SAMARITAN PHARMACEUTICALS INC
Form 10KSB
April 16, 2002

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

Form 10-KSB

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001
Or

TRANSITIONAL REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to_____
Commission file number 0-26775

Samaritan Pharmaceuticals Inc.
(Name of small business issuer in its charter)

Nevada	88-0380402
(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 Code)

(702) 735-7001
Issuer's telephone number

Securities to be Registered Pursuant to Section 12(b) of the Act:
None

Securities Registered Pursuant to Section 12(g) of the Exchange Act:
Common Stock, $.001 par value per share
(Title of class)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. |_|

The registrant had no revenues in the fiscal year ended December 31, 2001. The aggregate market value of the issued voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common stock, as of February 7, 2002, was approximately $7,489,260 based upon, as a reasonable assumption, that the issuer's shareholders list standing alone supplies an accurate presentation of those shareholders who are non affiliates, determined by the issuer to be those persons who are not officers, Directors or owners of 10% or more of the common stock. The company had forty-one million, two hundred five thousand, two hundred fifty-one shares issued and outstanding of the Common Stock issued as of February 7, 2002.

Transitional Small Business Disclosure Format (Check one): Yes___ No X

SAMARITAN PHARMACEUTICALS, INC.

FORM 10-KSB
GENERAL FORM FOR REGISTRATION OF SECURITIES

Table of Contents

Part I

Part II

Part III

This annual report contains forward-looking statements. These statements relate to future events or Samaritan Pharmaceutical's future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "intend," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined in "Risk Factors." These Factors may cause Samaritan Pharmaceuticals, Inc.'s actual results, to differ materially from any forward-looking statement.

Although Samaritan Pharmaceuticals, Inc. believes that the expectations

reflected in the forward-looking statements are reasonable, Samaritan Pharmaceuticals, Inc. cannot guarantee future results, events, levels of activity, performance, or achievements. Moreover, neither Samaritan Pharmaceuticals, Inc. nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. Samaritan Pharmaceuticals, Inc. does not assume any obligation to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in Samaritan's expectations.

PART I

Item 1. Description of Business.

The Company

Overview

Samaritan Pharmaceuticals, Inc. (sometimes the "Company" or "Samaritan") was formed in March 1996 and became public in October 1997. It was named Samaritan Pharmaceuticals in April 2001 to reflect a change in the charter and strategic focus of its business. Our principal place of business is located at 101 Convention Center Drive, Suite 310, Las Vegas, NV 89109, and our telephone number is (702) 735-7001.

Samaritan Pharmaceuticals (SPHC) is an emerging product-driven Biopharmaceutical Company. SPHC is dedicated to saving lives by focusing on the development of unique therapeutic products for Alzheimer's, Aging Related Disorders, Cancer, Cholesterol Reduction, HIV, and Parkinson's disease. SPHC has an emerging pipeline, with one drug candidate Anticort(TM) completing Phase II, two Predictive Medicine Diagnostics and several preclinical drug candidates. SPHC's collaboration with Georgetown University is designed to accelerate discovery and the development of new products through the "proof of concept" phase and expand SPHC's intellectual property coverage for proven drug candidates.

Business Model

The promise of Samaritan is predicated on generating the best value through the development of true medical advances based on the insights, intuition and creativity of our scientists at Samaritan Research Laboratories, Georgetown University Medical Center. Samaritan's objective, in its collaboration with

Georgetown University, is to increase our patent portfolio, expedite our drug discovery from idea to an investigational new drug application ("IND"), and advance our pipeline to Phase II with novel and superior drug candidates to commercialize.

Samaritan believes its collaboration fosters scientific creativity and will advance drug leads more rapidly, thereby, decreasing the average travel time from lab to patients. Currently, the average drug discovery and preclinical testing time is six and a half years, with Phase I being one and a half years and Phase II averaging two years. Samaritan believes it can drastically reduce the average time to commercialization and produce attractive later-stage licensing opportunities.

Our intention is to license these drug candidates and diagnostics to pharmaceutical companies. Samaritan plans to license its drug candidate's late stage, after the technology is validated with "proof of concept" science, thereby capturing the greater portion of the potential value of its drug candidates. In certain disease categories, Samaritan may process its drug

candidates through all human clinical trials.

