

BIOSANTE PHARMACEUTICALS INC
Form DEF 14A
April 29, 2002

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

BIOSANTE PHARMACEUTICALS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 21, 2002**

TO THE STOCKHOLDERS OF BIOSANTE PHARMACEUTICALS, INC.:

The Annual Meeting of Stockholders of BioSante Pharmaceuticals, Inc., a Delaware corporation, will be held on Tuesday, May 21, 2002, at 10:00 a.m., local time, at the American Airlines Admirals Club, Terminal 3, O'Hare International Airport, Chicago, Illinois, for the following purposes:

1. To elect eight persons to serve as directors until our next annual meeting of stockholders or until their respective successors are elected and qualified.
2. To consider a proposal to amend our Amended and Restated 1998 Stock Option Plan to increase the number of shares of common stock reserved for issuance under the plan by 1,500,000 shares, from 8,500,000 shares to 10,000,000 shares.
3. To consider a proposal to amend BioSante's Amended and Restated Certificate of Incorporation to effect a reverse stock split of BioSante's common stock and class C special stock at a ratio to be established by BioSante's Board of Directors, not to exceed one-for-ten, as discussed in the accompanying proxy statement.
4. To consider a proposal to ratify the appointment of Deloitte & Touche L.L.P. as our independent auditors for the fiscal year ending December 31, 2002.
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on April 19, 2002 will be entitled to notice of, and to vote at, the meeting and any adjournments thereof. It is important that your shares be represented and voted at the meeting. Please mark, sign, date and mail the enclosed proxy card in the postage-paid envelope provided.

By Order of the Board of
Directors,

/s/ Phillip B. Donenberg
Phillip B. Donenberg
Secretary

April 29, 2002
Lincolnshire, Illinois

Important: The prompt return of your proxy card will save the company the expense of further requests for proxies to ensure a quorum at the meeting. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed within the United States or from Canada.

TABLE OF CONTENTS

	Page
INFORMATION CONCERNING THE ANNUAL MEETING	1
Date, Time, Place and Purposes	1
Stockholders Entitled to Vote	1
Proxies	1
Revocation of Proxies	2
Householding of Annual Meeting Materials	2
Quorum Requirement	2
Vote Required	2
Proxy Solicitation Costs	3
SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT	4
ELECTION OF DIRECTORS (Proposal 1)	6
Number of Directors	6
Nominees for Director	6
Vote Required	6
Board Recommendation	6
Information About Nominees	7
Other Information About Nominees	7
Information About the Board of Directors and its Committees	9
Director Compensation	9
Audit and Finance Committee Report	9
EXECUTIVE COMPENSATION AND OTHER BENEFITS	11
Summary of Cash and Other Compensation	11
Option Grants in Last Fiscal Year	12
Aggregated Option Exercises In Last Fiscal Year and Fiscal Year-End Option Values	13
Employment and Separation Agreements	13
Change in Control Arrangements	14
RELATED PARTY RELATIONSHIPS AND TRANSACTIONS	15
Director Relationships	15
April 2001 Private Placement	15
Other Agreements with Affiliates	15
PROPOSAL TO AMEND OUR AMENDED AND RESTATED 1998 STOCK OPTION PLAN	16

	Page
TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE (Proposal 2)	
Proposed Amendment	16
Purpose of the Amendment	16
Summary of the Amended and Restated 1998 Stock Option Plan	16
Federal Income Tax Consequences	19
Options Under the Option Plan	20
Securities Authorized for Issuance Under Equity Compensation Plans	21
Vote Required	21
Board Recommendation	21
PROPOSAL TO EFFECT A REVERSE STOCK SPLIT OF OUR COMMON STOCK AND OUR CLASS C SPECIAL STOCK (Proposal 3)	22
Proposed Reverse Stock Split	22
Purpose of the Reverse Stock Split	23
Effects of the Reverse Stock Split on BioSante's Stockholders	25
Determination of Purchase Price	27
Hypothetical Scenarios Illustrating the Effects of the Reverse Stock Split on BioSante's Stockholders	28
Effects of the Reverse Stock Split on BioSante	29
Effectiveness of the Reverse Stock Split	33
Stock Certificates	34
Material U.S. Federal Income Tax Consequences	34
Appraisal Rights	36
Recommendation of the Board of Directors	37
RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS (Proposal 4)	38
Appointment of Auditors	38
Principal Accounting Fees	38
Financial Information Systems Design and Implementation Fees	38
All Other Fees	38
Vote Required	38
Board Recommendation	38
OTHER MATTERS	39
Section 16(a) Beneficial Ownership Reporting Compliance	39
Stockholder Proposals For 2003 Annual Meeting	39
Other Business	39
Copies of 2001 Annual Report	39

