SAMARITAN PHARMACEUTICALS INC
Form 10QSB
May 13, 2005

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

FORM 10-QSB

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For The Quarterly Period Ended March 31, 2005

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to _____

Commission File Number 000-26775

SAMARITAN PHARMACEUTICALS, INC.
(Exact name of registrant as specified in charter)

Nevada	88-0431538
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer identification No.)

101 Convention Center Drive, Suite 310
Las Vegas, Nevada 89109
(Address of principal executive offices) (Zip)

Issuer's telephone number, including area code (702)-735-7001

Former Name, Former Address and Former Fiscal Year, if changed, Since Last Report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes[x] No[ ]

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes[x] No[ ]

The number of shares of common stock issued and outstanding as of March 31, 2005 was 133,258,403.

Transitional Small Business Disclosure Format (check one).
Yes[ ] No[x]

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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PART I
Financial Information

Item 1. Financial Statements

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEET
(UNAUDITED)
March 31, 2005

ASSETS

CURRENT ASSETS:		
Cash	$	2,280,217
Marketable securities		1,492,702
Interest receivable		40,313
Prepaid expenses		43,961
TOTAL CURRENT ASSETS		3,857,193
PROPERTY AND EQUIPMENT		42,139
OTHER ASSETS:		
Patent registration costs		463,499
Purchased technology rights		28,155
Marketable securities		491,600
Note receivable		250,000
Deposits		2,779
TOTAL OTHER ASSETS		1,236,033
	$	5,135,365

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$	81,021
Accrued expenses		116,645
TOTAL CURRENT LIABILITIES		197,666
SHAREHOLDERS' EQUITY:		
Common stock, 200,000,000 shares authorized at $.001 par value, 133,258,403 issued and outstanding		133,258
Additional paid-in capital		34,744,715
Deferred compensation		(228,312)
Treasury stock		(250,248)
Accumulated other comprehensive income		(21,321)
Accumulated deficit during development stage		(29,440,393)

TOTAL SHAREHOLDERS' EQUITY	4,937,699
	$ 5,135,365

See accompanying notes to the consolidated financial statements (unaudited)

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(UNAUDITED)
FROM INCEPTION (SEPTEMBER 5, 1994) TO MARCH 31, 2005
AND FOR THE QUARTERS ENDED MARCH 31, 2005 AND 2004

	From Inception September 5, 1994 To March 31, 2005	Three months en 2005
REVENUES:	$ 300,000	$ -
EXPENSES:		
Research and development	7,010,567	727,097
Interest, net	(3,742)	(17,018)
General and administrative	21,947,570	544,183
Depreciation and amortization	1,155,128	7,294
Other income	(369,130)	-
	29,740,393	1,261,556
NET LOSS	(29,440,393)	(1,261,556)
Other Comprehensive Income (loss)		
Unrealized (loss) gain on marketable securities	(15,697)	883
Foreign currency translation adjustment	(5,624)	(5,624)
Total Comprehensive Loss	$ (29,461,714)	$ (1,266,297)

Loss per share, basic and diluted	$ (0.83)	$ (0.01)
Weighted average number of shares outstanding:		
Basic and diluted	35,281,776	132,439,600

See accompanying notes to the consolidated financial statements (unaudited)

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(UNAUDITED)
FROM INCEPTION (SEPTEMBER 5, 1994) TO MARCH 31, 2005

	Number of Shares	Par Value Common Stock	Shares Reserved for Conversion	Additional Paid in Capital	Warrant
Inception at September 5, 1994	-	$ -	$ -	-	$
Shares issued for cash, net of offering costs	6,085,386	609	-	635,481	
Warrants issued for cash	-	-	-	-	5,0
Shares issued as compensation for services	714,500	71	-	1,428,929	
Net loss	-	-	-	-	
December 31, 1996	6,799,886	680	-	2,064,410	5,0
Issuance of stock, prior to acquisition	206,350	21	-	371,134	
Acquisition of subsidiary for stock	1,503,000	150	-	46,545	
Shares of parent redeemed, par value $.0001	(8,509,236)	(851)	-	851	
Shares of public subsidiary issued, par value $.001	7,689,690	7,690	820	(8,510)	
Net loss	-	-	-	-	
December 31, 1997	7,689,690	7,690	820	2,474,430	5,0
Conversion of parent's shares	696,022	696	(696)	-	
Shares issued for cash, net of offering costs	693,500	694	-	605,185	

Shares issued in cancellation of debt	525,000	525	-	524,475	
Shares issued as compensation	400,000	400	-	349,600	
Net loss	-	-	-	-	
December 31, 1998	10,004,212	10,005	124	3,953,690	5,0
Conversion of parent's shares	13,000	13	(13)	-	
Shares issued in cancellation of debt	30,000	30	-	29,970	
Shares issued for cash, net of offering costs	45,000	45	-	41,367	
Shares issued as compensation	3,569,250	3,569	-	462,113	
Detachable warrants issued	-	-	-	-	152,1
Detachable warrants exercised	100,000	100	-	148,900	(149,0
Debentures converted to stock	1,682,447	1,682	-	640,438	
Net loss	-	-	-	-	
December 31, 1999	15,443,909	15,444	111	5,276,478	8,1
Conversion of parent's shares	128,954	129	(111)	(18)	
Shares issued for cash, net of offering costs	1,575,192	1,575	-	858,460	
Shares issued in cancellation of debt	875,000	875	-	660,919	
Shares issued in cancellation of accounts payable	100,000	100	-	31,165	
Shares issued as compensation	3,372,945	3,373	-	2,555,094	
Warrants exercised	38,807	39	-	3,086	(3,1
Warrants expired	-	-	-	5,000	(5,0
Net loss	-	-	-	-	
December 31, 2000	21,534,807	21,535	-	9,390,184	

See accompanying notes to the consolidated financial statements

Shares issued for cash, net of offering cost	6,497,088	6,497	-	1,257,758	
Shares issued as compensation	9,162,197	9,162	-	1,558,599	
Shares issued for previously purchased shares	342,607	342	-	188,208	
Shares issued in cancellation of accounts payable	200,000	200	-	68,880	
Amortization of deferred compensation	-	-	-	-	
Stock options issued for services	-	-	-	439,544	
Net loss	-	-	-	-	
December 31, 2001	37,736,699	37,736	-	12,903,173	