Samaritan's Strategy

Our objective is to build a great biopharmaceutical company whose drug discovery produces patentable technology, develops superior drugs, diagnostics, and disease models, to joint venture or license to pharmaceutical companies, or to commercialize ourselves. We consider the following to be key elements in our achievement of success and delivering value:

--Our key to growth is in the development of a broad pipeline of promising drugs to avoid dependence on a single product

--Implement value driven projects

--Focus on Cholesterol related disease indications that represent large market opportunities, with significant unmet medical needs.

--Create libraries to expedite the identification of drug candidates

--Seek oral compounds, i.e., small molecule drugs.

--A financing plan that is realistic with respect to the amount of capital that will be required over time

Competition

The biotechnology and biopharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. Many entities, including pharmaceutical and biotechnology companies, academic institutions and other research organizations are actively engaged in the discovery, research and development of products that could compete directly with our products under development.

Many companies, including major pharmaceutical companies, are also developing alternative therapies that may compete with our products in our research fields. These competitors may succeed in developing and marketing products that are more effective than or marketed before ours.

Virtually all of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing. Others have partnered with large established companies in order to obtain access to these resources. Smaller companies may also prove to be significant competitors, particularly through the establishment of collaborative arrangements with large, established companies.

Our ability to commercialize our products and compete effectively will depend, in large part, on:

-- Our success in discovering and developing innovative products that serve unmet medical needs that are cost effective;

-- Our ability to advance through clinical trials, gain acceptance from the FDA and other regulatory agencies and to successfully manufacture and market these products;

-- The margins of our products relative to other products or competing treatments;

-- The ability to gain reimbursement status from appropriate government agencies, insurers and other third-party;

-- The effectiveness of our sales and marketing efforts and those of our partners;

-- The perception by physicians and other members of the health care community of the safety, efficacy and benefits of our products compared to those of competing products or therapies;

and

-- Favorable publicity directly or indirectly relating to our products and technology.

Competition among products approved for sale will be based, among other things, upon efficacy, reliability, product safety, price and patent position. Our competitiveness will also depend on our ability to advance our technologies, license additional technology, maintain a proprietary position in our technologies and products, obtain required government and other public and private approvals on a timely basis, attract and retain key personnel and enter into corporate partnerships that enable us and our collaborators to develop effective products that can be manufactured cost-effectively and marketed successfully.

If competitors introduce new products and processes with therapeutic or cost advantages, our products can be subject to progressive price reductions or decreased volume of sales, or both. When we introduce new products with patent protection, they usually must compete with other products already on the market

or products that are later developed by competitors. Manufacturers of generic products typically invest far less in research and development than research-based pharmaceutical companies; accordingly, they are able to price their products significantly lower than branded products. Therefore, when a branded product loses its market exclusivity, it often faces intense price competition from generic forms of the product. In many countries outside the United States, patent protection is weak or nonexistent. In order for us to successfully compete for business with managed care and pharmacy benefits management organizations, we must demonstrate that our products offer not only medical benefits but also cost advantages as compared with other forms of care. There also is no assurance that our research and development efforts will result in commercially successful products or that our products or processes will not become outmoded from time to time as a result of products or processes developed by our competitors.

Research Agreement

On June 8, 2001, Samaritan Pharmaceuticals signed a seven-year research collaboration with Georgetown University. The objectives of the Georgetown University Samaritan Pharmaceuticals research collaboration are (1) to develop "one molecule" drugs and extend clinical studies to in vivo experiments in animal models simulating Alzheimer's disease, (2) to develop an accurate, reliable diagnostic for nuero-degeneration (Alzheimer's), and (3) to focus on new drug development in Oncology and Neurology with the ability to protect the brain from neuronal damage and tumor growth.

Under the agreement, Samaritan receives worldwide exclusive rights to any novel therapeutic agents or diagnostic technologies that may result from the research

collaboration directed by Dr. Vassilios Papadopoulos with his team of seven research professionals (including five Ph.D. level research scientists) who have expertise in the fields of endocrinology, pharmacology, cell biology, organic and steroid chemistry and computer modeling.

Dr. Papadopoulos is the Head of the Division of Hormone Research and a Professor at the Department of Cell Biology, Pharmacology and Neurosciences at Georgetown University Medical Center. He has authored over 150 scientific publications in the field of steroid hormone production and presented his work at numerous national and international meetings.