**PROXY STATEMENT FOR
ANNUAL MEETING OF STOCKHOLDERS
May 21, 2002**

INFORMATION CONCERNING THE ANNUAL MEETING

Date, Time, Place and Purposes

The meeting will be held on Tuesday, May 21, 2002, at 10:00 a.m., local time, at the American Airlines Admirals Club, Terminal 3, O'Hare International Airport, Chicago, Illinois, for the purposes set forth in the Notice of Meeting.

Stockholders Entitled to Vote

Stockholders of record at the close of business on April 19, 2002 will be entitled to vote at the meeting. As of that date, there were 63,218,798 shares of our common stock and 4,666,024 shares of our class C special stock outstanding. Each share of our common stock and class C special stock is entitled to one vote on each matter to be voted on at the Annual Meeting. Stockholders are not entitled to cumulate voting rights.

Proxies

This proxy statement is being mailed to our stockholders beginning on or about April 29, 2002 in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Stockholders.

Your vote is important. A proxy card is enclosed for your use. **You are solicited on behalf of the Board of Directors, to mark, sign, date and return the proxy card in the accompanying envelope.** No postage is required if mailed within the United States or from Canada.

Proxies will be voted as specified by you. Signed proxies that lack any specification will be voted in favor of all of the proposals set forth in the Notice of Meeting and in favor of the election of all of the nominees for director listed in this proxy statement.

The Board of Directors recommends that you vote FOR the approval of all of the proposals set forth in the Notice of Meeting and FOR all of the nominees for director listed in this proxy statement.

Revocation of Proxies

Any stockholder giving a proxy may revoke it at any time prior to its use at the Annual Meeting by:

giving written notice of your revocation to our Secretary,

filing a duly executed proxy bearing a later date with our Secretary, or

appearing at the Annual Meeting and filing written notice of revocation with our Secretary prior to use of the proxy.

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of BioSante's Proxy Statement or Annual Report to Stockholders may have been sent to multiple stockholders in each household. BioSante will promptly deliver a separate copy of either document to any stockholder upon written or oral request to BioSante's Investor Relations Department, BioSante Pharmaceuticals, Inc., 111 Barclay Boulevard, Suite 280, Lincolnshire, Illinois 60069, telephone: (847) 478-0500. Any stockholder who wants to receive separate copies of BioSante's Proxy Statement or Annual Report to Stockholders in the future, or any stockholder who is receiving multiple copies and would like to receive only one copy per household, should contact the stockholder's bank, broker, or other nominee record holder, or the stockholder may contact BioSante at the above address and phone number.

Quorum Requirement

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock (31,609,400 shares) and a majority of the outstanding shares of our class C special stock (2,333,013 shares) as of the record date will constitute a quorum for the transaction of business at the Annual Meeting. In general, shares of our common stock and shares of our class C special stock represented by a properly signed and returned proxy card will be counted as shares present and entitled to vote at the Annual Meeting for purposes of determining a quorum, without regard to whether the card reflects abstentions (or is left blank) or reflects a "broker non-vote" on a matter. A "broker non-vote" is a card returned by a broker on behalf of its beneficial owner customer that is not voted on a particular matter because voting instructions have not been received by the broker from the customer, and the broker has no discretionary authority to vote on behalf of such customer on such matter.

Vote Required

Assuming a quorum is represented at the Annual Meeting, either in person or by proxy, (1) the election of the eight nominees for director requires the affirmative vote of a plurality of the shares of common stock and class C special stock, present in person or by proxy and entitled to vote, voting together as a single class, (2) the approval of the reverse stock split proposal described in this proxy statement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock and a majority of the outstanding shares of our class C special stock as of the record date, voting as separate classes and (3) the approval of each of the other proposals described in this proxy statement, requires the affirmative vote of the holders of a majority of the shares of common stock and class C special stock, present in person or by proxy and entitled to vote, voting together as a single class. Shares represented by a proxy card including any broker non-votes on a matter will be treated as shares not entitled to vote on that matter, and thus will not be counted in determining whether that matter has been approved. A "broker non-vote" is a card returned by a broker on behalf of its beneficial owner customer that is not voted on a particular matter because voting instructions have not been received, and the broker has no discretionary authority to vote. Shares represented by a proxy card voted as abstaining on any of the proposals will be treated as shares present and entitled to vote that were not cast in favor of a particular matter, and thus will be counted as votes against that matter.

