 per share and offered by an issuer with limited net tangible assets and revenues. Since our common stock currently trades on the OTC Bulletin Board at less than $5.00 per share, our common stock is a "penny stock" and may not be traded unless a disclosure schedule explaining the penny stock market and the risks associated therewith is delivered to a potential purchaser prior to any trade.

In addition, because our common stock is not listed on Nasdaq or any national securities exchange and currently trades at less than $5.00 per share, trading in our common stock is subject to Rule 15g-9 under the Exchange Act. Under this rule, broker-dealers must take certain steps prior to selling a "penny stock," which steps include:

- obtaining financial and investment information from the investor;
- obtaining a written suitability questionnaire and purchase agreement signed by the investor; and
- providing the investor a written identification of the shares being offered and the quantity of the shares.

If these penny stock rules are not followed by the broker-dealer, the investor has no obligation to purchase the shares. The application of these comprehensive rules will make it more difficult for broker-dealers to sell our common stock and our stockholders, therefore, may have difficulty in selling their shares in the secondary trading market.

SALES OF A SUBSTANTIAL NUMBER OF SHARES OF OUR COMMON STOCK IN THE PUBLIC MARKET, INCLUDING THE SHARES OFFERED HEREBY, COULD LOWER OUR STOCK PRICE AND IMPAIR OUR ABILITY TO RAISE FUNDS IN NEW STOCK OFFERINGS.

Future sales of a substantial number of shares of our common stock in the public market, including the shares offered under this prospectus, or the perception that such sales could occur, could adversely affect the prevailing market price of our common stock and could make it more difficult for us to raise additional capital through the sale of equity securities. We filed this registration statement pursuant to subscription agreements with the holders of the common stock and warrants purchased in our April 2001 private placement. We are required under these subscription agreements to use our reasonable best efforts to cause this registration statement to remain effective until the earlier of (1) the sale of all the shares of

our common stock covered by this registration statement; or (2) such time as the selling stockholders named in this registration statement become eligible to resell the shares of BioSante common stock and the shares of BioSante common stock issuable upon exercise of warrants pursuant to Rule 144(k) under the Securities Act.

OUR STOCK PRICE MAY BE VOLATILE AND YOUR INVESTMENT IN OUR COMMON STOCK COULD SUFFER A DECLINE IN VALUE.

Our common stock has been listed on the OTC Bulletin Board since May 2000. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

- progress of our products through the regulatory process;
- results of preclinical studies and clinical trials;
- announcements of technological innovations or new products by us or our competitors;
- government regulatory action affecting our products or our competitors' products in both the United States and foreign countries;
- developments or disputes concerning patent or proprietary rights;
- actual or anticipated fluctuations in our operating results;
- changes in our financial estimates by securities analysts;
- general market conditions for emerging growth and pharmaceutical companies;
- broad market fluctuations; and
- economic conditions in the United States or abroad.

WE MAY INCUR SIGNIFICANT COSTS FROM CLASS ACTION LITIGATION DUE TO OUR EXPECTED STOCK VOLATILITY.

In the past, following periods of large price declines in the public market price of a company's stock, holders of that stock occasionally have instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring this type of lawsuit against us, even if the lawsuit is without merit, we could incur substantial costs defending the lawsuit. The lawsuit also could divert the time and attention of our management, which would hurt our business. Any adverse determination in litigation could also subject us to significant liabilities.

PROVISIONS IN OUR CHARTER DOCUMENTS AND DELAWARE LAW COULD DISCOURAGE OR PREVENT A TAKEOVER, EVEN IF AN ACQUISITION WOULD BE BENEFICIAL TO OUR STOCKHOLDERS.

Provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These provisions include:

- authorizing the issuance of "blank check" preferred that could be issued by our Board of Directors to increase the number of outstanding shares and thwart a takeover attempt; and

- prohibiting cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates.

We refer you to "Description of Securities--Undesignated Preferred Stock; - --Anti-Takeover Provisions of Delaware Law" for more information on the specific provisions of our certificate of incorporation, our bylaws and Delaware law that could discourage, delay or prevent a change of control of our company.

OUR DIRECTORS AND EXECUTIVE OFFICERS OWN A SUFFICIENT NUMBER OF SHARES OF OUR CAPITAL STOCK TO CONTROL OUR COMPANY, WHICH COULD DISCOURAGE OR PREVENT A TAKEOVER, EVEN IF AN ACQUISITION WOULD BE BENEFICIAL TO OUR STOCKHOLDERS.

Our directors and executive officers own or control approximately 50.9% of our outstanding voting power. Accordingly, these stockholders, individually and as a group, may be able to influence the outcome of stockholder votes, involving votes concerning the election of directors, the adoption or amendment of provisions in our certificate of incorporation and bylaws and the approval of certain mergers or other similar transactions, such as a sale of substantially all of our assets. Such control by existing stockholders could have the effect of delaying, deferring or preventing a change in control of our company. In addition, under a stockholders agreement entered into in connection with our May 1999 private placement, several of our stockholders entered into a voting agreement with respect to the election of directors.

EXERCISE OF OUTSTANDING WARRANTS AND OPTIONS WILL DILUTE EXISTING STOCKHOLDERS AND COULD DECREASE THE MARKET PRICE OF OUR COMMON STOCK.

As of August 15, 2001, we had issued and outstanding 62,834,133 shares of common stock, 4,687,684 shares of our Class C stock and outstanding warrants and options to purchase 23,392,157 additional shares of common stock. The existence of the outstanding warrants and options may adversely affect the market price of our common stock and the terms under which we could obtain additional equity capital.

WE DO NOT INTEND TO PAY ANY CASH DIVIDENDS IN THE FORESEEABLE FUTURE AND, THEREFORE, ANY RETURN ON YOUR INVESTMENT IN OUR COMMON STOCK MUST COME FROM INCREASES IN THE FAIR MARKET VALUE AND TRADING PRICE OF OUR COMMON STOCK.

We do not intend to pay any cash dividends in the foreseeable future and, therefore, any return on your investment in our common stock must come from increases in the fair market value and trading price of our common stock.

WE LIKELY WILL ISSUE ADDITIONAL EQUITY SECURITIES WHICH WILL DILUTE YOUR SHARE OWNERSHIP.

We likely will issue additional equity securities to raise capital and through the exercise of warrants and options that are outstanding or may be outstanding. These additional issuances will dilute your share ownership.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, primarily in the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and "Business." Generally, you can identify these statements because they use phrases like "anticipates," "believes," "expects," "future," "intends," "plans," and similar terms. These statements are only predictions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy, and actual results may differ materially from those we anticipated due to a number of uncertainties, many of which are unforeseen. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including, among others, the risks we face as described in the section entitled "Risk Factors" and elsewhere in this prospectus.

We believe it is important to communicate our expectations to our investors. There may be events in the future, however, that we are unable to predict accurately or over which we have no control. The risk factors listed in the section entitled "Risk Factors," as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in the in the section entitled "Risk Factors" and elsewhere in this prospectus could negatively impact our business, operating results, financial condition and stock price.

We are not obligated to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus and other statements made from time to time from us or our representatives, might not occur. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

USE OF PROCEEDS

BioSante will not receive any of the proceeds from the sale of shares offered under this prospectus by the selling stockholders. This offering is intended to satisfy our obligations to register, under the Securities Act of 1933, the resale of the shares of our common stock, including shares of our common stock that will be issued to the selling stockholders upon the exercise of warrants held by them, that we issued to the selling stockholders in April 2001 and other registration rights obligations we owe to previous investors in BioSante. The net proceeds from our sale of these shares to the selling stockholders in May 1999 and in April 2001 has been and will be used for general corporate purposes, including working capital.

DIVIDEND POLICY

We never have declared or paid cash dividends. We currently intend to retain all future earnings for the operation and expansion of our business. We do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends on our common stock will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, contractual restrictions and other factors deemed relevant by our Board of Directors.

SELLING STOCKHOLDERS

All of the selling stockholders named below acquired or have the right to acquire upon the exercise of warrants the shares of our common stock being offered under this prospectus directly from us in a private transaction in May 1999 or in April 2001. The following table sets forth information known to BioSante with respect to the beneficial ownership of BioSante common stock as of August 15, 2001 by the selling stockholders. In accordance with the rules of the SEC, beneficial ownership includes the shares issuable pursuant to warrants and options that are exercisable within 60 days of August 15, 2001. Shares issuable pursuant to warrants and options are considered outstanding for computing the percentage of the person holding the warrants and options but are not considered outstanding for computing the percentage of any other person.

The percentage of beneficial ownership for the following table is based on 62,834,133 shares of common stock outstanding as of August 15, 2001. To our knowledge, except as indicated in the footnotes to this table, each person named in the table has sole voting and investment power with respect to all shares of common stock shown in the table to be beneficially owned by such person.

Except as set forth below, none of the selling stockholders has had any position, office or other material relationship with BioSante within the past three years. The table assumes that the selling stockholders will sell all of the shares offered by them in this offering. However, BioSante is unable to determine the exact number of shares that will actually be sold or when or if these sales will occur. BioSante will not receive any of the proceeds from the sale of the shares offered under this prospectus.

	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING				SHARES BENEFICIALLY OWNED AFTER COMPLETION OF THE OFFERING	
SELLING STOCKHOLDER	SHARES SUBJECT TO OPTIONS, WARRANTS, AND CLASS C SPECIAL STOCK	TOTAL SHARES BENEFICIALLY OWNED	PERCENTAGE	NUMBER OF SHARES BEING OFFERED	NUMBER	PERCENTAGE
Edward S. Loeb Revocable Trust	187,500	562,500	*	312,500	250,000	*
Sherwin and Sheri Zuckerman	500,000	1,500,000	2.4%	750,000	750,000	1.2%
The Levenstein & Resnick Profit Sharing Plan & Trust by Gary I. Levenstein.	151,250	453,750	*	203,750	250,000	*
James S. Levy	31,250	93,750	*	93,750	--	--
James S. Levy Trust	125,000	375,000	*	125,000	250,000	*
Stephen M. Simes (1)	2,904,247	3,443,106	5.2%	125,000	3,318,106	5.3%
Stephen M. Simes Revocable Trust	62,500	187,500	*	187,500	--	--
Irving B. Harris Trust	583,334	1,750,001	2.8%	1,000,001	750,000	1.2%
Virginia H. Polsky Trust	291,666	874,999	1.4%	499,999	375,000	*
Roxanne H. Frank Trust	388,889	1,166,666	1.9%	666,666	500,000	*
Couderay Partners	388,889	1,166,666	1.9%	666,666	500,000	*
Jerome Kahn, Jr. Revocable Trust	97,223	291,668	*	166,668	125,000	*
Fred Holubow (2)	262,500	637,500	1.0%	312,500	325,000	*
Mitchell I. Dolins Revocable Trust	225,000	675,000	1.1%	300,000	375,000	*
Sheldon M. Bulwa	125,000	375,000	*	250,000	250,000	*
Morningstar Trust (3)	325,000	1,125,000	1.8%	475,000	650,000	1.0%
Faye Morgenstern (3)	100,000	300,000	*	300,000	--	--
Victor Morgenstern (3)	1,025,000	2,925,000	4.6%	1,350,000	1,575,000	2.5%
Sibylla M. Mueller	312,500	937,500	1.5%	937,500	--	--
Hermann S. Graf Zu Munster	312,500	937,500	1.5%	937,500	--	--

SELLING STOCKHOLDER	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING: SHARES SUBJECT TO OPTIONS, WARRANTS, AND CLASS C SPECIAL STOCK	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING: TOTAL SHARES BENEFICIALLY OWNED	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING: PERCENTAGE	NUMBER OF SHARES BEING OFFERED	SHARES BENEFICIALLY OWNED AFTER COMPLETION OF THE OFFERING: NUMBER	SHARES BENEFICIALLY OWNED AFTER COMPLETION OF THE OFFERING: PERCENTAGE
Adolf Leuze	62,500	187,500	*	187,500	--	--
Boyd B. Massagee, Jr	78,125	234,375	*	234,375	--	--
Anne Marie Nicholson Trust	18,750	56,250	*	56,250	--	--
Roscoe F. Nicholson III Trust	18,750	56,250	*	56,250	--	--
Shirley M. Nicholson	31,250	93,750	*	93,750	--	--
Roscoe F. Nicholson II	137,500	412,500	*	412,500	--	--
Eberhard Thyssen	125,000	375,000	*	375,000	--	--
Florence A. Browning	12,500	37,500	*	37,500	--	--
John E. Urheim	31,250	93,750	*	93,750	--	--
Egandale Associates	31,250	93,750	*	93,750	--	--
Rotter Family Partnership	125,000	375,000	*	375,000	--	--
Nancy Butler	62,500	187,500	*	187,500	--	--
John E. Lee (4)	206,250	218,750	*	18,750	200,000	*
Phillip B. Donenberg (5)	855,223	913,940	1.3%	18,750	895,190	1.3%
Steven J. Bell (6)	196,875	210,625	*	5,625	205,000	*
Ann Lehman (7)	50,000	150,000	*	150,000	--	--
Leah M. Lehman (7)	262,100	637,100	1.0%	562,500	74,600	*
James J. Pelts	25,000	75,000	*	75,000	--	--
Bradley S. Glaser & Amy E. Glaser as Tenants by the Entirety	31,250	93,750	*	93,750	--	--
Lawrence B. Dolins	18,750	56,250	*	56,250	--	--
James G. Hart	62,500	187,500	*	187,500	--	--
Robert Leder, DDS	31,250	93,750	*	93,750	--	--
James G. Johnson Trust	125,000	375,000	*	375,000	--	--
Robert Q. Calloway Trust	62,500	187,500	*	187,500	--	--
Patricia L. Calloway Trust	62,500	187,500	*	187,500	--	--
GOC Irr Tr U/A J.C. Warriner (8)	166,666	499,999	*	499,999	--	--
GOC Irr Tr U/A J.O. Cunningham (8)	166,667	500,002	*	500,002	--	--
John S. Warriner (8)	500,000	1,500,000	2.4%	1,500,000	--	--
GOC Irr Tr U/A A.C. McClure (8)	166,666	499,999	*	499,999	--	--
C. Frederick Cunningham II Revocable Trust (8)	125,000	375,000	*	375,000	--	--
Goldstein Asset Management	62,500	187,500	*	62,500	125,000	*
Lawrence Goldstein	62,500	187,500	*	62,500	125,000	*
John and Joanna Ruder	125,000	375,000	*	125,000	250,000	*
Ronald Nash	125,000	375,000	*	125,000	250,000	*
Stanley Ho (9)	750,000	2,250,000	3.6%	750,000	1,500,000	2.4%
King Cho Fung	1,375,000	4,325,000	6.8%	750,000	3,575,000	5.7%
Marcus Jebsen	750,000	2,250,000	3.6%	250,000	2,000,000	3.2%
Hans Michael Jebsen	1,750,000	5,250,000	8.2%	750,000	4,500,000	7.1%
Howard Schraub	125,000	125,000	*	125,000	--	--
Anita Nagler	750,000	2,250,000	3.6%	750,000	1,500,000	2.4%
Jarvis H. Friduss	62,500	187,500	*	62,500	125,000	*
Gary N. Wilner	125,000	375,000	*	125,000	250,000	*
Steven J. Reid	250,000	750,000	1.2%	250,000	500,000	*
Resolute Partners (3)	250,000	750,000	1.2%	250,000	500,000	*
JO & Co. (8)	3,750,000	11,250,000	17.1%	3,750,000	7,500,000	12.1%

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* Less than one percent (1%)

(1) Mr. Simes is the Vice Chairman, President and Chief Executive Officer of BioSante.

(2) Mr. Holubow is a director of BioSante.

(3) Mr. Morgenstern beneficially owns a total of 5,050,000 shares of BioSante common stock. Of these shares, 300,000 shares are owned by Faye Morgenstern, Mr. Morgenstern's wife, and 825,000 shares held by Mr. Morgenstern's wife as trustee of the Morgenstern Trust, as to which Mr. Morgenstern disclaims control, direction or beneficial ownership. Mr. Morgenstern is a director of BioSante. Mr. Morgenstern is the managing director of Resolute Partners L.P.

(4) Mr. Lee is the Vice President, Commercial Development of BioSante.

(5) Mr. Donenberg is the Chief Financial Officer, Treasurer and Secretary of BioSante.

(6) Dr. Bell is the Vice President, Research and Pre-Clinical Development of BioSante.

(7) Dr. Lehman is the Vice President, Clinical Development of BioSante. Ann Lehman is Dr. Lehman's mother and Dr. Lehman disclaims beneficial ownership of Ann Lehman's shares.

(8) Ross Mangano, a director of BioSante, acted as an advisor and trustee for these selling stockholders in connection with the stockholder's acquisition from us of the shares offered by these selling stockholders under this prospectus. Mr. Mangano is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. These selling stockholders are advisory clients of Mr. Mangano, and the shares offered by these selling stockholders under this prospectus are held in discretionary client accounts managed by Mr. Mangano. Mr. Mangano is President of JO & Co.

(9) Mr. Ho is the father of Angela Ho, a director of BioSante. Ms. Ho disclaims beneficial ownership of Stanley Ho's shares.

PLAN OF DISTRIBUTION

The selling stockholders acquired their shares of BioSante common stock and warrants to purchase BioSante common stock directly from us in a private transaction in either May 1999 or April 2001. To our knowledge, none of the selling stockholders has entered into any agreement, arrangement or understanding with any particular broker or market maker with respect to the shares offered under this prospectus, nor do we know the identity of any broker or market maker that will participate in the offering. The shares of common stock may be offered and sold from time to time by the selling stockholders or by their respective pledgees, donees, transferees and other successors in interest.

The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. Sales may be made over the OTC Bulletin Board, in the over-the-counter market, in privately negotiated transactions or otherwise, at then prevailing market prices, at prices related to prevailing market prices or at negotiated prices. Sales may be made directly or through agents designated from time to time or through dealers or underwriters to be designated or in negotiated transactions. The shares may be sold by one or more of, or a combination of, the following methods:

- a block trade in which the broker-dealer engaged by a selling stockholder will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by the broker-dealer as principal and resale by the broker or dealer for its account pursuant to this prospectus;
- ordinary brokerage transactions and transactions in which the broker solicits purchasers; and
- privately negotiated transactions.

BioSante has been advised by the selling stockholders that they have not, as of the date of this prospectus, entered into any arrangement with a broker-dealer for the sale of shares through a block trade, special offering, or secondary distribution of a purchase by a broker-dealer. In effecting sales, broker-dealers engaged by the selling stockholders may arrange for other broker-dealers to participate. Broker-dealers will receive commissions or discounts from the selling stockholders in amounts to be negotiated immediately prior to the sale.

In connection with distributions of the shares or otherwise, the selling stockholders may, if permitted by law, also enter into hedging transactions. For example, the selling stockholders may:

- enter into transactions involving short sales of the shares of common stock by broker-dealers;
- sell shares of common stock short and redeliver these shares to close out the short position;
- enter into option or other types of transactions that require the selling stockholders to deliver shares of common stock to a broker-dealer, who will then resell or transfer the shares of common stock under this prospectus; or
- loan or pledge shares of common stock to a broker dealer, who may sell the loaned shares or, in the event of default, sell the pledged shares.

Broker-dealers or agents may receive compensation in the form of commissions, discounts or concessions from the selling stockholders or the purchasers of the common stock in amounts to be negotiated in

connection with the sale. Broker-dealers and any other participating broker-dealers may be deemed to be underwriters within the meaning of the Securities Act of 1933 in connection with the sales, and any commission, discount or concession may be deemed to be underwriting discounts or commissions under the Securities Act. In addition, any securities covered by this prospectus which qualify for sale under Rule 144 of the Securities Act may be sold under Rule 144 rather than under this prospectus. No period of time has been fixed within which the shares covered by this prospectus may be offered and sold.

We have advised the selling stockholders that the anti-manipulation rules under the Exchange Act of 1934 may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates.

This offering will terminate on the earlier to occur of:

- the date on which all shares offered have been sold by the selling stockholders; or

- the date on which all shares held by a selling shareholder may be sold by such selling stockholder in compliance with Rule 144 under the Securities Act within any three-month period.

We will pay the expenses of registering the shares under the Securities Act, including registration and filing fees, printing expenses, fees and disbursements of our counsel and accountants, all of our internal expenses, and all legal fees and disbursements and other expenses of complying with state securities or blue sky laws of any jurisdictions in which the securities to be offered are to be registered or qualified. The selling stockholders will bear all discounts, commissions or other amounts payable to underwriters, dealers or agents.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution or a corporate development. At the time a particular offer of shares is made, if required, a prospectus supplement will be distributed that will set forth the number of shares being offered and the terms of the offering, including the name of any underwriter, dealer or agent, the purchase price paid by any underwriter, any discount, commission and other item constituting compensation, any discount, commission or concession allowed or reallowed or paid to any dealer, and the proposed selling price to the public.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected statement of operations data shown below for the years ended December 31, 1998, 1999 and 2000 and the balance sheet data as of December 31, 1999 and 2000 are derived from our audited financial statements included elsewhere in this prospectus. The selected statement of operations data shown below for the period from August 29, 1996 (date of incorporation) to December 31, 1996 and for the year ended December 31, 1997 and the balance sheet data as of December 31, 1996, 1997 and 1998 are derived from our audited financial statements not included elsewhere in this prospectus. The selected financial data for the six months ended June 30, 2000 and 2001 and as of June 30, 2001 have been derived from our unaudited financial statements included elsewhere in this prospectus, which, in the opinion of management, include all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the financial information shown in these statements. The results for the six months ended June 30, 2000 and 2001 are not necessarily indicative of the results to be expected for the full year or for any future period. When you read this selected consolidated financial data, it is important that you also read the historical financial statements and related notes included in this prospectus, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." Historical results are not necessarily indicative of future results.

	PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	1998	1999	2000	SIX MONTHS ENDED JUNE 30, 2000	2001
	(in thousands, except per share data)						
STATEMENT OF OPERATIONS DATA:							
Interest income	$ 53	$ 144	$ 123	$ 199	$ 228	$ 122	$ 83
Expenses:							
Research and development	--	336	1,400	661	1,888	1,355	620
General and administration	547	1,618	1,112	853	1,679	608	963
Depreciation and amortization	1	52	140	91	98	49	49
Loss on disposal of capital assets	--	28	130	--	--	--	--
Total expenses	548	2,034	2,782	1,605	3,665	2,012	1,632
Loss before other expenses	(495)	(1,890)	(2,659)	(1,406)	(3,437)	(1,890)	(1,549)
Cost of acquisition of Structured Biologicals, Inc.	375	--	--	--	--	--	--
Purchased in-process research and development	5,377	--	--	--	--	--	--
Total other expenses	5,752	--	--	--	--	--	--
Net loss	$ (6,247)	$ (1,890)	$ (2,659)	$ (1,406)	$ (3,437)	$ (1,890)	$ (1,549)
Basic and diluted net loss per share	$ (0.26)	$ (0.05)	$ (0.08)	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.02)
Weighted average number of shares outstanding	24,366	35,962	34,858	49,424	57,537	57,451	62,087

	AS OF DECEMBER 31, 1996	1997	1998	1999	2000	AS OF JUNE 30, 2001
	(in thousands)					
BALANCE SHEET DATA:						
Cash and cash equivalents	$ 3,474	$ 1,750	$ 2,841	$ 5,275	$ 2,612	$ 4,782
Working capital	2,236	356	2,099	5,004	1,735	3,905
Total assets	3,519	2,450	3,449	5,780	3,067	5,210
Convertible debenture - current	--	--	--	--	500	500
Stockholders' equity	2,269	1,034	2,631	5,451	2,126	4,269

GENERAL

We are a development stage biopharmaceutical company engaged in the development and commercialization of hormone replacement products to treat hormone deficiencies in men and in women. We also are engaged in the development and commercialization of vaccine adjuvants or immune system boosters, proprietary novel vaccines, drug delivery systems and the purification of the milk of transgenic animals using calcium phosphate nanoparticles, or CAP.

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

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

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

In September 2000, we sub-licensed the marketing rights to our portfolio of female hormone replacement products in Canada to Paladin Labs Inc. In exchange for the sub-license, Paladin agreed to make an initial investment in our company, make future milestone payments and pay royalties on sales of the products in Canada. The milestone payments will be in the form of a series of equity investments by Paladin in our company's common stock at a 10 percent premium to the market price of our stock at the time the equity investment is made. Upon execution of the sub-license agreement, Paladin made an initial investment of $500,000 in our company in the form of a convertible debenture, convertible into our common stock at $1.05 per share. In August 2001, we converted Paladin's debenture into 476,190 shares of our common stock.

In August 2001, we sub-licensed U.S. and Canadian marketing rights to our estrogen/progestogen combination transdermal hormone replacement gel product to Solvay Pharmaceuticals, B.V. In exchange for the sub-license, Solvay paid us an up-front license fee of $2.5 million and has agreed to make future milestone and escalating sales-based royalty payments. In accordance with our agreements with Antares and Paladin as a result of the Solvay transaction, we owe Antares and Paladin cash and shares of our common stock. Therefore, the net cash to BioSante as a result of the Solvay transaction is approximately $2.1 million and we will issue 174,000 shares of our common stock.

Our strategy with respect to our hormone replacement product portfolio is to conduct human clinical trials of our proposed hormone replacement products, which trials are required to obtain FDA approval to

market the products in the United States. Further, we are seeking to out-license or leverage our rights outside of the United States.

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

- the creation of improved versions of current vaccines by the "adjuvant" activity of our proprietary nanoparticles that enhance the ability of a vaccine to stimulate an immune response;
- the development of new, unique vaccines against diseases for which there currently are few or no effective methods of prevention (E.G., genital herpes);
- the creation of inhaled forms of drugs that currently must be given by injection (E.G., insulin); and
- the purification of the milk of transgenic animals, in which protein pharmaceuticals are grown by selectively isolating biologically active therapeutic proteins from the transgenic milk.

Our strategy with respect to CAP over the next 12 months, is to continue development of our nanoparticle technology and actively seek collaborators and licensees to accelerate the development and commercialization of products incorporating this technology. We received FDA clearance in August 2000 to initiate a Phase I human clinical trial of our CAP as a vaccine adjuvant and delivery system based on an Investigational New Drug Application that we filed with the FDA in July 2000. The Phase I human clinical trial was a double-blind, placebo-controlled trial in 18 subjects to determine the safety of CAP as a vaccine adjuvant. The trial was completed and there was no apparent difference in side effect profile between CAP and the placebo.

Our goal is to develop and commercialize our hormone replacement products and CAP technology into a wide range of pharmaceutical products and to expand this product portfolio as appropriate. Our strategy to obtain this goal is to:

- Accelerate the development of our hormone replacement products.
- Continue to develop our nanoparticle-based CAP platform technology and seek assistance in the development through corporate partner sub-licenses.
- License or otherwise acquire other drugs that will add value to our current product portfolio.
- Implement business collaborations or joint ventures with other pharmaceutical and biotechnology companies.

We currently expect to add employees as we continue to develop and commercialize our hormone replacement products and products incorporating our CAP technology or in-license or otherwise acquire products in the late-stage human clinical development.

We incurred a net loss of $3,437,195 for the year ended December 31, 2000, resulting in an accumulated deficit of $15,639,672. We incurred a net loss of $1,548,813 for the six months ended June 30, 2001, and as of June 30, 2001, our accumulated deficit was $17,188,485.

All of our revenue to date has been derived from interest earned on invested funds. We have not commercially introduced any products. Since our inception, we have experienced significant operating losses. We expect to incur continuing losses for the foreseeable future as our product development programs expand and various preclinical and clinical trials commence. The amount of these losses may vary significantly from year-to-year and quarter-to-quarter and will depend upon, among other factors:

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

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

General and administrative expenses increased from $307,280 during the three month period ended June 30, 2000 to $497,972 during the three month period ended June 30, 2001. This increase of approximately 62% is due primarily to expenses related to new personnel and the higher legal expenses related to the increase in our patent, collaboration and licensing activities.

Research and development expenses decreased from $1,164,039 during the three month period ended June 30, 2000 to $387,236 during the three month period ended June 30, 2001. This overall decrease is the result of a $1.0 million upfront license fee paid to Antares during the three month period ended June 30, 2000, offset by increased expenses during the three month period ended June 30, 2001 associated with the clinical development of our hormone replacement product portfolio. As a result of our hormone replacement product in-license entered into in June 2000, we expect that our research and development expenses will increase significantly. We also are required under the terms of our license agreement with the University of California to have available certain amounts of funds dedicated to research and development activities. We expect, however, our research and development expenditures to fluctuate from quarter-to-quarter and year-to-year depending upon: (1) the resources available; (2) our development schedule; (3) results of studies, clinical trials and regulatory decisions; and (4) competitive developments.

Interest income decreased from $61,504 during the three month period ended June 30, 2000 to $50,843 during the three month period ended June 30, 2001 as a result of lower invested cash balances in the three month period ended June 30, 2001.

We incurred a net loss of $858,913 for the three month period ended June 30, 2001, compared to a net loss of $1,434,174 for the three month period ended June 30, 2000. The overall decrease in the net loss is the result of a $1.0 million upfront license fee paid to Antares during the three month period ended June 30, 2000, offset by increased expenses during the three month period ended June 30, 2001 associated with

(1) new personnel, (2) increased patent, collaboration and licensing activities, and (3) increased clinical development of our hormone replacement product portfolio. We anticipate that our operating losses will continue for the foreseeable future.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

General and administrative expenses increased from $608,455 during the six month period ended June 30, 2000 to $963,030 during the six month period ended June 30, 2001. This increase of approximately 58% is due primarily to expenses related to hiring new personnel and higher legal expenses related to our increased patent, collaboration and licensing activities.

Research and development expenses decreased from $1,355,214 during the six month period ended June 30, 2000 to $620,225 during the six month period ended June 30, 2001. This overall decrease is the result of a $1.0 million upfront license fee paid to Antares during the six month period ended June 30, 2000, offset by increased expenses during the six month period ended June 30, 2001 associated with the clinical development of our hormone replacement product portfolio. As a result of our hormone replacement product in-license entered into in June 2000, we expect that our research and development expenses will increase significantly. We are required under the terms of our license agreement with the University of California to make available certain amounts of funds dedicated to research and development activities. We expect our research and development expenditures to fluctuate from quarter-to-quarter and year-to-year depending upon: (1) the resources available; (2) our development schedule; (3) results of studies, clinical trials and regulatory decisions; and (4) competitive developments.

Interest income decreased from $121,886 during the six month period ended June 30, 2000 to $82,952 during the six month period ended June 30, 2001. We expect interest income to decline in future periods as we use our cash balances for operations.