Shares issued for cash, net of offering costs	18,657,500	18,658	-	2,077,641	
Shares issued as compensation	3,840,525	3,841	-	1,044,185	
Shares issued for previously purchased shares	50,000	50	-	4,950	
Shares issued in cancellation of accounts payable	4,265,184	4,265	-	539,291	
Amortization of deferred compensation	-	-	-	-	
Shares issued in cancellation of notes payable	-	-	-	-	
Stock options issued for services	-	-	-	225,000	
Net loss	-	-	-	-	
December 31, 2002	64,549,908	64,550		16,794,240	
Shares issued for cash, net of offering costs	17,493,664	17,493	-	2,392,296	
Shares issued as compensation	4,062,833	4,063	-	549,779	
Shares issued for previously purchased shares	1,160,714	1,161	-	161,339	
Shares issued in cancellation of accounts payable and accrued compensation	9,615,870	9,616	-	3,448,950	
Shares issued in cancellation of notes payable	-	-	-	-	
Shares issued in connection with equity financing	3,125,000	3,125		(3,125)	
Exercise of stock options	7,770,892	7,771	-	1,112,077	
Shares reacquired in settlement of judgement	(1,564,048)	(1,564)	-	251,812	
Stock options issued for services	-	-	-	145,000	
Net loss	-	-	-	-	
December 31, 2003	106,214,833	106,215	-	24,852,368	
Shares issued for cash, net of offering costs	11,426,733	11,427	-	4,289,511	
Shares issued as compensation, expensed	2,081,249	2,081	-	1,788,397	
Amortization of deferred compensation	-	-	-	-	
Shares issued for previously purchased shares	83,332	83	-	12,417	
Exercise of stock options	16,950,468	16,951	-	4,841,869	
Exercise of warrants	635,000	635	-	449,365	
Shares issued in connection with equity financing	8,758,240	8,758	-	3,091,243	
Stock retired in settlement of subscriptions receivable	(13,869,656)	(13,870)	-	(5,964,798)	
Shares reacquired in settlement of judgement	(250,000)	(250)	-	(231,100)	
Stock options issued for services	-	-	-	567,771	
Other comprehensive income (loss)	-	-	-	-	
Net loss		-	-		

December 31, 2004	132,030,199	132,030	-	33,697,043	
Amortization of deferred compensation	-	-	-		
Shares issued in connection with equity financing	1,228,204	1,228	-	998,772	
Stock options issued for services	-	-	-	48,900	
Other comprehensive income (loss)	-	-	-	-	
Net loss	-	-	-	-	
March 31, 2005	133,258,403	$ 133,258	$ -	$34,744,715	$

See accompanying notes to the consolidated financial statements

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STATE COMPANY)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

FROM INCEPTION (SEPTEMBER 5, 1994) TO MARCH 31, 2005

	Deferred Compensation	Accumulated Other Comprehensive Income	Stock Subscriptions Receivable	Treasury Shares	Accumula Deficit
Inception at September 5, 1994	$ -	-	$ -	$ -	$
Shares issued for cash, net of offering costs	-	-	-	-	
Warrants issued for cash	-	-	-	-	
Shares issued as compensation for services	-	-	-	-	
Net loss	-	-	-	-	(2,152,
December 31, 1996	-	-	-	-	(2,152,
Issuance of stock, prior to acquisition	-	-	-	-	
Acquisition of subsidiary for stock	-	-	-	-	
Shares of parent redeemed, par value $.0001	-	-	-	-	
Shares of public subsidiary issued, par value $.001	-	-	-	-	
Net loss	-	-	-	-	(979,
December 31, 1997	-	-	-	-	(3,132,
Conversion of parent's shares	-	-	-	-	
Shares issued for cash, net of offering costs	-	-	-	-	

Shares issued in cancellation of debt	-	-	-	-	
Shares issued as compensation	-	-	-	-	
Net loss	-	-	-	-	(1,009,
December 31, 1998	-	-	-	-	(4,142,
Conversion of parent's shares	-	-	-	-	
Shares issued in cancellation of debt	-	-	-	-	
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation	-	-	-	-	
Detachable warrants issued	-	-	-	-	
Detachable warrants exercised	-	-	-	-	
Debentures converted to stock	-	-	-	-	
Net loss	-	-	-	-	(1,671,
December 31, 1999	-	-	-	-	(5,813,
Conversion of parent's shares	-	-	-	-	
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued in cancellation of debt	-	-	-	-	
Shares issued in cancellation of accounts payable	-	-	-	-	
Shares issued as compensation	(759,560)	-	-	-	
Warrants exercised	-	-	-	-	
Warrants expired	-	-	-	-	
Net loss	-	-	-	-	(3,843,
December 31, 2000	(759,560)	-	-	-	(9,656,

See accompanying notes to the consolidated financial statements

Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation	(230,512)	-	-	-	
Shares issued for previously purchased shares	-	-	-	-	
Shares issued in cancellation of accounts payable	-	-	-	-	
Amortization of deferred compensation	495,036	-	-	-	
Stock options issued for services	-	-	-	-	
Net loss	-	-	-	-	(4,079,
December 31, 2001	(495,036)	-	-	-	(13,736,
Shares issued for cash, net of offering costs	-	-	-	-	

Shares issued as compensation	-	-	-	-	
Shares issued for previously purchased shares	-	-	-	-	
Shares issued in cancellation of accounts payable	-	-	-	-	
Amortization of deferred compensation	495,036	-	-	-	
Shares issued in cancellation of notes payable	-	-	-	-	
Stock options issued for services	-	-	-	-	
Net loss	-	-	-	-	(4,057,
December 31, 2002	-	-	-	-	(17,793,
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation	-	-	-	-	
Shares issued for previously purchased shares	-	-	-	-	
Shares issued in cancellation of accounts payable and accrued compensation	-	-	-	-	
Shares issued in cancellation of notes payable	-	-			
Shares issued in connection with equity financing	-	-	-	-	
Exercise of stock options	-	-	(1,119,848)	-	
Shares reacquired in settlement of judgement	-	-	-	(250,248)	
Stock options issued for services	-	-	-	-	
Net loss	-	-	-	-	(5,520,
December 31, 2003	-	-	(1,119,848)	(250,248)	(23,314,
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation, expensed	(544,416)	-	-	-	
Amortization of deferred compensation	240,000	-	-	-	
Shares issued for previously purchased shares	-	-	-	-	
Exercise of stock options	-	-	(4,858,820)	-	
Exercise of warrants	-	-	-	-	
Shares issued in connection with equity financing	-	-	-	-	
Stock retired in settlement of subscriptions receivable	-	-	5,978,668	-	
Shares reacquired in settlement of judgement	-	-		-	
Stock options issued for services	-	-		-	
Other comprehensive income (loss)	-	(16,580)		-	
Net loss	-	-	-	-	(4,864,3
December 31, 2004	(304,416)	(16,580)	0	(250,248)	(28,178,8
Amortization of deferred compensation	76,104	-	-	-	
Shares issued in connection with					

equity financing	-	-	-	-	
Stock options issued for services	-	-	-	-	
Other comprehensive income (loss)	-	(4,741)	-	-	
Net loss	-	-	-	-	(1,261,5
March 31, 2005	$ (228,312)	$ (21,321)	$ -	$(250,248)	$(29,440,3

See accompanying notes to the consolidated financial statements

SAMARITAN PHARMACEUTICALS, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
FROM INCEPTION (SEPTEMBER 5, 1994) TO MARCG 31, 2005 AND FOR THE QUARTERS ENDED MARCH 31, 2005 AND 2004