Signed proxies that lack any specification will be voted in favor of all of the proposals set forth in the Notice of Meeting and in favor of the election of all of the eight nominees for directors listed in this proxy statement.

Proxy Solicitation Costs

The cost of soliciting proxies, including the preparation, assembly and mailing of proxies and soliciting material, as well as the cost of forwarding this material to the beneficial owners of our capital stock will be borne by us. Our directors, officers and regular employees may, without compensation other than their regular compensation, solicit proxies by telephone, facsimile, telegraph or personal conversation. We may reimburse brokerage firms and others for expenses in forwarding proxy materials to the beneficial owners of our capital stock.

**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 April 1, 2002 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 on page 11 under the heading "Executive Compensation and Other Benefits," (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. 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.

Name	Common Stock		Class C Special Stock		Common Stock and Common Stock Equivalents	Percent of Total Voting Power (1)
	Number	Percent	Number	Percent		
Stephen M. Simes(2)	3,945,630(3)	5.9%			3,945,630	5.5%
Louis W. Sullivan, M.D.(2)	150,000(4)	*	1,000,000	21.4%	1,150,000	1.7%
Edward C. Rosenow III, M.D.(2)	175,000(5)	*			175,000	*
Victor Morgenstern(2)	5,125,000(6)	7.9%			5,125,000	7.4%

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	Common Stock		Class C Special Stock		Common Stock and Common Stock Equivalents	Percent of Total Voting Power (1)
Fred Holubow(2)	(7)	1.0%			862,500	1.0%
Ross Mangano(2)	15,065,900(8)	22.1%				
Angela Ho(2)	750,000(9)	1.2%	1,000,000	21.4%	1,750,000	2.6%
Peter Kjaer(2)	100,000(10)	*			15,099,000	20.7%
Avi Ben-Abraham, M.D.	10,479,800(11)	16.6%			10,479,800	15.4%
Phillip B. Donenberg(2)	998,665(12)	1.6%			998,665	1.5%
Leah M. Lehman, Ph.D.(2)	749,000(13)	1.2%			749,000	1.1%
Steven J. Bell, Ph.D.(2)	282,292(14)	*			282,292	*
JO & Co.	11,550,000(15)	17.2%			11,550,000	16.1%
Hans Michael Jebsen	4,250,000(16)	6.6%	1,000,000	21.4%	5,250,000	7.6%
King Cho Fung	3,700,000(17)	5.8%	625,000	13.4%	4,325,000	6.3%
Marcus Jebsen	1,750,000(18)	2.8%	500,000	10.7%	2,250,000	3.3%
All executive officers and directors as a group(12 persons)	38,472,887(19)	50.9%	2,000,000	42.9%	40,472,887	50.5%

*

less than 1%.

- (1) In calculating the percent of total voting power, the voting power of shares of our common stock and shares of our class C special stock is combined.
- (2) Address: 111 Barclay Boulevard, Suite 280, Lincolnshire, Illinois 60069.
- (3) Mr. Simes' beneficial ownership includes 3,094,271 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 150,000 shares of common stock issuable upon exercise of a stock option.
- (5) Dr. Rosenow's beneficial ownership includes 175,000 shares of common stock issuable upon exercise of stock options.
- (6) Mr. Morgenstern's beneficial ownership includes: (1) 100,000 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, direction 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 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 100,000 shares of common stock issuable upon exercise of a stock option.

- (8) Mr. Mangano's beneficial ownership includes: (1) 100,000 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 (3) 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.

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- (9) Ms. Ho's beneficial ownership includes 150,000 shares of common stock issuable upon exercise of stock options.
- (10) Mr. Kjaer's beneficial ownership includes 100,000 shares of common stock issuable upon exercise of a stock option.
- (11) Dr. Ben-Abraham's beneficial ownership includes 50,000 shares of common stock issuable upon exercise of a stock option.
- (12) Mr. Donenberg's beneficial ownership includes 933,698 shares of common stock issuable upon exercise of stock options and 6,250 shares of common stock issuable upon exercise of a warrant.
- (13) Dr. Lehman's beneficial ownership includes 186,500 shares of common stock issuable upon exercise of a stock option and 187,500 shares of common stock issuable upon exercise of a warrant.
- (14) Dr. Bell's beneficial ownership includes 266,667 shares of common stock issuable upon exercise of stock options and 1,875 shares of common stock issuable upon exercise of a warrant.
- (15) 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.
- (16) 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.
- (17) 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 SP 2, 15/F, 46 Lyndhurst Terrace, Central Hong Kong.
- (18) 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.
- (19) The amount beneficially owned by all current directors and executive officers as a group includes 6,926,762 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 (15) above.