BioSante incurred a net loss of $1,548,813 for the six month period ended June 30, 2001, compared to a net loss of $1,889,994 for the six month period ended June 30, 2000. The overall decrease in the net loss is the result of a $1.0 million upfront license fee paid to Antares during the six month period ended June 30, 2000, offset by increased expenses during the six month period ended June 30, 2001 associated with (1) new personnel, (2) increased patent, collaboration and licensing activities, and (3) increased clinical development of our hormone replacement product portfolio. We anticipate that our operating losses will continue for the foreseeable future.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have raised equity financing to fund our operations, and we expect to continue this practice to fund our ongoing operations. Since inception, we have raised net proceeds of approximately $12.9 million from private equity financings, class A and class C stock conversions, warrant exercises and in the third quarter 2000, the issuance of a $500,000 convertible debenture. In April 2001, we closed on a $3.7 million private placement of units. Each unit consisted of one share of common stock plus a five-year warrant to purchase one half-share of common stock and was sold for $0.40 per unit, the approximate market price of our common stock at closing. We sold an aggregate of 4,625,000 units, or an aggregate of 9,250,000 shares of common stock and warrants to purchase an aggregate of 4,625,000 shares of common stock. The exercise price of the warrant is $0.50 per full share.

Our cash and cash equivalents were $4,782,058 and $2,611,755 at June 30, 2001 and December 31, 2000, respectively. The increase in our cash balances is due to our $3.7 million private placement closed in April 2001. We used cash in operating activities of $1,481,763 for the six month period ended June 30, 2001 versus cash used in operating activities of $1,904,082 for the six month period ended June 30, 2000.

This change reflects increased general and administrative expenses as a result of an increase in the number of personnel and an increase in legal fees associated with our increased patent, licensing and collaboration activities and clinical development activities relating to our hormone replacement product portfolio. Offsetting these increased expenses for the six month period ended June 30, 2001 versus the six month period ended June 30, 2000 is the decrease in research and development expenses due primarily to the $1.0 million upfront license fee paid to Antares in June 2000. Net cash used in investing activities was $22,546 for the six month period ended June 30, 2001 versus $27,367 used in investing activities for the six month period ended June 30, 2000. The uses of cash in investing activities during both six month periods ended June 30, 2001 and 2000 were capital expenditures for the purchases of computer equipment. Net cash provided by financing activities was $3,674,612 for the six months ended June 30, 2001 compared to $22,960 for the six months ended June 30, 2000. Net cash provided during the six months ended June 30, 2001 was the result of the receipt of cash proceeds (net of transaction costs) as described above as a result of our private placement of units which closed in April 2001, while net cash provided during the six months ended June 30, 2000 was the result of the conversion of class C stock into common stock.

We did not have any material commitments for capital expenditures as of June 30, 2001. We have, however, several financial commitments including product development milestone payments under our license agreement with Antares, payments under our license agreement with the University of California, as well as minimum annual lease payments, as described below under the heading "Commitments."

Our cash on hand as of June 30, 2001 was $4,782,058. We believe this cash will be sufficient to fund our operations through December 2002. We have based this estimate, however, on assumptions that may prove to be wrong. As a result, we may need to obtain additional financing prior to that time. In addition, we may need to raise additional capital at an earlier time to fund our ongoing research and development activities, acquire new products or take advantage of other unanticipated opportunities. Any additional equity financings may be dilutive to our existing stockholders, and debt financing, if available, may involve restrictive covenants on our business. In addition, insufficient funds may require us to delay, scale back or eliminate some or all of our programs designed to facilitate the commercial introduction of our proposed products, prevent commercial introduction of our products altogether or restrict us from acquiring new products that we believe may be beneficial to our business.

2000 VERSUS 1999

We used cash in operating activities of $3,207,604 for the year ended December 31, 2000 versus cash used in operating activities of $1,787,822 for the year ended December 31, 1999. This change was driven by an increase in our research and development expenses, including the hormone product portfolio in-license upfront payment of $1.0 million to Antares during 2000. Net cash used in investing activities was $43,238 for the year ended December 31, 2000 versus $4,219 for the year ended December 31, 1999. The significant uses of cash in investing activities for the year ended December 31, 2000 were capital expenditures for the purchase of office furniture and computer equipment. The significant uses of cash in investing activities for the year ended December 31, 1999 included capital expenditures for office furniture and a computer. Net cash provided by financing activities was $588,045 for the year ended December 31, 2000 compared to $4,225,343 for the year ended December 31, 1999. Net cash provided during 2000 was primarily the result of a $500,000 convertible debenture issued to Paladin Labs Inc. pursuant to a sub-license agreement related to our female hormone replacement products. Net cash provided in 1999 was primarily the result of our private placement in May 1999.

1999 VERSUS 1998

We used cash in operating activities of $1,787,822 for the year ended December 31, 1999 versus cash used in operating activities of $3,041,425 for the year ended December 31, 1998. This change was driven by a reduction in both personnel-related expenses in research and development and a similar reduction in general and administrative expenses during 1999. Net cash used in investing activities was $4,219 for the year ended December 31, 1999 versus $124,984 for the year ended December 31, 1998. The significant uses of cash in investing activities during 1999 were capital expenditures for the purchase of office furniture and a computer. The significant uses of cash in investing activities for the year ended December 31, 1998 included capital expenditures for laboratory equipment and laboratory office furniture. Net cash provided by financing activities was $4,225,343 for the year ended December 31, 1999 compared to $4,257,328 for the year ended December 31, 1998. Net cash provided during 1999 was primarily the result of our private placement in May 1999. Net cash provided in 1998 was primarily the result of the conversion of class A and class C special stock into common stock.

COMMITMENTS

We have several financial commitments, including the following minimum annual lease payments:

YEAR	MINIMUM ANNUAL LEASE PAYMENTS
2001	$114,084
2002	$138,828
2003	$138,828

Under our license agreement with the University of California, we are required to:

- pay the following minimum annual royalties on February 28 of each year beginning in the year 2004, to be credited against earned royalties, for the life of the agreement (2013):

YEAR	MINIMUM ANNUAL ROYALTY DUE
2004	$ 50,000
2005	$ 100,000
2006	$ 150,000
2007	$ 200,000
2008	$ 400,000
2009	$ 600,000
2010	$ 800,000
2011	$1,500,000
2012	$1,500,000
2013	$1,500,000

- maintain an annual minimum amount of available capital for development and commercialization of products incorporating the licensed technology until a product is introduced to the market; and

- pay the costs of patent prosecution and maintenance of the patents included in the agreement.

Our fixed expenses, such as rent, license payments and other contractual commitments, may increase in the future, as we may enter into additional leases for new facilities and capital equipment and enter into additional licenses and collaborative agreements.

OUTLOOK

We expect to continue to spend capital on:

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

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

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

Management estimates that it currently is expending approximately $150,000 to $200,000 per month on research and development activities and approximately $250,000 to $300,000 per month in total expenses, including research and development activities. We expect to spend approximately $25,000 to $50,000 in capital expenditures during the next 12 months.

BUSINESS

GENERAL

We are a development stage biopharmaceutical company that is developing a pipeline of hormone replacement products to treat hormone deficiencies in men and in women. We also are engaged in the development of our proprietary calcium phosphate, nanoparticulate-based platform technology, or CAP, for vaccine adjuvants, proprietary novel vaccines, drug delivery systems and to purify the milk of transgenic animals.

To enhance the value of our current pharmaceutical portfolio, we are pursuing the following corporate growth strategies:

- accelerate the development of our hormone replacement products;
- continue to develop our nanoparticle-based platform technology, or CAP, and seek assistance in such development through corporate partner sub-licenses;
- license or otherwise acquire other drugs that will add value to our current product portfolio; and
- implement business collaborations or joint ventures with other pharmaceutical and biotechnology companies.

Our primary focus is to build a pipeline of hormone replacement products for the treatment of human hormone deficiencies. Symptoms of hormone deficiency in men include impotence, lack of sex drive, muscle weakness and osteoporosis, and in women, menopausal symptoms, such as hot flashes, vaginal atrophy, decreased libido and osteoporosis.

Our hormone replacement products, which we license on an exclusive basis from Antares Pharma Inc., are gel formulations of testosterone, estradiol and a combination of estradiol and a progestogen. The gels are designed to be absorbed quickly through the skin after application on the arms, shoulders, abdomen or thighs, delivering the hormone to the bloodstream evenly and in a non-invasive, painless manner. We have begun human clinical trials on two of our hormone replacement products, a necessary step in the process of obtaining United States Food and Drug Administration, or FDA, approval to market the products.

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

- the creation of improved versions of current vaccines by the "adjuvant" activity of our proprietary nanoparticles that enhance the ability of a vaccine to stimulate an immune response;
- the development of new, unique vaccines against diseases for which there currently are few or no effective methods of prevention (E.G., genital herpes);
- the creation of inhaled forms of drugs that currently must be given by injection (E.G., insulin); and
- the purification of the milk of transgenic animals, in which protein pharmaceuticals are grown by selectively isolating biologically active therapeutic proteins from the transgenic milk.

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

BUSINESS STRATEGY

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

- ACCELERATE THE DEVELOPMENT OF OUR HORMONE REPLACEMENT PRODUCTS. We are focused on building a pipeline of hormone replacement products for the treatment of human hormone deficiencies. Symptoms of hormone deficiency in men include impotence, lack of sex drive, muscle weakness and osteoporosis, and in women, menopausal symptoms, such as hot flashes, vaginal atrophy, decreased libido and osteoporosis.

- CONTINUE TO DEVELOP OUR NANOPARTICLE-BASED CAP PLATFORM TECHNOLOGY AND SEEK ASSISTANCE IN THE DEVELOPMENT THROUGH CORPORATE PARTNER SUB-LICENSES. We are seeking opportunities to enter into business collaborations, joint ventures or sub-licenses with companies that have businesses or technologies complementary to our CAP technology business, such as vaccine and drug delivery pharmaceutical companies and transgenic milk companies. We believe that this partnering strategy will enable us to capitalize on our partner's strengths in product development, manufacturing and commercialization and thereby enable us to introduce into the market products incorporating our CAP technology sooner than which we otherwise would be able. In addition, such collaborations would significantly reduce our cash requirements for developing and commercializing products incorporating our CAP technology and thereby permit us to spend cash on accelerating the human clinical development of our hormone replacement products.

- LICENSE OR OTHERWISE ACQUIRE OTHER DRUGS THAT WILL ADD VALUE TO OUR CURRENT PRODUCT PORTFOLIO. We intend to seek opportunities to in-license or otherwise acquire other products in the late-stage development phase or products already on the market. In seeking such opportunities, we intend to target products that cover therapeutic areas treated by a limited number of physicians and drugs that are in or require human clinical trials that involve a limited number of patients and not a significant amount of time and cost needed to complete them. We believe that targeting these products that are currently in or ready for human clinical trials would decrease the risks associated with product development and would likely shorten the time before we can introduce the products into the market. In addition to late-stage development products, we intend to seek opportunities to in-license or otherwise acquire products that (1) have FDA approval, (2) have been or are about to be commercially introduced into the U.S. markets, (3) have a concentrated physician prescriber audience, and (4) have the potential to generate significant sales.

- IMPLEMENT BUSINESS COLLABORATIONS OR JOINT VENTURES WITH OTHER PHARMACEUTICAL AND BIOTECHNOLOGY companies. We intend to seek opportunities to enter into business collaborations or joint ventures with entities that have businesses or technology complementary to our business.

We are particularly interested in entering into product co-development and co-marketing arrangements.

DESCRIPTION OF OUR HORMONE REPLACEMENT PRODUCTS

We are focused on building a pipeline of hormone replacement products to treat hormone deficiencies in men and in women. Our hormone replacement products are gel formulations of testosterone (the natural male hormone), estradiol (the natural female hormone), and a combination of estradiol and a progestogen (another female hormone). The gels are designed to be quickly absorbed through the skin after application on the arms, shoulders, abdomen or thighs, delivering the hormone to the bloodstream evenly and in a non-invasive, painless manner. The gels are formulated to be applied once per day and to be absorbed into the skin without a trace of residue.

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

Testosterone often is delivered through injections or dermal, or skin, patches. Delivery of testosterone through dermal patches was developed primarily to promote the therapeutic effects of testosterone replacement therapy without the often painful side effects associated with testosterone injections. Dermal patches, however, have been associated with skin irritation. Our testosterone-formulated gel product is designed to deliver the required amount of testosterone without the pain of injections and the skin irritation and discomfort associated with dermal patches. We are aware of one gel testosterone product currently on the market in the United States and several in development.

Estrogen deficiency in women can result in hot flashes, vaginal atrophy, decreased libido and osteoporosis. Hormone replacement in women decreases the chance that women will experience the symptoms of estrogen deficiency. According to industry estimates, approximately twenty million women in the U.S. currently are receiving some form of estrogen or combined estrogen hormone replacement therapy.

Estrogen is most commonly given orally in pill or tablet form. There are several potential side effects, however, with the use of oral estrogen, including insufficient absorption by the circulatory system, gallstones and blood clots. Although dermal patches have been shown to avoid some of these problems, delivery of estrogen through dermal patches, like testosterone patches, can result in skin irritation. Our estrogen formulated gel product is designed to deliver estrogen without the skin irritation associated with dermal patches. We are also in the process of developing a combined estrogen/progestogen formulated gel product. Women whose uterus is intact often use a combined hormone replacement therapy because evidence suggests adding progestogen may reduce the potential risks of uterine cancer and endometrial hyperplasia associated with estrogen therapy in these women.

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

- estrogen and testosterone gels can be spread over large areas of skin where they dry rapidly and decrease the chance for skin irritation versus hormone patches;

- estrogen and estrogen/progestogen gels may have fewer side effects than many pills which have been known to cause gallstones, blood clots and complications related to metabolism;

- adding progestogen to estrogen may reduce the potential risks of uterine cancer and endometrial hyperplasia of estrogen therapy alone when the uterus is intact;

- testosterone gel has been shown to be absorbed evenly, thus allowing clinical testosterone levels to reach the systemic circulation; and

- clinical trials involving the hormone products are expected to be relatively smaller requiring fewer patients than most drug development projects which will keep our costs, time and risks associated with the FDA approval process down.

We have begun human clinical trials on two of our hormone replacement products, which is required to obtain FDA approval to market the products.

We license our hormone replacement products on an exclusive basis from Antares Pharma, Inc. under a license agreement we entered into in June 2000. Under the terms of our license agreement with Antares, we acquired exclusive marketing rights, with the right to grant sub-licenses, to the single active ingredient testosterone and estradiol products for all therapeutic indications in the U.S., Canada, Mexico, Israel, Australia, New Zealand, China, Malaysia, Indonesia and South Africa. We acquired exclusive marketing rights, with the right to grant sub-licenses, for the combination estradiol and progestogen product in the U.S. and Canada.

In September 2000, we sublicensed our female hormone replacement products to Paladin Labs Inc. for sale in Canada. In August 2001, we sublicensed our estrogen/progestogen combination transdermal hormone replacement gel product to Solvay Pharmaceuticals, B.V. for sale in the U.S. and Canada.

DESCRIPTION OF OUR CAP TECHNOLOGY AND CAP TECHNOLOGY PRODUCTS

We believe our CAP technology will serve as an effective vehicle for delivering drugs and vaccines and enhancing the effects of vaccines. The key component, calcium phosphate, or CAP, is on the FDA's GRAS (Generally Regarded as Safe) list. Our nanoparticles have successfully passed the first stage of toxicity studies for administration orally, into muscles, under the skin, and into the lungs by inhalation.

Research and development involving our CAP technology originated in a project set up under an agreement dated April 6, 1989 between the University of California and our predecessor company, Structured Biologicals, relating to viral protein surface absorption studies. The discovery research was performed by Structured Biologicals at UCLA School of Medicine and was based, in essence, on the use of extremely small, solid, uniform particles as components that could increase the stability of drugs and act as systems to deliver drugs into the body.

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

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

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

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

- it is biodegradable (capable of being decomposed by natural biological processes) and non-toxic and therefore potentially safe to use and introduce into the human body;

- it is fast, easy and inexpensive to manufacture, which will keep our costs down and potentially improve our profit margins;

- the nanometer (one-millionth of a millimeter) size range makes it ideal for delivering drugs through aerosol sprays or inhalation instead of using painful injections; and

- it has excellent "loading" capacity -- the amount of molecules that can bond with the nanoparticles -- thereby potentially decreasing the dose needed to be taken by patients while enhancing the release capabilities.

Research in these areas has resulted in the issuance of a number of patents that we license from the University of California.

We plan to develop commercial applications of our CAP technology and any proprietary technology developed as a result of our ongoing research and development efforts. Initially, we plan to pursue the development of (1) vaccine adjuvants, (2) new virus vaccines, including vaccines to treat or prevent disease such as Herpes viruses, (3) drug delivery systems, including a method of delivering proteins (e.g., insulin) through inhalation, and (4) the purification of the milk of transgenic animals. Our pre-clinical research team in our laboratory in Smyrna, Georgia is currently pursuing the development of our CAP technology.

VACCINE ADJUVANTS. We believe that our CAP nanoparticles may offer a means of preparing new improved formulations of current vaccines that are equal or better in their immunogenicity, that is, in their capacity to elicit an immune response, compared to alum-formulated and non-adjuvanted vaccines but may be injected in lower concentrations and less often which could result in certain benefits, including cost savings and improved patient compliance.

Our nanoparticles when combined with vaccine antigens have been shown in animal studies conducted by us and others to possess an ability to elicit a higher immune response than non-adjuvanted vaccines and an immune response of the same magnitude as alum-formulated vaccines but up to 100 times lower

concentrations. These preclinical studies also have shown that our CAP nanoparticles also may sustain higher antibody levels over a longer time period than both alum-formulated vaccines and non-adjuvanted vaccines. Because our CAP nanoparticles are made of calcium phosphate, which has a chemical nature similar to normal bone material and therefore is natural to the human body, as opposed to aluminum hydroxide, or alum, which is not natural to the human body, we believe that our nanoparticles may be safer to use than alum. In our animal studies, we observed no material adverse reactions when our CAP nanoparticles were administered at effective levels.

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

In addition to continuing our own research and development in this area, we intend to seek opportunities to enter into business collaborations or joint ventures with vaccine companies and others interested in co-development and co-marketing arrangements with respect to our CAP nanoparticles for use as a vaccine adjuvant. These arrangements also could include out-licenses of our CAP technology to vaccine companies and others for further development in their on-going vaccine development.

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

In November 1999, we announced that we formed a collaborative research alliance with Antares Pharma, Inc. to evaluate the efficacy of combining our nanoparticle drug delivery and adjuvant or immune system boosters with Antares' needle-free pressure injection. This research alliance will evaluate the ability of the combined systems to deliver DNA vaccines as part of a DNA vaccine program at a major U.S. university. In August 2000, we announced initial preclinical results from our collaboration with Antares. The initial tests demonstrated that Antares' needle-free pressure assisted injections containing our CAP technology produced better cellular immune responses in the injected animals than the injections without our CAP technology.

In June 2000, we announced an option license agreement with ID Biomedical Corporation to use CAP as an adjuvant in a second-generation vaccine against group-A streptococcus ("GAS"). GAS is considered a worldwide public health threat causing strep-throat, skin infections, rheumatic fever, invasive fasciitis (flesh eating disease), toxic shock syndrome and other diseases.

We announced in August 2000, a non-exclusive option license agreement with Antex Biologics, Inc. to conduct preclinical tests of CAP in vaccines against CHLAMYDIA PNEUMONIAE and H. PYLORI.

NEW VACCINES. We believe our nanoparticle technology presents a new, and more effective and safer, approach to vaccine preparation. As with our vaccine adjuvant technology, we are continuing our own research and development in this area, but we also intend to seek opportunities to enter into business collaborations or joint ventures with vaccine companies and others interested in co-development and co-

marketing arrangements. We believe these collaborations may enable us to accelerate the development of potential improved vaccines for any products developed from our CAP technology. These arrangements also could include out-licenses of our CAP technology to vaccine companies and others for further development and marketing. We have begun discussions with other companies to out-license our adjuvant for use in those companies' new vaccine development.

DRUG DELIVERY SYSTEMS. The third field of use in which we are exploring applying our CAP technology involves creating novel and improved forms of delivery of drugs, including proteins (E.G., insulin). The attachment of drugs to CAP may enhance their stability in the body or enable the addition of further protective coatings to permit oral, delayed-release and mucosal (through mucous membranes) applications. Currently, insulin is given by frequent, inconvenient and often painful injections. However, several companies are in the process of developing and testing products that will deliver insulin orally or through inhalation. We believe we may have successfully created a formulation for the inhaled delivery of insulin. Our research and development efforts in this area are ongoing. We are in the process of contacting and meeting the insulin manufacturers and companies with devices for inhalation of drugs to pursue collaborations for this development.

TRANSGENIC MILK PURIFICATION. The fourth field of use in which we are exploring applying our CAP technology is in the purification of the milk of transgenic animals in which protein drugs are grown. This is achieved by selectively isolating biologically active therapeutic proteins from the transgenic milk. This method uses our CAP technology to recover greater than 90% of drug protein from the milk in a way that may require less downstream processing and may produce higher overall yields at lower cost than currently used methods.

SALES AND MARKETING

We currently have very limited sales and marketing personnel to sell on a commercial basis any of our proposed products. If and when we are ready to commercially launch a product, we will either hire qualified sales and marketing personnel or seek a joint marketing partner to assist us with this function.

RESEARCH AND PRODUCT DEVELOPMENT

We expect to spend a significant amount of our financial resources on research and development activities. We spent approximately $620,225 in the six months ended June 30, 2001 and $1,355,214 in the six months ended June 30, 2000, and we spent approximately $1,888,000 in 2000 and $661,000 in 1999 on research and development activities. Since we are not yet engaged in the commercial distribution of any products and we have no revenues from the sale of our products, these research and development costs must be financed by us. We estimate that we are currently spending approximately $150,000 to $200,000 per month on research and development activities. This amount is expected to increase as we begin to develop the hormone replacement product portfolio. These expenditures, however, may fluctuate from quarter-to-quarter and year-to-year depending upon the resources available and our development schedule. Results of preclinical studies, clinical trials, regulatory decisions and competitive developments may significantly influence the amount of our research and development expenditures. In addition, we expect that our spending on product development will increase if we are successful at in-licensing or otherwise acquiring other late-stage development products.

MANUFACTURING

We currently do not have any facilities suitable for manufacturing on a commercial scale basis any of our proposed products nor do we have any experience in volume manufacturing. If, and when we are ready to commercially launch a product, we will either find our own manufacturing facilities, hire additional

personnel with manufacturing experience and comply with the extensive Good Manufacturing Practices, or GMP, regulations of the FDA and other regulations applicable to such a facility or we will more likely rely upon third-party manufacturers to manufacture our proposed products in accordance with these regulations.

In September 1999, we entered into an arrangement with the University of Iowa to manufacture our CAP nanoparticles for use in our Phase I human clinical trial. Under the arrangement, the University of Iowa manufactured both a trial batch of our CAP nanoparticles and a clinical batch which was used in the clinical trial.

Currently, our gel hormone products are manufactured through an exclusive agreement with Antares Pharma, Inc.

PATENTS, LICENSES AND PROPRIETARY RIGHTS

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

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

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

- pay royalties to Antares based on a percentage of the net sales of any products incorporating the licensed technology;
- accelerate the human clinical development of the hormone product portfolio, including:
  - >> testing proposed products;
  - >> conducting clinical trials;
  - >> obtaining government approvals;
  - >> introducing products incorporating the licensed technology into the market; and
- enter into sub-license arrangements or agreements with other entities regarding development and commercialization of the technology covered by the license.

UNIVERSITY OF CALIFORNIA. In June 1997, we entered into a licensing agreement with the Regents of the University of California pursuant to which the University has granted us an exclusive license to nine United States patents owned by the University, including rights to sublicense such patents, in fields of use pertaining to: (1) vaccine adjuvants; (2) vaccine constructs or combinations for use in immunization against herpes virus; (3) drug delivery systems; and (4) red blood cell surrogates. The University of

California has filed patent applications for this licensed technology in several foreign jurisdictions, including Canada, Europe and Japan.

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

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

- payment of minimum annual royalties on February 28 of each year beginning in the year 2004 in the amounts set forth below, to be credited against earned royalties, for the life of the agreement (2013);

YEAR ROYALTY DUE	MINIMUM ANNUAL
2004	$ 50,000
2005	$ 100,000
2006	$ 150,000
2007	$ 200,000
2008	$ 400,000
2009	$ 600,000
2010	$ 800,000
2011	$ 1,500,000
2012	$ 1,500,000
2013	$ 1,500,000

- maintaining an annual minimum amount of available capital for development and commercialization of products incorporating the licensed technology until a product is introduced to the market;

- payment of the costs of patent prosecution and maintenance of the patents included in the agreement which amounted to $11,722 in fiscal 2000;

- meeting performance milestones relating to:

  - >> hiring or contracting with personnel to perform research and development, regulatory and other activities relating to the commercial launch of a proposed product;

  - >> testing proposed products;

  - >> conducting clinical trials;

  - >> obtaining government approvals;

  - >> introducing products incorporating the licensed technology into the market; and

- entering into partnership or alliance arrangements or agreements with other entities regarding commercialization of the technology covered by the license.

The license agreement further provides that we have the right to abandon any project in any field of use without abandoning our license to pursue other projects in that or other fields of use covered by the agreement. In May 1999, we notified the University that we would not pursue the red blood cell surrogate use because we did not believe it will be proven an effective use of CAP. In October 1999, we signed an amendment to our license agreement with the University, which removed the red-blood cell surrogate use from the agreement. In addition, under the terms of the amendment, the University agreed to make other changes we suggested to the license agreement, including delaying minimum royalty

payments until 2004 and limiting the University's rights to terminate the agreement in cases where we do not perform under the agreement. If we violate or fail to perform any term or covenant of the license agreement and fail to cure this default within 60 days after written notice from the University, the University may terminate some projects included in the agreement.

PATENTS AND PATENT APPLICATIONS. We own one United States patent and no foreign patents. In June 1999, we filed a patent for our advanced method of selectively isolating biologically active therapeutic proteins from transgenic milk. This patent was issued in the first quarter of 2001. In February 2000, we filed a patent application with the U.S. Patent and Trademark Office relating to our development work with vaccine adjuvants, conventional DNA and RNA vaccines and drug delivery, including aerosol delivery into the lungs.

TRADEMARKS AND TRADEMARK APPLICATIONS. We have filed a U.S. trademark application and received a Notice of Allowance for the mark BIOSANTE for vaccines and vaccine adjuvants. We have also filed a U.S. application for BIOSANTE for hormone replacement products, and nine applications for products in development. We have also filed 21 trademark applications in the European Union and other countries for marks including the BIOSANTE mark. The Community Trademark application for BIOSANTE has been published for opposition. The BIOSANTE mark has registered in Israel. We do not have any other registered trademarks.

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

COMPETITION

Competition in the biopharmaceutical industry is intense both in hormone replacement therapy and the development of products for prevention and/or treatment of the same infectious diseases we target and in the acquisition of products in the late-stage development phase or already on the market. Potential competitors in the United States are numerous and include major pharmaceutical and specialized biotechnology companies, universities and other institutions. In general, competition in the pharmaceutical industry can be divided into four categories: (1) corporations with large research and developmental departments that develop and market products in many therapeutic areas; (2) companies that have moderate research and development capabilities and focus their product strategy on a small number of therapeutic areas; (3) small companies with limited development capabilities and only a few product offerings; and (4) university and other research institutions.

All of our competitors in categories (1) and (2) and some of our competitors in category (3) have longer operating histories, greater name recognition, substantially greater financial resources and larger research and development staffs than we do, as well as substantially greater experience than us in developing products, obtaining regulatory approvals, and manufacturing and marketing pharmaceutical products.

A significant amount of research in the field is being carried out at academic and government institutions. These institutions are becoming increasingly aware of the commercial value of their findings and are becoming more aggressive in pursuing patent protection and negotiating licensing arrangements to collect royalties for use of technology that they have developed. These institutions also may market competitive

commercial products on their own or in collaboration with competitors and will compete with us in recruiting highly qualified scientific personnel.

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

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

There are several firms currently marketing or developing transdermal hormone replacement products. They include The Proctor & Gamble Company, Noven Pharmaceuticals, Inc., Novavax, Inc., Cellegy Pharmaceuticals, Inc., Auxilium A2, Inc., Watson Pharmaceuticals Inc. and Solvay Pharmaceuticals, Inc.

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

GOVERNMENTAL REGULATION

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

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

- preclinical laboratory and animal tests;
- the submission to the FDA of an investigational new drug application, commonly known as an IND application;
- clinical and other studies to assess safety and parameters of use;
- adequate and well-controlled clinical trials to establish the safety and effectiveness of the drug product;

- the submission to the FDA of a new drug application, commonly known as an NDA; and

- FDA approval of the NDA prior to any commercial sale or shipment of the product.

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

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

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

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

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

Upon the successful completion of clinical testing, an NDA is submitted to the FDA for approval. This application requires detailed data on the results of preclinical testing, clinical testing and the composition

of the product, specimen labeling to be used with the drug, information on manufacturing methods and samples of the product. The FDA typically takes from six to 18 months to review an NDA after it has been accepted for filing. Following its review of an NDA, the FDA invariably raises questions or requests additional information. The NDA approval process can, accordingly, be very lengthy. Further, there is no assurance that the FDA will ultimately approve an NDA. If the FDA approves that NDA, the new product may be marketed. The FDA often approves a product for marketing with a modification to the proposed label claims or requires that post-marketing surveillance, or Phase IV testing, be conducted.

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

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

EMPLOYEES

We had seven full-time employees as of August 15, 2001, including four in research and development and three in management or administrative positions. None of our employees is covered by a collective bargaining agreement. We believe we have an excellent relationship with our employees.

PROPERTIES

Our principal executive office is located in Lincolnshire, Illinois. In September 2001, we entered into a new lease agreement for approximately 4,034 square feet of office space for approximately $6,200 per month, which lease expires in December 2003. We also have four more lease payments remaining on our previous lease for approximately $2,100 per month. Our CAP research and development operations are located in Smyrna, Georgia where we lease approximately 11,840 square feet of laboratory space for approximately $5,400 per month. This lease expires in October 2003. We also lease approximately 2,600 square feet of office space in Atlanta, Georgia for approximately $3,500 per month. This lease expires in mid-September 2002. In September 1999, we entered into a sublease agreement for the Atlanta office space under which we receive approximately $3,400 per month from the sub-tenant through mid-September 2002. Management of our company considers our leased properties suitable and adequate for our current and immediately foreseeable needs.