	From Inception September 5, 1994 To March 31, 2005	Three months ended March 3	
		2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (29,440,393)	$ (1,261,556)	$ (828,
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,155,128	7,294	6,6
Stock based compensation	9,590,130	-	352,4
Stock options issued for services	1,426,215	48,900	
Amortization of deferred compensation	1,306,176	76,104	
Other income	(231,350)	-	
(Increase) decrease in assets:			
Interest receivable and prepaids	(97,514)	(7,925)	4
Deposits	12,941	-	
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	2,058,481	27,501	(30,5
NET CASH USED IN OPERATING ACTIVITIES	(14,220,186)	(1,109,682)	(499,5
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of technology	(108,969)	-	
Purchase of furniture and equipment	(125,451)	(9,488)	(6,0
Note receivable	(250,000)	-	
Purchase of Marketable securities	(2,000,000)	-	
Patent registration costs	(472,919)	(33,440)	(13,0

NET CASH USED IN INVESTING ACTIVITIES	(2,957,339)	(42,928)	(19,0
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from warrants	607,126	-	
Proceeds from debentures	642,120	-	
Proceeds from stock issued for cash	12,583,569	-	3,934,5
Proceeds from equity financing	4,100,001	1,000,000	
Common stock to be issued	206,050	-	
Short-term loan repayments	(288,422)	-	
Short-term loan proceeds	1,612,922	-	
NET CASH PROVIDED BY FINANCING ACTIVITIES	19,463,366	1,000,000	3,934,5
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(5,624)	(5,624)	
INCREASE (DECREASE) IN CASH	2,280,217	(158,234)	3,415,9
CASH AT BEGINNING OF PERIOD	-	2,438,451	370,5
CASH AT END OF PERIOD	$ 2,280,217	$ 2,280,217	$ 3,786,5
NON-CASH FINANCING & INVESTING ACTIVITIES:			
Purchase of net, non-cash assets of subsidiary for stock	$ 195	$ -	$
Issuance of common stock, previously subscribed	$ 180,000	$ -	$ 12,5
Treasury stock acquired through settlement of judgement	$ 250,248	$ -	$
Stock subscriptions receivable	$ 1,119,848	$ -	$ 1,119,8
Stock received in settlement	$ (231,350)	$ -	$
Stock as compensation for services	$ 5,175,792	$ -	$
Stock issued in cancellation of accounts payable	$ 4,248,938	$ -	$
Exercise of stock options	$ 4,858,820	$ -	$

See accompanying notes to the consolidated financial statements (unaudited)

Samaritan Pharmaceuticals, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
March 31, 2005

Note 1. - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim

financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and disclosures required for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes for the year ended December 31, 2004, included in the Form10-KSB for the year then ended.

In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of March 31, 2005, and the results of operations and cash flows for the three month period ending March 31, 2005 have been included. The results of operations for the three month period ended March 31, 2005 are not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-KSB as filed with the Securities and Exchange Commission for the year ended December 31, 2004.

Note 2. - Summary of Significant Accounting Policies.

A. Samaritan Pharmaceuticals, Inc. was formed in September 1994 and became public in October 1997. Our principal executive offices are located in Las Vegas, Nevada.

Samaritan Pharmaceuticals is working to ensure a longer and better life, for patients suffering with AIDS, Alzheimer's, Cancer, and Cardiovascular disease. Samaritan is a pipeline-driven Biopharmaceutical company, with a clear focus on advancing early stage innovative drugs through clinical development, to become commercially valuable compounds.

B. Basis of Consolidation

The accompanying financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany balances and transactions have been eliminated in consolidation.

C. Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents.

D. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

E. Intangibles

1) Legal fees associated with filing patents are recorded at cost. Amortization, once the patent is approved, will be calculated using the straight-line method, over the estimated useful lives of the patents.

The Company has licensed 1 issued U.S. patent and has licensed 13 pending patent applications in the U.S. to protect its proprietary methods and processes. The Company also licensed corresponding foreign patent applications for certain of these U.S. patent applications. As of March 31, 2005, its patent portfolio outside the U.S. comprised of 1 licensed issued patent and over 13 licensed pending patent applications. The issued U.S. patent and pending patent applications relate to Alzheimer's, Cancer, Cardiovascular, and HIV indications.

Certain U.S. patents may be eligible for patent term extensions under the Hatch-Waxman Act for the lost opportunity to market and sell the invention during the regulatory review process.

The Company reviews patent costs for impairment by comparing the carrying value of the patents with the fair value. Fair value is estimated using the present value of expected future cash flows. The Company believes it will recover the full amount of the patent costs based on forecasts of sales of the products related to the patents.

2) Purchased technology rights are recorded at cost and are being amortized using the straight line method over the estimated useful life of the technology.

F. Earnings (loss) per share

The Company reports loss per common share in accordance with Statement of Financial Accounting Standards ("SFAS") no. 128, "Earnings Per Share." The per share effects of potential common shares such as warrants, options, convertible debt and convertible preferred stock have not been included, as the effect would be antidilutive. The Company had 23,766,018 options outstanding at March 31, 2005, which were not included.

G. Use of Estimates

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

H. Income Taxes

Pursuant to Statement of Financial Accounting Standards No. 109 ("SFAS 109") "Accounting for Income Taxes", the Company accounts for income taxes under the liability method. Under the liability method, a deferred tax asset or liability is determined based upon the tax effect of the differences between the financial statement and tax basis of assets and liabilities as measured by the enacted rates, which will be in effect when these differences reverse.

I. Research and Development Costs

Research and development costs are expensed when incurred.

J. Impairment of Long-Lived Assets

The Company reviews long-lived assets and certain identifiable assets related to those on a quarterly basis for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered.

K. Fair Value of Financial Instruments

Statement of Financial Accounting Standard No. 107 "Disclosures about Fair Value of Financial Instruments" ("SFAS 107") requires the disclosure of fair value information about financial instruments whether or not recognized on the balance sheet, for which it is practicable to estimate the value. Where quoted market prices are not readily available, fair values are based on quoted market prices

of comparable instruments. The carrying amount of cash, accounts payable and accrued expenses approximates fair value because of the short maturity of those instruments.

L. Marketable Securities

At March 31, 2005, the Company held three brokered Certificates of Deposit with a total market value of $1,984,302. Unrealized gains and losses, determined by the difference between historical purchase price and the market value at each balance sheet date, are recorded as a component of Accumulated Other Comprehensive loss in Shareholder's Equity. Realized gains and losses will be determined by the difference between historical purchase price and gross proceeds received when the marketable securities are sold.

Note 3 - Stock Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123"), encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. Accordingly, compensation cost for the Company's stock at the date of the grant over the amount of an employee must pay to acquire the stock. The Company has adopted the "disclosure only" alternative described in SFAS 123 and SFAS 148, which require pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied.

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net loss would have been reported as follows:

	Three months ended March 31,2005	Three months ended March 31, 2004
Net Loss:		
As reported	$ (1,261,556)	$ (828,585)
Pro Forma	$ (2,559,387)	$ (3,104,858)
Basic and diluted loss per common share:		
As reported	$ (0.01)	$ (0.01)
Pro Forma	$ (0.02)	$ (0.03)

Item 2. Management's Discussion and Analysis or Plan of Operation

THE FOLLOWING ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE COMPANY SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO OF THE COMPANY, CONTAINED ELSEWHERE IN THE FORM 10-KSB.