ELECTION OF DIRECTORS

(Proposal 1)

Number of Directors

Our bylaws provide that the Board of Directors will consist of at least one member, or such other number as may be determined by the Board of Directors or stockholders at an annual or special meeting. The number of directors is currently set at eight.

Nominees for Director

The Board of Directors has nominated the following individuals to serve as our directors until the next annual meeting of our stockholders or until their successors are elected and qualified. All of the nominees named below are current members of the Board of Directors.

Louis W. Sullivan, M.D.

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Stephen M. Simes

Victor Morgenstern

Fred Holubow

Ross Mangano

Edward C. Rosenow III, M.D.

Angela Ho

Peter Kjaer

Avi Ben-Abraham, M.D., one of our current directors, has chosen not to stand for re-election at the Annual Meeting in view of his other responsibilities and obligations. The Board of Directors thanks Dr. Ben-Abraham for his service to BioSante.

Proxies can only be voted for the number of persons named as nominees in this proxy statement, which is eight.

Vote Required

Assuming a quorum is represented at the Annual Meeting, either in person or by proxy, the election of a nominee for director requires the affirmative vote of a plurality of the shares of common stock and class C special stock represented in person or by proxy at the Annual Meeting, voting together as a single class.

Board Recommendation

The Board of Directors recommends a vote **FOR** the election of all of the nominees named above.

If prior to the Annual Meeting, the Board of Directors should learn that any nominee will be unable to serve for any reason, the proxies that otherwise would have been voted for this nominee will be voted for a substitute nominee as selected by the Board of Directors. Alternatively, the proxies, at the Board's discretion, may be voted for that fewer number of nominees as results from the inability of any nominee to serve. The Board of Directors has no reason to believe that any of the nominees will be unable to serve.

Information About Nominees

The following table sets forth the name, age and principal occupation of each nominee for director, as of April 1, 2002, as well as how long each nominee has served as a director of BioSante.

Name of Nominee	Age	Principal Occupation	Director Since
Louis W. Sullivan, M.D.(1)(2)(3)	68	President of the Morehouse School of Medicine and Chairman of the Board of Directors of BioSante	1996
Stephen M. Simes	50	Vice Chairman, President and Chief Executive Officer of BioSante	1998
Victor Morgenstern(2)	59	Chairman of the Board of Trustees of The Oakmark Funds and Managing Director of Resolute Partners L.P.	1999
Fred Holubow(3)	63	Vice President of Pegasus Associates	1999
Ross Mangano(1)	56	President of Oliver Estate, Inc.	1999
Edward C. Rosenow III, M.D.(3)	67		1997

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Name of Nominee	Age	Principal Occupation	Director Since
		Master Fellow of the American College of Physicians and the American College of Chest Physicians	
Angela Ho(2)	49	Vice Chairman and Chief Managing Officer of Jet-Asia Ltd.	1998
Peter Kjaer(1)	41	President and Chief Executive Officer of Jet-Asia Ltd.	1999

- (1) Member of the Audit and Finance Committee
- (2) Member of the Compensation Committee
- (3) Member of the Scientific Review Committee

Other Information About Nominees

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 and as President from 1985 to 1989. 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.

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.

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., Gynex Pharmaceuticals, Inc., ThermoRetec Corporation and Unimed 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 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. He is a Master Fellow of the American College of Physicians as well as Master

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Fellow of the American College of Chest Physicians. 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. She specializes in investments in small and microcap companies.

Peter Kjaer has been a director of our company since July 1999. Mr. Kjaer has been President and Chief Executive Officer of Jet-Asia Ltd., a Hong Kong-based aircraft and management company, since April 1996 and a representative of certain major investors in Hong Kong. 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.

Information About the Board of Directors and its Committees

The Board of Directors met four times during fiscal 2001. All of the directors attended 75% or more of the meetings of the Board of Directors and all such committees on which they served during fiscal 2001, except that Dr. Ben-Abraham, a director in 2001 to date, attended 50% of the meetings of the Board of Directors.