LEGAL PROCEEDINGS

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

EXECUTIVE OFFICERS, DIRECTORS AND KEY EMPLOYEES

Set forth below is information concerning our executive officers, directors and key employees, including their age, as of August 15, 2001:

NAME	AGE	TITLE
Stephen M. Simes.....	49	Vice Chairman, President and Chief Executive Officer
Phillip B. Donenberg.....	40	Chief Financial Officer, Treasurer and Secretary
John E. Lee.....	51	Vice President, Commercial Development
Leah M. Lehman, Ph.D.....	38	Vice President, Clinical Development
Steven J. Bell, Ph.D.....	41	Vice President, Research and Pre-Clinical Development
Louis W. Sullivan, M.D. (1)(2)(3).....	67	Chairman of the Board
Victor Morgenstern (2).....	58	Director
Fred Holubow (3).....	62	Director
Ross Mangano (1).....	55	Director
Edward C. Rosenow III, M.D. (3).....	66	Director
Angela Ho (2).....	48	Director
Peter Kjaer (1).....	40	Director
Avi Ben-Abraham, M.D.....	43	Director

(1) Member of the audit and finance committee
(2) Member of the compensation committee
(3) Member of the scientific review committee

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

PHILLIP B. DONENBERG, CPA has served as our Chief Financial Officer, Treasurer and Secretary since July 1998. Before joining our company, Mr. Donenberg was Controller of Unimed Pharmaceuticals, Inc. from January 1995 to July 1998. From 1993 to 1994, Mr. Donenberg was Controller of Molecular Geriatrics Corporation, a biotechnology corporation. Prior to Molecular Geriatrics Corporation, Mr. Donenberg held similar positions with other pharmaceutical companies, including Gynex Pharmaceuticals, Inc. and Xtramedics, Inc.

JOHN E. LEE has served as our Vice President, Commercial Development since August 2000. Before joining our company, Mr. Lee was Vice President, Sales and Marketing at Questcor Pharmaceuticals (formerly Cypros Pharmaceuticals, Inc.) from March 1999 to May 2000. From 1996 to March 1998, Mr. Lee was Vice President, Commercial Development at Unimed Pharmaceuticals and has held various sales and marketing positions at G.D. Searle & Co.

LEAH M. LEHMAN, PH.D. has served as our Vice President, Clinical Development since January 2001. Prior to joining our company, Dr. Lehman was Director of Clinical Research with Scientific Research

Development Corp. from April 1995 to December 2000. From 1993 to 1995, Dr. Lehman was a clinical statistician at Abbott Laboratories.

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

THE HONORABLE LOUIS W. SULLIVAN, M.D. has been our Chairman of the Board of Directors since March 1998 and has been a director of our company since its formation. Dr. Sullivan served as Secretary of Health and Human Services in the cabinet of President George Bush from 1989 to 1993. Since retiring from the Bush Administration, Dr. Sullivan has been President of the Morehouse School of Medicine in Atlanta, Georgia. He had previously served as President and Dean of the School from 1981 to 1985. Since 1993, Dr. Sullivan has served and continues to serve on the Boards of several large U.S. corporations, including 3M Corp., Bristol-Myers Squibb Company, Cigna Corporation, Georgia Pacific Corp. and Household International Inc.

VICTOR MORGENSTERN was elected a director of our company in July 1999. Mr. Morgenstern has more than 32 years of investment experience and is the Chairman of the Board of Trustees of The Oakmark Funds, an open-end registered investment company and serves as managing director of Resolute Partners L.P. He is a trustee of the Illinois Institute of Technology.

FRED HOLUBOW was elected a director of our company in July 1999. Mr. Holubow has been a Vice President of Pegasus Associates since he founded Pegasus in 1982. Pegasus Associates is currently an operating division of William Harris Investors, a registered investment advisory firm. He specializes in analyzing and investing in pharmaceutical and biotechnology companies. Mr. Holubow has served on the Boards for Bio-Technology General Corp., ThermoRetec Corporation, Unimed Pharmaceuticals, Inc. and Gynex Pharmaceuticals, Inc.

ROSS MANGANO was elected a director of our company in July 1999. Mr. Mangano has been the President and a director of Oliver Estate, Inc., a management company specializing in investments in public and private companies since 1971. He is the Chairman of Cerprobe Corporation, and serves as a director for Blue Chip Casino, Inc., Orchard Software Corporation, and U.S. RealTel Inc.

EDWARD C. ROSENOW, III, M.D. has been a director of our company since November 1997. Dr. Rosenow is a Master Fellow of the American College of Physicians as well as Master Fellow of the American College of Chest Physicians. Dr. Rosenow was the Arthur M. and Gladys D. Gray Professor of Medicine at the Mayo Clinic from 1988 until his recent retirement. Beginning with his residency in 1960, Dr. Rosenow has worked at the Mayo Clinic in many professional capacities including as a Consultant in Internal Medicine (Thoracic Diseases) from 1966 to 1996, an Assistant Professor, Associate Professor and Professor of Medicine at the Mayo Clinic Medical School, President of the Mayo Clinic Staff in 1986, and Chair of the Division of Pulmonary and Critical Care Medicine from 1987 to 1994. Dr. Rosenow has also served as a consultant to NASA, space station FREEDOM at the Johnson Space Center in Houston, Texas from 1989 to 1990 and as the President of the American College of Chest Physicians from 1989 to 1990. In 1998, he received the Mayo Distinguished Alumnus Award.

ANGELA HO has been a director of our company since June 1998. Ms. Ho was elected to our Board of Directors as a representative of certain major investors in Hong Kong. Ms. Ho has been the Vice Chairman and Chief Managing Officer of Jet-Asia Ltd., a Hong Kong-based aircraft and management company, since April 1996. From June 1996 to June 1998, Ms. Ho was the President of Ho Galleries Ltd., a New York art gallery.

PETER KJAER has been a director of our company since July 1999 and is a representative of certain major investors in Hong Kong. Mr. Kjaer has been President and Chief Executive Officer of Jet-Asia Ltd., a Hong Kong-based aircraft and management company, since April 1996. From April 1989 to July 1996, Mr. Kjaer was the General Manager and a director of the Gallery of Contemporary Living Ltd., a Hong Kong-based art gallery.

AVI BEN-ABRAHAM, M.D. founded our company and has been a director of our company since inception. Dr. Ben-Abraham was the Chairman of the Board of Directors and Chief Executive Officer of our company from inception to March 1998. Dr. Ben-Abraham was a trustee of the Morehouse School of Medicine in Atlanta, Georgia until December 1998. From July 1995 to March 1998, Dr. Ben-Abraham served as Chairman, Chief Executive Officer and Director of Structured Biologicals, Inc., a predecessor company of BioSante.

BOARD COMMITTEES

The Board of Directors has an Audit and Finance Committee, Compensation Committee and Scientific Review Committee.

AUDIT AND FINANCE COMMITTEE. The Audit and Finance Committee provides assistance to the Board of Directors in satisfying its fiduciary responsibilities relating to our accounting, auditing, operating and reporting practices, and reviews our annual financial statements, the selection and work of our independent auditors and the adequacy of internal controls for compliance with corporate policies and directives. The Audit and Finance Committee consists of Mr. Kjaer, Mr. Mangano and Dr. Sullivan.

COMPENSATION COMMITTEE. The Compensation Committee:

- reviews general programs of compensation and benefits for all of our employees;
- makes recommendations to the Board of Directors concerning matters as compensation to be paid to our officers and directors; and
- administers our stock option plan, pursuant to which stock options may be granted to our eligible employees, officers, directors and consultants.

The Compensation Committee consists of Dr. Sullivan, Ms. Ho and Mr. Morgenstern.

SCIENTIFIC REVIEW COMMITTEE. The Scientific Review Committee assists in evaluating potential new licenses or new products. The Scientific Review Committee consists of Dr. Rosenow, Mr. Holubow and Dr. Sullivan.

DIRECTOR COMPENSATION

We do not pay fees to our directors. We do, however, periodically compensate our directors through the granting of stock options. On January 1, 2001, we granted stock options to purchase 25,000 shares of common stock to each of our non-employee directors. These options have an exercise price of $0.67 per share, fully vest on January 1, 2002 and expire ten years from the date of grant. All directors are reimbursed for travel expenses for attending meetings of the Board of Directors and any Board committees.

EXECUTIVE COMPENSATION

The following table provides summary information concerning cash and non-cash compensation paid to or earned by our President and Chief Executive Officer and our executive officers, who received or earned cash and non-cash salary and bonus of more than $100,000, for the fiscal year ended December 31, 2000.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION		LONG-TERM COMPENSATION	
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPENSATION ($)
Stephen M. Simes.....	2000	$275,000	$125,000 (1)	0	$29,317 (2)
VICE CHAIRMAN, PRESIDENT AND	1999	250,000	115,000	1,856,250	21,882 (2)
CHIEF EXECUTIVE OFFICER	1998	218,795	0	1,000,000	16,333 (2)
Phillip B. Donenberg.....	2000	127,000	33,000 (3)	0	13,286 (4)
CHIEF FINANCIAL OFFICER, TREASURER	1999	110,000	15,000	521,875	13,001 (4)
AND SECRETARY	1998	49,359	0	340,000	5,984 (4)

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(1) Represents a cash bonus of $75,000 and a stock bonus of 163,859 shares of common stock valued at $50,000.

(2) Represents an auto allowance ($12,000 in 2000, $12,000 in 1999 and $11,333 in 1998), a 401(k) matching contribution ($5,250 in 2000, and $5,000 in each of 1999 and 1998) and insurance premiums and taxes associated with the premiums of $12,067 paid by BioSante in 2000.

(3) Represents a cash bonus of $25,000 and a stock bonus of 26,217 shares of common stock valued at $8,000.

(4) Represents an auto allowance ($7,200 in 2000, $7,200 in 1999 and $3,484 in 1998), a 401(k) matching contribution ($5,250 in 2000, $5,000 in 1999 and $2,500 in 1998) and insurance premiums paid and taxes associated with the premiums of $836 paid by BioSante in 2000.

OPTION GRANTS IN LAST FISCAL YEAR

None of the executive officers named in the Summary Compensation Table were granted options during the fiscal year ended December 31, 2000.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table summarizes the number and value of options held by each of the executive officers named in the Summary Compensation Table at December 31, 2000. None of these executive officers exercised any stock options during 2000.

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2000		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2000 (1)	
NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Stephen M. Simes.....	2,240,199	616,051	$1,113,070	$316,190
Phillip B. Donenberg.....	628,993	232,882	$ 313,901	$117,274

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(1) Value based on the difference between the fair market value of one share of our common stock at December 31, 2000 ($.75), and the exercise price of the options ranging from $0.23 to $0.29 per share. Options are in-the-money if the market price of the shares exceeds the option exercise price.

EMPLOYMENT AGREEMENTS

SIMES EMPLOYMENT AGREEMENT

In January 1998, we entered into a letter agreement with Stephen M. Simes pursuant to which Mr. Simes serves as our Vice Chairman, President and Chief Executive Officer. The term of this agreement continues until December 31, 2003, after which time the term will be automatically extended for three additional years unless on or before October 1 immediately preceding the extension, either party gives written notice to the other of the termination of the agreement.

Mr. Simes is entitled to receive an annual performance bonus of up to 50%, subject to compensation committee review and decision, of his then base salary if certain performance criteria are met. If Mr. Simes is terminated without cause or upon a change in control or if he terminates his employment for good reason, all of his options will become immediately exercisable and will remain exercisable for a period of one year (for the remainder of their term in the event of a change in control), and he will be entitled to a minimum severance payment of 12 months base salary. Mr. Simes also is subject to assignment of inventions, confidentiality and non-competition provisions.

DONENBERG EMPLOYMENT AGREEMENT

In June 1998, we entered into a letter agreement with Phillip B. Donenberg pursuant to which Mr. Donenberg serves our Chief Financial Officer. The term of this agreement continues until either party gives 30 days written notice to the other of the termination of the agreement.

Mr. Donenberg is entitled to receive an annual performance bonus of up to 30%, subject to compensation committee review and decision, of his then base salary if certain performance criteria are met. If Mr. Donenberg is terminated without cause or upon a change in control or if he terminates his employment for good reason, all of his options will become immediately exercisable and will remain exercisable for a period of one year (for the remainder of their term in the event of a change in control), and he will be entitled to a minimum severance payment of 12 months base salary. Mr. Donenberg also is subject to assignment of inventions, confidentiality and non-competition provisions.

CHANGE IN CONTROL ARRANGEMENTS

Under our 1998 Stock Option Plan, options granted under that plan will become fully exercisable following certain changes in control of our company, such as:

- the sale, lease, exchange or other transfer of all or substantially all of the assets of our company to a corporation that is not controlled by us;
- the approval by our stockholders of any plan or proposal for the liquidation or dissolution of our company;
- certain merger or business combination transactions;
- more than 50% of our outstanding voting shares are acquired by any person or group of persons who did not own any shares of common stock on the effective date of the plan; and
- certain changes in the composition of our Board of Directors.

STOCK OPTION PLAN

From time to time we grant options under our Amended and Restated 1998 Stock Option Plan. The option plan was approved by our Board of Directors on December 8, 1998 and approved by our stockholders on July 13, 1999. The option plan has been amended several times to increase the number of shares reserved for issuance. The option plan provides for the grant to employees, officers, directors, consultants and independent contractors of our company and our subsidiaries of options to purchase shares of common stock that qualify as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, as well as non-statutory options that do not qualify as incentive stock options. This plan is administered by the Compensation Committee of our Board of Directors, which determines the persons who are to receive awards, as well as the type, terms and number of shares subject to each award.

We have reserved an aggregate of 8,500,000 shares of common stock for awards under the option plan. As of August 15, 2001, options to purchase an aggregate of 6,944,657 shares of common stock were outstanding under the option plan, of which 4,406,302 were fully vested, and a total of 1,555,343 shares of common stock remained available for grant. As of August 15, 2001, the outstanding options under the plan were held by an aggregate of 15 individuals and were exercisable at prices ranging from $0.23 to $1.04 per share of common stock.

Incentive stock options granted under the plan may not have an exercise price less than the fair market value of the common stock on the date of the grant (or, if granted to a person holding more than 10% of our voting stock, at less than 110% of fair market value). Non-statutory stock options granted under the plans may not have an exercise price less than 85% of fair market value on the date of grant. Aside from the maximum number of shares of common stock reserved under the plans, there is no minimum or maximum number of shares that may be subject to options under the plans. However, the aggregate fair market value of the stock subject to incentive stock options granted to any optionee that are exercisable for the first time by an optionee during any calendar year may not exceed $100,000. Options generally expire when the optionee's employment or other service is terminated with us. Options generally may not be transferred, other than by will or the laws of descent and distribution, and during the lifetime of an optionee, may be exercised only by the optionee. The term of each option, which is fixed by our Board of Directors at the time of grant, except that an incentive stock option may be exercisable only for 10 years

and an incentive stock option granted to a person holding more than 10% of our voting stock may be exercisable only for five years.

The option plan contains provisions under which options would become fully exercisable following certain changes in control of our company, such as (1) the sale, lease, exchange or other transfer of all or substantially all of the assets of our company to a corporation that is not controlled by us, (2) the approval by our stockholders of any plan or proposal for the liquidation or dissolution of our company, (3) certain merger or business combination transactions, (4) more than 50% of our outstanding voting shares are acquired by any person or group of persons who did not own any shares of common stock on the effective date of the plan, or (5) certain changes in the composition of our Board of Directors.

Payment of an option exercise price may be made in cash, or at the Compensation Committee's discretion, in whole or in part by tender of a broker exercise notice, a promissory note or previously acquired shares of our common stock having an aggregate fair market value on the date of exercise equal to the payment required.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

DIRECTOR RELATIONSHIPS

Messrs. Morgenstern, Holubow and Mangano were elected to our Board of Directors in July 1999 as representatives of the lead investors in the May 1999 private placement. We refer you to the discussion under the heading "May 1999 Private Placement" below.

Ms. Ho and Mr. Kjaer were elected to our Board of Directors as representatives of several investors located in Hong Kong. Neither Ms. Ho or Mr. Kjaer has entered into any voting agreements with these Hong Kong investors nor does Ms. Ho or Mr. Kjaer otherwise have any control over the voting of shares held by these investors.

MAY 1999 PRIVATE PLACEMENT

In connection with our May 1999 private placement, we entered into a stockholders' agreement with the investors, which included Stephen M. Simes, Victor Morgenstern, an affiliated trust and a partnership, Fred Holubow, JO & Co., of which Ross Mangano is President, and certain of our major investors located in Hong Kong, including Hans Michael Jebsen, Marcus Jebsen and King Cho Fung. This agreement contains, among other things, a voting agreement with respect to the election of directors.

APRIL 2001 PRIVATE PLACEMENT

In connection with our April 2001 private placement, we sold units consisting of an aggregate of 9,250,000 shares of our common stock and warrants to purchase an aggregate of 4,625,000 shares of our common stock for $0.40 per unit, each unit consisting of one share of common stock and a five-year warrant to purchase 0.50 shares of our common stock, for an aggregate purchase price of $3,700,000, to accredited investors, including certain existing stockholders, directors and officers.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET PRICE

Our common stock has traded in the United States in the over-the-counter market on the OTC Bulletin Board, under the symbol "BTPH," since May 5, 2000. Our common stock traded in Canada on the Canadian Venture Exchange, formerly known as the Alberta Stock Exchange, under the symbol "BAI," from December 20, 1996 to July 20, 2001. From September 10, 1999 to May 4, 2000, our common stock traded in the United States on the National Quotation Bureau, commonly referred to as the "Pink Sheets," under the symbol "BTPH."

The following table sets forth, in U.S. dollars and in dollars and cents (in lieu of fractions), the high and low sales prices for each of the calendar quarters indicated, as reported by the OTC Bulletin Board and the Pink Sheets. The prices in the table may not represent actual transactions. These quotations reflect inter-dealer prices, without retail mark up, mark down or commissions and may not represent actual transactions.

OTC BULLETIN BOARD	HIGH	LOW
2001		
First Quarter	$0.75	$0.38
Second Quarter	$1.07	$0.39
2000		
Second Quarter	$1.25	$0.47
Third Quarter	$1.03	$0.80
Fourth Quarter	$0.92	$0.52

NATIONAL QUOTATION BUREAU ("PINK SHEETS")

2000	HIGH	LOW
First Quarter	$1.50	$0.28

1999	HIGH	LOW
Third Quarter	$0.51	$0.27
Fourth Quarter	$1.13	$0.18

The following table sets forth, in U.S. dollars and in dollars and cents (in lieu of fractions), the high and low sales prices for each of the calendar quarters indicated, as reported by the Canadian Venture Exchange.

CANADIAN VENTURE EXCHANGE	HIGH	LOW
2001		
First Quarter	$0.72	$0.46
Second Quarter	$1.07	$0.35
2000		
First Quarter	$1.38	$0.22
Second Quarter	$1.07	$0.46
Third Quarter	$1.01	$0.71
Fourth Quarter	$0.95	$0.49

1999		
First Quarter.....	$0.24	$0.15
Second Quarter.....	$0.50	$0.21
Third Quarter.....	$0.37	$0.23
Fourth Quarter.....	$0.48	$0.45

SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth information known to us with respect to the beneficial ownership of each class of our capital stock as of August 15, 2001 for (1) each person known by us to beneficially own more than 5% of any class of our voting securities, (2) each of the executive officers named in the Summary Compensation Table under the heading "Management" (3) each of our directors and (4) all of our executive officers and directors as a group. Except as otherwise indicated, we believe that each of the beneficial owners of our capital stock listed below, based on information provided by these owners, has sole investment and voting power with respect to its shares, subject to community property laws where applicable.

Unless otherwise noted, each of the stockholders listed in the table possesses sole voting and investment power with respect to the shares indicated. Shares not outstanding but deemed beneficially owned by virtue of the right of a person or member of a group to acquire them within 60 days are treated as outstanding only when determining the amount and percent owned by such person or group.

	COMMON STOCK		CLASS C SPECIAL STOCK		COMMON STOCK AND COMMON STOCK EQUIVALENTS	PERCENT OF TOTAL VOTING POWER (1)
NAME	NUMBER	PERCENT	NUMBER	PERCENT		
Stephen M. Simes (2).....	3,630,606 (3)	5.5%	--	--	3,630,606	5.2%
Louis W. Sullivan, M.D. (2).....	125,000 (4)	*	1,000,000	21.3%	1,125,000	1.7%
Edward C. Rosenow III, M.D. (2).....	150,000 (5)	*	--	--	150,000	*
Victor Morgenstern (2).....	5,100,000 (6)	7.9%	--	--	5,100,000	7.4%
Fred Holubow (2).....	637,500 (7)	1.0%	--	--	637,500	*
Ross Mangano (2).....	15,025,000 (8)	22.2%	--	--	15,025,000	20.7%
Angela Ho (2).....	725,000 (9)	1.2%	1,000,000	21.3%	1,725,000	2.7%
Peter Kjaer (2).....	75,000 (10)	*	--	--	75,000	*
Avi Ben-Abraham, M.D. (2).....	10,954,800 (11)	17.4%	--	--	10,954,800	16.2%
Phillip B. Donenberg (2).....	913,940 (12)	1.4%	--	--	913,940	1.3%
JO & Co.....	11,550,000 (13)	17.3%	--	--	11,550,000	16.2%
Hans Michael Jebsen.....	4,250,000 (14)	6.8%	1,000,000	21.3%	5,250,000	7.8%
King Cho Fung.....	3,700,000 (15)	5.9%	625,000	13.3%	4,325,000	6.4%
Marcus Jebsen.....	1,750,000 (16)	2.8%	500,000	10.7%	2,250,000	3.3%
All executive officers and directors as a group (13 persons).....	38,450,821(17)	51.4%	2,000,000	42.7%	40,450,821	50.9%

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* less than 1%.

(1) In calculating the percent of total voting power, the voting power of shares of our class C special stock and our common stock is combined.

(2) Address: 111 Barclay Boulevard, Suite 280, Lincolnshire, IL 60069.

(3) Mr. Simes' beneficial ownership includes 2,779,247 shares of common stock issuable upon exercise of stock options and 187,500 shares of common stock issuable upon exercise of warrants.

(4) Dr. Sullivan's beneficial ownership includes 125,000 shares of common stock issuable upon exercise of a stock option.

(5) Dr. Rosenow's beneficial ownership includes 150,000 shares of common stock issuable upon exercise of stock options.

(6) Mr. Morgenstern's beneficial ownership includes: (1) 75,000 shares of common stock issuable upon exercise of a stock option, (2) 950,000 shares of common stock issuable upon exercise of warrants, (3) 325,000 shares of common stock issuable upon exercise of warrants and 800,000 shares of common stock held by Mr. Morgenstern's wife as trustee of the Morningstar Trust, as to which Mr. Morgenstern disclaims control, direction or beneficial ownership, (4) 100,000 shares of common stock issuable upon exercise of a warrant and 200,000 shares of common stock held by Mr. Morgenstern's wife, as to which Mr. Morgenstern disclaims control, director or beneficial ownership, and (5) 250,000 shares of common stock issuable upon exercise of a warrant and 500,000 shares of common stock held by Resolute Partners L.P. Victor Morgenstern is a managing director of Resolute Partners L.P.

(7) Mr. Holubow's beneficial ownership includes 187,500 shares of common stock issuable upon exercise of warrants and 75,000 shares of common stock issuable upon exercise of a stock option.

(8) Mr. Mangano's beneficial ownership includes: (1) 75,000 shares of common stock issuable upon exercise of a stock option, (2) 3,750,000 shares of common stock issuable upon exercise of a warrant and 7,800,000 shares of common stock held by JO & Co., of which Mr. Mangano is President, and (4) an aggregate of 2,250,001 shares of common stock and an aggregate of 1,124,999 shares of common stock issuable upon exercise of warrants held in various accounts, of which Mr. Mangano is an advisor and/or a trustee. Mr. Mangano has sole dispositive power over these shares. See note (13) below.

(9) Ms. Ho's beneficial ownership includes 125,000 shares of common stock issuable upon exercise of stock options.

(10) Mr. Kjaer's beneficial ownership includes 75,000 shares of common stock issuable upon exercise of a stock option.

(11) Dr. Ben-Abraham's beneficial ownership includes 25,000 shares of common stock issuable upon exercise of a stock option. Dr. Ben-Abraham has entered into an agreement limiting the voting rights with respect to his shares of common stock in certain circumstances. His percentage ownership has been calculated without taking these restrictions into account.

(12) Mr. Donenberg's beneficial ownership includes 848,973 shares of common stock issuable upon exercise of stock options and 6,250 shares of common stock issuable upon exercise of a warrant.

(13) Includes 3,750,000 shares of common stock issuable upon exercise of a warrant. Ross Mangano, a director of BioSante, has sole voting power over these shares. See note (8) above. The address for JO & Co. is 112 West Jefferson Boulevard, Suite 613, South Bend, Indiana 46634.

(14) Mr. Jebsen's beneficial ownership includes 750,000 shares of common stock issuable upon exercise of a warrant. Mr. Jebsen's address is c/o Jebsen & Co. Ltd., 28/F Caroline Center, 28 Yun Ping Road, Causeway Bay, Hong Kong.

(15) Mr. Fung's beneficial ownership includes 750,000 shares of common stock issuable upon exercise of a warrant. Mr. Fung's address is c/o SP2 15/F, 46 Lyndhurst Terrace, Central Hong Kong.

(16) Mr. Jebsen's beneficial ownership includes 250,000 shares of common stock issuable upon exercise of a warrant. Mr. Jebsen's address is c/o Jebsen & Co. Ltd., 28/F Caroline Center, 28 Yun Ping Road, Causeway Bay, Hong Kong.

(17) The amount beneficially owned by all current directors and executive officers as a group includes 6,387,195 shares issuable upon exercise of warrants and stock options held by these individuals and 5,549,999 shares issuable upon exercise of warrants held by entities affiliated with these individuals. See notes (6), (8) and (13) above.

DESCRIPTION OF SECURITIES

AUTHORIZED SHARES

We are authorized to issue 100,000,000 shares of common stock, $0.0001 par value per share, and 10,000,000 shares of undesignated preferred stock, $0.0001 par value per share. The following is a summary of the material terms and provisions of our capital stock. Because it is a summary, it does not include all of the information that is included in our certificate of incorporation. The text of our certificate of incorporation, which is attached as an exhibit to this registration statement, is incorporated into this section by reference.

COMMON STOCK

We are authorized to issue 100,000,000 shares of common stock, of which 62,834,133 shares were issued and outstanding as of August 15, 2001. Each share of our common stock entitles its holder to one vote per share. Holders of our common stock are entitled to receive dividends as and when declared by our Board of Directors from time to time out of funds properly available to the payment of dividends. Subject to the liquidation rights of any outstanding preferred stock, the holders of our common stock are entitled to share pro rata in the distribution of the remaining assets of our company upon a liquidation, dissolution or winding up of our company. The holders of our common stock have no cumulative voting, preemptive, subscription, redemption or sinking fund rights.

CLASS C SPECIAL STOCK

We are authorized to issue 4,687,684 shares of class C special stock, of which 4,687,684 shares were issued and outstanding as of August 15, 2001. Each share of class C special stock entitles its holder to one vote per share. Each share of our class C special stock is exchangeable, at the option of the holder, for one share of common stock, at an exchange price of $0.25 per share, subject to adjustment upon certain capitalization events. Holders of our class C special stock are not entitled to receive dividends. Holders of our class C special stock are not entitled to participate in the distribution of our assets upon any liquidation, dissolution or winding-up of our company. The holders of our class C special stock have no cumulative voting, preemptive, subscription, redemption or sinking fund rights.

UNDESIGNATED PREFERRED STOCK

We are authorized to issue 10,000,000 shares of preferred stock, none of which are issued and outstanding. Our Board of Directors is authorized to issue one or more series of preferred stock with such rights, privileges, restrictions and conditions as our Board may determine. The preferred stock, if issued, may be entitled to rank senior to our common stock with respect to the payment of dividends and the distributions of assets in the event of a liquidation, dissolution or winding-up of our company.

OPTIONS AND WARRANTS

As of August 15, 2001, we had outstanding options to purchase an aggregate of 6,944,657 shares of common stock at a weighted average exercise price of $0.37 per share. All outstanding options provide for antidilution adjustments in the event of certain mergers, consolidations, reorganizations, recapitalizations, stock dividends, stock splits or other similar changes in our corporate structure and shares of our capital stock. We typically grant options with a ten-year term. We have outstanding warrants to purchase an aggregate of 16,447,500 shares of common stock at a weighted average exercise price of $0.37 per share with a majority of those warrants having a five-year term. The warrants provide for antidilution adjustments in the event of certain mergers, consolidations, reorganizations,

recapitalizations, stock dividends, stock splits or other changes in our corporate structure of our company and, subject to certain exceptions, the issuance by our company of any securities for a purchase price of less than $0.40 per share.

REGISTRATION RIGHTS

The holders of the common stock and warrants purchased in our April 2001 private placement are entitled to certain registration rights under the Securities Act. No later than 90 days after April 4, 2001, we were required to file a registration statement to register under the Securities Act the resale of the shares of BioSante common stock underlying the shares of common stock and warrants purchased in our April 2001 private placement. The registration statement, of which this prospectus is a part, satisfies this requirement. We are required to use our reasonable best efforts to cause this registration statement to become effective under the Securities Act as promptly as practicable and to use our reasonable best efforts to cause this registration statement to remain effective until the earlier of (1) the sale of all the shares of BioSante common stock covered by this registration statement; or (2) such time as the selling stockholders named in this registration statement become eligible to resell the shares of BioSante common stock and the shares of BioSante common stock issuable upon exercise of the warrants pursuant to Rule 144(k) under the Securities Act.

The holders of the common stock and warrants purchased in our May 1999 private placement are entitled to certain registration rights under the Securities Act. If at any time after we become listed on Nasdaq, the holders of a specified amount of these registrable shares request that we file a registration statement covering the shares, we will use commercially reasonable efforts to cause these shares to be registered. We are not required to file more than two registration statements under these demand rights, or more than one registration statement in any twelve-month period. In addition, the holders of these registrable shares are entitled to have their shares included in a registration statement under the Securities Act in connection with the public offering of our securities. In any underwritten public offering, the registration rights are limited to the extent that the managing underwriter has the right to (1) limit the number of registrable shares to be included in the registration statement; (2) prohibit the sale of any of our securities other than those registered and included in the underwritten offering for a period of 180 days; and (3) require holders of registrable shares not to sell or otherwise dispose of any securities of our company (other than securities included in the registration) without the prior written consent of the underwriters for a period of up to 180 days from the effective date of such registration. These registration rights will terminate as to any registrable shares when such registrable shares are effectively registered and sold by the holder thereof or when such registrable shares are sold pursuant to Rule 144(k) or are sold pursuant to Rule 144 under the Securities Act.

ANTI-TAKEOVER PROVISIONS OF DELAWARE LAW AND OUR CERTIFICATE OF INCORPORATION

We are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an interested stockholder is a person who, together with affiliates and associates, owns or, in the case of affiliates or associates of the corporation, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's voting stock. The existence of this provision could have anti-takeover effects with respect to transactions not approved in advance by the Board of Directors, such as discouraging takeover attempts that might result in a premium over the market price of the common stock.