This Plan of Operation should be read in conjunction with the accompanying consolidated financial statements and notes included in this report.

General Overview

We are a small cap biopharmaceutical company focused on the development of novel therapeutic and diagnostic products. We have devoted substantially all of our resources to undertaking our drug discovery and development programs. The majority of our resources have been expended in the pursuit of FDA required preclinical studies, and Phase II/III clinical trials, for Samaritan's HIV drug SP-01A, an oral entry inhibitor.

In addition, and at the same time, Samaritan has devoted major resources to its Alzheimer's technology, which features: three therapeutics, SP-04, SP-08, and SP-233; two stem cell, neuron differentiation therapies, SP-sc4 and SP-sc7; a predictive Alzheimer's diagnostic; and an Alzheimer's animal model. Samaritan, as well, has devoted resources to its cancer drug, SP-C007, and a breast cancer diagnostic; plus, its cholesterol recognition peptide, which plays a role in transforming and binding LDL cholesterol while subsequently raising HDL.

Plan of Operation

We have used the proceeds from private placements of our capital stock primarily to expand our preclinical and clinical efforts as well as for general working capital. At this time we are beginning to commit additional resources to the development of SP-01A as well as for the development of our other drugs. Additional detail regarding the human trials and INDs that the Company plans to file are discussed in Part I, Item 1, Description of Business, of the 10-KSB annual report filed on April 15, 2005.

We incurred research and development expenses of $727,097 for the quarter ended March 31, 2005, as compared to $105,153 in the year-earlier period, an increase of $621,944 or 591.5%. This increase was primarily due to our increase in financial commitment with Georgetown University, additional expenses related to development of SP-01A including payments to Pharmaplaz, Ireland for the manufacturing of SP-01A and performing the work necessary to complete the chemistry, manufacturing and controls (CMC) section of New Drug Application for the FDA which will be submitted with studies conducted under the IND for SP-01A. We expect that research and development expenditures related to drug discovery and development will increase during the remainder of 2005 and subsequent years

due to FDA clinical trials which include the continuation and expansion of clinical trials for our HIV drug program, Alzheimer's drug program, the initiation of trials for other potential indications and additional study expenditures for potential pharmaceutical candidates. Research and development expenses may fluctuate from period to period depending upon the stage of certain projects and the level of pre-clinical testing and clinical trial-related activities. In conjunction with the additional research and development activities we expect to conduct, we anticipate adding two administrative staff and four research and development support personnel in the next 12 months. In June 2004, we also hired a Chief Drug Development Officer at an annual salary of $300,000 plus benefits.

General and administrative expenses decreased to $544,183 for the quarter ended March 31, 2005 from $716,744 in the same period in 2004. The decrease of $172,561 was primarily due to a reduction in stock-based consulting and compensation costs.

Depreciation and amortization amounted to $7,294 and $6,688 for the quarter ended March 31, 2005 and 2004, respectively, an increase of $606 or 9.1%.

Interest income amounted to $(17,018) and $0 for the quarter ended March 31, 2005 and 2004, respectively, an increase of $17,018. The decrease is due to interest earned from holding our cash in marketable securities and certificates of deposits.

We had a net loss of $1,261,556 and $828,585 for the quarter ended March 31, 2005 and March 31, 2004, respectively and had a loss per share of $(0.01) and $(0.01) for quarter ended March 31, 2005 and March 31, 2004, (an increase of $432,971 or 52.3%), respectively. Our expenses have related mainly to costs incurred in research activities for the development of our drug candidates and from administrative expenses required to support these efforts. As a result of the factors noted above, the net loss since inception on September 5, 1994 to March 31, 2005 was $29,440,393. We expect losses to continue for the near future, and such losses will likely increase as human clinical trials are undertaken in the United States for drugs. Future profitability will be dependent upon our ability to complete the development of our pharmaceutical products, obtain necessary regulatory approvals and effectively market such products. In addition, future profitability will require that the Company establish agreements with other parties for the clinical testing, manufacturing, commercialization and sale of its products.

As of March 31, 2005, the Company's cash position is $2,280,217 and the Company has $1,984,302 of marketable securities. We are continuing efforts to raise additional capital and execute our research and development plans. Even if we are successful in raising sufficient money to carry out these plans, additional clinical development, necessary to bring our products to market, we will require significant additional capital.

Liquidity and Capital Resources

Cash used in operating activities during the three-month period ended March 31, 2005 was $1,109,682 compared to $499,533 for the same period a year earlier. The increase is primarily due to the additional expenses related to development of SP-01A including payments to Pharmaplaz for performing work to complete the chemistry, manufacturing and controls (CMC) information that will be submitted for studies conducted under the IND for SP-01A.

Cash used in investing activities was $42,928 for the three months period ended March 31, 2005, compared to $19,093 in for the same period in 2004. The increase is primarily due to the increase in patent registration cost and the purchase of furniture and equipment.

Cash provided by financing activities was $1,000,000 for the three-month period ended March 31, 2005, compared to $3,934,590 in the same period for 2004, a decrease of $2,934,590 or 74.6%. The decrease was due to the decrease in equity financing compared to last year.

Current assets as of March 31, 2005 were $3,857,193 as compared to $5,836,907 for the comparable 2004 period, a decrease of $1,979,714 or 33.9%. The decrease was primarily due to investment in certificates of deposits with maturity dates over a year. Current liablities as of March 31, 2004 were $197,666 as compared to $357,757 for the same period in 2004, a decrease of $160,091 or 44.7%.

On April 22, 2003, we entered into a common stock purchase agreement with Fusion Capital Fund II, LLC, pursuant to which Fusion Capital has agreed to purchase our common stock from time to time at our option up to an aggregate amount of $10,000,000. The SEC declared effective the Company's registration statement on Form SB-2, Commission Registration No. 333-105818 on October 9, 2003. The amount

of shares remaining under this Registration Statement as of March 31, 2005 was 1,791,351.

On May 12, 2005, we entered into a new common stock purchase agreement with Fusion Capital pursuant to which Fusion Capital has agreed to purchase our common stock from time to time at our option up to an aggregate amount of $40,000,000 additional funding over 50 months from the date the SEC declares effective a registration statement covering the shares of common stock to be purchased by Fusion Capital under the new agreement. Under the new agreement, the shares will be priced based on the market price of our shares at the time of sale to Fusion Capital. In general, we have the right to sell up to $40,000 of our common stock on each business day and can increase that amount to as much as $1,000,000 in any one day depending on the market price of our shares. We have the right to control timing and the amount of shares we sell to Fusion Capital. This new agreement does not constitute an offer to sell securities, and an offer to sell securities will only be made if certain conditions are met, including the termination of the common stock purchase agreement dated April 22, 2003 and the declaration of effectiveness by the SEC of a registration statement covering the shares of common stock to be purchased by Fusion Capital under the new agreement.