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 consisted of Mr. Kjaer, Dr. Sullivan and Mr. Mangano. The Audit and Finance Committee met once during fiscal 2001.

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 consisted of Dr. Sullivan, Mr. Morgenstern and Ms. Ho. The Compensation Committee met twice during fiscal 2001.

Scientific Review Committee. The Scientific Review Committee assists in evaluating potential new licenses or new products. The Scientific Review Committee consisted of Dr. Sullivan, Mr. Holubow and Dr. Rosenow. The Scientific Review Committee did not meet during fiscal 2001 but as part of our Board was presented with and evaluated in-licenses and scientific progress.

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 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 10 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.

Audit and Finance Committee Report

Notwithstanding anything to the contrary set forth in any of BioSante's previous or future filings under the Securities Act or the Exchange Act that might incorporate this proxy statement or future filings with the SEC, in whole or in part, the following report will not be deemed to be incorporated by reference into any such filing.

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Membership of the Audit and Finance Committee

The Audit and Finance Committee consists of Mr. Kjaer, Dr. Sullivan and Mr. Mangano, each of whom is a member of our Board of Directors and qualifies as "independent" as defined under the National Association of Securities Dealers' listing standards. The Audit and Finance Committee operates under a written charter adopted by the Board of Directors.

Review of BioSante's Audited Financial Statements for the Fiscal Year Ended December 31, 2001

The Audit and Finance Committee has reviewed and discussed BioSante's audited financial statements for the fiscal year ended December 31, 2001 with BioSante's management. The Audit and Finance Committee has discussed with Deloitte & Touche L.L.P., BioSante's independent public accountants, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit and Finance Committee has also received the written disclosures and the letter from Deloitte & Touche L.L.P. required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees) and the Audit and Finance Committee has discussed the independence of Deloitte & Touche L.L.P. with them.

Based on the Audit and Finance Committee's review and discussions noted above, the Audit and Finance Committee recommended to our Board of Directors that BioSante's audited financial statements be included in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001 for filing with the SEC.

Audit and Finance Committee

Peter Kjaer, Chairman
Louis W. Sullivan, M.D.
Ross Mangano

EXECUTIVE COMPENSATION AND OTHER BENEFITS

Summary of Cash and Other Compensation

The following table provides summary information concerning cash and non-cash compensation paid to or earned by our 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, 2001.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	All Other Compensation (\$)
Stephen M. Simes <i>Vice Chairman, President and Chief Executive Officer</i>	2001	\$ 291,500	\$ 131,175	714,063	\$ 18,388(3)
	2000	275,000	150,000(1)	0	29,317(3)
	1999	248,917	125,000(2)	1,856,250	22,965(3)
Phillip B. Donenberg <i>Chief Financial Officer, Treasurer and Secretary</i>	2001	150,000	45,000	215,469	13,592(6)
	2000	127,000	42,000(4)	0	13,286(6)
	1999	110,000	33,000(5)	521,875	13,001(6)
Leah M. Lehman, Ph.D. <i>Vice President, Clinical Development</i>	2001	180,000	54,000	500,000	12,450(7)
	2000				
	1999				
Steven J. Bell, Ph.D. <i>Vice President, Research and Pre-Clinical Development</i>	2001	102,000	30,000	50,000	11,250(9)
	2000	91,521	26,000(8)	0	11,250(9)
	1999	85,313	10,000	125,000	6,500(9)

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	Annual Compensation		Long-Term Compensation	
	Year	Amount	Amount	Amount
John E. Lee (10)	2001	146,407		9,338(11)
<i>Former Vice President, Commercial Development</i>	2000	70,833	500,000	81,470(11)
	1999			