There are several provisions of our amended and restated certificate of incorporation that may have the effect of deterring or discouraging hostile takeovers or delaying changes in control of our company. In addition, stockholders are not entitled to cumulative voting in the election of directors. Our certificate of incorporation has authorized undesignated preferred stock which could make it possible for our Board of Directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to effect a change of control of our company.

LIMITATIONS ON LIABILITY OF DIRECTORS AND INDEMNIFICATION

Our certificate of incorporation limits our directors' liability to the fullest extent permitted under Delaware's corporate law. Specifically, our directors are not liable to us or our stockholders for monetary damages for any breach of fiduciary duty by a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- dividends or other distributions of our corporate assets that are in contravention of restrictions in Delaware law, our amended and restated certificate of incorporation, bylaws or any agreement to which we are a party; and
- any transaction from which a director derives an improper personal benefit.

This provision generally does not limit liability under federal or state securities laws.

Delaware law, and our certificate of incorporation, provide that we will, in some situations, indemnify any person made or threatened to be made a party to a proceeding by reason of that person's former or present official capacity with our company against judgments, penalties, fines, settlements and reasonable expenses including reasonable attorney's fees. Any person is also entitled, subject to some limitations, to payment or reimbursement of reasonable expenses in advance of the final disposition of the proceeding.

TRANSFER AGENTS AND REGISTRARS

The transfer agents and registrars for our common stock in Canada is Computershare Trust Company of Canada, formerly Montreal Trust of Canada, and in the United States is American Securities Transfer & Trust, Inc.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for BioSante by Oppenheimer Wolff & Donnelly LLP, Minneapolis, Minnesota.

EXPERTS

The financial statements as of December 31, 2000 and 1999 and for each of the two years in the period ended December 31, 2000, included in this prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the developmental stage nature of BioSante).

The financial statements as of December 31, 1998 and for the year then ended, included in this prospectus, have been audited by Deloitte & Touche LLP (Canada) independent auditors, as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the developmental stage nature of BioSante). These reports have been so included in reliance upon the reports of such firms given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements and other information with the Securities and Exchange Commission. Copies of our reports, proxy statements and other information may be inspected and copied at the following public reference facilities maintained by the SEC:

Judiciary Plaza	Citicorp Center	7 World Trade Center
450 Fifth Street, N.W.	500 West Madison Street	Suite 1300
Washington, D.C. 20549	Chicago, Illinois 60621	New York, New York 10048

Copies of these materials also can be obtained by mail at prescribed rates from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549 or by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site that contains reports, proxy statements and other information regarding us. The address of the SEC web site is HTTP://WWW.SEC.GOV. The Securities Act file number for our SEC filings is 0-28637.

We have filed a registration statement on Form SB-2 with the SEC for the common stock offered by the selling stockholders under this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information that is not contained in this prospectus. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document.

We also file annual audited and interim unaudited financial statements, proxy statements and other information with the Ontario, Alberta and British Columbia Securities Commissions. Copies of these documents that are filed through the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators are available at its web site HTTP://WWW.SEDAR.COM.

This prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make an offer, solicitation of an offer or proxy solicitation in that jurisdiction. Neither the delivery of this prospectus nor any distribution of securities pursuant to this prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated herein by reference or in our affairs since the date of this prospectus.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

BIOSANTE PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
JUNE 30, 2001 AND DECEMBER 31, 2000 (UNAUDITED)

	JUNE 30, 2001	DECEMBER 31, 2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,782,058	$ 2,611,755
Prepaid expenses and other sundry assets	63,263	64,341
	4,845,321	2,676,096
PROPERTY AND EQUIPMENT, NET	364,857	390,821
	$ 5,210,178	$ 3,066,917
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 193,672	$ 44,746
Accrued compensation	162,147	258,598
Other accrued expenses	84,906	137,919
Convertible debenture	500,000	500,000
	940,725	941,263
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Capital stock		
Issued and Outstanding		
4,687,684 (2000 - 4,687,684) Class C special stock	469	469
62,202,943 (2000 - 52,952,943) Common stock	21,457,469	17,782,857
	21,457,938	17,783,326
Deferred unearned compensation	-	(18,000)
Deficit accumulated during the development stage	(17,188,485)	(15,639,672)
	4,269,453	2,125,654
	$ 5,210,178	$ 3,066,917

See accompanying notes to the financial statements.

ITEM 1 - FINANCIAL STATEMENTS (CONTINUED)

BIOSANTE PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
THREE AND SIX MONTHS ENDED JUNE 30, 2001 AND 2000 AND THE CUMULATIVE PERIOD FROM
AUGUST 29, 1996 (DATE OF INCORPORATION) TO JUNE 30, 2001 (UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO JUNE 30, 2001
	2001	2000	2001	2000	
REVENUE					
Interest income	$ 50,843	$ 61,504	$ 82,952	$ 121,886	$ 829,488
EXPENSES					
Research and development	387,236	1,164,039	620,225	1,355,214	4,904,597
General and administration	497,972	307,280	963,030	608,455	6,773,268
Depreciation and amortization	24,548	24,359	48,510	48,211	430,344
Loss on disposal of capital assets	-	-	-	-	157,545
Costs of acquisition of Structured Biologicals Inc.	-	-	-	-	375,219
Purchased in-process research and development	-	-	-	-	5,377,000
	909,756	1,495,678	1,631,765	2,011,880	18,017,973
NET LOSS	$ (858,913)	$ (1,434,174)	$(1,548,813)	$(1,889,994)	$ (17,188,485)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.38)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	66,484,034	57,450,551	62,086,760	57,450,551	44,877,041

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2001 AND 2000 AND THE CUMULATIVE PERIOD FROM
AUGUST 29, 1996 (DATE OF INCORPORATION) TO JUNE 30, 2001 (UNAUDITED)

	SIX MONTHS ENDED JUNE 30,		CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO JUNE 30,
	2001	2000	2001
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net loss	$ (1,548,813)	$ (1,889,994)	$ (17,188,485)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	48,510	48,211	430,344
Amortization of deferred unearned compensation	18,000	-	42,290
Purchased in-process research and development	-	-	5,377,000
Loss on disposal of equipment	-	-	157,545
Changes in other assets and liabilities affecting cash flows from operations			
Prepaid expenses and other sundry assets	1,078	19,599	(60,295)
Accounts payable and accrued expenses	(538)	(81,898)	(299,462)
Due from SBI	-	-	(128,328)
NET CASH USED IN OPERATING ACTIVITIES	(1,481,763)	(1,904,082)	(11,669,391)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of capital assets	(22,546)	(27,367)	(918,636)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES			
Issuance of convertible debenture	-	-	500,000
Proceeds from sale or conversion of shares	3,674,612	22,960	16,870,085
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,674,612	22,960	17,370,085
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,170,303	(1,908,489)	4,782,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,611,755	5,274,552	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$4,782,058	$ 3,366,063	$ 4,782,058
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION			
Acquisition of SBI			
Purchased in-process research and development	$ -	$ -	$ 5,377,000
Other net liabilities assumed	-	-	(831,437)
	-	-	4,545,563
Less: common stock issued therefor	-	-	4,545,563
	$ -	$ -	$ -
Income tax paid	$ -	$ -	$ -
Interest paid	$ -	$ -	$ -

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
SIX MONTHS ENDED JUNE 30, 2001 AND 2000

1. INTERIM FINANCIAL INFORMATION

In the opinion of management, the accompanying unaudited financial statements contain all necessary adjustments, which are of a normal recurring nature, to present fairly the financial position of BioSante Pharmaceuticals, Inc. as of June 30, 2001, the results of operations for the three and six months ended June 30, 2001 and 2000 and for the cumulative period from August 29, 1996 (date of incorporation) to June 30, 2001, and the cash flows for the six months ended June 30, 2001 and 2000 and for the cumulative period from August 29, 1996 (date of incorporation) to June 30, 2001, in conformity with accounting principles generally accepted in the United States of America. Operating results for the three and six month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001.

These unaudited interim financial statements should be read in conjunction with the financial statements and related notes contained in BioSante's Annual Report on Form 10-KSB for the year ended December 31, 2000.

2. BASIC AND DILUTED NET LOSS PER SHARE

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

3. LICENSE AND SUPPLY AGREEMENTS

On June 13, 2000, BioSante entered into a licensing agreement and a supply agreement with Antares Pharma Inc. (the entity that resulted from the merger of Permatec Technologie, AG with Medi-Ject Corporation), covering four hormone products for the treatment of hormone deficiencies in men and women. The agreement requires BioSante to pay Antares a percentage of future net sales, if any, as a royalty. Under the terms of the license agreement, BioSante is also obligated to make milestone payments upon the occurrence of certain future events. Under terms of the supply agreement, Antares has agreed to manufacture or have manufactured and sell exclusively to BioSante, and BioSante has agreed to purchase exclusively from Antares, BioSante's total requirements for the products covered under the license agreement between the two parties.

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

4. CONVERTIBLE DEBENTURE

In connection with entering into the sub-license agreement with Paladin as described in Note 3, BioSante issued a convertible debenture to Paladin in the principal amount of $500,000. The debenture matures on September 1, 2001 and does not accrue interest unless it is not paid, or has not been converted into BioSante common stock, by the maturity date. If unpaid, interest accrues at a rate of 10% from September 1, 2001 until paid or converted. The convertible debenture is convertible into BioSante common stock at $1.05 per share, which conversion price is subject to adjustment under certain circumstances. Commencing January 1, 2001, the debenture may be converted at the option of Paladin. In the event Paladin has not converted the debenture prior to March 31, 2001, BioSante has the right, in its sole discretion, after March 31, 2001, to require the debenture to be converted. To date, BioSante has not exercised this right.

5. PRIVATE PLACEMENT FINANCING

On April 4, 2001, BioSante closed a private placement raising $3.7 million upon the issuance of units, which consisted of an aggregate of 9,250,000 shares of common stock and five-year warrants to purchase an aggregate of 4,625,000 shares of common stock. The price of each unit, which consisted of one share of common stock plus a warrant to purchase one half-share of common stock was $0.40, the approximate market price of BioSante's common stock at closing. The exercise price of the warrant is $0.50 per full share. Transaction costs related to the private placement have been netted against the proceeds.

6. COMMITMENTS

UNIVERSITY OF CALIFORNIA LICENSE

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

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

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

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

6. COMMITMENTS (CONTINUED)

- Development of products incorporating the licensed technology until a product is introduced to the market;
- Payment of the costs of patent prosecution and maintenance of the patents included in the agreement which for the year ended December 31, 2000 have amounted to $11,722 and which management estimates will equal approximately $15,000 per year;
- Meeting performance milestones relating to:
    - Hiring or contracting with personnel to perform research and development, regulatory and other activities relating to the commercial launch of a proposed product;
    - Testing proposed products and obtaining government approvals;
    - Conducting clinical trials; and
    - Introducing products incorporating the licensed technology into the market.
- Entering into partnership or alliance arrangements or agreements with other entities regarding commercialization of the technology covered by the license.
- BioSante has agreed to indemnify, hold harmless and defend the University of California and its affiliates, as designated in the license agreement, against any and all claims, suits, losses, damage, costs, fees and expenses resulting from or arising out of exercise of the license agreement, including but not limited to, any product liability claims.

ANTARES PHARMA, INC. LICENSE

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

BioSante's sub-license agreement (of the Antares license) with Paladin Labs Inc. required Paladin to make an initial investment in BioSante of $500,000 in the form of a convertible debenture. Paladin will also make milestone payments to BioSante in the form of a series of equity investments at a 10 percent premium to BioSante's market price at the time the equity investment is made. In addition, Paladin will pay BioSante a royalty on sales of the sub-licensed products.

INDEPENDENT AUDITORS' REPORT

Board of Directors
BioSante Pharmaceuticals, Inc.
Lincolnshire, Illinois

We have audited the accompanying balance sheets of BioSante Pharmaceuticals, Inc. (a development stage company) as of December 31, 2000 and 1999 and the related statements of operations, stockholders' equity and cash flows for each of the two years ended December 31, 2000, and for the period from August 29, 1996 (date of incorporation) through December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Company's financial statements as of and for the year ended December 31, 1998 and for the period from August 29, 1996 (date of incorporation) through December 31, 1998 were audited by other auditors whose report, dated February 19, 1999, expressed an unqualified opinion on those statements. The financial statements for the period August 29, 1996 (date of incorporation) through December 31, 1998 reflect total revenues and net loss of $320,135 and $10,796,218, respectively, of the related totals. The other auditors' report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such prior period, is based solely on the report of such other auditors.

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

In our opinion, based on our audits and the report of other auditors, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the two years ended December 31, 2000, and for the period from August 29, 1996 (date of incorporation) through December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

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

/s/ Deloitte & Touche LLP

February 16, 2001
Chicago, Illinois

INDEPENDENT AUDITORS' REPORT

Board of Directors
BioSante Pharmaceuticals, Inc.
(formerly Ben-Abraham Technologies Inc.)

We have audited the balance sheet of BioSante Pharmaceuticals, Inc. (formerly Ben-Abraham Technologies Inc.), a development stage company, as of December 31, 1998 and the related statements of operations, stockholders' equity and cash flows for the year ended December 31, 1998, and for the period from August 29, 1996 (date of incorporation) to December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1998 and the results of its operations and its cash flows for the year ended December 31, 1998, and for the period from August 29, 1996 (date of incorporation) through December 31, 1998 in conformity with accounting principles generally accepted in the United States of America.

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

/s/ Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
February 19, 1999

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

	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$2,611,755	$5,274,552
Prepaid expenses and other sundry assets	64,341	58,994
	2,676,096	5,333,546
PROPERTY AND EQUIPMENT, NET (Note 4)	390,821	446,083
	$3,066,917	$5,779,629
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable (Note 11)	$ 44,746	$ 76,057
Accrued compensation	258,598	182,973
Other accrued expenses	137,919	45,085
Convertible debenture (Note 6)	500,000	-
Due to licensor	-	25,000
	941,263	329,115
COMMITMENTS (Notes 10 and 12)		
STOCKHOLDERS' EQUITY (Note 7)		
Capital stock		
Issued and Outstanding		
4,687,684 (1999 - 4,807,865) Class C special stock	469	481
52,952,943 (1999 - 52,642,686) Common stock	17,782,857	17,652,510
	17,783,326	17,652,991
Deferred unearned compensation	(18,000)	-
Deficit accumulated during the development stage	(15,639,672)	(12,202,477)
	2,125,654	5,450,514
	$3,066,917	$5,779,629

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
AND THE CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO
DECEMBER 31, 2000

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO DECEMBER 31, 2000
REVENUE				
Interest income	$ 227,718	$ 198,683	$ 123,061	$ 746,536
EXPENSES				
Research and development	1,887,832	660,588	1,400,129	4,284,372
General and administration	1,678,581	853,389	1,112,647	5,810,238
Depreciation and amortization	98,500	90,965	139,769	381,834
Loss on disposal of capital assets	-	-	129,931	157,545
Costs of acquisition of Structured Biologicals Inc.	-	-	-	375,219
Purchased in-process research and development	-	-	-	5,377,000
	3,664,913	1,604,942	2,782,476	16,386,208
NET LOSS	$ (3,437,195)	$ (1,406,259)	$ (2,659,415)	$ (15,639,672)
BASIC AND DILUTED NET LOSS PER SHARE (Note 2)	$ (0.06)	$ (0.03)	$ (0.08)	$ (0.36)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	57,536,761	49,424,140	34,858,243	42,914,244

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
AND THE CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO
DECEMBER 31, 2000

	Class A Special Shares		Class C Special Shares		Common Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
BALANCE, AUGUST 29, 1996, DATE OF INCORPORATION	-	$ -	-	$ -	-	$ -
Issuance of Class "C" shares August 29, 1996 ($0.0001 per share)	-	-	4,150,000	415	-	-
Issuance of Class "A" shares September 23, 1996 ($0.0001 per share)	20,000,000	2,000	-	-	-	-
Issuance of common shares	-	-	-	-	-	-
September 23, 1996	-	-	-	-	4,100,000	4,100,000
Financing fees accrued	-	-	-	-	-	(410,000)
November 27, 1996 - issued as consideration upon acquisition of SBI (Note 3)	-	-	-	-	7,434,322	4,545,563
Exercise of Series "X" warrants (Note 7)	-	-	-	-	215,714	275,387
Exercise of Series "Z" warrants (Note 7)	-	-	-	-	1,428	2,553
Net loss	-	-	-	-	-	-
BALANCE, DECEMBER 31, 1996	20,000,000	2,000	4,150,000	415	11,751,464	8,513,503
Conversion of shares						
January 13, 1997	-	-	(282,850)	(28)	282,850	70,741
January 13, 1997	-	-	(94,285)	(9)	94,285	23,580
December 2, 1997	-	-	(106,386)	(11)	106,386	26,607
December 2, 1997	-	-	(100,000)	(10)	100,000	25,010
Exercise of Series "V" warrants (Note 7)	-	-	-	-	24,000	36,767
Exercise of Series "X" warrants (Note 7)	-	-	-	-	28,571	36,200
Exercise of Series "W" warrants (Note 7)	-	-	-	-	20,000	25,555
Adjustment for partial shares issued upon amalgamation	-	-	-	-	130	-
Financing fees reversed	-	-	-	-	-	410,000
Net loss	-	-	-	-	-	-
BALANCE, DECEMBER 31, 1997	20,000,000	2,000	3,566,479	357	12,407,686	9,167,963
Conversion of shares						
March 4, 1998	-	-	(20,000)	(2)	20,000	5,002
March 16, 1998	-	-	(10,000)	(1)	10,000	2,501
May 8, 1998	(15,000,000)	(1,500)	-	-	15,000,000	3,751,500
June 1, 1998	(1,000,000)	(100)	-	-	1,000,000	250,100
June 1, 1998	(1,000,000)	(100)	-	-	1,000,000	250,100
Return of shares to treasury						
May 8, 1998	(1,468,614)	(147)	-	-	-	-
May 8, 1998	-	-	(250,000)	(25)	-	-
Net loss	-	-	-	-	-	-
BALANCE, DECEMBER 31, 1998	1,531,386	153	3,286,479	329	29,437,686	13,427,166
Conversion of shares						
February 2, 1999	-	-	(10,000)	(1)	10,000	2,501
Private placement of common shares, net						
May 6, 1999	-	-	-	-	23,125,000	4,197,843
Share redesignation						
July 13, 1999	(1,531,386)	(153)	1,531,386	153	-	-
Issuance of common shares						
August 15, 1999	-	-	-	-	70,000	25,000
Net loss	-	-	-	-	-	-
BALANCE, DECEMBER 31, 1999	-	-	4,807,865	481	52,642,686	17,652,510
Conversion of shares						
March 17, 2000	-	-	(10,000)	(1)	10,000	2,501
March 24, 2000	-	-	(31,840)	(3)	31,840	7,963
June 12, 2000	-	-	(50,000)	(5)	50,000	12,505
July 13, 2000	-	-	(28,341)	(3)	28,341	7,088
Issuance of common shares						
July 18, 2000	-	-	-	-	190,076	58,000
Issuance of warrants for services received					-	42,290
Amortization of deferred unearned compensation	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2000	-	$	4,687,684	$469	52,952,943	$17,782,857

	Deferred Unearned Compensation	Deficit Accumulated During the Development Stage	Total
BALANCE, AUGUST 29, 1996, DATE OF INCORPORATION	$ -	$ -	$ -
Issuance of Class "C" shares August 29, 1996 ($0.0001 per share)	-	-	415
Issuance of Class "A" shares September 23, 1996	-	-	-
($0.0001 per share)	-	-	2,000
Issuance of common shares	-	-	-
September 23, 1996	-	-	4,100,000
Financing fees accrued	-	-	(410,000)
November 27, 1996 - issued as consideration upon acquisition of SBI (Note 3)	-	-	4,545,563
Exercise of Series "X" warrants (Note 7)	-	-	275,387
Exercise of Series "Z" warrants (Note 7)	-	-	2,553
Net loss	-	(6,246,710)	(6,246,710)
BALANCE, DECEMBER 31, 1996		(6,246,710)	2,269,208
Conversion of shares			
January 13, 1997	-	-	70,713
January 13, 1997	-	-	23,571
December 2, 1997	-	-	26,596
December 2, 1997	-	-	25,000
Exercise of Series "V" warrants (Note 7)	-	-	36,767
Exercise of Series "X" warrants (Note 7)	-	-	36,200
Exercise of Series "W" warrants (Note 7)	-	-	25,555
Adjustment for partial shares issued upon amalgamation	-	-	-
Financing fees reversed	-	-	410,000
Net loss	-	(1,890,093)	(1,890,093)
BALANCE, DECEMBER 31, 1997	-	(8,136,803)	1,033,517
Conversion of shares			
March 4, 1998	-	-	5,000
March 16, 1998	-	-	2,500
May 8, 1998	-	-	3,750,000
June 1, 1998	-	-	250,000
June 1, 1998	-	-	250,000
Return of shares to treasury			
May 8, 1998	-	-	(147)
May 8, 1998	-	-	(25)
Net loss	-	(2,659,415)	(2,659,415)
BALANCE, DECEMBER 31, 1998	-	(10,796,218)	2,631,430
Conversion of shares			
February 2, 1999	-	-	2,500
Private placement of common shares, net			
May 6, 1999	-	-	4,197,843
Share redesignation			
July 13, 1999	-	-	-
Issuance of common shares			
August 15, 1999	-	-	25,000
Net loss	-	(1,406,259)	(1,406,259)
BALANCE, DECEMBER 31, 1999	-	(12,202,477)	5,450,514
Conversion of shares			
March 17, 2000	-	-	2,500
March 24, 2000	-	-	7,960
June 12, 2000	-	-	12,500
July 13, 2000	-	-	7,085
Issuance of common shares			
July 18, 2000	-	-	58,000
Issuance of warrants for services received	(42,290)	-	
Amortization of deferred unearned compensation	24,290	-	24,290
Net loss	-	(3,437,195)	(3,437,195)
BALANCE, DECEMBER 31, 2000	$(18,000)	$(15,639,672)	$ 2,125,654

See accompanying notes to the financial statements.

BIOSANTE PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOW
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
AND THE CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO
DECEMBER 31, 2000

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCORPORATION) TO DECEMBER 31, 2000
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss	$ (3,437,195)	$ (1,406,259)	$ (2,659,415)	$ (15,639,672)
Adjustments to reconcile net loss to net cash used in operating activities				
Depreciation and amortization	98,500	90,965	139,769	381,834
Amortization of deferred unearned compensation	24,290	-	-	24,290
Purchased in-process research and development	-	-	-	5,377,000
Loss on disposal of equipment	-	-	129,931	157,545
Changes in other assets and liabilities affecting cash flows from operations				
Prepaid expenses and other sundry assets	(5,347)	16,272	(53,376)	(61,373)
Accounts payable and accrued expenses	137,148	(386,483)	(598,334)	(298,924)
Due to licensor	(25,000)	(102,317)	-	-
Due from SBI	-	-	-	(128,328)
NET CASH USED IN OPERATING ACTIVITIES	(3,207,604)	(1,787,822)	(3,041,425)	(10,187,628)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of capital assets	(43,238)	(4,219)	(124,984)	(896,090)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Issuance of convertible debenture	500,000	-	-	500,000
(Conversion) issuance of Class "A" shares	-	-	(1,847)	-
(Conversion) issuance of Class "C" shares	(12)	-	(28)	469
Proceeds from sale or conversion of shares	88,057	4,225,343	4,259,203	13,195,004
NET CASH PROVIDED BY FINANCING ACTIVITIES	588,045	4,225,343	4,257,328	13,695,473
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,662,797)	2,433,302	1,090,919	2,611,755
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,274,552	2,841,250	1,750,331	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,611,755	$ 5,274,552	$ 2,841,250	$ 2,611,755
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION				
Acquisition of SBI				
Purchased in-process research and development	$ -	$ -	$ -	$ 5,377,000
Other net liabilities assumed	-	-	-	(831,437)
	-	-	-	4,545,563
Less: subordinate voting shares issued therefor	-	-	-	4,545,563
	$ -	$ -	$ -	$ -
Income tax paid	$ -	$ -	$ -	$ -
Interest paid	$ -	$ -	$ -	$ -

1. ORGANIZATION

On December 19, 1996, Ben-Abraham Technologies, Inc. ("BAT") was continued under the laws of the State of Wyoming, U.S.A. Previously, BAT had been incorporated under the laws of the Province of Ontario effective August 29, 1996. Pursuant to the shareholders meeting to approve the arrangement on November 27, 1996 and subsequent filing of the articles of arrangement December 6, 1996, BAT acquired Structured Biologicals Inc. and its wholly-owned subsidiary 923934 Ontario Inc. ("SBI"), a Canadian public company listed on the Alberta Stock Exchange. The "acquisition" was effected by a statutory amalgamation wherein the stockholders of BAT were allotted a significant majority of the shares of the amalgamated entity. Upon amalgamation, the then existing stockholders of SBI received 7,434,322 subordinate voting shares of BAT (1 such share for every 3 1/2 shares held in SBI). On November 10, 1999, BAT changed its name to BioSante Pharmaceuticals, Inc. ("the Company").

The Company was established to develop prescription pharmaceutical products, vaccines and vaccine adjuvants using its nanoparticle technology ("CAP") licensed from the University of California. The research and development on the CAP technology is conducted in the Company's Smyrna, Georgia laboratory facility. In addition to its nanoparticle technology, the Company also is developing its pipeline of hormone replacement products to treat testosterone deficiency in men and estrogen deficiency in women. The business office is located in Lincolnshire, Illinois.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and Statement of Financial Accounting Standards ("SFAS") No. 7 "Accounting and Reporting by Development Stage Enterprises". The preparation of financial statements in conformity with

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, the Company considers all instruments with original maturities of three months or less to be cash equivalents.

PROPERTY AND EQUIPMENT

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

RESEARCH AND DEVELOPMENT

Research and development costs are charged to expense as incurred.

BASIC AND DILUTED NET LOSS PER SHARE

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

STOCK-BASED COMPENSATION

The Company follows the provisions of APB Opinion No. 25, which requires compensation cost for stock-based employee compensation plans be recognized based on the difference, if any, between the quoted market price of the stock on the date of grant and the amount the employee must pay to acquire the stock. As a result of the Company continuing to apply APB No. 25, SFAS No. 123, "Accounting for Stock-Based Compensation," requires certain additional disclosures of the pro forma compensation expense arising from the Company's fixed and performance stock compensation plans. The expense is measured as the fair value of the award at the date it was granted using an option-pricing model that takes into account the exercise price and the expected

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

term of the option, the current price of the underlying stock, its expected volatility, expected dividends on the stock and the expected risk-free rate of return during the term of the option. The compensation cost is recognized over the service period, usually the period from the grant date to the vesting date. The Company has disclosed the required pro forma net loss and loss per share data in Note 8 as if the Company had recorded compensation expense using the fair value method per SFAS No. 123. Warrants issued to non-employees as compensation for services rendered are valued at their fair value on the date of issue.

INTEREST INCOME

Interest income on invested cash is recorded as earned following the accrual basis of accounting.

NEW STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

In June 1998, the FASB issued SFAS No. 133, ACCOUNTING FOR DERIVATIVES INSTRUMENTS AND HEDGING ACTIVITIES. This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company adopted this statement effective January 1, 2001. No cumulative transition adjustment was required.

3. ACQUISITION

Pursuant to the shareholders meeting to approve the arrangement held on November 27, 1996 and the subsequent filing of the articles of arrangement December 6, 1996, the Company completed the acquisition of 100% of the outstanding shares of SBI. The acquisition was effected by a statutory amalgamation wherein the stockholders of the Company were allotted a significant majority of the shares of the amalgamated entity. Upon amalgamation, the then existing shareholders of SBI received 7,434,322 shares of common stock of the Company (1 such share for every 3 1/2 shares they held in SBI). SBI's results of operations have been included in these financial statements from the date of acquisition. The acquisition was accounted for by using the purchase method of accounting, as follows:

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

3. ACQUISITION (CONTINUED)

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

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

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

- The estimated additional research and development expenditures required before FDA approval was $26.5 million, to be incurred over 8 to 10 years.

- Future cash flows were estimated based on estimated market size, with costs determined based on industry norms, an estimated annual growth rate of 3%.

- The cash flows were discounted at 25%. The rate was preferred due to the high-risk nature of the biopharmaceutical business.

- The Company is continuing to develop the technology related to five of the six indications.

- In June 1997, the Company exercised its option and entered into a license agreement with UCLA for the technology that it had previously supported.

4. PROPERTIES AND EQUIPMENT

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

	2000	1999
Computer equipment	$ 61,643	$ 23,951
Office equipment	34,208	32,862
Laboratory equipment	103,012	103,012
Leasehold improvements - Laboratory	474,294	470,094
	673,157	629,919
Accumulated depreciation and amortization	(282,336)	(183,836)
	$ 390,821	$ 446,083

5. INCOME TAXES

The components of the Company's net deferred tax asset at December 31, 2000, 1999 and 1998 were as follows:

	2000	1999	1998
Net operating loss carryforwards	$ 3,886,495	$ 2,367,292	$ 1,778,246
Amortization of intangibles	1,468,699	1,613,942	1,759,186
Research & development credits	191,358	235,310	144,310
Other	60,993	38,794	16,594
	5,607,545	4,255,338	3,698,336
Valuation allowance	(5,607,545)	(4,255,338)	(3,698,336)
	$ -	$ -	$ -

The Company has no current tax provision due to its accumulated losses, which result in net operating loss carryforwards. At December 31, 2000, the Company had approximately $10,500,000 of net operating loss carryforwards that are available to reduce future taxable income for a period of up to 20 years. The net operating loss carryforwards expire in the years 2011-2020. The net operating loss carryforwards as well as amortization of various intangibles, principally acquired in-process research and development, generate deferred tax benefits, which have been recorded as deferred tax assets and are entirely offset by a tax valuation allowance. The valuation allowance has been provided at 100% to reduce the deferred tax assets to zero, the amount management believes is more likely than not to be realized. Additionally, the Company has approximately $191,000 of research and development credits available to reduce future income taxes through the year 2014.

5. INCOME TAXES (CONTINUED)

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate of 34% to pre-tax income as follows:

	2000	1999	1998
Tax at U.S. federal statutory rate	$ (1,160,388)	$ (469,799)	$ (904,201)
State taxes, net of federal benefit	(195,854)	(91,015)	(90,810)
Change in valuation allowance	1,352,207	556,972	986,730
Other, net	4,035	3,842	8,281
	$ -	$ -	$ -

6. CONVERTIBLE DEBENTURE

In September 2000, in connection with entering into a sub-license agreement, the Company issued a convertible debenture to Paladin Labs Inc. ("Paladin") in the face amount of $500,000. The debenture does not bear interest and is due September 1, 2001, unless converted into shares of the Company's common stock. If the debenture is not converted and not paid in full by September 1, 2001, then any unpaid principal shall bear interest at a rate of 10 percent from September 1, 2001 forward, until paid in full. The debenture is convertible at the conversion price of $1.05 per share, subject to adjustment in certain situations, at the option of Paladin at anytime after January 1, 2001. The Company can declare the debenture mandatorily convertible in full at any time after March 31, 2001 if Paladin has not previously converted the debenture.