The Company's dependence on raising additional capital will continue at least until the Company is able to commercially market one of its products at significant sales level. Depending on profit margins and other factors, the Company may still need additional funding to continue research and development efforts. The Company's future capital requirements and the adequacy of its financing depend upon numerous factors, including the successful commercialization of the Company's drug candidates, progress in its product development efforts, progress with preclinical studies and clinical trials, the cost and timing of production arrangements, the development of effective sales and marketing activities, the cost of filing, prosecuting, defending and enforcing intellectual property rights, competing technological and market developments, and the development of strategic alliances for the marketing of its products.

We do not believe that debt financing from financial institutions will be available until at least the time that one of our products is approved for commercial production. To date, none of our proprietary products has reached a commercial stage, and hence, we do not have, nor do we anticipate revenue in the near future. We have been unprofitable since our inception and have incurred significant losses. We will continue to have significant general and administrative expenses, including expenses related to clinical studies, our collaboration with Georgetown University, and patent prosecution. We have funded our operations through a series of private placements and through our agreement with Fusion Capital, which we believe will assist the Company in meetings its cash needs. Except for an agreement to sell shares to Fusion Capital, discussed above, no commitment exists for continued investments, or for any underwriting.

Even with our financing arrangement with Fusion Capital, we may require substantial additional funds to sustain our operations and grow our business. The amount of which will depend, among other things, on the rate of progress and the cost of our research and product development programs and clinical trial activities, the cost of preparing, filing, prosecuting, maintaining and enforcing patent claims and other intellectual property rights, and the cost of developing manufacturing and marketing capabilities, if we decide to undertake those activities. The clinical development of a therapeutic product is a very expensive and lengthy process and may be expected to utilize $5 to $20 million

over a three to six year development cycle. Although we believe we could license the manufacturing and marketing rights to our products in return for up-front licensing and other fees and royalties on any sales, there can be no assurance that we will be able to do so in the event we seek to do so. We need to obtain additional funds to develop our therapeutic products and our future access to capital is uncertain. The allocation of limited resources is an ongoing issue for us as we move from research activities into the more costly clinical investigations required to bring therapeutic products to market.

The extent we rely on Fusion Capital as a source of funding will depend on a number of factors, including the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources. Even if we are able to access the full amount under the common stock purchase agreement with Fusion Capital, we may still need additional capital to fully implement our business, operating and development plans. If we are unable to obtain additional financing we might be required to delay, scale back or eliminate certain of our research and product development programs or clinical trials, or be required to license third parties to commercialize products or technologies that we would otherwise undertake ourselves, or cease certain operations all together, any of which might have a material adverse effect upon us. If we raise additional funds by issuing equity securities, dilution to stockholders may result, and new investors could have rights superior to existing holders of shares. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences would be a material adverse effect on our business, operating results, financial condition, and prospects.

We have been able to meet our cash needs during the past 12 months through a combination of funds received through private placements and funds received under a common stock purchase agreement with Fusion Capital. We will continue to explore avenues to obtain the capital needed for our operations through private placements and by sale of our shares to Fusion Capital.

Quantitative and Qualitative Information About Market Risk

We do not engage in trading market-risk sensitive instruments and do not purchase hedging instruments or "other than trading" instruments that are likely to expose us to market risk, whether interest rate, foreign currency exchange, commodity price or equity price risk. We have no outstanding debt instruments, have not entered into any forward or future contracts, and have purchased no options and entered into no swaps. We have no credit lines or other borrowing facilities, and do not view ourselves as subject to interest rate fluctuation risk at the present time.

Recently Issued Accounting Standards

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment", or SFAS 123R, which establishes standards for transactions in which an entity exchanges its equity instruments for goods or services. SFAS 123R requires companies to expense the value of employee stock options and similar awards.

Share-based payments will be measured at fair value on the grant date, based on the estimated number of awards that are expected to vest. SFAS 123R applies to all unvested share-based awards outstanding at the company's adoption date. SFAS 123R eliminates the exception to account for such awards using the intrinsic method previously allowable under Accounting Principals Board Opinion No. 25 "Accounting for Stock Issued to Employees". SFAS 123R will be effective for our

fiscal year beginning January 1, 2006. We are currently evaluating the effect of this pronouncement.

In April, 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations", which clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred, which is generally upon acquisition, construction, or development and (or) through the normal operation of the asset. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. Interpretation No. 47 is effective no later than the end of fiscal years beginning after December 15, 2005. We are currently evaluating the effect of this pronouncement.

The adoption of these new pronouncements did not have, or are not expected to have, a material effect on the Company's consolidated financial position or results of operations.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones facing our company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Our business, financial condition or results of operations could be adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

We have a substantial accumulated deficit and limited access to debt financing.

The Company had an accumulated deficit of $29,440,393 as of March 31, 2005. Since the Company presently has no source of revenues and is committed to continuing its product research and development program, significant expenditures and losses will continue until development of new products is completed and such products have been clinically tested, approved by the FDA and successfully marketed. In addition, the Company has funded its operations primarily through the sale of Company securities, and has had limited access to debt financing for its product development and other activities. We do not believe that debt financing from financial institutions will be available until at least the time that one of our products is approved for commercial production.

We have no current product sales revenues or profits.

The Company has devoted its resources to developing a new generation of therapeutic drug products, but such products cannot be marketed until clinical testing is completed and governmental approvals have been obtained. Accordingly, there is no current source of revenues, much less profits, to sustain the Company's present activities and no revenues will likely be available until, and unless the new products are clinically tested, approved by the FDA and successfully marketed, either by the Company or a marketing partner, an outcome which the Company is not able to guarantee.

It is uncertain that the Company will have access to future capital or government grants.

It is not expected that the Company will generate positive cash-flow from operations for at least the next several years. As a result, substantial additional equity or debt financing or the receipt of one or more government grants for research and development and/or clinical development will be required to fund our activities. We cannot be certain that we will be able to consummate any such financing on favorable terms, if at all, or receive any such government grants or that such financing or government grants will be adequate to meet our capital requirements. Any additional equity financing could result in substantial dilution to stockholders, and debt financing, if available, will most likely involve restrictive covenants which preclude the Company from making distributions to stockholders and taking other actions beneficial to stockholders. If adequate funds are not available, the Company may be required to delay or reduce the scope of its drug development program or attempt to continue development by entering into arrangements with collaborative partners or others that may require the Company to relinquish some or all of its rights to proprietary drugs. The inability to fund its capital requirements would have a material adverse effect on the Company.

The Company is not certain that it will be successful in the development of its drug candidates.

The successful development of any new drug is highly uncertain and is subject to a number of significant risks. Our drug candidates, all of which are in a development stage, require significant, time-consuming and costly development, testing and regulatory clearance. This process typically takes several years and can require substantially more time. Risks include, among others, the possibility that a drug candidate will (i) be found to be ineffective or unacceptably toxic, (ii) have unacceptable side effects, (iii) fail to receive necessary regulatory clearances, (iv) not achieve broad market acceptance, (v) be subject to competition from third parties who may market equivalent or superior products, or (vi) be affected by third parties holding proprietary rights that will preclude the Company from marketing a drug product. There can be no assurance that the development of drug candidates will demonstrate the efficacy and safety of a drug candidate as a therapeutic drug, or, even if demonstrated, that there will be sufficient advantages to its use over other drugs or treatments so as to render the drug product commercially viable. In the event that the Company is not successful in developing and commercializing one or more drug candidates, investors are likely to realize a loss of their entire investment. Positive results in preclinical and early clinical trials do not ensure that future clinical trials will be successful or that drug candidates will receive any necessary regulatory approvals for the marketing, distribution or sale of such drug candidates.