- (1) Represents a cash bonus of \$75,000 and a stock bonus of 125,000 shares of common stock valued at \$75,000.
- (2) Represents a cash bonus of \$75,000 and a stock bonus of 163,859 shares of common stock valued at \$50,000.
- (3) Represents an auto allowance (\$12,000 in 2001, \$12,000 in 2000 and \$12,000 in 1999), a 401(k) matching contribution (\$5,250 in 2001, \$5,250 in 2000 and \$5,000 in 1999) and insurance premiums and taxes associated with the premiums (\$1,138 in 2001, \$12,067 in 2000 and \$5,965 in 1999).
- (4) Represents a cash bonus of \$30,000 and a stock bonus of 20,000 shares of common stock valued at \$12,000.
- (5) Represents a cash bonus of \$25,000 and a stock bonus of 26,217 shares of common stock valued at \$8,000.
- (6) Represents an auto allowance (\$7,200 in 2001, \$7,200 in 2000 and \$7,200 in 1999), a 401(k) matching contribution (\$5,250 in 2001, \$5,250 in 2000 and \$5,000 in 1999) and insurance premiums paid and taxes associated with the premiums (\$1,142 in 2001, \$836 in 2000 and \$801 in 1999).
- (7) Represents an auto allowance of \$7,200 and a 401(k) matching contribution of \$5,250.
- (8) Represents a cash bonus of \$20,000 and a stock bonus of 10,000 shares of common stock valued at \$6,000.
-
- (9) Represents an auto allowance (\$6,000 in 2001, \$6,000 in 2000 and \$1,500 in 1999) and a 401(k) matching contribution (\$5,250 in 2001, \$5,250 in 2000 and \$5,000 in 1999).
- (10) Mr. Lee was Vice President, Commercial Development from August 2000 to September 2001. Mr. Lee resigned as Vice President, Commercial Development on September 28, 2001.
- (11) Represents an auto allowance (\$5,400 in 2001 and \$3,000 in 2000), a 401(k) matching contribution (\$3,938 in 2001 and \$2,188 in 2000) and relocation expenses and associated taxes of \$76,282 in 2000.

Option Grants in Last Fiscal Year

The following tables summarize option grants and exercises during the fiscal year ended December 31, 2001 to or by each of the executive officers named in the Summary Compensation Table on page 11 and the potential realizable value of the options held by these persons at December 31, 2001.

Name	Individual Grants (1)			
	Number of Securities	Percent of Total Options	Exercise Price	Expiration Date

Individual Grants (1)

	Underlying Options Granted (#)	Granted to Employees in Fiscal Year	Per Share	
Stephen M. Simes	714,063(2)	46.32%	\$ 0.40	4/5/11
Phillip B. Donenberg	215,469(2)	13.98%	\$ 0.40	4/5/11
Leah M. Lehman, Ph.D.	500,000(3)	32.44%	\$ 0.67	12/31/10
Steven J. Bell, Ph.D.	50,000(4)	3.24%	\$ 0.67	12/31/10
John E. Lee				

- (1) All of the options granted to the individuals in this table were granted under our Amended and Restated 1998 Stock Option Plan.
- (2) This option vests in equal quarterly installments over three years so long as the executive officer remains employed by us at that date. To the extent not already exercisable, this option becomes immediately exercisable in full upon certain changes in control of our company and remains exercisable for the remainder of its term.
- (3) This option vests: (i) with respect to 74,600 shares on 6/30/2001 and 12/31/2001; (ii) 37,300 shares on 3/31/2002, 6/30/2002, 9/30/2002, 12/31/2002, 3/31/2003, 6/30/2003, 9/30/2003 and 12/31/2003; and (iii) 52,400 shares on 1/1/2004. To the extent not already exercisable, this option becomes immediately exercisable in full upon certain changes in control of our company and remains exercisable for the remainder of its term.
- (4) This option vests in equal annual installments over three years so long as the executive officer remains employed by us at that date. To the extent not already exercisable, this option becomes immediately exercisable in full upon certain changes in control of our company and remains exercisable for the remainder of its term.

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 on page 11 at December 31, 2001. None of these executive officers exercised any stock options during 2001.

Name	Number of Securities Underlying Unexercised Options at December 31, 2001		Value of Unexercised In-the-Money Options at December 31, 2001 (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Stephen M. Simes	2,877,256	693,057	\$ 1,707,667	\$ 328,536
Phillip B. Donenberg	873,379	203,965	\$ 518,390	\$ 95,934
Leah M. Lehman, Ph.D.	149,200	350,800	\$ 26,856	\$ 63,144
Steven J. Bell, Ph.D.	250,000	50,000	\$ 140,625	\$ 9,000
John E. Lee	500,000		\$	\$

- (1) Value based on the difference between the fair market value of one share of our common stock at December 31, 2001 (\$0.85), and the exercise price of the options ranging from \$0.23 to \$0.91 per share. Options are in-the-money if the market price of the shares exceeds the option exercise price.

Employment and Separation Agreements

Simes Employment Agreement

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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% 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 is also 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 as 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% 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 is also subject to assignment of inventions, confidentiality and non-competition provisions.