7. STOCKHOLDERS' EQUITY

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

a) AUTHORIZED

PREFERENCE SHARES

An unlimited number of preference shares issuable in series subject to limitation, rights, and privileges as determined by the directors. No preference shares have been issued as of December 31, 2000.

7. STOCKHOLDERS' EQUITY (CONTINUED)

SPECIAL SHARES

An unlimited number of Class C special shares without par value, convertible to common stock on the basis of one Class C special share and U.S. $0.25. These shares are not entitled to a dividend and carry one vote per share.

COMMON STOCK

An unlimited number of common shares of stock without par value, which carry one vote per share.

SIGNIFICANT EQUITY TRANSACTIONS

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

- Prior to the Amalgamation on December 6, 1996, the Company issued 20,000,000 shares of the Company's Class A stock for $0.0001 per share, 4,150,000 shares of Class C stock for $0.0001 per share and 4,100,000 shares of the Company's common stock for $1.00 per share.

- Pursuant to the shareholders meeting to approve the arrangement held on November 27, 1996 and the subsequent filing of articles of arrangement on December 6, 1996, the Company completed the acquisition of 100% of the outstanding shares of SBI. Upon the effectiveness of this Amalgamation, the then existing stockholders of SBI received 7,434,322 shares of common stock of the Company (1 common share of the Company for every 3 1/2 shares of SBI). The deemed fair market value of this stock was $4,545,563.

- In May 1998, the Company and Avi Ben-Abraham, M.D., a director and a founder of the Company and the Company's then Chief Executive Officer and Chairman of the Board, entered into an agreement pursuant to which Dr. Ben-Abraham would relinquish his executive position and remain as a director of the Company. Pursuant to the agreement, Dr. Ben-Abraham converted shares of the Company's Class A stock held by him into 15,000,000 shares of common stock at $0.25 per share for proceeds to the Company of $3,750,000. In addition, Dr. Ben-Abraham agreed to return to the Company 1,468,614 shares of Class A stock and 250,000 shares of Class C stock to the Company, and also agreed not to sell any of his shares of common stock or any other securities of the Company for a period of 15 months. The Company and Dr. Ben-Abraham agreed to cross-indemnify each other upon the occurrence of certain events.
- In June 1998, the Company issued an aggregate of 2,000,000 shares of common stock pursuant to the conversion of Class A stock at a conversion price of $0.25 per share.

7. STOCKHOLDERS' EQUITY (CONTINUED)

- On May 6, 1999, the Company sold an aggregate of 23,125,000 common shares and warrants to purchase 11,562,500 shares of common stock at an exercise price of $0.30 per share to 31 accredited investors in a private placement, including several current members of the board of directors and one executive officer. Net proceeds to the Company from this private placement were approximately $4.2 million.

- In August 1999, an outstanding liability of $25,000 was converted into 70,000 shares of common stock.

- In July 2000, 190,076 shares of common stock were issued to certain corporate officers in lieu of a cash bonus.

b) WARRANTS

The Company, upon the acquisition of SBI, assumed 2,577,129 exercisable warrants to purchase common stock, all of which expired prior to or as of December 31, 1998. Of this amount, 72,571 were exercised in 1997 prior to their expiration.

Pursuant to the Company's private placement financing in May 1999, warrants to purchase an aggregate of 11,562,500 shares of common stock were issued at an exercise price of $0.30 per share with a term of five years. These warrants remain outstanding and are all exercisable as of December 31, 2000.

In June 2000, a five-year warrant to purchase 250,000 shares of common stock at an exercise price of $0.88 was issued to a communications firm for various consulting services. The warrant vests quarterly over the first year. As of December 31, 2000, 125,000 of these shares were exercisable. The Company recognized expense in 2000 of approximately $18,000 for this warrant grant, and will recognize a similar amount in 2001.

8. STOCK OPTIONS

The Company has a stock option plan for certain officers, directors and employees whereby 7,000,000 shares of common stock have been reserved for issuance. Options for 5,263,125 shares of common stock have been granted as of December 31, 2000 at prices equal to either the ten-day weighted average closing price, or the closing price of the stock at the date of the grant, and are exercisable and vest in a range substantially over a three-year period. The options expire either in five or ten years from the date of the grants.

The Company applies APB Opinion No. 25 and related interpretations in accounting for its plan. Accordingly, no compensation cost has been recognized for the plan. Had the compensation cost for the Company's plan been determined based on the fair value of the awards under the plan consistent with the method of SFAS No. 123 the Company's net loss, cumulative net loss, and basic net loss per common share would have been increased to the pro forma amounts indicated below:

	2000	1999	1998
Net loss			
As reported	$ (3,437,195)	$ (1,406,259)	$ (2,659,415)
Pro forma	$ (3,960,210)	$ (1,713,693)	$ (2,771,391)
Basic and diluted net loss per share			
As reported	$ (0.06)	$ (0.03)	$ (0.08)
Pro forma	$ (0.07)	$ (0.03)	$ (0.08)
Cumulative net loss			
As reported	$ (15,639,672)	--	--
Pro forma	$ (16,817,160)	--	--
Cumulative basic and diluted net loss per share			
As reported	$ (0.36)	--	--
Pro forma	$ (0.39)	--	--

8. STOCK OPTIONS (CONTINUED)

The weighted average fair value of the options at the date of the grant for options granted during 2000, 1999 and 1998 was $0.90, $0.33 and $0.44 was estimated using the Cox Rubinstein binomial model and the Black-Scholes option-pricing model with following weighted average assumptions:

	2000	1999	1998
Expected option life (years)	10	5	5
Risk free interest rate	6.03%	4.59%	5.05%
Expected stock price volatility	157.06%	238.08%	350.00%
Dividend yield	-	-	-

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

	2000	Weighted Average Exercise Price	1999	Weighted Average Exercise Price	1998	Weighted Average Exercise Price
Options outstanding, Beginning of period	4,973,125	$ 0.30	2,465,000	$ 0.37	250,000	$ 1.07
Options granted	510,000	$ 0.91	3,068,125	$ 0.24	2,225,000	$ 0.29
Options cancelled/expired	(220,000)	$ 1.00	(560,000)	$ 0.31	(10,000)	$ 0.29
Options exercised	-	$ -	-	$ -	-	$ -
Options outstanding, End of period	5,263,125	$ 0.33	4,973,125	$ 0.30	2,465,000	$ 0.37
Options exercisable, End of year	3,865,025	$ 0.28	2,117,113	$ 0.35	674,500	$ 0.60

8. STOCK OPTIONS (CONTINUED)

The following table summarizes information about stock options outstanding at December 31, 2000:

	Outstanding Options			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Number Outstanding	Weighted Avg. Exercise Price
$0.23	2,378,125	3.2 YEARS	$ 0.23	1,680,692	$ 0.23
$0.28 - $0.29	2,325,000	3.1 YEARS	$ 0.28	2,046,833	$ 0.28
$0.75 - $1.04	560,000	9.4 YEARS	$ 0.92	137,500	$ 0.96
	5,263,125			3,865,025	

9. RETIREMENT PLAN

In July 1998, the Company began offering a discretionary 401(k) Plan (the Plan) to all of its employees. Under the Plan, employees may defer income on a tax-exempt basis, subject to IRS limitation. Under the Plan the Company can make discretionary matching contributions. Company contributions expensed in 2000, 1999 and 1998 totaled $26,296, $23,899 and $21,799, respectively.

10. LEASE ARRANGEMENTS

The Company has entered into lease commitments for rental of its office space and laboratory facilities. The future minimum lease payments are:

2001	$ 89,401
2002	68,254
2003	57,239
THEREAFTER	-
	$ 214,894

Rent expense amounted to $82,069, $89,110 and $134,788 for the years ended December 31, 2000, 1999 and 1998, respectively. Effective September 16, 1999, the Company entered into a sublease agreement for its Atlanta office space under which the Company receives approximately $3,400 per month from the sub-tenant through September 14, 2002.

11. RELATED PARTY TRANSACTIONS

	2000	1999	1998
Management fees paid to a company controlled by a former member of management, who was also a shareholder and was a member of the Board of Directors	$ -	$ -	$ 94,200

Included in current liabilities are $379, $5,588, and $133,901 which represent amounts due to directors and officers of the Company as of December 31, 2000, 1999 and 1998, respectively.

Prior to the Amalgamation on December 6, 1996, the Company issued 20,000,000 shares of class A stock and 4,150,000 shares of class C stock for $0.0001 per shares. 17,000,000 of the class A shares were sold to a director of the Company. 1,050,000 of the class C shares were sold to the same director of the Company to be held by him in trust for the benefit of others; 500,000 of the class C shares were sold to a separate company controlled by a then officer of the Company; and 2,000,000 of the class C shares were sold to other directors of the Company.

The 20,000,000 class A shares and 4,150,000 class C shares were founder's shares and the terms under the authorization of these shares, provided for their conversion to common stock at $0.25 per share.

In May 1998, the Company and Avi Ben-Abraham, M.D., a director and a founder of the Company and the Company's then Chief Executive Officer and Chairman of the Board, entered into an agreement pursuant to which Dr. Ben-Abraham would relinquish his executive position and remain as a director of the Company. See Note 7.

In connection with the May 1999 private placement of 23,125,000 shares of common stock and warrants to purchase 11,562,500 shares of common stock, the Company's Chief Executive Officer purchased 250,000 shares of the common stock sold and warrants to purchase 125,000 shares of common stock. Three other individuals, who purchased either individually or through affiliated entities, an aggregate 10,250,000 shares of common stock and warrants to purchase 5,125,000 shares of common stock, became directors of the Company upon their acquisition of the shares or sometime later.

12. COMMITMENTS

UNIVERSITY OF CALIFORNIA LICENSE

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

- Payment of royalties to the University based on a percentage of the net sales of any products incorporating the licensed technology;
- Payment of minimum annual royalties on February 28 of each year beginning in the year 2004 in the amounts set forth below, to be credited against earned royalties, for the life of the agreement (2013);

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

- Development of products incorporating the licensed technology until a product is introduced to the market;
- Payment of the costs of patent prosecution and maintenance of the patents included in the agreement which for the year ended December 31, 2000 have amounted to $11,722 and which management estimates will equal approximately $15,000 per year;

12. COMMITMENTS (CONTINUED)

o Meeting performance milestones relating to:

  - Hiring or contracting with personnel to perform research and development, regulatory and other activities relating to the commercial launch of a proposed product;
  - Testing proposed products;
  - Obtaining government approvals;
  - Conducting clinical trials; and
  - Introducing products incorporating the licensed technology into the market.

o Entering into partnership or alliance arrangements or agreements with other entities regarding commercialization of the technology covered by the license.

o The Company has agreed to indemnify, hold harmless and defend the University of California and its affiliates, as designated in the license agreement, against any and all claims, suits, losses, damage, costs, fees and expenses resulting from or arising out of exercise of the license agreement, including but not limited to, any product liability claims.

ANTARES PHARMA, INC. LICENSE

The Company's license agreement with Antares Pharma, Inc. (formerly known as Permatec Technologie, AG) required the Company to make a $1.0 million upfront payment to Antares. The Company expects to fund the development of the products, make milestone payments and once regulatory approval to market is received, pay royalties on the sales of products.

The Company's sub-license agreement (of the Antares license) with Paladin Labs Inc. required Paladin to make an initial investment in the Company of $500,000 in the form of a convertible debenture. Paladin will also make milestone payments to the Company in the form of a series of equity investments at a 10 percent premium to the Company's market price at the time the equity investment is made. In addition, Paladin will pay the Company a royalty on sales of the sub-licensed products.

[LOGO]

25,437,500 SHARES

COMMON STOCK

PROSPECTUS

, 2001

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

BioSante's Certificate of Incorporation limits the liability of its directors to the fullest extent permitted by the Delaware General Corporation Law. Specifically, Article VII of BioSante's Certificate of Incorporation provides that no director of BioSante shall be personally liable to BioSante or its stockholders for monetary damages for any breach of fiduciary duty by such a director as a director, except to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to BioSante or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which such director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of BioSante shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended. No amendment to or repeal of Article VII shall apply to or have any effect on the liability or alleged liability of any director of BioSante for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

BioSante's Certificate of Incorporation provides for indemnification of BioSante's directors and officers. Specifically, Article VI provides that BioSante shall indemnify, to the fullest extent authorized or permitted by law, as the same exists or may thereafter be amended, any person who was or is made or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of BioSante), by reason of the fact that such person is or was a director or officer of BioSante, or is or was serving at the request of BioSante as a director, officer, employee or agent of any other company, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise; provided, however, that BioSante shall not indemnify any director or officer in connection with any action by such director or officer against BioSante unless BioSante shall have consented to such action. BioSante may, to the extent authorized from time to time by BioSante's Board of Directors, provide rights to indemnification to employees and agents of BioSante similar to those conferred in Article VI to directors and officers of BioSante. No amendment or repeal of Article VI shall apply to or have any effect on any right to indemnification provided thereunder with respect to any acts or omission occurring prior to such amendment or repeal.

BioSante maintains an insurance policy for its directors and executive officers pursuant to which its directors and executive officers are insured against liability for certain actions in their capacity as directors and executive officers of BioSante.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to BioSante's directors, officers or persons controlling BioSante pursuant to the foregoing provisions, BioSante is aware that in the opinion of the Securities and Exchange Commission that this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

We also maintain a directors and officers insurance policy pursuant to which our directors and officers are insured against liability for actions in their capacity as directors and officers.

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses payable by BioSante in connection with the issuance and distribution of the Shares being registered. All such expenses are estimated except for the SEC registration fee.

SEC registration fee	$ 5,088
Printing expenses	1,000
Fees and expenses of counsel for BioSante	40,000
Fees and expenses of accountants for BioSante	8,000
Blue sky fees and expenses	10,000
Miscellaneous	10,000
*Total	$ 74,088

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* None of the expenses listed above will be borne by the Selling Stockholders.

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES.

Since January 1, 1997, BioSante has issued the following securities without registration under the Securities Act:

1. In January 1997, we issued: (1) an aggregate of 24,000 shares of common stock pursuant to the exercise of warrants issued prior to the Amalgamation, at an exercise price of $1.53 per share, for an aggregate payment of $36,720; (2) 377,135 shares of common stock (94,285 of such shares to Wagner-Bartak Holdings Inc. and 282,850 of such shares to an unaffiliated accredited investor) pursuant to the conversion of an aggregate of 377,135 class C stock, at a conversion price of $0.25 per share, for an aggregate payment of $94,283.75 to us; and (3) an aggregate of 28,571 shares of common stock pursuant to the exercise of warrants issued prior to the Amalgamation, at an exercise price of $1.28 per share, for an aggregate payment of $36,570.88.

2. In July 1997, we issued an aggregate of 20,000 shares of common stock pursuant to the exercise of warrants issued prior to the Amalgamation, at an exercise price of $1.28 per share for an aggregate payment of $25,500.

3. In December 1997, we issued an aggregate of 206,386 shares of common stock (106,386 of such shares to Wagner-Bartak Holdings Inc. and 100,000 of such shares to Marblegate Holdings Limited) pursuant to the conversion of an aggregate of 206,386 class C stock at a conversion price of $0.25 per share for an aggregate payment of $51,596.50.

4. In March 1998, we issued 30,000 shares of common stock to one accredited investor pursuant to the conversion of class C stock, at a conversion price of $0.25 per share for an aggregate payment of $7,500.

5. In May 1998, we issued 15,000,000 shares of common stock to Dr. Ben-Abraham pursuant to his conversion of class A stock at a conversion price of $0.25 per share for a payment of $3,750,000. In addition, Dr. Ben-Abraham returned 1,468,614 class A stock and 250,000 class C stock to our treasury for no consideration.

6. In June 1998, we issued an aggregate of 2,000,000 shares of common stock pursuant to the conversion of class A stock to two accredited investors, at a conversion price of $0.25 per share for an aggregate payment of $500,000.

7. In February 1999, we issued 10,000 shares of common stock to an accredited investor pursuant to the conversion of class C stock, at a conversion price of $0.25 per share, which was satisfied by the settlement of claims.

8. In May 1999, we issued an aggregate of 23,125,000 shares of common stock and warrants to purchase 11,562,500 shares of common stock at an exercise price of $0.30 per share to 31 accredited investors pursuant to a private placement of our stock for an aggregate payment of $4,372,500. Stephen Simes purchased 250,000 shares of common stock, Victor Morgenstern, including an affiliated Trust and a Partnership, purchased an aggregate of 2,500,000 shares of common stock, Fred Holubow purchased 250,000 shares of common stock and JO & Co. purchased 7,500,000 shares of common stock to which Ross Mangano has sole voting power.

9. In August 1999, an outstanding liability of $25,000 was converted into 70,000 shares of common stock to an accredited investor at approximately $.36 per share for executive placement services.

10. In March and June 2000, we issued 91,840 shares of common stock to accredited investors pursuant to the conversion of Class C stock, at a conversion price of $0.25 per share for an aggregate payment of $22,960.

11. In September 2000, we issued a $500,000 convertible debenture to Paladin Labs Inc.

12. In July 2000, we issued an aggregate of 190,076 shares of common stock (163,859 shares to Stephen Simes and 26,217 shares to Phillip Donenberg) pursuant to the granting of common stock bonuses, in lieu of cash valued at $58,000.

13. In July 2000, we issued 28,341 shares of common stock to an accredited investor pursuant to the conversion of Class C stock, at a conversion price of $0.25 per share for a payment of $7,085.25.

14. In April 2001, we issued an aggregate of 9,250,000 shares of our common stock and warrants to purchase an aggregate of 4,625,000 shares of our common stock for $0.40 per unit, each unit consisting of one share of common stock and a warrant to purchase 0.50 shares of our common stock, for an aggregate purchase price of $3,700,000, to 49 accredited investors, including certain existing stockholders, directors and officers. Stephen Simes purchased 125,000 shares of common stock and a warrant to purchase 62,500 shares of common stock, Leah Lehman purchased 375,000 shares of common stock and a warrant to purchase 187,500 shares of common stock, Fred Holubow purchased 125,000 shares of common stock and a warrant to purchase 62,500 shares of common stock, Victor Morgenstern, including an affiliated trust and his wife, purchased an aggregate of 750,000 shares of common stock and warrants to purchase an aggregate of 375,000 shares of common stock, Phillip Donenberg and John Lee, each purchased 12,500 shares of common stock and a warrant to purchase 6,250 shares of common stock, Steve Bell purchased 3,750 shares of common stock and a warrant to purchase 1,875 shares of common stock, and Ross Mangano, as a trustee and investment advisor purchased an aggregate of 2,250,001 shares of common stock and warrant to purchase an aggregate of 1,124,999 shares of common stock.

15. In August 2001, we issued 476,190 shares of our common stock upon conversion of a $500,000 convertible debenture to Paladin Labs Inc. at a conversion price of $1.05 per share.

16. In August 2001, we issued a stock bonus of 125,000 shares of common stock to Stephen Simes at a price of $0.60 per share, a stock bonus of 20,000 shares of our common stock to Phillip Donenberg at a price of $0.60 per share, and a stock bonus of 10,000 shares of common stock to Steve Bell at a price of $0.60 per share.

No underwriting commissions or discounts were paid with respect to the sales of the unregistered securities described above. In addition, all of the above sales were made in reliance on either Section 4(2) of the Securities Act as transactions by an issuer not involving any public offering or Regulation D of the Securities Act. In all such transactions, certain inquiries were made by BioSante to establish that such sales qualified for such exemption from the registration requirements. In particular, BioSante confirmed that with respect to the exemption claimed under Section 4(2) of the Securities Act (i) all offers of sales and sales were made by personal contact from officers and directors of BioSante or other persons closely associated with BioSante, (ii) each investor made representations that he or she was sophisticated in relation to this investment (and BioSante has no reason to believe that such representations were incorrect), (iii) each purchaser gave assurance of investment intent and the certificates for the shares bear a legend accordingly, and (iv) offers and sales within any offering were made to a limited number of persons.

ITEM 28. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of

the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Pre-Effective Amendment No. 1 to this registration statement on Form SB-2 to be signed on its behalf by the undersigned, thereunto duly authorized in City of Lincolnshire, State of Illinois.

Dated: September 12, 2001

BIOSANTE PHARMACEUTICALS, INC.

By /s/ Stephen M. Simes

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

By /s/ Phillip B. Donenberg

Phillip B. Donenberg
Chief Financial Officer, Treasurer and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this Pre-Effective Amendment No. 1 to this registration statement on Form SB-2 has been signed by the following persons in the capacities indicated, on September 12, 2001.

NAME AND SIGNATURE	TITLE
/s/ Stephen M. Simes Stephen M. Simes	Vice Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ Phillip B. Donenberg Phillip B. Donenberg	Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)
* Louis W. Sullivan, M.D.	Chairman of the Board
* Edward C. Rosenow, III, M.D.	Director
* Victor Morgenstern	Director
* Ross Mangano	Director
* Peter Kjaer	Director

*	Director
Fred Holubow	
*	Director
Angela Ho	
	Director
Director Avi Ben-Abraham, M.D.	
/s/ Phillip B. Donenberg	Attorney-in-Fact
Phillip B. Donenberg	

BIOSANTE PHARMACEUTICALS, INC.

REGISTRATION STATEMENT ON FORM SB-2

EXHIBIT INDEX

EXHIBIT NO.	EXHIBIT	METHOD OF FILING
2.1	Arrangement Agreement, dated October 23, 1996, between Structured Biologicals Inc. and BioSante Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 2.1 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
3.1	Amended and Restated Certificate of Incorporation of BioSante Pharmaceuticals, Inc.....	Previously filed
3.2	Bylaws of BioSante Pharmaceuticals, Inc.....	Previously filed
4.1	Form of Warrant issued in connection with May 1999 Private Placement.....	Incorporated by reference to Exhibit 4.1 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
4.2	Form of Warrant issued in connection with April 2001 Private Placement.....	Previously filed
5.1	Opinion of Oppenheimer Wolff & Donnelly LLP.....	Previously filed
10.1	License Agreement, dated June 18, 1997, between BioSante Pharmaceuticals, Inc. and The Regents of the University of California (1).....	Incorporated by reference to Exhibit 10.1 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.2	Amendment to License Agreement, dated October 26, 1999, between BioSante Pharmaceuticals, Inc. and the Regents of the University of California (1).....	Incorporated by reference to Exhibit 10.2 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)

10.3	Amended and Restated 1998 Stock Option Plan.....	Previously filed
10.4	Stock Option Agreement, dated December 7, 1997, between BioSante Pharmaceuticals, Inc. and Edward C. Rosenow, III, M.D.....	Incorporated by reference to Exhibit 10.5 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.5	Stock Option Agreement, dated December 8, 1998, between BioSante Pharmaceuticals, Inc. and Stephen M. Simes.....	Incorporated by reference to Exhibit 10.6 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.6	Stock Option Agreement, dated December 8, 1998, between BioSante Pharmaceuticals, Inc. and Stephen M. Simes.....	Incorporated by reference to Exhibit 10.7 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.7	Stock Option Agreement, dated March 30, 1999, between BioSante Pharmaceuticals, Inc. and Stephen M. Simes.....	Incorporated by reference to Exhibit 10.8 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.8	Escrow Agreement, dated December 5, 1996, among BioSante Pharmaceuticals, Inc., Montreal Trust Company of Canada, as Escrow Agent, and certain stockholders of BioSante Pharmaceuticals, Inc....	Incorporated by reference to Exhibit 10.9 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)

10.9	Shareholders' Agreement, dated May 6, 1999, between BioSante Pharmaceuticals, Inc., Avi Ben-Abraham, M.D. and certain stockholders of BioSante Pharmaceuticals, Inc.....	Incorporated by reference to Exhibit 10.12 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.10	Registration Rights Agreement, dated May 6, 1999, between BioSante Pharmaceuticals, Inc. and certain stockholders of BioSante Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 10.13 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.11	Securities Purchase Agreement, dated May 6, 1999, between BioSante Pharmaceuticals, Inc. and certain stockholders of BioSante Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 10.14 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.12	Lease, dated September 15, 1997, between BioSante Pharmaceuticals, Inc. and Highlands Park Associates.....	Incorporated by reference to Exhibit 10.15 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.13	Employment Agreement, dated January 21, 1998, between BioSante Pharmaceuticals, Inc. and Stephen M. Simes, as amended.....	Incorporated by reference to Exhibit 10.16 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)

10.14	Employment Agreement, dated June 11, 1998, between BioSante Pharmaceuticals, Inc. and Phillip B. Donenberg, as amended.....	Incorporated by reference to Exhibit 10.17 contained in BioSante's Registration Statement on Form 10-SB, as amended (File No. 0-28637)
10.15	License Agreement, dated June 13, 2000, between Permatec Technologie, AG and BioSante Pharmaceuticals, Inc. (1).....	Incorporated by reference to Exhibit 10.1 contained in BioSante's Current Report on Form 8-K on July 11, 2000 (File No. 0-28637)
10.16	Supply Agreement, dated June 13, 2000, between Permatec Technologie, AG and BioSante Pharmaceuticals, Inc. (1).....	Incorporated by reference to Exhibit 10.2 contained in BioSante's Current Report on Form 8-K on July 11, 2000 (File No. 0-28637)
10.17	Employment Agreement, dated August 1, 2000, between BioSante Pharmaceuticals, Inc. and John E. Lee.....	Incorporated by reference to Exhibit 10.18 contained in BioSante's Annual Report on Form 10-KSB on March 30, 2001 (File No. 0-28637)
10.18	Employment Agreement, dated December 15, 2000, between BioSante Pharmaceuticals, Inc. and Leah M. Lehman, Ph.D.....	Incorporated by reference to Exhibit 10.19 contained in BioSante's Annual Report on Form 10-KSB on March 30, 2001 (File No. 0-28637)
10.19	Form of Subscription Agreement in connection with the April 2001 Private Placement.....	Previously filed
10.20	Sublease Agreement, dated August 29, 2001, between ICON InfoSystems, Inc. and BioSante Pharmaceuticals, Inc.....	Filed herewith electronically
23.1	Consent of Deloitte & Touche LLP.....	Filed herewith electronically
23.2	Consent of Deloitte & Touche LLP (Canada).....	Filed herewith electronically

23.3	Consent of Oppenheimer Wolff & Donnelly LLP (included in Exhibit 5.1).....	Previously filed
24.1	Power of Attorney (Included on page II-5).....	Previously filed

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

SUBLEASE AGREEMENT

This Sublease Agreement is made this 29th day of August 2001, by and between ICON InfoSystems, Inc., an Illinois corporation (hereinafter referred to as "Tenant" or "Sub-Landlord") and BioSante Pharmaceuticals, Inc., a Delaware corporation ("Sub-Tenant").

RECITALS

A. Sub-Landlord currently occupies Suite 280 of the building commonly known as 111 Barclay Boulevard Building in Lincolnshire Corporate Center, Lincolnshire, Illinois, pursuant to that certain Office Lease Agreement dated February 11, 1998 by and between Tenant and American National Bank and Trust Company of Chicago, as Trustee under Trust No. 113370-03 (now LaSalle Bank N.A., as successor trustee aforesaid, being hereafter referred to as "Landlord"), which was amended by the same parties by a First Amendment to Lease dated October 1, 1999, and be a Second Amendment to Lease dated December 23, 1999 (said Lease, as amended, being hereafter referred to as "Prime Lease").

B. Sub-Tenant desires to Sublease said Suite 280 from Sub-Lessor upon the terms and conditions set forth below.

Therefore, in consideration of the mutual undertakings hereinafter set forth and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto hereby as follows:

1. DEFINITIONS:
For the purpose of this Sublease Agreement, the following terms shall have the following meanings:

a. SUBLEASED PREMISES: Suite 280, 111 Barclay Boulevard Building in the Lincolnshire Corporate Center referred to in the Prime Lease and shown on Exhibit A attached hereto.

b. SUBLEASE TERM: A period of time beginning on the Sublease Commencement Date and ending on the Expiration Date.

c. SUBLEASE COMMENCEMENT DATE: September 1, 2001. Notwithstanding anything contained herein to the contrary, the Sublease Commencement Date shall not be deemed to occur unless and until: (a) this Sublease has been fully executed by all parties hereto, and (b) the Landlord consents to same in writing.

d. RENT PAYMENT COMMENCEMENT DATE: The Sublease Commencement Date.

e. EXPIRATION DATE: December 31, 2003.

f. RENT: $6,219.08 per month, gross.

g. SUBLEASE PAYMENT ADDRESS: ICON InfoSystems, Inc., Suite 110, 111 Barclay Boulevard, Lincolnshire, Illinois 60069.

h. USE: The Subleased Premises may be used for general business offices.

i. SUBLEASE: This Sublease Agreement.

2. SUBLEASED PREMISES:
Sub-Landlord does hereby sublease to Sub-Tenant and Sub-Tenant hires and takes from Sub-Landlord the Subleased Premises as defined in Section l.a.

3. SUBLEASE TERM:
The Sublease Term shall be as described in Section 1.b.

4. PRIME LEASE:
Sub-Landlord represents that a true and complete copy of the Prime Lease is attached hereto as Exhibit B and such Prime Lease has not been further amended or modified and remains in full force and effect. All terms, covenants and conditions of the Prime Lease are incorporated herein by reference, with the same force and effect as if set forth at length herein, and shall be binding upon both Sub-Landlord and Sub-Tenant. This sublease and all of the rights of Sub-Tenant hereunder with respect to the Premises are subject to the terms, conditions and provisions of the Prime Lease. Sub-Tenant hereby assumes and agrees to perform faithfully and be bound by all of Sub-Landlord's obligations, covenants, agreements and liabilities under the Prime Lease (except that Sub-Tenant shall not be obligated to pay any Base Rent or Additional Rent under Sections 1 or 2 of the Prime Lease); provided, however in no event shall Sub-Tenant be responsible for the restoration of the Premises to any condition other than the condition same is on Sublease Commencement date; normal wear and tear and damage and/or loss by casualty or condemnation excepted..

(A) Without limitation of the foregoing:

(i) Sub-Tenant shall not make any changes, alterations or additions in or to the Premises except as otherwise expressly provided herein;

(ii) If Sub-Tenant desires to take any other action and the Prime Lease would require that Sub-Landlord obtain the consent of Landlord before undertaking any action of the same kind, Sub-Tenant shall not undertake the same without the prior written consent of Sub-Landlord. Sub-Landlord may condition its consent on the consent of Landlord being obtained and may require Sub-Tenant to contact Landlord directly for such consent; provided, however, where consent is so required, Sub-Landlord will not unreasonably withhold, condition, or delay its consent, and Sub-Landlord will reasonably assist Sub-Tenant in pursuing such consent from the Landlord.