Success in preclinical and early clinical trials does not ensure that large-scale clinical trials will be successful. Clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. The length of time necessary to complete clinical trials and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly and may be difficult to predict.

The Company will face intense competition from other companies in the pharmaceutical industry.

The Company is engaged in a segment of the pharmaceutical industry that is highly competitive and rapidly changing. If successfully developed and approved, any of the Company's drug candidates will likely compete with several existing therapies. In addition, other companies are pursuing the development of pharmaceuticals that target the same diseases as are targeted by the drugs being developed by the Company. The Company anticipates that it will face intense and

increasing competition in the future as new products enter the market and advanced technologies become available. We cannot assure that existing products or new products developed by competitors will not be more effective, or more effectively marketed and sold than those by the Company. Competitive products may render the Company's drugs obsolete or noncompetitive prior to the Company's recovery of development and commercialization expenses.

Many of the Company's competitors will also have significantly greater financial, technical and human resources and will likely be better equipped to develop, manufacture and market products. In addition, many of these competitors have extensive experience in preclinical testing and clinical trials, obtaining FDA and other regulatory approvals and manufacturing and marketing pharmaceutical products. A number of these competitors also have products that have been approved or are in late-stage development and operate large, well-funded research and development programs. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and biotechnology companies. Furthermore, academic institutions, government agencies and other public and private research organizations are becoming increasingly aware of the commercial value of their inventions and are actively seeking to commercialize the technology they have developed. Accordingly, competitors may succeed in commercializing products more rapidly or effectively than the Company, which would have a material adverse effect on the Company.

There is no assurance that the Company's products will have market acceptance.

The success of the Company will depend in substantial part on the extent to which a drug product, once approved, achieves market acceptance. The degree of market acceptance will depend upon a number of factors, including (i) the receipt and scope of regulatory approvals, (ii) the establishment and demonstration in the medical community of the safety and efficacy of a drug product, (iii) the product's potential advantages over existing treatment methods and (iv) reimbursement policies of government and third party payors. We cannot predict or guarantee that physicians, patients, healthcare insurers or maintenance organizations, or the medical community in general, will accept or utilize any drug product of the Company.

The unavailability of health care reimbursement for any of our products will likely adversely impact our ability to market effectively such products and whether health care reimbursement will be available for any of our products is uncertain.

The Company's ability to commercialize its technology successfully will depend in part on the extent to which reimbursement for the costs of such products and related treatments will be available from government health administration authorities, private health insurers and other third-party payors. Significant uncertainty exists as to the reimbursement status of newly-approved medical products. The Company cannot guarantee that adequate third-party insurance coverage will be available for the Company to establish and maintain price levels sufficient for realization of an appropriate return on its investments in developing new therapies. Government, private health insurers, and other third-party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products approved for marketing by the FDA. Accordingly, even if coverage and reimbursement were provided by government, private health insurers, and third-party payors for uses of the Company's products, the market acceptance of these products would be adversely affected if the amount of reimbursement available for the use of the Company's therapies proved to be unprofitable for

health care providers.

Uncertainties related to health care reform measures may affect the Company's success. There have been a number of federal and state proposals during the last few years to subject the pricing of health care goods and services, including prescription drugs, to government control and to make other changes to the U.S. health care system. It is uncertain which legislative proposals will be adopted or what actions federal, state, or private payors for health care treatment and

services may take in response to any health care reform proposals or legislation. The Company cannot predict the effect health care reforms may have on its business, and there is no guarantee that any such reforms will not have a material adverse effect on the Company.

Further testing of our drug candidates will be required and there is no assurance of FDA approval.

The FDA and comparable agencies in foreign countries impose substantial requirements upon the introduction of medical products, through lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. Satisfaction of these requirements typically takes several years or more and varies substantially based upon the type, complexity, and novelty of the product.

The effect of government regulation and the need for FDA approval will delay marketing of new products for a considerable period of time, impose costly procedures upon the Company's activities, and provide an advantage to larger companies that compete with the Company. There can be no assurance that FDA or other regulatory approval for any products developed by the Company will be granted on a timely basis or at all. Any such delay in obtaining, or failure to obtain, such approvals would materially and adversely affect the marketing of any contemplated products and the ability to earn product revenue. Further, regulation of manufacturing facilities by state, local, and other authorities is subject to change. Any additional regulation could result in limitations or restrictions on the Company's ability to utilize any of its technologies, thereby adversely affecting the Company's operations.

Human pharmaceutical products are subject to rigorous preclinical testing, clinical trials, and other approval procedures mandated by the FDA and foreign regulatory authorities. Various federal and foreign statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of pharmaceutical products. The process of obtaining these approvals and the subsequent compliance with appropriate U.S. and foreign statutes and regulations are time-consuming and require the expenditure of substantial resources. In addition, these requirements and processes vary widely from country to country.

Among the uncertainties and risks of the FDA approval process are the following: (i) the possibility that studies and clinical trials will fail to prove the safety and efficacy of the drug, or that any demonstrated efficacy will be so limited as to significantly reduce or altogether eliminate the acceptability of the drug in the marketplace, (ii) the possibility that the costs of development, which can far exceed the best of estimates, may render commercialization of the drug marginally profitable or altogether unprofitable, and (iii) the possibility that the amount of time required for FDA approval of a drug may extend for years beyond that which is originally estimated. In addition, the FDA or similar foreign regulatory authorities may require additional clinical trials, which could result in increased costs and significant development delays. Delays or

rejections may also be encountered based upon changes in FDA policy and the establishment of additional regulations during the period of product development and FDA review. Similar delays or rejections may be encountered in other countries.

The Company's success will be dependent on licenses and proprietary rights it receives from other parties, and on any patents it may obtain.

Our success will depend in large part on the ability of the Company and its licensors to (i) maintain license and patent protection with respect to their drug products, (ii) defend patents and licenses once obtained, (iii) maintain trade secrets, (iv) operate without infringing upon the patents and proprietary rights of others and (iv) obtain appropriate licenses to patents or proprietary rights held by third parties if infringement would otherwise occur, both in the U.S. and in foreign countries. The Company has obtained licenses to patents and other proprietary rights from Georgetown University.

The patent positions of pharmaceutical companies, including those of the Company, are uncertain and involve complex legal and factual questions. There is no guarantee that the Company or its licensors have or will develop or obtain the rights to products or processes that are patentable, that patents will issue from any of the pending applications or that claims allowed will be sufficient to protect the technology licensed to the Company. In addition, we cannot be certain that any patents issued to or licensed by the Company will not be challenged, invalidated, infringed or circumvented, or that the rights granted thereunder will provide competitive disadvantages to the Company.