Employment Agreements with Other Executive Officers

We have entered into employment agreements with each of our other executive officers, Leah M. Lehman, Ph.D. and Steven J. Bell, Ph.D. These agreements provide for a fixed salary which may be

adjusted from time to time by the Chief Executive Officer and the Compensation Committee of the Board. In addition, BioSante may pay Dr. Lehman and Dr. Bell an annual performance bonus of up to a maximum of 30% of their then base salary. The term of each of these employment agreements is for one year and will renew automatically every year unless either party gives the other party written notice of termination at least 30 days prior to the end of the then term of the agreement. If the executive officer's employment is terminated as a result of death or disability, by BioSante without cause or by the executive officer for good reason, the officer will be entitled to a severance payment in an amount equal to his or her base salary for the shorter of (1) 12 months or (2) the date upon which the officer obtains full-time employment or a consulting position with another company. In addition, the executive officer will receive health and dental benefits from BioSante during any severance period. Dr. Lehman and Dr. Bell are also subject to assignment of inventions, confidentiality and non-competition provisions.

Separation Agreement and Mutual Release

On February 1, 2002, we entered into a separation and mutual release agreement with John E. Lee in connection with Mr. Lee's resignation as Vice President, Commercial Development and an employee of BioSante effective September 28, 2001. In connection with the separation and mutual release agreement, Mr. Lee received a severance payment of \$184,166.66 on October 7, 2001 and will receive a monthly payment of \$12,000 for eight months, commencing February 1, 2002 in consideration of providing marketing liaison services to BioSante during this time.

Change in Control Arrangements

Under our Amended and Restated 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.

RELATED PARTY RELATIONSHIPS AND 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 our May 1999 private placement. Neither Mr. Morgenstern, Mr. Holubow nor Mr. Mangano has entered into any voting agreements with the lead investors nor does Mr. Morgenstern, Mr. Holubow or Mr. Mangano otherwise have any control over the voting of shares held by the lead investors.

Ms. Ho and Mr. Kjaer were elected to our Board of Directors as representatives of several investors located in Hong Kong. Neither Ms. Ho nor 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.

April 2001 Private Placement

In connection with our April 2001 private placement, we sold 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 accredited investors, including certain existing stockholders, directors and officers. Stephen M. Simes purchased 125,000 shares of common stock and a warrant to purchase 62,500 shares of common stock, Phillip B. Donenberg purchased 12,500 shares of common stock and a warrant to purchase 6,250 shares of common stock, Leah M. Lehman, Ph.D. purchased 375,000 shares of common stock and a warrant to purchase 187,500 shares of common stock, Steven J. Bell, Ph.D. purchased 3,750 shares of common stock and a warrant to purchase 1,875 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 and Fred Holubow purchased 125,000 shares of common stock and a warrant to purchase 62,500 shares of common stock. Ross Mangano, as advisor and trustee, has sole dispositive power over 2,250,001 shares of common stock and warrants to purchase an aggregate of 1,124,999 shares purchased in the April 2001 private placement.

Other Agreements with Affiliates

In January 2001, we entered into a consulting agreement with Scientific Research Development Corporation, a company owned and operated by Ronald B. McCright, the husband of Leah M. Lehman, Ph.D., an executive officer of BioSante. Under the agreement, Scientific Research Development Corporation provides us with database and statistical programming, database management, medical writing and project management services. In consideration for such services, we paid Scientific Research Development Corporation an aggregate of approximately \$60,000 during the fiscal year ended December 31, 2001. This agreement expires on December 31, 2002.

In July 2001, Avi Ben-Abraham, M.D., a director of BioSante, and BioSante entered into a settlement agreement with a stockholder of BioSante in connection with certain claims and disputes among the stockholder, Dr. Ben-Abraham and BioSante arising out of actions of Dr. Ben-Abraham during 1996. In exchange for a release of all claims, suits, damages and judgments among the stockholder, BioSante and Dr. Ben-Abraham, Dr. Ben-Abraham transferred 500,000 shares of his BioSante common stock to the stockholder.

PROPOSAL TO AMEND OUR AMENDED AND RESTATED 1998 STOCK OPTION PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE

(Proposal 2)

Proposed Amendment

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On December 8, 1998, the Board of Directors adopted our Amended and Restated 1998 Stock Option Plan, and on July 13, 1999 our stockholders approved the option plan. This option plan provides for the grant to employees, officers, directors, consultants and independent contractors of our company 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 the Board of Directors, which determines the persons who are to receive options, as well as the type, terms and number of shares subject to each option.