(iii) Sub-Landlord shall have all other rights, and all privileges, options, reservations and remedies, granted or allowed to, or held by, Landlord

under the Prime Lease; and Sub-Tenant shall be entitled to all of Sub-Landlord's rights and benefits as "Tenant" under the Prime Lease, except as otherwise stated herein.

(iv) Sub-Tenant shall not do anything or suffer or permit anything to be done which could result in a default under the Prime Lease or permit the Prime Lease to be cancelled or terminated.

(v) Sub-Tenant shall not assign, mortgage, pledge, hypothecate or otherwise transfer or permit the transfer of this Sublease or any interest of Sub-Tenant in this Sublease, by operation of law or otherwise, or permit the use of the Premises or any part thereof by any persons other than Sub-Tenant and Sub-Tenant's employees, or sublet the Premises or any part thereof,

(vi) Neither rental nor other payments hereunder shall abate by reason of any damage to or destruction of the Premises, the premises subject to the Prime Lease, or the Building or any part thereof, unless, and then only to the extent that, rental and such other payments actually abate under the Prime Lease with respect to the Premises on account of such event.

(vii) In the event of any conflict between the terms, conditions and provisions of the Prime Lease and of this Sublease, the terms, conditions and provisions of this Sublease shall, in all instances, govern and control; with respect to Sub-Tenant's and Sub-Landlord's relationship hereunder. Notwithstanding anything contained herein to the contrary, Sub-Tenant shall not be responsible for any of Sub-Landlord's financial or other obligations arising before the Sublease Term, except as otherwise stated herein.

(B) It is expressly understood and agreed that Sub-Landlord does not assume and shall not have any of the obligations or liabilities of Landlord under the Prime Lease and that Sub-Landlord is not making the representations or warranties, if any, made by Landlord in the Prime Lease. With respect to work, services, repairs and restoration or the performance of other obligations required of Landlord under the Prime Lease, Sub-Landlord's sole obligation with respect thereto shall be to request the same, upon written request from Sub-Tenant, and to use reasonable efforts to obtain the same from Landlord. Sub-Landlord shall not be liable in damages, nor shall rent abate hereunder, for or on account of any failure by Landlord to perform the obligations and duties imposed on it under the Prime Lease. In the event Sub-Landlord is entitled to any abatement, offset, or the like under the Lease, Sublandlord shall be entitled to same as to this Sublease.

5. RENT PAYMENT:
Sub-Tenant shall pay to Sub-Landlord during the Sublease Term, Rent as defined in Section 1.f. Rent shall be paid monthly in advance. The payment for the first month of the Sublease Term shall be due five days prior to the Sublease Commencement Date; and

subsequent payments shall be due on the fifth day prior to the first day of each month thereafter during the Sublease Term.

6. UTILITIES:
Electricity is currently separately metered and Sub-Tenant shall promptly pay all charges for electricity used during the Sublease Term.

7. INSURANCE:
Sub-Landlord agrees to maintain the insurance of the kinds and amounts required to be maintained by Sub-Landlord as tenant under Prime Lease and that it shall name Sub-Tenant as an additional named insured. Sub-Landlord will provide Sub-Tenant with copies of the policies or certificates evidencing that such insurance is in full force and effect and stating the terms thereof.

8. DESTRUCTION OR CONDEMNATION:
In the event that the Subleased Premises are (a) damaged or destroyed by fire, explosion or any other casualty or taken by eminent domain (or by deed in given lieu of condemnation), and (b) as a result cannot be reasonably used by Sub-Tenant, Sub-Tenant may terminate the Sublease by giving written notice thereof to Sub-Landlord within thirty (30) days of the occurrence of either such event. In no event, however, shall tenant share in any award whatsoever.

9. DEFAULT BY SUB-TENANT:

a. Upon the happening of any of the following:

(i) Sub-Tenant fails to pay any Base Rent or Additional Rent within five (5) days after the date it is due except that no more frequently than twice in any calendar year, Tenant shall be entitled to 5 days' prior notice of non-payment during which time it may cure such non-payment;

(ii) Sub-Tenant fails to pay any other amount due from Sub-Tenant hereunder and such failure continues for five (5) days after notice thereof from Sub-Landlord to Sub-Tenant;

(iii) Sub-Tenant fails to perform or observe any other covenant or agreement set forth in this Sublease and such failure continues for thirty (30) days after notice thereof from Sub-Landlord to Sub-Tenant;

(iv) any other event occurs which results from the action or failure to act by Sub-Tenant (as opposed to Sub-Landlord) which would constitute a Default (which is defined in the Prime Lease as a default after the expiration of applicable cure periods) under the Prime Lease if it involved Sub-Landlord or the premises covered by the Prime Lease:

Sub-Tenant shall be deemed to be in default hereunder, and Sub-Landlord may exercise, without limitation of any other rights and remedies available to it hereunder or at law or in equity, any

and all rights and remedies of Landlord set forth in the Prime Lease in the event of a default by Sub-Landlord thereunder, but only to the extent applicable hereunder.

b. In the event Sub-Tenant fails or refuses to make any payment or perform any covenant or agreement to be performed hereunder by Sub-Tenant, Sub-Landlord may make such payment or undertake to perform such covenant or agreement (but shall not have any obligation to Sub-Tenant to do so). In such event, amounts so paid and amounts expended in undertaking such performance, together with all direct, actual, and reasonable costs, expenses and attorneys' fees incurred by Sub-Landlord in connection therewith, shall be additional rent hereunder.

10. WAIVER OF CLAIMS AND INDEMNITY:

a. Sub-Tenant hereby releases and waives any and all claims against Landlord and Sub-Landlord and each of their respective officers directors, partners, agents and employees for injury or damage to person, property or business sustained in or about the Building, the premises subject to the Prime Lease, or the Premises by Sub-Tenant other than by reason of gross negligence or willful misconduct and except in any case which would render this release and waiver void under law.

b. Sub-Landlord hereby releases and waives any and all claims against Sub-Tenant and its officers, directors, partners, agents and employees for injury or damage to person, property or business sustained in or about the Building, the premises subject to the Prime Lease, or the Premises by Sub-Landlord other than by reason of gross negligence or willful misconduct and except in any case which would render this release and waiver void under law.

c. Sub-Tenant agrees to indemnify, defend and hold harmless Landlord and its beneficiaries, Sub-Landlord and the managing agent of the Building and each of their respective officers, directors, partners, agents and employees, from and against any and all claims, demands, costs and expenses of every kind and nature, including attorneys' fees and litigation expenses, arising from Sub-Tenant's specific use of the Premises, Sub-Tenant's construction of any leasehold improvements in the Premises or from any breach or default on the part of Sub-Tenant in the performance of any agreement or covenant of Sub-Tenant to be performed or performed under this Sublease or pursuant to the terms of this Sublease, or from any negligence or willful misconduct of Sub-Tenant or its agents, officers, employees, guests, servants, invitees or customers in or about the Premises. In case any such proceeding, as aforesaid, is brought against any of said indemnified parties. Sub-Tenant covenants, if requested by Sub-Landlord, to defend such proceeding at its sole cost and expense by legal counsel reasonably satisfactory to Sub-Landlord.

11. SECURITY DEPOSIT:

Sub-Tenant shall deposit with Sub-Landlord no later than August 29, 2001, Eighteen Thousand Six Hundred Fifty-seven and 25/100 Dollars ($18,657.25) as security for the full and faithful performance of every provision of this Sublease to be performed by Sub-

Tenant. If Sub-Tenant defaults with respect any provision of this Sublease, including, but not limited to, the provisions relating to the payment of rent, Sub-Landlord may use, apply or retain all or any part of said security deposit for the payment of any rent and any other sum in default, or for the payment of any other amount which Sub-Landlord may spend or become obligated to spend by reason of Sub-Tenant's default or to compensate Sub-Landlord for any other direct and actual loss or damage which Sub-Landlord may suffer by reason of Sub-Tenant's default. If Sub-Tenant shall fully and faithfully perform every provision of this Sublease to be performed by it, said security deposit or any balance thereof shall be returned to Sub-Tenant within thirty (30) days after the expiration of the term and Sub-Tenant's vacation of the Premises. Nothing herein shall be construed to limit the amount of damages recoverable by or any other remedy to Sub-Landlord. Tenant may substitute a Letter of Credit for the Security Deposit (in which event the Sub-Landlord, upon receipt of the Letter of Credit shall return the cash security deposit to Sub-Tenant), provided that the expiration date thereof is no later earlier than 30 days following the expiration of the Sublease Term, is in the face amount of $18,657.25, is a "clean" letter of credit payable to Sub-Landlord on demand and in form and drawn on a bank reasonably acceptable to Sub-Landlord. Failure to deposit the Security Deposit (or Letter of Credit) by August 29, 2001 shall constitute Sub-Tenant's default hereunder and Tenant shall not be permitted to occupy the Premises.

12. PARKING:
Sub-Tenant shall be permitted exclusive use of two (2) of the exterior reserved parking spaces so allocated to Sub-Landlord under the Prime Lease. Sub-Tenant shall promptly pay all costs for signage and installation.

13. BROKERS:
The parties warrant to each other that neither has used the services of any broker in connection with this Sub-Lease except for Van Vlissingen and Co. Sub-Landlord shall pay all of Van Vlissingen's commissions in connection with this Sub-Lease per Sub-Landlord's contract with Van Vlissingen and Co. Each of the parties ("Indemnifying Party") shall indemnify the other party and shall hold said other party harmless against any and all other claims for brokerage commissions claimed to have arisen through the dealings or activities of said Indemnifying Party.

14. RECITALS: The Recitals set forth above are incorporated in and made apart of this Sublease.

15. LANDLORD'S CONSENT: This Sublease is subject to and contingent upon the Landlord Consenting hereto as provided in paragraph 13 of the Prime Lease.

16. REPRESENTATIONS AND WARRANTIES OF SUB-LANDLORD. In addition to the other representations and warranties of Sub-Landlord hereunder, Sub-Landlord represents and warrants to Sub-Tenant that: (a) neither Sub-Landlord nor, to the best of Sub-Landlord's knowledge, Landlord is in default under the terms of the Lease; and (b) there is no known circumstances existing under which Sub-Landlord or Landlord may be deemed in default pursuant to the Lease merely upon the service of notice or passage of time, or both.

17. COVENANT OF QUIET ENJOYMENT. So long as Sub-Tenant is not in default under this Sublease beyond all applicable cure periods, Sub-Landlord shall not interfere with Sub-Tenant's uses and enjoyment of, or access to, the Premises.

18. NOTICES. Notices and communications ("Notices") required or permitted to be given shall be mailed, by certified mail or registered United State mail, postage prepaid; sent via facsimile followed by submission of the original; or delivered (either personal delivery or delivery by private express courier service such as Federal Express).

Address for Notices:

SUB-LANDLORD:

ICON InfoSystems, Inc.
Suite 110
111 Barclay Boulevard
Lincolnshire, Illinois 60069

SUB-TENANT

BioSante Pharmaceuticals, Inc.
Suite 280
111 Barclay Boulevard
Lincolnshire, IL 60069

with a copy to:

Gary I. Levenstein
Ungaretti & Harris
3500 Three First National Plaza
Chicago, Illinois 60602

The addresses for Notices for a party may be changed by that party by written notice to the other party in accordance with this Paragraph. Notices sent in accordance with this Paragraph shall be deemed effective upon receipt or on the date of first refusal to accept delivery of such notice.

Agreed by the Parties:

BIOSANTE PHARMACEUTICALS, INC.	ICON INFOSYSTEMS, INC.
/s/ Stephen M. Simes	By: /s/ Charles Dorfman
- ----------	----------
By: Stephen M. Simes	Charles Dorfman
Its: President & CEO	Its: President

Received and Approved: Van Vlissingen and Co.

By:

EXHIBIT A

SUBLEASED PREMISES

EXHIBIT B

PRIME LEASE

CONSENT TO SUBLEASE

This Agreement, made this 29th day of August, 2001 by and among LaSalle Bank National Association, not personally but as Successor Trustee to American National Bank and Trust Company of Chicago under Trust Agreement dated January 1, 1991 and known as Trust No. 11-3370-03 ("Landlord"), ICON InfoSystems, Inc., an Illinois corporation ("Tenant") and Biosante Pharmaceuticals, Inc., a Delaware corporation ("Subtenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to a written lease dated February 11, 1998, as amended (the lease as heretofore amended herein called the "Lease"), under which Lease Landlord demised to Tenant certain premises known as Suites 280 and 110 in the building located at 111 Barclay Boulevard, Lincolnshire, Illinois (the "Premises"); and

WHEREAS, Tenant and Subtenant have entered into the sublease (the "Sublease") attached hereto as Exhibit A for Suite 280 of the Premises (herein called the "Subleased Premises") and have requested Landlord's consent to the Sublease; and

WHEREAS, Landlord is willing to consent to the Sublease on the terms and conditions hereinafter provided.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the parties hereto agree as follows.

1. CONSENT. Landlord hereby consents to the Sublease subject to the terms and conditions of this Agreement all of which shall to the extent not otherwise reflected in the Sublease, be deemed incorporated in the Sublease.

2. USE OF SUBLEASED PREMISES. Subtenant will use and occupy the Premises for the purposes set forth in the Lease and shall not use or occupy, or permit the use or occupancy of, the Subleased Premises or any part thereof, for any purpose other than such purpose or in any manner which, in Landlord's reasonable judgment, materially adversely shall affect or interfere with any services required to be furnished by Landlord or Tenant or with the proper and economical rendition of any such service.

3. SUBTENANT ALTERATIONS. No alterations shall be made by Subtenant in the Subleased Premises without the prior written consent of Landlord pursuant to and in accordance with the provisions of the Lease.

4. WAIVER OF CERTAIN CLAIMS; INDEMNITY BY SUBTENANT.

a. To the extent not expressly prohibited by law, Subtenant releases Landlord and its beneficiaries, and their agents, servants, and employees, from and waives all claims for damages to person or property sustained by the Subtenant or by any occupant of the Subleased Premises, or by any other person, resulting directly or indirectly from fire or other casualty, cause, or any existing or future condition, defect, matter, or thing in or about the Subleased Premises, or any part of it, or from any equipment or

appurtenance therein, or from any accident in or about the Subleased Premises, or from any act or neglect of any tenant or other occupant of the building located on the Subleased Premises or any part thereof or of any other person. The foregoing release shall not operate as a release of Landlord from liability for the negligent or intentionally wrongful conduct of Landlord or its agent or employees. This Paragraph shall apply especially, but not exclusively, to damage caused by water, snow, frost, steam, excessive heat or cold, sewerage, gas, odors, or noise, or the bursting or leaking of pipes or plumbing fixtures, broken glass, sprinkling or air conditioning devices or equipment, or flooding of basements, and shall apply without distinction as to the person whose act or neglect was responsible for the damage and whether the damage was due to any of the acts specifically enumerated above, or from any other thing or circumstance, whether of a like nature or of a wholly different nature. Subject to Section 5(a), if any damage to the Subleased Premises or any equipment or appurtenance therein, whether belonging to Landlord or to other tenants or occupants or otherwise, results from any negligent or wrongful acts of the Subtenant, its employees, agents, or invitees, Subtenant shall be liable therefor and Landlord may, at its option, repair such damage and Subtenant shall upon demand by Landlord reimburse Landlord for all reasonable costs of such repairs and damages in excess of amounts, if any, paid to Landlord under insurance covering such damages. All personal property belonging to the Subtenant or any occupant of the Subleased Premises that is in the Subleased Premises shall be there at the risk of the Subtenant or other person only and Landlord shall not be liable for damage thereto or theft or misappropriation thereof

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

5. SUBROGATION AND INSURANCE.

a. Landlord and Subtenant agree to have all physical damage or material damage insurance which may be carried by either of them, and Subtenant agrees to have all business interruption insurance which it carries, if any, endorsed to provide that any release from liability of, or waiver of claim for, recovery from the other party entered into in writing by the insured thereunder prior to any loss or damage shall not affect the validity of said policy or the right of the insured to recover thereunder and providing further that the insurer waives all rights of subrogation which such insurer might have against the other party. Without limiting any release or waiver of liability or recovery contained in any other section of this Agreement, but rather in confirmation and furtherance thereof, each of the parties hereto waives all claims for recovery from the other party for any loss or damage to any of its property or damages as a result of business interruption. Notwithstanding the foregoing or anything contained in this

Agreement to the contrary, any release and any waiver of claims shall not be operative, nor shall the foregoing endorsements be required, in any case where the effect of such release and waiver is to invalidate insurance coverage or increase the cost thereof (provided that, in the case of increased cost, the other party shall have the right, within ten (10) days following written notice, to pay such increased cost keeping such release and waiver in full force and effect).

b. Subtenant shall carry insurance during the entire term of the Sublease insuring Subtenant and Landlord and Landlord's agents and beneficiaries with terms, coverages, and in companies reasonably satisfactory to Landlord and with such commercially reasonable increases in limits as Landlord may reasonably from time to time request, but initially Subtenant shall maintain the coverages required of Tenant under the Lease. The foregoing insurance may be provided by a company-wide blanket insurance policy or policies maintained by or on behalf of Subtenant, provided that the same is reasonably satisfactory to Landlord.

c. Subtenant shall, prior to the commencement of the term of the Sublease and thereafter during said term, furnish to Landlord certificates issued by the respective carriers evidencing such coverage or replacements and renewals thereof, which policies or certificates shall state that the insurance agents shall endeavor not to change or cancel such policies without at least ten (10) days' prior written notice to Landlord and Subtenant. Each insurance policy carried by Subtenant shall contain, where appropriate, a clause stating that such policy will be considered as primary insurance for Landlord and its agents and beneficiaries and not call into contribution any other insurance that may be available to Landlord.

6. RETURN OF SUBLEASED PREMISES. If for any reason, at any time prior to the expiration date of the Sublease, the term of the Lease shall terminate or be terminated by operation of any provisions of the Lease or of law, the Sublease and the term thereby granted shall terminate, and, on or prior to the date of such termination of the Sublease, Subtenant, at Subtenant's sole cost and expense, (i) shall quit and surrender the Subleased Premises to Landlord, broom clean and in good order and condition, ordinary wear excepted, (ii) shall remove all of Subtenant's property and all other property and effects of Subtenant and all persons claiming through or under Subtenant from the Subleased Premises, and (iii) shall repair all damage to the Subleased Premises occasioned by such removal. Landlord shall have the right to retain any property and effects which shall remain in the Subleased Premises after such termination, and any net proceeds from the sale thereof, without waiving Landlord's rights with respect to any default by Subtenant under the foregoing provisions of this paragraph. If the date of such termination shall fall on a Sunday or holiday, then Subtenant's obligations under the first sentence of this paragraph shall be performed on or prior to the Saturday or business day immediately preceding such Sunday or holiday. Subtenant's obligations under this paragraph shall survive the expiration or sooner termination of the terms of the Lease and Sublease. The foregoing provisions of this paragraph notwithstanding, if Subtenant shall be required to attorn pursuant to the provisions of Paragraph 9 of this Agreement, the foregoing provisions of this Paragraph shall have no force or effect. Notwithstanding anything contained herein or in the Lease to the contrary, Subtenant shall only be required to return possession to the Premises in the

condition same was in as of the date of full execution of this Agreement, normal wear and tear, and loss or damage by casualty or condemnation excepted.

7. EMINENT DOMAIN. Subtenant shall not seek or accept, and Subtenant shall have no right to, any condemnation or eminent domain proceeds or awards made with respect to the Subleased Premises, or any interest therein, except to the extent permitted of Tenant under the Lease. Notwithstanding the foregoing, Subtenant may make a separate claim for trade fixtures taken and moving expenses if separately allocated.

8. SUBTENANT ASSIGNMENT AND SUBLETTING. Subtenant for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, covenants that without the prior written consent of Landlord in each instance as provided for and in accordance with the Lease, it shall not (i) assign, mortgage or encumber its interest in the Sublease, or (ii) sublet or permit the subletting of, the Subleased Premises or any part thereof, or (iii) permit the Subleased Premises or any part thereof to be occupied, or used for desk space, mailing privileges or otherwise, by any person other than Subtenant, employees and usual and customary business guests and invitees.

9. ATTORNMENT. If for any reason the term of the Lease shall terminate or be terminated by operation of any provisions of the Lease or of law prior to the Lease Expiration Date, Subtenant agrees, at the election and upon demand of Landlord or any other owner of the Leased Premises or of the holder of any mortgage in possession of the Leased Premises or of any lessee under any lease to which the Sublease shall be subject and subordinate, to attorn, from time to time, to Landlord or any such owner, holder or lessee, upon the then executory terms and conditions set forth in the Sublease. The foregoing provisions of this Paragraph shall inure to the benefit of any such owner, holder or lessee, shall apply notwithstanding that, as a matter of law, the Sublease may terminate upon the termination of the Lease, shall be self-operative upon any such demand, and no further instrument shall be required to give effect to said provisions. Upon demand of Landlord or any such owner, holder or lessee, Subtenant agrees, however, to execute, from time to time, instruments in confirmation of the foregoing provisions of this paragraph, satisfactory to Landlord or any such owner, holder or lessee, in which Subtenant shall acknowledge such attornment and shall set forth the terms and conditions of its tenancy. Nothing contained in this Paragraph shall be construed to impair any right otherwise exercisable by Landlord or any such owner, holder or lessee. Upon request of Landlord or any such owner, holder or lessee, whether made prior or subsequent to such termination, Tenant and Subtenant shall deliver an executed counterpart of the Sublease to Landlord.

10. MISCELLANEOUS.

a. The Sublease is subject and subordinate in all respects to the Lease and to all of the terms, covenants and conditions thereof.

b. Subtenant shall not violate or permit the violation of any of the terms, covenants and conditions of the Lease including, but not limited to, any rules and regulations applicable to the Subleased Premises.

c. Subtenant shall not pay to Tenant any advance rent in an amount greater than one (1) month's rent.

d. The Sublease shall not be modified without the prior written consent of Landlord.

e. If Tenant shall terminate or shall give any notice to Subtenant terminating the Sublease, Tenant shall promptly notify Landlord thereof.

f. Notices and demands required or permitted to be given by any party shall be in writing and shall be given in accordance with the terms of the Lease. Any party may change its address for receipt of notices by giving notice to the other parties.

g. Tenant agrees to pay to Landlord, upon demand, as additional rent, Landlord's reasonable counsel fees incurred in connection with the preparation and execution of this Agreement.

h. All capitalized terms used herein shall have the same meanings as in the Lease unless otherwise defined herein.

11. PAYMENT OF RENT UPON DEFAULT. Notwithstanding anything in the Sublease to the contrary, if Tenant is in default under the Lease, upon written notice from Landlord to Tenant and Subtenant, Subtenant shall thereafter make all rent payments under the Sublease directly to Landlord, and Tenant hereby releases Subtenant from any and all payments due Tenant under the Sublease and so made to Landlord pursuant to Landlord's notice.

12. NO RELEASE OF TENANT LIABILITY. Neither this Agreement, nor the Sublease, nor any acceptance of rent by Landlord from Subtenant shall operate to waive, modify, release or in any manner affect Tenant's liability under the Lease. No other or further sublease of all or of any part of the Premises shall be made by Tenant without the prior written approval of the Landlord pursuant to and in accordance with the provisions of the Lease.

13. CONFLICTING PROVISIONS. In the event that there shall be any conflict between the terms, covenants and conditions of this Agreement and the terms, covenants arid conditions of the Sublease as same relate to the Landlord's and Subtenant's relationship (but not the Tenant's and Subtenant's relationship), then the terms, covenants and conditions of this Agreement shall prevail in each instance, and any conflicting terms, covenants or conditions of the Sublease shall be deemed modified to conform with the terms, covenants and conditions of this Agreement.

14. REAL ESTATE BROKERS. Tenant and Subtenant shall jointly and severally indemnify and hold Landlord harmless from all damages, liability, and expense (including reasonable attorneys' fees) arising from any claims or demands of any broker or brokers or finders other than Van Vlissingen and Co. for any commission alleged to be due such broker or brokers in connection with the Sublease.

15. ESTOPPEL. Tenant hereby acknowledges that as of the date hereof, Tenant has no claims arising under the Lease against Landlord, its agents or beneficiaries, or any one or

more of the foregoing, and that Tenant knows of no default or failure on the part of Landlord to keep or perform any covenant, condition or undertaking to be kept or performed by it under the Lease. Tenant hereby releases Landlord from any liability arising under the Lease prior to the date hereof.

16. EXCULPATION. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings, and agreements herein made on the part of any Landlord while in form purporting to be the representations, warranties, covenants, undertakings, and agreements of such Landlord are nevertheless each and every one of them made and intended, not as personal representations, warranties, covenants, undertakings, and agreements by such Landlord or for the purpose or with the intention of binding such Landlord personally, but are made and intended for the purpose only of subjecting such Landlord's interest in the Subleased Premises to the terms of this Agreement and for no other purpose whatsoever, and in case of default hereunder by any Landlord (or default through, under, or by any of its beneficiaries, or agents or representatives of said beneficiaries), the Tenant shall look solely to the interests of such Landlord in the Subleased Premises; that Landlord nor any of its beneficiaries or their partners, shareholders, directors, officers, agents, employees, legal representatives, successors, or assigns shall have any personal liability to pay any indebtedness accruing hereunder or to perform any covenant, either express or implied, herein contained and no liability or duty shall rest upon any Landlord which is a land trust to sequester the rents, issues, and profits arising from the trust estate, or the proceeds arising from any sale or other disposition thereof; that no personal liability or personal responsibility of any sort is assumed by, nor shall at any time be asserted or enforceable against, Landlord, LaSalle Bank National Association, individually or personally, but only as trustee under the provisions of a Trust Agreement dated January 1, 1991, and known as its Trust No. 11-3370-03 or against any of the beneficiaries under the said Trust No. 11-3370-03 or any beneficiaries under any land trust which may become the owner of the Subleased Premises, on account of this Agreement or on account of any representation, warranty, covenant, undertaking, or agreement of Landlord in this Agreement contained, either express or implied, all such personal liability, if any, being expressly waived and released by Tenant and by all persons claiming by, through, or under Tenant; and that this Agreement is executed and delivered by the undersigned Landlord not in its own right, but solely in the exercise of the powers conferred upon it as such Trustee.

IN WITNESS WHEREOF, the parties hereto shall be deemed to have executed this Consent to Sublease on the date first above written.

LANDLORD:

LASALLE BANK NATIONAL ASSOCIATION, not personally, but as Trustee aforesaid

By: /s/ Charles R. Lamphere

Title: President

Van Vlissingen and Co.
Its Duly Authorized Agent

TENANT:

ICON INFOSYSTEMS, INC.

By: /s/ Charles Dorfman

Title: President

SUBTENANT:

BIOSANTE PHARMACEUTICALS, INC.

By: /s/ Phillip B. Donenberg

Title: CFO

EXHIBIT A

SUBLEASE

111 BARCLAY BOULEVARD

LINCOLNSHIRE CORPORATE CENTER

OFFICE LEASE

BETWEEN

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

LANDLORD

AND

ICON INFOSYSTEMS, INC.

TENANT

FOR

SUITE

280

DATED: February 11th, 1998

TABLE OF CONTENTS

LEASE WITH ICON INFOSYSTEMS, INC. ("TENANT")

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

This Lease, made as of the Date of Lease set forth in the following Schedule (the "Schedule"), by and between American National Bank and Trust Company of Chicago as Trustee under Trust No. 113370-03 ("Landlord"), and the Tenant identified immediately above.

SCHEDULE OF SIGNIFICANT TERMS

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

DATE OF LEASE:	February 11, 1998
BASE RENT (annual amount):	3/1/98 - 2/28/99 $53,058.04 3/1/99 - 2/29/00 $54,649.78 3/1/00 - 2/28/01 $56,289.27
MONTHLY BASE RENT:	3/1/98 - 2/28/99 $4,421.50 3/1/99 - 2/29/00 $4,554.15 3/1/00 - 2/28/01 $4,690.77
COMMENCEMENT DATE:	March 1, 1998, subject to the provisions of Section 5 of the Lease
EXPIRATION DATE:	February 28, 2001, or such earlier date as this Lease is terminated as provided herein.
BUILDING:	The improvements commonly known as 111 Barclay Boulevard, Lincolnshire Corporate Center, Lincolnshire, Illinois.
PREMISES:	Those certain premises outlined on the floor plan attached hereto as Exhibit A, on the second floor of the Building, known as Suite 280, and containing approximately 4,034 square feet.
TENANT'S PROPORTIONATE SHARE:	5.16%
BASE CPI AMOUNT:	N/A
EXPENSE STOP AMOUNT:	$-0-
TAX STOP AMOUNT:	$-0-

CPI ADJUSTMENT DATES:	N/A
Security Deposit:	$7,010.42
EXTERIOR PARKING SPACES (MAXIMUM):	15 (2 of which shall be identified as reserved parking)
BROKER:	Van Vlissingen and Co. and Grubb & Ellis
TENANT'S ADDRESS FOR NOTICES:	

TENANT'S AUTHORIZED REPRESENTATIVE:	

GUARANTOR (if any):	

ATTACHMENTS TO LEASE (check if applicable):

Guaranty	

Workletter	

Attachment(s) to Workletter	

Rider A:	X (Rules and Regulations)

Rider B:	X (Cleaning Schedule)

SUPPLEMENTAL PROVISIONS

S.1 OPTION TO EXTEND. If Tenant shall timely and faithfully perform all of the terms, covenants and conditions of this Lease, and provided that Tenant (and not a sublessee or assignee, other than under an assignment made pursuant to Section 13 hereof) shall then be in occupancy of all or substantially all of the Leased Premises, Tenant shall have the right, exercisable by giving written notice thereof to Landlord at least nine (9) months prior to the expiration of the original term of this Lease, to extend the term of this Lease for an additional term of two (2) years, upon all of the terms, covenants and conditions contained in this Lease, except that the Base Rent during the additional term shall be as follows:

Period	Annual Rent	Monthly Installments
03/1/01 - 02/28/02	$57,977.95	$4,831.50
03/1/02 - 02/29/03	$59,717.29	$4,976.44

S.2 ICO LEASE TERMINATION CONTINGENCY. Notwithstanding anything set forth herein, this Lease is expressly conditioned upon receipt by Landlord of a lease termination agreement (the "Termination") between Landlord and ICO Services, Inc., effective February 28, 1998, with respect to the Premises, in form and content acceptable to Landlord. If the Termination is not received by Landlord on or before February 28, 1998, then this Lease shall terminate in its entirety.

S.3 REPAIRS. Notwithstanding anything set forth in Section 5 of this Lease to the contrary, Landlord shall perform the following repairs to the Premises, at its sole cost and expense:

(a) interior painting of the Premises;
(b) repair of the scratch in the glass; and
(c) removal of the visible pipes from the conference room.