Litigation, which could result in substantial cost, may also be necessary to enforce any patents to which the Company has rights, or to determine the scope, validity and unenforceability of other parties' proprietary rights, which may affect the rights of the Company. U.S. patents carry a presumption of validity and generally can be invalidated only through clear and convincing evidence. There can be no assurance that the Company's licensed patents would be held valid by a court or administrative body or that an alleged infringer would be found to be infringing. The mere uncertainty resulting from the institution and continuation of any technology-related litigation or interference proceeding could have a material adverse effect on the Company pending resolution of the disputed matters.

The Company may also rely on unpatented trade secrets and expertise to maintain its competitive position, which it seeks to protect, in part, by confidentiality agreements with employees, consultants and others. There can be no assurance that these agreements will not be breached or terminated, that the Company will have adequate remedies for any breach, or that trade secrets will not otherwise become known or be independently discovered by competitors.

The Company's license agreements can be terminated in the event of a breach.

The license agreements pursuant to which the Company has licensed its core technologies for its potential drug products permit the licensors, respectively Georgetown University, to terminate the agreement under certain circumstances, such as the failure by the licensee to use its reasonable best efforts to commercialize the subject drug or the occurrence of any other uncured material breach by the licensee. The license agreements also provide that the licensor is primarily responsible for obtaining patent protection for the technology licensed, and the licensee is required to reimburse it for the costs it incurs in performing these activities. The license agreements also require the payment of specified royalties. Any inability or failure to observe these terms or pay

these costs or royalties could result in the termination of the applicable license agreement in certain cases. The termination of any license agreement would have a material adverse effect on the Company.

Protecting our proprietary rights is difficult and costly.

The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. Accordingly, we cannot predict the breadth of claims allowed in these companies' patents or whether the Company may infringe or be infringing these claims. Patent disputes are common and could preclude the commercialization of our products. Patent litigation is costly in its own right and could subject us to significant liabilities to third parties. In addition, an adverse decision could force us to either obtain third-party licenses at a material cost or cease using the technology or product in dispute.

The Company's success is dependent on its key personnel.

The Company is dependent on a small management group and on independent researchers, some of whom are inventors of the patents licensed to the Company for core technologies and drugs developed at Georgetown University. Scientific personnel may from time to time serve as consultants to the Company and may devote a portion of their time to the Company's business, as well as continue to devote substantial time to the furtherance of the Company's sponsored research at Georgetown University and other affiliated institutions as may be agreed to in the future, but such personnel are not employees of the Company and are not bound under written employment agreements. The services of such persons are important to the Company, and the loss of any of these services may adversely affect the Company.

Our success is dependent upon the continued services and performance of Dr. Janet Greeson, our chief executive officer; president and chairman; and Dr. Vassilios Papadopoulos. We do not maintain key man insurance on either officer. We have a 5-year employment agreement with Dr. Greeson that expires in 2006. The loss of their services could delay our product development programs and our research and development efforts at Georgetown University. In addition, the loss of Dr. Janet Greeson is grounds for termination of the collaboration with Georgetown University. In addition, competition for qualified employees among companies in the biotechnology and biopharmaceutical industry is intense and we cannot assure you that we would be able to recruit qualified personnel on acceptable terms to replace them.

We may be unable to retain skilled personnel and maintain key relationships.

The success of our business depends, in large part, on our ability to attract and retain highly qualified management, scientific and other personnel, and on our ability to develop and maintain important relationships with leading research institutions and consultants and advisors. Competition for these types of personnel and relationships is intense from numerous pharmaceutical and biotechnology companies, universities and other research institutions. There can be no assurance that the Company will be able to attract and retain such individuals on commercially acceptable terms or at all, and the failure to do so would have a material adverse effect on the Company.

We currently have no sales or marketing capability.

The Company does not have marketing or sales personnel. The Company will have to develop a sales force, or rely on marketing partners or other arrangements with

third parties for the marketing, distribution and sale of any drug product that is ready for distribution. There is no guarantee that the Company will be able to establish marketing, distribution or sales capabilities or arrange with third parties to perform those activities on terms satisfactory to the Company, or that any internal capabilities or third party arrangements will be cost-effective.

In addition, any third parties with which the Company may establish marketing, distribution or sales arrangements may have significant control over important aspects of the commercialization of a drug product, including market identification, marketing methods, pricing, composition of sales force and promotional activities. There can be no assurance that the Company will be able to control the amount and timing of resources that any third party may devote to the products of the Company or prevent any third party from pursuing alternative technologies or products that could result in the development of products that compete with, and/or the withdrawal of support for, the products of the Company.

The Company does not have internal manufacturing capabilities and may not be able to develop efficient manufacturing capabilities or contract for such services from third parties such as Pharmaplaz on commercially acceptable terms.

The Company does not have any manufacturing capacity. When required, the Company will seek to establish relationships with third-party manufacturers for the manufacture of clinical trial material and the commercial production of a drug product just as it has with Pharmaplaz, Ltd. There can be no assurance that the Company will be able to establish relationships with third-party manufacturers on commercially acceptable terms or that third-party manufacturers will be able to manufacture a drug product on a cost-effective basis in commercial quantities under good manufacturing practices mandated by the FDA. The dependence upon third parties for the manufacture of products may adversely affect future costs and the ability to develop and commercialize a drug product on a timely and competitive basis. Further, there can be no assurance that manufacturing or quality control problems will not arise in connection with the manufacture of the drug product or that third party manufacturers will be able to maintain the necessary governmental licenses and approvals to continue manufacturing such products. Any failure to establish relationships with third parties for its manufacturing requirements on commercially acceptable terms would have a material adverse effect on the Company.

The Company does not have its own research facilities and will be dependent on third parties for drug development.

The Company does not have its own research and development facilities and engages consultants and independent contract research organizations to design and conduct clinical trials in connection with the development of a drug. As a result, these important aspects of a drug's development will be outside the direct control of the Company. In addition, there can be no assurance that such third parties will perform all of their obligations under arrangements with the Company or will perform those obligations satisfactorily.

In the future, we anticipate that we will need to obtain additional or increased product liability insurance coverage and it is uncertain that such increased or additional insurance coverage can be obtained on commercially reasonable terms.

The business of the Company will expose it to potential product liability risks that are inherent in the testing, manufacturing and marketing of pharmaceutical products. There can be no assurance that product liability claims will not be asserted against the Company. The Company intends to obtain additional limited

product liability insurance for its clinical trials, directly or through its marketing development partners or CRO (contract research organization) partners, when they begin in the U.S. and to expand its insurance coverage if and when the Company begins marketing commercial products. However, there can be no assurance that the Company will be able to obtain product liability insurance on commercially acceptable terms or that the Company will be able to maintain such insurance at a reasonable cost or in sufficient amounts to protect against potential losses. A successful product liability claim or series of claims brought against the Company could have a material adverse effect on the Company.

Insurance coverage is increasingly more difficult to obtain or maintain.