On January 14, 2002, the Board of Directors amended the option plan, subject to stockholder approval, to increase the number of shares of common stock reserved for issuance under the option plan by 1,500,000 shares, from 8,500,000 shares to 10,000,000 shares. You are being asked to approve this amendment at the Annual Meeting.

Purpose of the Amendment

Providing stock option grants under our option plan is an important element in our overall success. In general, the Board of Directors believes that equity-based incentives align the interests of our management and employees with those of our stockholders. In addition, providing stock option grants under the option plan is an important strategy for attracting and retaining the type of high-quality executives, employees and advisors the Board of Directors believes is necessary for the achievement of our goals.

Given the intense competition for such personnel, the Board of Directors believes that its ability to offer competitive compensation packages, including those with equity-based incentive components, such as stock options, is particularly important in attracting and retaining qualified candidates.

Summary of the Amended and Restated 1998 Stock Option Plan

A general description of the material terms of our option plan, as proposed to be amended, is set forth below. Unless otherwise indicated, the following summary of the material provisions of the plan assumes the approval of the proposed amendment increasing the number of shares of common stock reserved for issuance. This summary is qualified in its entirety by reference to the actual text of the option plan, a copy of which you may obtain from us at the address set forth at the beginning of this proxy statement.

Purpose of the Plan. The option plan's purpose is to advance our interests and the interests of our stockholders by enabling us to attract and retain talented persons by providing an incentive to these individuals through equity participation in BioSante and also rewarding individuals who contribute to the achievement of our economic objectives.

Eligible Participants. All employees of BioSante and any non-employee directors, consultants and independent contractors of BioSante who, in the judgment of the Compensation Committee, have contributed, are contributing or are expected to contribute to the achievement of our economic objectives are eligible to participate in the option plan. On April 1, 2002, approximately 19 individuals were eligible to receive options under the option plan.

Participants may be granted one or more options. The options will always be subject to whatever terms and conditions the Compensation Committee determines, provided such terms and conditions are

consistent with the option plan. All options are deemed granted as of the date specified in the Compensation Committee's resolution, which will be the date of the participant's option agreement.

Administration. The Compensation Committee of the Board of Directors administers the option plan. The Compensation Committee has the authority to determine all terms and conditions of options as long as they are consistent with the terms of the option plan. The Compensation Committee also has the authority to amend or modify the terms of any outstanding options in any manner. Any amendment or modification, however, must be permitted by the option plan and may not adversely affect any participant's rights without his or her consent. Each determination, interpretation or other action of the Compensation Committee will be conclusive and binding for all purposes on all persons.

Stock Subject to the Option Plan. The amendment to the option plan proposed would increase the number of shares of common stock specifically reserved for issuance under the option plan from 8,500,000 to 10,000,000 shares.

As of April 1, 2002, no shares of common stock had been issued upon the exercise of options granted under the option plan, and options to purchase 7,762,657 shares of common stock were outstanding. Accordingly, 737,343 shares remained available for future grant under the option plan as of that date. Assuming approval of an increase of 1,500,000 shares to the option plan, 2,237,347 shares would be available for future grants.

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The following points describe how our Compensation Committee determines the number of shares of common stock available for issuance under our option plan at any point in time.

Outstanding options reduces the maximum number of shares available for issuance.

Shares issued upon exercise of outstanding options reduces the maximum number of shares available for issuance.

Option terminates unexercised or unvested shares become available again for issuance.

We pay for the options, in cash, not common stock shares become available again for issuance.

In the event of any reorganization, merger, recapitalization, stock dividend, stock split or similar change in our corporate structure or our shares, appropriate adjustments will be made to the number and kind of shares reserved under the plan and under outstanding options and to the exercise price of outstanding options.

Options. An option provides the optionee with the opportunity to purchase a specified number of shares of common stock at a predetermined price for a specific period of time. Incentive options must be granted with an exercise price equal to at least the fair market value of the common stock on the date of grant. Non-qualified options must be granted with an exercise price equal to at least 85% of the fair market value of the common stock on the date of grant. For purposes of the plan, the fair market value of the common stock is the closing price as reported by the Over-the-Counter Bulletin Board. On April 1, 2002, the closing sale price of a share of our common stock on the OTC Bulletin Board was \$0.51.

Options will become exercisable a