WITNESSETH:

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

IN CONSIDERATION THEREOF, THE PARTIES HERETO COVENANT AND AGREE:

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

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

(a) DEFINITIONS. As used in this Lease:

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

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

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

(A) All costs and expenses directly related to the Building for operating and cleaning tenant, common and public areas, for utilities, for the payment of salaries and fringe benefits for personnel of the grade of building manager and below, for removing snow, ice, and debris, and costs of property, liability, rent loss, and other insurance;

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

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

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

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

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

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

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

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

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

(K) Expenses shall not include the following: costs or other items included within the meaning of the term "Taxes" (as hereinafter defined); costs of capital improvements to the Building (except as set forth

in H above); depreciation; expenses incurred in leasing or procuring tenants (including, without limitation, lease commissions, advertising expenses, and expenses of renovating apace for tenants); interest or amortization payments on any mortgage or mortgages; rental under any ground or underlying lease or leases; wages, salaries, or other compensation paid to any executive employees above the grade of building manager; wages, salaries, or other compensation paid for clerks or attendants in concessions or newsstands operated by the Landlord; the cost of correcting defects (latent or otherwise) which arise within one (1) year after initial construction of the Building in the construction of the Building, except that conditions (not occasioned by construction defects) resulting from ordinary wear and tear shall not be deemed defects; the cost of installing, operating, and maintaining a specialty improvement, including, without limitation, an observatory, or broadcasting, cafeteria, or dining facility, or athletic, luncheon, or recreational club; any cost or expense representing an amount paid to a related entity which is in excess of the amount which would be paid in the absence of such relationship; and any expenditures for which Landlord has been reimbursed (other than pursuant to rent adjustment, escalation, or additional rent provisions in leases).

Notwithstanding the foregoing provisions of this Section 2(a)(iii), for any Adjustment Year in which the aggregate usable office space of the Building has not been one hundred percent (100%) occupied during the entire Adjustment Year, Expenses shall include any expenses which Landlord shall reasonably determine would have been incurred had the Building been one hundred percent (100%) occupied.

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

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

(A) If at any time during the Term of this Lease the method of taxation then prevailing shall be altered so that any new tax, assessment, levy, imposition or charge or any part thereof shall be imposed upon Landlord in addition to, or in place or partly in place of any such Taxes, or contemplated increase therein, and shall be measured by or be based in whole or in part upon the Real Property or the rents or other income

therefrom, then all such new taxes, assessments, levies, impositions or charges or part thereof, to the extent that they are so measured or based, shall be included in Taxes levied, imposed, or assessed against real property to the extent that such items would be payable if the Real Property were the only property of Landlord subject thereto and the income received by Landlord from the Real Property were the only income of Landlord.

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

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

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

(vi) Intentionally Deleted.

(vii) Intentionally Deleted.

(viii) Intentionally Deleted.

(ix) Intentionally Deleted.

(x) Intentionally Deleted.

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

(b) COMPUTATION OF ADDITIONAL RENT. Tenant shall pay Additional Rent for each Adjustment Year determined as hereinafter set forth. Additional Rent payable by

Tenant with respect to each Adjustment Year during which an Adjustment Date falls shall include the following amounts:

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

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

(iii) Intentionally Deleted.

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

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

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

(B) Until such time as Landlord furnishes a Projection Notice for an Adjustment Year, Tenant shall, at the time of each payment of Monthly Base Rent, pay to Landlord a monthly installment of Additional Rent Progress Payment with respect to each component of Additional Rent equal to the greater of the latest monthly installment of Additional Rent Progress Payment or one-twelfth (1/12) of Tenant's latest determined Expense Adjustment and Tax Adjustment. On or before the first day of the next calendar month following Landlord's service of a Projection Notice, and on or before the first day of each month thereafter, Tenant shall pay to Landlord one-twelfth (1/12) of the Additional Rent Progress Payments shown in the Projection Notice. Within thirty (30) days

following Landlord's service of a Projection Notice, Tenant shall also pay Landlord a lump sum equal to the Additional Rent Progress Payment shown in the Projection Notice less (1) any previous payments on account of Additional Rent Progress Payment made during such Adjustment Year and (2) monthly installments on account of Additional Rent Progress Payment due for the remainder of such Adjustment Year.

(ii) CPI ADJUSTMENT. Intentionally Deleted.

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

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

(ii) Following the end of each Adjustment Year and after Landlord shall have determined the actual amounts of Taxes to be used in calculating the Tax Adjustment for such Adjustment Year, Landlord shall notify Tenant in writing ("Landlord's Statement") of such Taxes for such Adjustment Year. If the Tax Adjustment owed for such Adjustment Year exceeds the Tax Adjustment component of the Additional Rent Progress Payment paid by Tenant during such Adjustment Year, then Tenant shall, within thirty (30) days after the date of Landlord's Statement, pay to Landlord an amount equal to the excess of the Tax Adjustment over the Tax Adjustment component of the Additional Rent Progress Payment paid by Tenant during such Adjustment Year. If the Tax Adjustment component of the Additional Rent Progress Payment paid by Tenant during such Adjustment Year exceeds the Tax Adjustment owed for such Adjustment Year, then Landlord shall credit such excess to Rent payable after the date of Landlord's Statement, or may, at its election, credit such excess to any Rent then due and

owing, until such excess has been exhausted. If the Expiration Date shall occur prior to full application of such excess, Landlord shall pay to Tenant the balance thereof not theretofore applied against Rent and not reasonably required for payment of Additional Rent for the Adjustment Year in which the Expiration Date occurs, within thirty (30) days after the Expiration Date.

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

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

(f) PRORATION AND SURVIVAL. With respect to any Adjustment Year which does not fall entirely within the term, Tenant shall be obligated to pay as Additional Rent for such adjustment year only a pro rata share of Additional Rent as hereinabove determined, based upon the number of days of the Term falling within the Adjustment Year. Following expiration or termination of this Lease, Tenant shall pay any Additional Rent due to the Landlord within thirty (30) days after the date of Landlord's Statement sent to Tenant. Without limitation on other obligations of Tenant which shall survive the expiration of the Term, the obligations of Tenant to pay Additional Rent provided for in this Section 2 shall survive the expiration or termination of this Lease.

(g) NO DECREASE IN BASE RENT. In no event shall any Additional Rent result in a decrease of the Base Rent payable hereunder as set forth in Section 1 hereof.

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

(i) ADJUSTMENT OF TENANT'S PROPORTIONATE SHARE. If at any time in the future the number of rentable square feet of office space in the Building is reduced, by reason of change in the Building structure or by reason of the separation of ownership of a portion of the Building by a device such as vertical subdivision or submission of the Building to a condominium form of ownership, with the result that Tenant's Proportionate Share no longer reflects the percentage of office space in the Building for which Landlord is responsible for Taxes and Expenses, then Landlord shall be entitled to make an equitable adjustment in Tenant's Proportionate Share to reflect the change in such circumstances.

3. USE OF PREMISES.

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

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

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

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

4. PRIOR OCCUPANCY. Landlord may authorize Tenant to take possession of all or any part of the Premises prior to the beginning of the Term or substantial completion of any work to be performed by Landlord pursuant to the Workletter, if any, attached hereto. If Tenant does take possession pursuant to authority so given, all of the covenant 3 and conditions of this Lease shall apply to and shall control such occupancy. Rent for such occupancy shall be paid upon occupancy and on the first of each calendar month thereafter at the rate set forth in Section 1 and Section 2 hereof. If the Premises are occupied for a fractional month, Rent shall be prorated on a per diem basis. Notwithstanding the foregoing, if Landlord gives possession prior to the Commencement Date to enable Tenant to fit the Leased Premises to its use, such occupancy shall be subject to all the terms and conditions of this Lease (except that Tenant shall not be required to pay rent during such occupancy).

5. DELIVERY OF POSSESSION. Landlord shall deliver possession of the Premises to Tenant in its current "as-is" condition (reasonable wear and tear excepted). If the Landlord shall be unable to give possession of the Premises on the Commencement Date set forth in the Schedule of Significant Terms for any reason, Landlord shall not be subject to any liability for failure to give possession. Under such circumstances the Rent reserved and covenanted to be paid herein shall commence on the date provided in the Workletter attached hereto, if any, for the commencement of Rent, or if no such Workletter is attached, then on the date possession is delivered to Tenant or would have been delivered to Tenant but for Tenant de1ays described in the Workletter attached hereto, if any, or otherwise due in whole or in part, to any delay or fault on the part of Tenant. No such failure to give possession on the Commencement Date shall affect either the validity of this Lease or the obligations of the Tenant or Landlord hereunder, and the same shall not be construed to extend the Term. Notwithstanding the foregoing, if Landlord has not delivered possession of the Premises to Tenant by April 1, 1998, Tenant shall have the right to terminate the Lease, by written notice thereof to Landlord on or before April 6, 1998.

6. ALTERATIONS. Tenant shall not, without the prior written consent of Landlord in each instance, make any alterations, improvements, or additions to the Premises, except for those which do not require a building permit and cost less than $10,000.00. If Landlord consents to alterations, improvements, or additions requiring Landlord's consent, it may impose such conditions with respect thereto as Landlord deems appropriate, including, without limitation, requiring Tenant to furnish Landlord with security for the payment of all costs to be incurred in connection with such work, insurance against liabilities which may arise out of such work, plans and specifications and permits necessary for such work. The work necessary to make any

alterations, improvements, or additions to the Premises shall be done at Tenant's expense by employees of, or contractors hired by, Landlord, except to the extent Landlord gives its prior written consent to Tenant's hiring contractors. Tenant shall promptly pay to Landlord or to Tenant's contractors, as the case may be, when due, the cost of all such work and of all decorating required by reason thereof. Tenant will also pay to Landlord an amount equal to ten percent (10%) of all of the costs of such work to reimburse Landlord for its overhead and construction management services allocable to such work. Upon completion, Tenant shall deliver to Landlord, if payment is made directly to contractors, evidence of payment, contractors' affidavits and full and final waivers of all liens for labor, services or materials. Tenant shall defend and hold Landlord and the holder of any legal or beneficial interest in the land or Building harmless from all costs, damages, liens, and expenses related to such work. All work done by Tenant or its contractors pursuant to Sections 6 or 11 hereof shall be done in a first-class workmanlike manner using only good grades of materials and shall comply with all insurance requirements and all applicable laws and ordinances and rules and regulations of governmental departments or agencies and the rules and regulations adopted by the Landlord for the Building. Within thirty (30) days after substantial completion of any such work by Tenant or its contractors, Tenant shall furnish to Landlord "as built" drawings of such work.

7. SERVICES.

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

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

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

(iii) Janitor service and customary cleaning provided nightly in and about the Premises, Saturdays, Sundays, and holidays excepted, in accordance with the cleaning schedule attached hereto as Rider B. The Tenant shall not provide any janitor services or cleaning without the Landlord's written consent, and then only subject to supervision of Landlord and at Tenant's sole

responsibility and cost (and without compensation to Tenant or reduction in Rent) and by a janitor or cleaning contractor or employees at all times satisfactory to Landlord;

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

(v) Electricity shall not be furnished by Landlord, but shall be furnished by an approved electric utility company serving the Building. Landlord shall permit the Tenant to receive such service direct from such utility company at Tenant's cost, and shall permit Landlord's wire and conduits, to the extent available, suitable, and safely capable, to be used for such purposes. Tenant shall make all necessary arrangements with the utility company for metering and paying for electric current furnished by it to Tenant and Tenant shall pay for all charges for electric current consumed on the Premises during Tenant's occupancy thereof. The electricity used during the performance of janitor service, the making of alterations or repairs in the Premises, the operation of the Buildings HVAC System at times other than as provided in Section 7(a) (i) or the operation of any special air conditioning systems which may be required for data processing equipment or for other special equipment or machinery installed by Tenant, shall be paid for by Tenant. Tenant shall make no alterations or additions to the electric equipment or appliances installed by Tenant without the prior written consent of the Landlord in each instance, which consent shall not be unreasonably withheld. Tenant also agrees to purchase from the Landlord or its agent at competitive prices all lamps, bulbs, ballasts, and starters used in the Premises during the Term hereof. The electrical feeder or riser capacity serving the Premises on the Commencement Date shall be adequate to provide Building Standard electrical loads. Any additional feeders or risers to supply Tenant's additional electrical requirements, and all other equipment proper and necessary in connection with such feeders or risers, shall be installed by Landlord upon Tenant's request, at the sole cost and expense of Tenant, provided that, in Landlord's judgment, such additional feeders or risers are necessary and are permissible under applicable laws and insurance regulations and the installation of such feeders or risers will not cause permanent damage or injury to the Building or the Premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations or interfere with or disturb other tenants or occupants or the Building and Tenant deposits with Landlord funds or other security acceptable to Landlord in the estimated amount of the cost of such installation, as determined by Landlord. Tenant covenants and agrees that at all

times its use of electric current shall never exceed the capacity of the feeders to the Building or the risers or wiring installed thereon;

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

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

(b) Failure by Tenant to promptly pay Landlord's proper charges for water (other than for drinking, lavatory, and toilet purposes) or other services shall give Landlord, upon not less than ten (10) days' notice, the right to discontinue furnishing the services, and no such discontinuance shall be deemed an eviction or disturbance of Tenant's use of the Premises or render Landlord liable for damages or relieve Tenant from performance of Tenant's obligations under this Lease.

(c) Tenant agrees that Landlord and its beneficiaries and their agents shall not be liable in damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service when such failure or delay is occasioned, in whole or in part, by repairs, renewals, or improvements, by any strike, lockout, or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building after reasonable effort so to do, by any accident or casualty whatsoever, by the act or default of Tenant or other parties including without limitation Tenant's failure to maintain the Premises in good condition and repair, or by any cause beyond the reasonable control of Landlord; and such failures or delays shall never be deemed to constitute an eviction or disturbance of the Tenant's use and possession of the Premises or relieve the Tenant from paying Rent or performing any of its obligations under this Lease. Tenant shall notify Landlord if any service shall be stopped, whereupon Landlord will proceed diligently to restore such service as soon as reasonably possible.

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

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

(f) Tenant shall make arrangements directly with the telephone company servicing the Building for such telephone service in the Premises as may be desired by Tenant. If Tenant desires telegraphic, telephonic, burglar alarm, computer installations or signal service (which service shall be installed and maintained at Tenant's sole expense), Landlord shall, upon request, direct where and how all connections and wiring for such service shall be introduced and run. Landlord additionally shall have the right to approve or disapprove all plans and specifications for such service prior to any installation and to refuse permission for such installation if Landlord determines same could adversely affect an existing system. In the absence of such directions, Tenant shall make no borings or cutting or install any wires or cables in or about the Premises and/or the Building.

8. CONDITION AND CARE OF PREMISES.

(a) Tenant's taking possession of the Premises shall be conclusive evidence against Tenant, and upon said taking of possession Tenant shall execute an agreement with Landlord stating that the Premises were then in good order and satisfactory condition, except for any so-called "punchlist" items detailed in said agreement and latent defects attendant to Landlord's Work under any Workletter attached hereto and made a part hereof, and upon completion of any punchlist items, Tenant shall also execute a supplement to said agreement accepting completion of the punchlist items. No promises of the Landlord to alter, remodel, improve, repair, decorate, or clean the Premises or any part thereof have been made, and no representation respecting the condition of the Premises, the Building, or the Land, has been made to Tenant by or on behalf of Landlord except to the extent expressly set forth herein, or in the aforesaid Workletter. This Lease does not grant any rights to light or air over or about the property of Landlord.

(b) Except for any damage resulting from any wanton or negligent act of Landlord or its employees and agents, and subject to the provisions of Section 15 hereof, Tenant shall, at its own expense, keep the Premises in good repair and condition and shall promptly and adequately repair all damage to the Premises caused by Tenant or any of its employees, agents, or invitees, including replacing or repairing all damaged or broken glass, fixtures, and appurtenances resulting from any such damage, under the supervision and with the approval of Landlord and within any reasonable period of time specified by Landlord. Tenant's obligation to maintain and repair the Premises, shall include but is not limited to, all electrical, plumbing and mechanical systems serving the Premises from the point said systems connect to the Premises. Landlord shall be responsible for the maintenance and repair of said systems from the point said systems connect to the base building systems on each floor to the Premises. If Tenant does not do so promptly and

adequately, Landlord may, but need not, make such repairs and replacements and Tenant shall pay Landlord the cost thereof on demand. Tenant shall take special care to keep all areas of the Premises which are visible by or accessible to the public, such as elevator lobbies and corridors, in good order and appearance consistent with the high standards and quality of a first-class office building.

(c) Whenever, in Landlord's opinion, Tenant's use or occupation of the Premises, including lighting, personnel, heat generating machines, or equipment, individually or cumulatively, causes the design loads for the system providing heat and air-cooling to be exceeded, to affect the temperature or humidity otherwise maintained by the heating, ventilating, and air conditioning system in the Premises or Building, Landlord may, but shall not be obligated to, temper such excess loads by installing supplementary heating or air-conditioning units in the Premises or elsewhere where necessary. In such event, the cost of such units and the expense of installation, including, without limitation, the cost of preparing working drawings and specifications, shall be paid by Tenant as additional rent within ten (10) days after Landlord's demand therefor. Alternatively, Landlord may require Tenant to install such supplementary heating or air-conditioning unit at Tenant's sole expense. Landlord may operate and maintain any such supplementary units, but shall have no continuing obligation to do so or liability in connection therewith. The expense resulting from the operation and maintenance of any such supplementary heating or air conditioning units, including rent for space occupied by any supplementary heating or air conditioning units installed outside the Premises, shall be paid by Tenant to Landlord as additional rent at rates fixed by Landlord. Alternatively, Landlord may require Tenant to operate and maintain any such supplementary units, also at Tenant's sole expense.

9. RETURN OF PREMISES.

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

(b) All installations, additions, partitions, hardware, light fixtures, supplementary heat or air-conditioning units, non-trade fixtures and improvements, temporary or permanent, except movable furniture, movable partitions and equipment belonging to Tenant, in or upon the Premises, whether placed there by Tenant or Landlord, shall be Landlord's property and shall remain upon the Premises, all without compensation, allowance or credit to Tenant; provided, however, that if Landlord directs

that Tenant remove any of said items at the end of the Term, then Tenant (unless prior to installation, Tenant has received Landlord's written agreement that Landlord will not require removal thereof at the end of the Term), at Tenant' s sole cost and expense, shall promptly remove such of the installations, additions, partitions, hardware, light fixtures, non-trade fixtures, and improvements placed in the Premises by or on behalf of Tenant as are so designated by Landlord and repair any damage to the Premises caused by such removal, failing which Landlord may remove the same and repair the Premises and Tenant shall pay the cost thereof to Landlord on demand.

(c) At the sole option of Landlord, Tenant shall leave in place any floor covering without compensation to Tenant, or Tenant shall remove any floor covering and all fastenings, paper, glue, bases, or other vestiges and restore the floor surface to its previous condition. Tenant shall remove Tenant's furniture, machinery, safes, trade fixtures, and other items of movable personal property of every kind and description from the Premises prior to the expiration of the Term or ten (10) days following termination of this Lease or Tenant's right of possession, whichever might be earlier, failing which Landlord may do so and thereupon the provisions of Section 17(f) shall apply.

(d) All obligations of Tenant hereunder shall survive the expiration of the Term or sooner termination of this Lease.

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

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

12. RIGHTS RESERVED TO LANDLORD. Landlord reserves the following rights, exercisable without notice and without liability to Tenant for damage or injury to property,

person or business and without effecting an eviction or disturbance of Tenant's use or possession or giving rise to any claim for setoff or abatement of Rent or affecting any of Tenant's obligations under this Lease:

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

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

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

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

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

(f) To exhibit the Premises during the last nine (9) months of the Term at reasonable hours, and to decorate, remodel, repair, alter, or otherwise prepare the Premises for reoccupancy at any time after Tenant vacates or abandons the Premises.

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

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

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

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

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

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

13. ASSIGNMENT AND SUBLETTING.

(a) Except as otherwise expressly provided herein, Tenant shall not, without the prior written consent of Landlord in each instance, (1) convey, mortgage, pledge, hypothecate, or encumber, or subject to or permit to exist upon or be subjected to any lien or charge, this Lease or any interest under it, (ii) allow to exist or occur any transfer of or lien upon this Lease or the Tenant's interest herein by operation of law, (iii) assign this Lease or any of Tenant's rights hereunder, (iv) sublet the Premises or any part thereof, or (v) permit the use or occupancy of the Premises or any part thereof for any purpose not provided for under Section 3 of this Lease or by anyone other than the Tenant and Tenant's employees. Landlord has the absolute right to withhold its consent, without giving any reason whatsoever, except as herein expressly provided to the contrary. The foregoing prohibitions shall also apply to any assignee or subtenant of Tenant.

(b) Prior to the Commencement Date, Tenant shall not assign this Lease or sublet all or any part of the Premises. If, after the Commencement Date, Tenant has procured an assignee or sublessee, Tenant shall, by written notice to Landlord, advise Landlord of its intention from, on and after a stated date (which shall not be less than thirty (30) days after the date of Tenant's notice) to assign this Lease to such proposed assignee or sublet any part or all of the Premises to such proposed subtenant for the balance or any part of the Term. Upon receipt of such notice, Landlord shall have the right, to be exercised by giving written notice to Tenant within fifteen (15) days after

receipt of Tenant's notice, to cancel the lease in the case of a proposed assignment of this Lease or a proposed subleasing of all the Premises, or to cancel the lease with respect to the portion to be so subleased by notice to Tenant in which latter event the Rent and Tenant's Proportionate Share as defined herein shall be adjusted on the basis of the number of square feet of Rentable Area of the Premises retained by Tenant, and this Lease as so amended shall continue thereafter in full force and effect. If Landlord wishes to exercise such option to cancel, Landlord shall, within fifteen (15) days after Landlord's receipt of such notice from Tenant, send to Tenant a notice so stating and in such notice Landlord shall specify the date as of which such cancellation is effective, which date shall be not less than fifteen (15) and not more than thirty (30) days after the date on which Landlord sends such notice. Tenant's notice given pursuant to this Section 13(b) shall state the name and address of the proposed subtenant or assignee, and a true and complete copy of the proposed sublease or assignment and sufficient information to permit Landlord to determine the financial responsibility and character of the proposed subtenant or assignee shall be delivered to Landlord with said notice.

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

(i) Tenant is not in default of the lease;

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

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

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

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

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

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

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

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

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

Landlord agrees to respond to Tenant's request for approval within thirty (30) days after submission of all documents.

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

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

(f) If Tenant, having first obtained Landlord's consent to any sublease or assignment, or if Tenant or a trustee in bankruptcy for Tenant, pursuant to Section 365 of the Bankruptcy Code, shall assign this Lease or sublet the Premises, or any part thereof, then in addition to the Rent then payable hereunder, Tenant shall pay to Landlord, as further additional rent on the first day of each month during the term of any such assignment or sublease, one hundred percent (100%) of the amount, if any, by which (x) the Assigned Area Rent exceeds (y) the product of the Current Monthly Rent multiplied by the Assigned Area. As used herein:

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

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

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

(g) If Tenant is a corporation (other than a corporation whose stock is traded through a national or regional exchange or over-the-counter), any transaction or series of transactions (including without limitation any dissolution, merger, consolidation or other reorganization of Tenant, or any issuance, sale, gift, transfer or redemption of any capital stock of Tenant, whether voluntary, involuntary or by operation of law, or any combination of any of the foregoing transactions) resulting in the transfer of control of Tenant, other than by reason of death, shall be deemed to be transfer of Tenant's interest under this Lease for the purpose of Section 13. If Tenant is a partnership, any transaction or series of transactions (including without limitation any withdrawal or admittance of a partner or any change in any partners' interest in Tenant, whether voluntary, involuntary or by operation of law, or any combination of any of the foregoing transactions) resulting in the transfer of control of Tenant, other than by reason of death, shall be deemed to be a transfer of Tenant's interest under this Lease for the purpose of Section 13. The term "control" as used in this Section 13(g) means the power to directly or indirectly direct or cause the direction of the management or policies of Tenant. If Tenant is a corporation, a change or series of changes in ownership of stock which would result in direct or indirect change in ownership by the stockholders or an affiliated group of stockholders of less than fifty percent (50%) of the outstanding voting stock of Tenant as of the date of the execution and delivery of this Lease shall not be considered a change of control.

14. WAIVER OF CERTAIN CLAIMS; INDEMNITY BY TENANT.

(a) To the extent not expressly prohibited by law, Tenant releases Landlord and its beneficiaries, and their agents, servants, and employees, from and waives all claims for damages to person or property sustained by the Tenant or by any occupant of the Premises or the Building, or by any other person, resulting directly or indirectly from fire or other casualty, cause, or any existing or future condition, defect, matter, or thing in or about the Premises, the Building or any part of it, or from any equipment or appurtenance therein, or from any accident in or about the Building, or from any act or neglect of any tenant or other occupant of the Building or any part thereof or of any other person. This Section 14(a) shall not operate as a release of Landlord from liability for the negligent or intentionally wrongful conduct of Landlord or its agent or employees. This Section 14 shall apply especially, but not exclusively, to damage caused by water, snow, frost, steam, excessive heat or cold, sewerage, gas, odors, or noise, or the bursting or leaking of pipes or plumbing fixtures, broken glass, sprinkling or air conditioning devices or equipment, or flooding of basements, and to any damage to automobiles parked in the garage in the Building or outside the Building and shall apply without distinction as to the person whose act or neglect was responsible for the damage and whether the damage was due to any of the acts specifically enumerated above, or from any other thing or circumstance, whether of a like nature or of a wholly different nature. If any damage to the Premises or the building or any equipment or appurtenance therein, whether belonging to Landlord or to other tenants or occupants of the Building or otherwise, results from any negligent or wrongful acts of the Tenant, its employees, agents, or invitees, Tenant shall be liable therefor and Landlord may, at its option, repair such

damage and Tenant shall upon demand by Landlord reimburse Landlord for all reasonable costs of such repairs and damages in excess of amounts, if any, paid to Landlord under insurance covering such damages. All personal property belonging to the Tenant or any occupant of the Premises that is in the Building or the Premises shall be there at the risk of the Tenant or other person only and Landlord shall not be liable for damage thereto or theft or misappropriation thereof. All vehicles parked in the Building's garage or in the parking lots shall be parked at the sole risk of the owner, and Landlord assumes no responsibility for any damage to or loss of vehicles.

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

15. DAMAGE OR DESTRUCTION BY CASUALTY.

(a) If the Premises or any part of the Building shall be damaged by fire or other casualty and if such damage does not render all or a substantial portion of the Premises or the Building untenantable, then Landlord shall proceed to repair and restore the same to its prior existing condition with reasonable promptness, subject to reasonable delays for insurance adjustments and delays caused by matters beyond Landlord's control. If any such damage renders all or a substantial portion of the Premises or the Building untenantable, Landlord shall, with reasonable promptness after the occurrence of such damage and in good faith, estimate the length of time that will be required to substantially complete the repair and restoration of such damage and shall by notice advise Tenant of such estimate. If it is so estimated that the amount of time required to substantially complete such repair and restoration will exceed two hundred seventy (270) days from the date such damage occurred, then either Landlord or Tenant (but as to Tenant only if all or a substantial portion of the Premises are rendered untenantable and the estimated time to substantially complete the repair or restoration of the Premises will exceed such two hundred seventy (270) days from the date of the fire or other casualty) shall have the right to terminate this Lease as of the date of such damage upon giving notice to the other at any time within twenty (20) days after Landlord gives Tenant the notice containing said estimate (it being understood that Landlord may, if it elects to do so, also give such notice of termination together with the notice containing said estimate). Unless this Lease is terminated as provided in the preceding sentence, Landlord shall proceed with reasonable promptness and all due diligence to repair and restore the Premises to its prior existing condition, subject to reasonable delays for insurance adjustments and delays caused by matters beyond Landlord's control, and also subject to zoning laws and building codes then in effect. Landlord shall have no liability to Tenant, and Tenant shall not be entitled to terminate this Lease (except as hereinafter provided) if such repairs and restoration are not in fact completed within the time period estimated by Landlord, as aforesaid, or within said two hundred seventy (270) days, so long as

Landlord shall proceed with reasonable promptness and due diligence. Notwithstanding anything to the contrary herein set forth: (i) if any such damage rendering all or a substantial portion of the Premises or Building untenantable shall occur during the last three (3) years of the Term, then Landlord shall have the option to terminate this Lease by written notice to Tenant within thirty (30) days after the date such damage occurred, and if such option is so exercised, this Lease shall terminate as of the date of such damage; (ii) Landlord shall have no duty pursuant to this Section 15 to repair or restore any portion of alterations, additions or improvements made by or on behalf of Tenant in the Premises or improvements which are not then building standard improvements; (iii) Landlord shall not be obligated (but may, at its option, so elect) to repair or restore the Premises or Building if any mortgagee applies proceeds of insurance to reduce its loan balance and the remaining proceeds, if any, available to Landlord are not sufficient to pay for such repair or restoration; and (iv) Tenant shall not have the right to terminate this Lease pursuant to this Section 15 if the damage or destruction was caused by the intentional or negligent act of Tenant, its agents or employees.

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

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

16. EMINENT DOMAIN. If all or a substantial part of the Building, or any part thereof which includes all or a substantial part of the Premises, shall be taken or condemned by any competent authority for any public or quasi-public use or purpose, the Term of this Lease shall end upon and not before the date when the possession of the part so taken shall be required for such use or purpose, and without apportionment of the award to or for the benefit of Tenant. If any condemnation proceeding shall be instituted in which it is sought to take or damage any part of the Building, the taking of which would, in Landlord's opinion, prevent the economical operation of the Building, or if the grade of any street or alley adjacent to the Building is changed by any competent authority, and such taking or damage or change of grade makes it necessary or desirable to remodel the Building to conform to the taking or damage, Landlord shall have the right to terminate this Lease upon not less than ninety (90) days' notice prior to the date of termination designated in the notice. In either of the events above referred to, Rent shall

be apportioned as of the date of the termination. No money or other consideration shall be payable by the Landlord to the Tenant for the right of termination, and the Tenant shall have no right to share in the condemnation award or in any judgment for damages caused by such taking or the change of grade; provided, however, that Tenant shall have the right to pursue separately against the condemning authority any award available separately to Tenant for Tenant's moving and relocation expenses.