Obtaining insurance for our business, property and products is increasingly more costly and narrower in scope, and we may be required to assume more risk in the future. If we are subject to third-party claims or suffer a loss or damage in excess of our insurance coverage, we may be required to share that risk in excess of our insurance limits. Furthermore, any first- or third-party claims made on any of our insurance policies may impact our ability to obtain or maintain insurance coverage at reasonable costs or at all in the future.

The market price of our shares, like that of many biotechnology companies, is highly volatile.

Market prices for the Company's Common Stock and the securities of other medical and biomedical technology companies have been highly volatile and may continue to be highly volatile in the future. Factors such as announcements of technological innovations or new products by the Company or its competitors,

government regulatory action, litigation, patent or proprietary rights developments, and market conditions for medical and high technology stocks in general can have a significant impact on any future market for the Common Stock.

We do not intend to pay dividends on our Common Stock.

The Company has never paid cash dividends on Common Stock, and does not intend to do so in the foreseeable future.

The issuance of more common shares or our preferred stock may adversely affect our Common Stock.

Our Board of Directors is authorized to issue more common stock and designate one or more series of preferred stock and to fix the rights, preferences, privileges and restrictions thereof, without any action by the stockholders. The designation and issuance of such shares of our preferred stock may adversely affect the Common Stock, if the rights, preferences and privileges of such preferred stock (i) restrict the declaration or payment of dividends on Common Stock, (ii) dilute the voting power of Common Stock, (iii) impair the liquidation rights of the Common Stock or (iv) delay or prevent a change in control of the Company from occurring, among other possibilities.

Under provisions of the Company's certificate of incorporation, bylaws and Nevada law, the Company's management may be able to block or impede a change in control.

The issuance of preferred stock may make it more difficult for a third party to acquire, or may discourage a third party from acquiring, a majority of the voting stock. These and other provisions of the Certificate of Incorporation and the by-laws, as well as certain provisions of Nevada law, could delay or impede

the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving a change of control of the Company, even if such events could be beneficial to the interest of the stockholders as a whole. Such provisions could limit the price that certain investors might be willing to pay in the future for the Common Stock.

Officers' and directors' liabilities are limited under Nevada law.

Pursuant to the Company's Certificate of Incorporation and by-laws, as authorized under applicable Nevada law, directors are not liable for monetary damages for breach of fiduciary duty, except in connection with a breach of the duty of loyalty, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for dividend payments or stock repurchases illegal under Nevada law or for any transaction in which a director has derived an improper personal benefit. A Certificate of Incorporation and by-laws provide that the Company must indemnify its officers and directors to the fullest extent permitted by Nevada law for all expenses incurred in the settlement of any actions against such persons in connection with their having served as officers or directors.

Item 3. Controls and Procedures.

a. Evaluation Of Disclosure Controls And Procedures

Samaritan Pharmaceuticals' Principal Executive Officer and Principal Accounting and Financial Officer, after evaluating the effectiveness of Samaritan Pharmaceuticals' disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report, have concluded that as of such date, Samaritan Pharmaceuticals' disclosure controls and procedures were adequate and effective to ensure that material information relating to Samaritan Pharmaceuticals that is required to be disclosed by Samaritan Pharmaceuticals in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and accumulated and communicated to Samaritan Pharmaceuticals' management, including its Principal Executive Officer and Principal Accounting and Financial Officer, to allow timely decisions regarding required disclosure.

b. Changes In Internal Controls Over Financial Reporting

In connection with the evaluation of Samaritan Pharmaceuticals' internal controls during Samaritan Pharmaceuticals' last fiscal quarter, Samaritan Pharmaceuticals' Principal Executive Officer and Principal Accounting and Financial Officer have reviewed and determined that there are no changes to Samaritan Pharmaceuticals' internal controls over financial reporting that have materially affected, or are reasonably likely to materially effect, Samaritan Pharmaceuticals' internal controls over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

We are, from time to time, involved in various legal proceedings in the ordinary course of our business. While it is impossible to predict accurately or to determine the eventual outcome of these matters, the Company believes that

the outcome of these proceedings will not have a material adverse effect on the financial statements of the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the first quarter of 2005.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits

DESIGNATION OF EXHIBIT AS SET FORTH IN ITEM 601 OF REGULATION S-B	DESCRIPTION	LOC
2.1	Agreement and Plan of Reorganization	Filed as an Pharmaceutic 21, 1999, an reference
3.1	Articles of Incorporation, as amended and restated	Filed as an Pharmaceutic Form SB-2 (S incorporated
3.2	Bylaws	Filed as an Pharmaceutic SB, filed on incorporated
4.1	Form of common stock certificate	Filed as an Pharmaceutic 21, 1999, an reference
4.2	2001 Stock Option Plan	Filed as an 16, 2004 and
10.1	Assignment between Linda Johnson and the Company dated September 6, 2000	Filed as exh Pharmaceutic 10-QSB filed incorporated

10.2	Assignment between Linda Johnson and Spectrum Pharmaceuticals Corporation dated May 14, 1999	Filed as exh Pharmaceutic 10-QSB filed incorporated

10.3	Agreement containing the assignment of U.S. Patent Application 07/233,247 with improvements dated May 22, 1990	Filed as exh Pharmaceutic 10-QSB filed incorporated
10.4	Common Stock Purchase Agreement between Company and Fusion Capital Fund II, LLC dated April 22, 2003	Filed as an Pharmaceutic on April 25, by reference
10.5	Registration Rights Agreement between Company and Fusion Capital Fund II, LLC dated April 22, 2003	Filed as an Pharmaceutic on April 25, by reference
10.6	Agreement between Samaritan Pharmaceuticals, Inc. and Thomas Lang	Filed as an August 16, 2 reference.
10.7	Agreement between Samaritan Pharmaceuticals, Inc. and Eugene Boyle	Filed as exh Pharmaceutic 10-QSB filed incorporated
10.8	Agreement between Samaritan Pharmaceuticals, Inc. and Janet Greeson	Filed as exh Pharmaceutic 10-QSB filed incorporated
10.9	Research Collaboration and Licensing Agreement between Georgetown University and Samaritan Pharmaceuticals, Inc., dated June 8, 2001	Filed as an Pharmaceutic Form SB-2 (S incorporated
10.10	Master Clinical Trial and Full Scale Manufacturing Agreement dated October 5, 2004	Filed as an November 15, by reference
10.11	Common Stock Purchase Agreement between Company and Fusion Capital Fund II, LLC, dated May 12, 2005	Provided her
10.12	Registration Rights Agreement between Company and Fusion Capital Fund II, LLC dated May 12, 2005	Provided her

14.1	Code of Ethics	Filed as an 15, 2003 and reference.
16.1	Letter on change in certifying accountant	Filed as an September 27 by reference
21.1	List of Subsidiaries	Filed as an Pharmaceutic 21, 1999, an reference
31.1	Certification of Chief Executive Officer	Provided her
31.2	Certification of Chief Financial Officer	Provided her
32.1	Certification re: Section 906	Provided her
32.2	Certification re: Section 906	Provided her

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAMARITAN PHARMACEUTICALS, INC.

Dated: May 13, 2005

By: /s/ Eugene Boyle

Eugene Boyle
Chief Operating Officer,
Chief Financial Officer,
and Director