

BIOSANTE PHARMACEUTICALS INC  
Form 10QSB  
November 15, 2004

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

FORM 10-QSB

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

For the Quarterly Period Ended September 30, 2004

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

For the Transition Period From \_\_\_\_\_ To \_\_\_\_\_.

Commission file number 1-31812

**BIOSANTE PHARMACEUTICALS, INC.**

(Exact name of small business issuer as specified in its charter)

**Delaware** **58-2301143**

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

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

(847) 478-0500  
(Issuer's telephone number)

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class	Outstanding as of November 9, 2004
Common stock, \$0.0001 par value	18,406,797

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

**BIOSANTE PHARMACEUTICALS, INC.**

**FORM 10-QSB  
SEPTEMBER 30, 2004**

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*In this Form 10-QSB, references to BioSante, the company, we, our or us, unless the context otherwise requires, to BioSante Pharmaceuticals, Inc.*

*We own or have the rights to use various trademarks, trade names or service marks, including BioSante®, BioVant , Bio-Oral , BioAir , Bio-T-Gel , Bio-E-Gel , Bio-E/P-Gel , LibiGel and LibiGel-E/T .*

**ITEM 1 - FINANCIAL STATEMENTS****BIOSANTE PHARMACEUTICALS, INC.**  
**(a development stage company)****Balance Sheets****September 30, 2004 and December 31, 2003**  
**(Unaudited)**

	September 30, 2004	December 31, 2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 20,576,359	\$ 9,134,327
Prepaid expenses and other sundry assets	248,765	183,316
	<b>20,825,124</b>	<b>9,317,643</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>244,667</b>	<b>247,827</b>
	<b>\$ 21,069,791</b>	<b>\$ 9,565,470</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 856,060	\$ 238,743
Accrued compensation	293,559	514,130
Other accrued expenses	182,611	110,467
Due to Antares	3,750	17,865
	<b>1,335,980</b>	<b>881,205</b>
<b>COMMITMENTS</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock		
Issued and Outstanding		
404,102 (2003 - 404,102) Class C special stock	404	404
18,186,780 (2003 - 13,548,875) Common stock	55,643,508	36,704,938
	<b>55,643,912</b>	<b>36,705,342</b>
Deficit accumulated during the development stage	<b>(35,910,101)</b>	<b>(28,021,077)</b>
	<b>19,733,811</b>	<b>8,684,265</b>
	<b>\$ 21,069,791</b>	<b>\$ 9,565,470</b>

See accompanying notes to the financial statements.



**ITEM 1 - FINANCIAL STATEMENTS (CONTINUED)**

**BIOSANTE PHARMACEUTICALS, INC.**  
**(a development stage company)**

**Statements of Operations**

**Three and nine months ended September 30, 2004 and 2003 and the cumulative period from August 29, 1996 (date of incorporation) to September 30, 2004 (Unaudited)**

	<b>Three Months Ended September 30,</b>	<b>Nine Months Ended September 30,</b>	
	<b>Cummulative period from August 29, 1996 (date of incorporation) to September</b>		
			<b>2004</b>
			<b>2003</b>
			<b>2004</b>
			<b>2003</b>
	<b>30, 2004</b>		
REVENUE			
Licensing income			
\$			-
\$			-
\$			-
\$			<b>65,494</b>
\$			<b>4,582,943</b>
Grant income			

	<b>10,762</b>
	-
	<b>23,054</b>
	-
	<b>23,054</b>
	<b>10,762</b>
	-
	<b>23,054</b>
	<b>65,494</b>
	<b>4,605,997</b>
<b>EXPENSES</b>	
Research and development	
	<b>2,450,486</b>
	<b>960,205</b>
	<b>5,772,758</b>
	<b>2,702,482</b>
	<b>20,677,312</b>
General and administration	
	<b>488,298</b>
	<b>481,073</b>
	<b>2,231,553</b>
	<b>1,648,284</b>
	<b>14,433,164</b>
Depreciation and amortization	
	<b>26,197</b>
	<b>23,026</b>

	<b>75,221</b>
	<b>70,122</b>
	<b>734,640</b>
Loss on disposal of capital assets	-
	-
	-
	-
	<b>157,545</b>
Costs of acquisition of Structured Biologicals Inc.	-
	-
	-
	-
	<b>375,219</b>
Purchased in-process research and development	-
	-
	-
	-
	<b>5,377,000</b>
	<b>2,964,981</b>
	<b>1,464,304</b>

	<b>8,079,531</b>
	<b>4,420,888</b>
	<b>41,754,880</b>
OTHER - Interest income	
	<b>84,584</b>
	<b>25,399</b>
	<b>167,453</b>
	<b>55,708</b>
	<b>1,238,782</b>
NET LOSS	
\$	<b>(2,869,635)</b>
)	
\$	<b>(1,438,905)</b>
)	
\$	<b>(7,889,024)</b>
)	
\$	<b>(4,299,686)</b>
)	
\$	<b>(35,910,101)</b>
)	
BASIC AND DILUTED NET LOSS	
PER SHARE	
\$	<b>(0.16)</b>
)	
\$	<b>(0.12)</b>
)	
\$	<b>(0.48)</b>
)	
\$	<b>(0.43)</b>



)

WEIGHTED AVERAGE NUMBER

OF SHARES OUTSTANDING

**18,434,872**

**12,022,673**

**16,541,845**

**10,056,709**

See accompanying notes to the financial statements

**ITEM 1 - FINANCIAL STATEMENTS (CONTINUED)**  
**BIOSANTE PHARMACEUTICALS, INC.**  
**(a development stage company)**

**Statements of Cash Flows**

**Nine months ended September 30, 2004 and 2003 and the cumulative period from August 29, 1996 (date of incorporation) to September 30, 2004 (Unaudited)**

	2004	Nine Months Ended September 30, 2004 2003	Cumulative period from August 29, 1996 (date of Incorporation) to September 30, 2004
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Net loss	\$ (7,889,024)	\$ (4,299,686)	\$ (35,910,101)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	75,221	70,122	734,640
Amortization of deferred unearned compensation	-	-	42,290
Repurchase of licensing rights	-	-	125,000
Employee & director compensation - noncash	484,666	189,000	828,666
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	(65,449)	(90,904)	(245,796)
Due from licensee (Teva Pharmaceuticals USA, Inc.)	-	520,063	-
Accounts payable and accrued expenses	468,890	(316,991)	637,590
Due to licensor (Antares/Regents)	(14,115)	(211,553)	3,750
Due from SBI	-	-	(128,328)
<b>Net cash used in operating activities</b>	<b>(6,939,811)</b>	<b>(4,139,949)</b>	<b>(28,377,744)</b>

<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Purchase of capital assets	(72,061)	(4,603)	(1,102,743)
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>			
Issuance of convertible debenture	-	-	500,000
Proceeds from sales or conversion of shares	18,453,904	9,656,870	49,556,846
<b>Net cash provided by financing activities</b>	<b>18,453,904</b>	<b>9,656,870</b>	<b>50,056,846</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	<b>11,442,032</b>	<b>5,512,318</b>	<b>20,576,359</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			
	<b>9,134,327</b>	<b>4,883,697</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
	<b>\$ 20,576,359</b>	<b>\$ 10,396,015</b>	<b>\$ 20,576,359</b>
<b>SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION</b>			
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
	\$ -	\$ -	\$ -