17. DEFAULT; LANDLORD'S RIGHTS AND REMEDIES.

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

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

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

(iii) Failure by Tenant to observe or perform any of the covenants in respect of assignment and subletting set forth in Section 13;

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

(v) Failure by Tenant to observe or perform any other covenant, agreement, condition or provision of this Lease, if such failure shall continue for thirty (30) days after notice thereof from Landlord to Tenant, provided, however, that Tenant shall not be in default with respect to matters which cannot reasonably be cured within thirty (30) days so long as within such thirty (30) day period Tenant commences such cure and diligently proceeds to complete the same at all times thereafter;

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

(vii) Tenant vacates or abandons the Premises or fails to take possession of the Premises when available for occupancy (the transfer of a substantial part of the operations, business and personnel of Tenant to some other location being deemed, without limiting the meaning of the term "vacates or abandons", to be a vacation or abandonment within the meaning of this clause (vii)), whether or not Tenant thereafter continues to pay Rent due under this Lease;

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

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

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

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

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

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

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

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

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

(d) If Landlord, pursuant to the provisions of Section 17(b)(ii) hereof, terminates the right of the Tenant to possession of the Premises without terminating this

Lease, such termination of possession shall not release Tenant, in whole or in part, from Tenant's obligation to pay the Rent hereunder for the full Term, and Landlord shall have the right to immediate recovery of all amounts then due hereunder. In addition, Landlord shall have the right, from time to time, to recover from the Tenant, and the Tenant shall remain liable for, all Rent and any other sums thereafter accruing as they become due under this Lease during the period from the date of such notice of termination of possession to the stated end of the Term. In any such case, the Landlord may, but shall be under no obligation to (except to the extent required by law), relet the Premises or any part thereof for the account of the Tenant for such rent, for such time (which may be for a term extending beyond the Term of this Lease) and upon such terms as the Landlord in the Landlord's sole discretion shall determine, and the Landlord shall not be required to accept any tenant offered by the Tenant or to observe any instructions given by the Tenant relative to such reletting. Landlord shall, however, cooperate with Tenant in order to relet the Premises and minimize Tenant's damages, but this obligation shall not require Landlord to divert any prospective tenants from any other portion of the Building. Also in any such case the Landlord may make repairs, alterations and additions in or to the Premises and redecorate the same to the extent deemed by the Landlord necessary or desirable and in connection therewith change the locks to the Premises, and the Tenant shall upon demand pay the cost thereof together with the Landlord's expenses of reletting. Landlord may collect the rents from any such reletting and apply the same first to the payment of the expenses of reentry, redecoration, repair and alterations and the expenses of reletting and second to the payment of Rent herein provided to be paid by the Tenant, and any excess or residue shall operate only as an offsetting credit against the amount of Rent as the same thereafter becomes due and payable hereunder, but the use of such offsetting credit to reduce the amount of Rent due Landlord, if any, shall not be deemed to give Tenant any right, title or interest in or to such excess or residue and any such excess or residue shall belong to Landlord solely; provided that in no event shall Tenant be entitled to a credit on its indebtedness to Landlord in excess of the aggregate sum (including Base Rent and Additional Rent) which would have been paid by Tenant for the period for which the credit to Tenant is being determined, had no Default occurred. No such re-entry or repossession, repairs, alterations and additions, or reletting shall be construed as an eviction or ouster of the Tenant or as an election on Landlord's part to terminate this Lease unless a written notice of such intention be given to Tenant or shall operate to release the Tenant in whole or in part from any of the Tenant's obligations hereunder, and the Landlord may, at any time and from time to time, sue and recover judgment for any deficiencies from time to time remaining after the application from time to time of the proceeds of any such reletting.

(e) In the event of the termination of this Lease by Landlord as provided for by subparagraph (i) of Section 17(b), Landlord shall be entitled to recover from Tenant all the fixed dollar amounts of Rent accrued and unpaid for the period up to and including such termination date, as well as all other additional sums payable by the Tenant, or for which Tenant is liable or in respect of which Tenant has agreed to indemnify Landlord under any of the provisions of this Lease which may be then owing and unpaid, and all costs and expenses, including court costs and attorneys' fees incurred by Landlord in the enforcement of its rights and remedies hereunder, and in addition Landlord shall be entitled to recover as damages for loss of the bargain and not as a penalty (x) the

unamortized cost to the Landlord, computed and determined in accordance with generally accepted accounting principles, of the tenant improvements and alterations, if any, paid for and installed by Landlord pursuant to this Lease, and (y) the aggregate sum which at the time of such termination represents the excess, if any, of the present value of the aggregate rents at the same annual rate for the remainder of the Term as then in effect pursuant to the applicable provisions of Sections 1 and 2 of this Lease, over the then present value of the then aggregate fair rental value of the Premises for the balance of the Term, such present worth to be computed in each case on the basis of a per annum discount at one-half (1/2) of the corporate base rate of interest then in effect at the First National Bank of Chicago from the respective dates upon which such rentals would have been payable hereunder had this Lease not been terminated, and (z) any damages in addition thereto, including reasonable attorneys' fees and court costs, which Landlord shall have sustained by reason of the breach of any of the covenants of this Lease other than for the payment of rent.

(f) All property removed from the Premises by Landlord pursuant to any provision of this Lease or of law may be handled, removed or stored by Landlord at the cost and expense of the Tenant, and the Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. Tenant shall pay Landlord for all expenses incurred by Landlord in such removal and storage charges against such property so long as the same shall be in Landlord's possession or under Landlord's control. All property not removed from the Premises or not retaken from storage by Tenant within thirty (30) days after the end of the Term, however terminated, shall be conclusively deemed to have been conveyed by Tenant to Landlord as by bill of sale without further payment or credit by Landlord to Tenant.

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

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

18. SUBORDINATION.

(a) Landlord may have heretofore or may hereafter encumber with a mortgage or trust deed the Building, the Land, the Real Property or any interest therein, and may have heretofore and may hereafter sell and lease back the Land, or any part of the Real Property, and may have heretofore or may hereafter encumber the leasehold estate under such lease with a mortgage or trust deed (any such mortgage or trust deed is herein called a "Mortgage" and the holder of any such mortgage or the beneficiary under any such trust

deed is herein called a "Mortgagee". Any such lease of the underlying land is herein called a "Ground Lease", and the lessor under any such lease is herein called a "Ground Lessor". Any Mortgage which is a first lien against the Building, the Land, the Real Property, the leasehold estate under a Ground Lease or any interest therein is herein called a "First Mortgage" and the holder or beneficiary of any First Mortgage is herein called a "First Mortgagee"). If requested by the Mortgagee or Ground Lessor, Tenant will either (a) subordinate its interest in this Lease to said Mortgage, and to any and all advances thereunder and to the interest thereon, and all renewals, replacements, amendments, modifications, and extensions thereof, or to said Ground Lease, or to both, or (b) make Tenant's interest in this Lease or certain of Tenant's rights hereunder superior thereto; and Tenant will promptly execute and deliver such agreement or agreements as may be reasonably required by the Mortgagee or by any such Ground Lessor; provided that Tenant covenants it will not subordinate this Lease to any Mortgage other than a First Mortgage without the prior written consent of the First Mortgagee.

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

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

19. MORTGAGEE PROTECTION. Tenant agrees to give the First Mortgagee, by registered or certified mail, a copy of any notice of default served upon the Landlord by Tenant, provided that, prior to such notice, Tenant has been notified in writing (by way of service on Tenant of a copy of assignment of rents and leases, or otherwise) of the address of such First Mortgagee. Tenant further agrees that if Landlord shall have failed to cure such default within twenty (20) days after such notice to Landlord (or if such default cannot be cured or corrected within that time, then such additional time as may be necessary if Landlord has commenced within such twenty (20) days and is diligently pursuing the remedies or steps necessary to cure or correct such default), then the First Mortgagee shall have an additional thirty (30) days within which to cure or correct such default (or if such default cannot be cured or corrected within that time, then such additional time as may be necessary if the First Mortgagee has commenced within such thirty (30) days and is diligently pursuing the remedies or steps necessary to cure or correct such default). Until the time allowed, as aforesaid, for the First Mortgagee to cure such default has expired without cure, Tenant shall have no right to, and shall not, terminate this Lease on account of Landlord's default.

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

21. SUBROGATION AND INSURANCE.

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

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

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

(ii) "All risk" physical damage insurance, including sprinkler leakage, for the full replacement cost of all additions, improvements, and alterations to the Premises and of all office furniture, trade fixtures, office equipment, merchandise, and all other items of Tenant's property on the Premises; and

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

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

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

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

23. ESTOPPEL CERTIFICATE. The Tenant agrees that from time to time upon not less than ten (10) days' prior request by Landlord, or the holder of any Mortgage or any ground lessor, the Tenant (or any permitted assignee, subtenant, licensee, concessionaire, or other occupant of the Premises claiming by, through, or under Tenant) will deliver to Landlord or to the holder of any Mortgage or ground lessor, a statement in writing signed by Tenant certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications,

that the lease as modified is in full force and effect and identifying the modifications); (b) the date upon which Tenant began paying Rent and the dates to which the Rent and other charges have been paid, Cc) that the Landlord is not in default under any provision of this Lease, or, if in default, the nature thereof in detail; (d) that the Premises have been completed in accordance with the terms hereof and Tenant is in occupancy and paying Rent on a current basis with no rental offsets or claims; (e) that there has been no prepayment of Rent other than that provided for in the Lease; (f) that there are no actions, whether voluntary or otherwise, pending against Tenant under the bankruptcy laws of the United States or any State thereof, and (g) such other matters as may be required by Landlord, the holder of any Mortgage or ground lessor.

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

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

26. NOTICES. In every instance where it shall be necessary or desirable for Landlord to serve any notice or demand upon Tenant, it shall be sufficient to send a written or printed copy of such notice or demand by United States registered or certified mail, postage prepaid, addressed to Tenant at the address set forth in the Schedule, in which event the notice or demand shall be deemed to have been served at the time the same was posted plus two (2) business days, or to serve any such notice or demand personally. Any such notice or demand to be given by Tenant to Landlord shall, until further notice, be served personally or sent by United States registered or certified mail, postage prepaid, to One Overlook Point, Suite 100, Lincolnshire

Corporate Center, Lincolnshire, Illinois. Mailed communications to Landlord shall be deemed to have been served at the time the same were posted plus two (2) business days. Notwithstanding the foregoing, notices served with respect to emergency matters may be served personally or by telephone communication. Tenant is advised and acknowledges that until further notice to Tenant, Van Vlissingen & Co., the present agent of Landlord, has authority to execute and deliver notices hereunder to Tenant on behalf of Landlord.

27. MISCELLANEOUS.

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

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

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

(d) The word "Tenant" whenever used herein shall be construed to mean Tenants or any one or more of them in all cases where there is more than one Tenant; and the necessary grammatical changes required to make the provisions hereof apply either to corporations or other organizations, partnerships, or other entities, or individuals, shall in all cases be assumed as though in each case fully expressed. In all cases where there is more than one Tenant, the liability of each shall be joint and several.

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

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

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

to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant..

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

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

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

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

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

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

30. TITLE AND COVENANT AGAINST LIENS. The Landlord's title is and always shall be paramount to the title of the Tenant and nothing in this Lease contained shall empower the Tenant to do any act which can, shall, or may encumber the title of the Landlord. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen to be placed upon or against the Real Property, the Land, the Building, or the Premises or against the Tenant's leasehold interest in the Premises and, in case of any such lien attaching, to immediately pay and remove same. Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law, or otherwise, to attach to or be placed upon the Real Property, Land, Building, or Premises, and any and all liens and

encumbrances created by Tenant shall attach only to Tenant's interest in the Premises. If any such liens so attach and Tenant fails to pay and remove same within ten (10) days, Landlord, at its election, may pay and satisfy the same and in such event the sums so paid by Landlord, with interest from the date of payment at the rate set forth in Section 27(i) hereof for amounts owed Landlord by Tenant. Such sums shall be deemed to be additional rent due and payable by Tenant at once without notice or demand.

31. RELOCATION OF TENANT. Intentionally Deleted.

32. PARKING. Tenant shall not use or permit its servants, employees, customers, invitees and guests to use more than the number of parking spaces set forth in the Schedule of Significant Terms. Tenant, its servants, employees, customers, invitees, and guests shall, when using the parking facilities in and around the Building, observe and obey all signs regarding fire lanes, no parking zones, driving speed zones and designated reserved, visitor and handicapped spaces, and when parking, always park between the designated lines. If required by Landlord, Tenant shall cause its servants, employees, customers, invitees and guests who utilize the Tenant's allotted parking spaces, to display stickers or decals provided by Landlord in their vehicles. Landlord reserves the right to tow away, at the expense of the owner, any vehicle which is improperly parked or parked in a no parking zone, or designated visitor, reserved or handicapped area, or any vehich1e that does not display a sticker or decal if required by Landlord. If Tenant uses parking in excess of that provided for herein, and if Tenant fails, after written notice from Landlord to reduce its excess use of the parking areas, then such excess use shall constitute a default under this lease. All vehicles shall be parked at the sole risk of the owner and Landlord assumes no responsibility for any damage to or loss of vehicles.

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

IN WITNESS WHEREOF, the parties the date first above written.

LANDLORD:

ATTEST:

AMERICAN NATIONAL BANK AND TRUST
COMPANY OF CHICAGO AS TRUSTEE UNDER
TRUST NO. 113370-03

/s/

By: /s/

TENTANT:

ATTEST:

ICON INFOSYSTEMS, INC.

/s/ Michelle Dorfman

By: /s/ Charles Dorfman

2-3-98

February 3, 1998

RIDER B

CLEANING SPECIFICATIONS

Landlord agrees to perform the following services:

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

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

1. Empty, clean and replace waste containers.
2. Empty and damp clean ash trays. Wash as required.
3. Dust all furniture, including desks, chairs, tables.
4. Dust all exposed filing cabinets, bookcases, shelves and counter tops.
5. Dust all telephones.
6. Clean and sanitize drinking fountains.
7. Spot clean desk tops.
S. Spot clean reception lobby glass, including entrance door.
9. Client papers on desks, tables, filing cabinets, etc., are not to be disturbed.
10. Clean and service sand urns. Sand and screens to be furnished by client.
11. Spot clean and remove hand prints, ink marks and coffee rings from all desks.
12. Damp clean backboards, if required.
13. Spot clean interior partitions, if needed.
14. Remove fingermarks and smudges from surfaces such as doors, walls, light switches, etc.
15. Spot clean interior glass in partitions and doors. Cleaning agent is not to remain on partitions and the like.
16. Dust base of all chairs, stands, coat racks, etc.

B. WEEKLY SCHEDULE

1. Clean and sanitize telephones.
2. Low dust all horizontal surfaces to hand height, including sills, ledges, moldings, shelves, picture frames, ducts, radiators.
3. Clean entire desk tops.
4. Clean and polish bright metal to hand heights.
5. Remove dust and cobwebs from ceiling areas and corners.

C. MONTHLY SCHEDULE

1. High dust above hand height all horizontal surfaces, including shelves, moldings, ledges, pipes, ducts, heating outlets, venetian blinds, etc.
2. Wash all wastebaskets if needed.
3. Wash desk tops.

4. Wash all interior partitions; both sides of glass.
5. Wash and sanitize metal partitions.
6. Wash chair mats.
7. Vacuum diffuser outlets.

D. QUARTERLY SCHEDULE

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

E. SEMI-ANNUAL SCHEDULE

1. Oil all wood paneling.

II. WASHROOMS

A. NIGHTLY SCHEDULE

1. Clean, sanitize and polish all vitreous fixtures, including toilet bowls, urinals, and hand basins.
2. Clean and sanitize all flush rings, drain and overflow outlets.
3. Clean and polish all chrome fittings.
4. Clean and sanitize toilet seats.
5. Clean and polish all glass and mirrors.
6. Empty all containers and disposals; insert liners as required.
7. Wash and sanitize exterior of all containers.
8. Empty and sanitize interior of sanitary containers.
9. Wipe toilet stall partitions. Wash as required.
10. Remove spots, stains, splashes from wall area adjacent to hand basins and towel holders.
11. Refill all dispensers to maximum limits -- napkin, soap, tissue, towel, liners, seat holders, cups. Refill with supplies.
12. Remove fingermarks and smudges from surfaces such as doors, walls, light switches, etc.
13. Sweep and wet mop all floors with disinfectant.
14. Dust and spot clean all chairs, tables and lamps.

B. WEEKLY SCHEDULE

1. Spot clean metal partitions and remove all writing.
2. Low dust all horizontal surfaces to hand height, including sills, moldings, ledges, shelves, frames, ducts, heating outlets.

C. MONTHLY SCHEDULE

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

3. Machine scrub tile floors.
4. Flush floor drains with disinfectant.

D. QUARTERLY SCHEDULE

1. Flush soap dispensers.

III. FLOORS - RESILIENT AND HARD

A. NIGHTLY SCHEDULE

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

B. WEEKLY SCHEDULE

1. Wet mop and machine spray buff open areas, including kneehole or desks.
2. Scrub to remove scuff and heel marks.

C. MONTHLY SCHEDULE

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

D. ANNUAL SCHEDULE

1. Strip, clean, seal and refinish, plus machine polish.
2. Clean, refinish and polish baseboards.

IV. CARPET

A. NIGHTLY SCHEDULE

1. Vacuum open areas.
2. Spot vacuum non-traffic aisles.

B. WEEKLY SCHEDULE

1. Thoroughly vacuum all areas.

C. AS REQUIRED

1. Inspect for spots and stains. Remove is possible.
2. Inspect for rub marks on cove base moldings and remove same.

V. LUNCHROOM

A. NIGHTLY SCHEDULE

1. Wash and sanitize table tops, damp clean seats and backs of chairs.
2. Clean, polish and refill napkin holders (napkins supplied by tenant).
3. Empty and damp clean ash trays. Wash as required.
4. Empty all containers and disposals. Sanitize interior.
5. Wash and sanitize exterior of all containers.
6. Clean and sanitize drinking fountain.
7. Dust mop tile floors, making sure that no paper or dust is under any table base.
8. Clean table bases as needed.
9. Damp mop all tile floors with a disinfectant.
10. Vacuum carpets.

B. WEEKLY SCHEDULE

1. Wash and sanitize pedestals and legs.
2. Remove fingerprints from doors, frames, light switches, kick and push plates, and handles.
3. Low dust all horizontal surfaces to hand height, including sills, moldings, ledges, shelves, frames, ducts, and heating outlets.
4. Spot clean the outside glass on showcases.
5. Wash and sanitize chairs.

C. MONTHLY SCHEDULE

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

D. AS REQUIRED

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

VI. STAIRCASES

A. NIGHTLY SCHEDULE

1. Dust and/or wash hand rails.
2. Sweep stairs completely, making sure all corners are clean. Wet mop when necessary.

VII. ELEVATORS

A. NIGHTLY SCHEDULE

1. Keep wall around signal button clean.
2. Dust and rub down elevator doors; inside and outside.
3. Dust and rub down walls, metal work in elevator cabs; polishing metal surfaces.
4. Vacuum all elevator door tracks and keep surfaces clean.
5. Properly maintain floors of all elevator cabs.

VIII. TRASH

A. NIGHTLY SCHEDULE.

1. Remove all waste and transport to designated area.

IX. GARAGE AREA, ELEVATOR LOBBY

A. NIGHTLY SCHEDULE

1. Thoroughly vacuum carpet.
2. Spot clean partition glass.

B. MONTHLY SCHEDULE

1. Thoroughly clean partition glass.

X. DOCK AREA

A. NIGHTLY SCHEDULE

1. Police dock wells and floor.

B. WEEKLY SCHEDULE

1. Sweep dock wells and floor

XI. WINDOW CLEANING

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

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

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

RIDER A"

RULES AND REGULATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FIRST AMENDMENT TO LEASE

THIS AGREEMENT is made as of the 1st day of October, 1999, between AMERICAN NATIONAL BANK AND TRUST COMPANY OP CHICAGO, not personally but solely as Trustee under Trust Agreement dated January 1, 1991 and known as Trust No. 113370-03 ("Landlord") and ICON INFOSYSTEMS, INC. ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to that certain Office Lease dated February 11, 1998 (herein, the "Lease"), which Lease demised to Tenant Suite 280 (the "Premises") in the building located 111 Barclay Boulevard, Lincolnshire Corporate Center, Lincolnshire, Illinois (the "Building"); and

WHEREAS, Landlord and Tenant desire to expand the Premises, extend the term of the Lease and to otherwise amend the Lease in certain respects, all in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the Lease is hereby amended as follows:

1. DEFINED TERMS. The following terms shall have the respective meanings set forth below:

First Additional Premises:	Suite 110 consisting of approximately 1,877 rentable square feet, as shown on EXHIBIT "A" attached hereto and made a part hereof.
First Additional Premises Commencement Date ("FPCD"):	The date upon which Landlord's Work is substantially completed.

All other capitalized terms used herein shall have the same meaning as ascribed to them in the Lease, unless otherwise defined herein,

2. FIRST ADDITIONAL PREMISES. Effective as of the First Additional Premises Commencement Date and for a lease term expiring concurrently with the Term (as extended hereby), the Premises shall include the First Additional Premises.

3. TERM EXTENSION. Under the existing terms of the Lease, the Lease is scheduled to expire on February 28, 2001. The Term of the Lease is hereby extended for a period commencing on the First Additional Premises Commencement Date and continuing through the last day of the fourth (4th) Lease Year (the "First Extended Term"), on all of the same terms and conditions as are set forth in the Lease except as set forth in this Agreement. The First Extended Term shall be added to and become part of the Term for all purposes under the Lease and the last day of the First Extended Term shall be the Expiration Date for the entire Premises,

4. FIXED MINIMUM RENT. Commencing on the First Additional Premises Commencement Date arid continuing through the First Extended Term, the annual Base Rent and Monthly Base Rent payable pursuant to the Schedule of Significant Terms for the entire Premises shall be as follows;

PERIOD	FIXED MINIMUM RENT	MONTHLY FIXED RENT
Lease Year l	$90,733.85	$7,561.15
Lease Year 2	$93,455.87	$7,787.99
Lease Year 3	$96,259.54	$8,021.63
Lease Year 4	$99,147.33	$8,262.28

"Lease Year" shall mean the period commencing on the First Additional Premises Commencement Date and ending on the last day of the twelfth (I 2's') full calendar month following the First Additional Premises Commencement Date and each succeeding twelve calendar month period. Upon commencement of the First Extension Term and at the request of either party hereto, Landlord and Tenant shall enter into a written supplement to the Lease confirming the terms, conditions and provisions applicable to the First Extension Term as determined in accordance with the provisions hereof.

5. TENANT'S PROPORTIONATE SHARE. From the First Additional Premises Commencement Date and continuing through the last day of the First Extended Term, Tenant's Share shall be increased to 7.56%.

6. SECURITY DEPOSIT. The Security Deposit, as set forth in the Schedule of significant Terms of the Lease shall be increased to(pound)11,610.19 upon execution of this Agreement.

7. CONDITION OF THE PREMISES. Tenant agrees (a) to accept possession of the First Additional Premises in the condition existing on the date hereof "as is", subject to performance of Landlord's Work, (b) that neither Landlord nor Landlord's agents have made any representations or warranties with respect to the Premises or the Building except as expressly set forth herein, and (c) Landlord has no obligation to perform any work, supply any materials, incur any expense or make any alterations or improvements to the Premises except as expressly set forth herein. Notwithstanding the foregoing, Landlord shall perform the following work in the First Additional Premises (collectively, "Land1ord's Works") at Landlord's sole cost and expense: perform the work indicated in the Drawing dated September 28, 1999, a copy of which is attached hereto as Exhibit A, using building standard materials and finishes, the colors of the paint and carpeting to be selected by Tenant out of choices given by Landlord. Tenant shall be responsible for doing all other work in the First Additional Premises required for Tenant's occupancy thereof, except for that work which is specifically identified as being Landlord's Work pursuant to the terms hereof. Tenant's taking possession of the First Additional Premises shall be conclusive evidence against Tenant that the First Additional Premises were then in good order and satisfactory condition.

8. EXTERIOR PARKING SPACES (MAXIMUM). The Maximum Number of Exterior Parking Spaces shall, effective as of the First Additional Premises Commencement Date, be increased from 15 to 22.

9. OPTION TO EXTEND TERM. Section S.1 of the Supplemental Provisions of the Lease is hereby deleted in its entirety.

10. REAL ESTATE BROKERS. Landlord has retained Van Vlissingen and Co. ("Landlord's Agent") as leasing agent in connection with this Amendment and Landlord will he solely responsible for any fee that may be payable to Landlord's Agent. Each of Landlord and Tenant represents and warrants to the other that it has not dealt with any broker in connection with this Amendment other than Landlord's Agent, and that to the best of its knowledge and belief, no other broker, finder or like entity procured or negotiated this Amendment or is entitled to any fee or commission in connection herewith. The execution and delivery of this Amendment by each party shall he conclusive evidence that each party has relied upon the foregoing representations and warranties. Each of Landlord and Tenant shall indemnify, defend, protect and hold the other party harmless from and against any and all costs expenses, claims and liabilities (including reasonable attorneys' fees and disbursements) which the indemnified party may incur by reason of any claim of or liability to any broker, finder or like agent (other than Landlord's Agent) arising out of any dealings claimed to have occurred between the indemnifying party and the claimant in connection with this Amendment, and/or the above representation being false. The provisions of this paragraph 10 shall survive the expiration or earlier termination of the Term of the Lease.

11. BINDING EFFECT. The Lease, as amended hereby, shall continue in full force and effect, subject to the terms and provisions thereof In the event of any conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall control. This Amendment shall be binding upon and inure to the benefit of Landlord, Tenant anti their respective successors and permitted assigns.

12. SUBMISSION. Submission of this Agreement by Landlord to Tenant for examination and/or execution shall not in any manner bind Landlord and no obligations on Landlord shall arise under this Amendment unless and until this Amendment is fully signed and delivered by Landlord and Tenant,

13. EXCULPATION. The liability of Landlord for Landlord's obligations under the Lease, as amended by this Amendment (the "Amended Lease"), shall be limited to Landlord's interest in the Building and the land thereunder and Tenant shall not look to any other property or assets of Landlord or the property or assets of any partner, shareholder, director, officer, principal, employee or agent, directly and indirectly, of Landlord (collectively, the "Parties") in seeking either to enforce Landlord's obligations under the Amended Lease or to satisfy a judgment for Landlord's failure to perform such obligations; and none of the Parties shall be personally liable for the performance of Landlord's obligations under the Amended Lease.

IN WITNESS WHEREOF, the parties have caused this First Amendment to Lease to be executed as of the date first above written.

LANDLORD:

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO AS TRUSTEE UNDER TRUST NO. 113370-03

By Van Vlissingen and Co.
Duly Authorized Agent of Beneficiary

By: /s/ Charles Lamphere

President

TENTANT:

ICON INFOSYSTEMS, INC.

By: /s/ Charles Dorfman

Its: President

Exhibit A - First Additional Premises
- Drawing

EXHIBIT "A" September 28, 1999

111 Barclay Boulevard, Suite 110
1,877 Rentable Sq. Ft.

[diagram]

ASSUMPTIONS:

- - Install 12 can lights on dimmer in training room.
- - New paint and carpet
- - Install sink with 8 feet of upper and lower cabinets
- - Supply full height refrigerator
- - Vinyal tile floor in break room

SECOND AMENDMENT TO LEASE

THIS AGREEMENT is made as of the 23rd day of December, 1999, between AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not personally but solely as Trustee under Trust Agreement dated January 1, 1991 and known as Trust No. 113370-03 ("Landlord") and ICON IINFOSYS1'EMS, INC. ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to that certain Office Lease dated February 11, 1998 as amended by that certain First Amendment to Lease dated October 1, 1999 (as heretofore amended, the "Lease"), which Lease demised to Tenant Suite 280 (the "Premises") in the building located 111 Barclay Boulevard, Lincolnshire Corporate Center, Lincolnshire, Illinois (the "Building"); and

WHEREAS, Landlord and Tenant desire to confirm certain dates set forth in the Lease and to otherwise amend the Lease in certain respects, all in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the Lease is hereby amended as follows:

1. DEFINED TERMS. All capitalized terms used herein shall have the same meaning as ascribed to them in the Lease, unless otherwise defined herein. The First Additional Premises Commencement Date shall be January 1, 2000 and the First Extended Term shall expire December 31, 2003, such date being the Expiration Date.

2. FIXED MINIMUM RENT. The annual Base Rent and Monthly Base Rent payable pursuant to the Schedule of Significant Terms for the entire Premises shall be as follows:

PERIOD	FIXED MINIMUM RENT	MONTHLY FIXED RENT
1/1/00--12/31/00	$90,733.85	$7,561.15
1/1/01--12/31/01	$93,455.87	$7,787.99
1/1/02--12/31/02	$96,259.54	$8,021.63
1/1/03--12/31/03	$99,147.33	$8,262.28

3. ESTOPPEL. Tenant represents and warrants that as of the date hereof: (a) the Lease is in full force and effect, (b) the Lease has not been assigned or encumbered, (c) Tenant knows of no defense or counterclaim to the enforcement of the Lease, (d) Tenant is not entitled to any offset, abatement or reduction of rent under the Lease, (e) Landlord has completed all work to be performed by Landlord (including Landlord's Work) and paid all contributions and other sums due to Tenant under the Lease, and (f) neither Landlord nor Tenant is in default under any of its obligations under the Lease.

4. BINDING EFFECT. The Lease, as amended hereby, shall continue in full force and effect, subject to the terms and provisions thereof. In the event of any conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall control.

This Amendment shall be binding upon and inure to the benefit of Landlord, Tenant and their respective successors and permitted assigns.

5. SUBMISSION. Submission of this Agreement by Landlord to Tenant for examination and/or execution shall not in any manner bind Landlord and no obligations on Landlord shall arise under this Amendment unless and until this Amendment is fully signed and delivered by Landlord and Tenant.

6. EXCULPATION. The liability of Landlord for Landlord's obligations under the Lease, as amended by this Amendment (the "Amended Lease"), shall be limited to Landlord's interest in the Building and the land thereunder and Tenant shall not look to any other property or assets of Landlord or the property or assets of any partner, shareholder, director, officer, principal, employee or agent, directly and indirectly, of Landlord (collectively, the "Parties") in seeking either to enforce Landlord's obligations under the Amended Lease or to satisfy a judgment for Landlord's failure to perform such obligations; and none of the Parties shall be personally liable for the performance of Landlord's obligations under the Amended Lease.

IN WITNESS WHEREOF, the parties have caused this Second Amendment to Lease to be executed as of the date first above written.

LANDLORD:

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO AS TRUSTEE UNDER TRUST NO. 113370-03

By Van Vlissingen and Co.
Duly Authorized Agent of Beneficiary

By: /s/ Charles Lamphere

President

TENTANT:

ICON INFOSYSTEMS, INC.

By: /s/ Charles Dorfman

Its: President

TRAINING ROOM

ATRIUM

[diagram]

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

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Pre-Effective Amendment No. 1 to Registration Statement No. 333-64218 of BioSante Pharmaceuticals, Inc. on Form SB-2 of our report dated February 16, 2001 (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the developmental stage nature of BioSante), appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

Chicago, Illinois
September 13, 2001

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Pre-Effective Amendment No. 1 to Registration Statement No. 333-64218 of BioSante Pharmaceuticals, Inc. (formerly Ben-Abraham Technologies Inc.) on Form SB-2 of our report dated February 19, 1999 (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the developmental stage nature of BioSante), appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

Toronto, Ontario
September 13, 2001