License Agreements

On June 19, 2001, Georgetown University granted Samaritan an Exclusive Worldwide License to Georgetown's patent application for "Early Detection of Alzheimer's." Georgetown's research efforts toward this patent application accumulated over a seven-year period. The patent application, entitled, "Neurosteroids as Markers for Alzheimer's Disease", naming inventors Vassilios Papadopoulos, Rachel C. Brown and Caterina Cascio, is believed to detect early damage resulting from Alzheimer's. Their findings, that brain levels of DHEA, are increased in Alzheimer's pathology; have significant relevance given the fact that many companies are currently advocating increasing DHEA with supplements as a means to prevent the development of Alzheimer's disease and, therefore, may put people at risk.

On July 25, 2001, Georgetown University granted Samaritan an Exclusive Worldwide License to Georgetown's patent application for a breast cancer diagnostic test that can be used as a tool to improve the detection, diagnosis, prognosis, prevention and possibly the treatment of breast cancer. The patent application, entitled, "Peripheral-type Benzodiazepine Receptor: A Tool for Detection, Diagnosis, Prognosis, and Treatment of Human Breast Cancer," naming as inventors, Vassilios Papadopoulos and Martine Culty, identifies a protein named Peripheral-type Benzodiazepine receptor (PBR) to be responsible for part of the changes in cellular and molecular functions in the development and progression of breast cancer. Although today there are methods for the detection of breast tumors, such as a mammogram, little is known about the early prognosis of a tumor to metastasize. Georgetown's scientists have identified a correlation between high levels of PBR and the aggressiveness of a tumor. Biopsies, considered to be safe procedures, would be used to measure for PBR and if the levels are high, scientists believe it could serve as a marker for the aggressiveness of a tumor with early detection, diagnosis and prognosis. Georgetown's research efforts toward this patent application have accumulated over an 8-year period and, in addition, Samaritan plans to explore research seeking possible prevention technology and drugs to inhibit, block or arrest the production of this protein PBR identified as a marker for breast cancer.

On September 11, 2001, Georgetown University granted Samaritan an Exclusive Worldwide License to Georgetown's patent application for "Cholesterol Recognition Amino Acid Sequence." The invention has identified a "cholesterol fingerprint" present in proteins known to interact with and bind cholesterol. This chemically synthesized peptide, containing the "cholesterol fingerprint" amino acid sequence, binds cholesterol and could be used as a drug to remove cholesterol from other proteins, cells and tissues.

On December 13, 2001, Georgetown University granted Samaritan an Exclusive Worldwide License to Georgetown's patent application for "Peripheral-type Benzodiazepine Receptor Associated Proteins: cloning, expression and methods of use", naming as inventors, Vassilios Papadopoulos and Hua Li, identifies proteins that are associated and regulate the function of the Peripheral-Type

Benzodiazepine Receptor in health and disease. The role of this receptor is in cholesterol compartmentalization, steroid formation, cell death, tumor growth and metastasis, Alzheimer's disease pathology, as well as in other brain pathologies. It is hoped the discovery of these proteins, might provide new tools to use for understanding the cause of diseases and develop new methods of treatment.

Government Regulation

Governmental authorities in the United States and other countries extensively regulate the preclinical and clinical testing, manufacturing, labeling, storage, record-keeping, advertising, promotion, export, marketing and distribution, among other things, of our therapeutics products.

In the United States, the FDA under the Federal Food, Drug and Cosmetic Act, the Public Health Service Act and other federal statutes and regulations subjects pharmaceutical products to rigorous review. If we do not comply with applicable requirements, we may be fined, our products may be recalled or seized, our production may be totally or partially suspended, the government may refuse to approve our marketing applications or allow us to distribute our products, and we may be criminally prosecuted. The FDA also has the authority to revoke previously granted marketing authorizations. In order to obtain approval of a new product from the FDA, we must, among other requirements, submit proof of safety and efficacy as well as detailed information on the manufacture and composition of the product. In most cases, this proof entails extensive laboratory tests, and preclinical and clinical trials. This testing, the preparation of necessary applications and processing of those applications by the FDA are expensive and typically take several years to complete. The FDA may not act quickly or favorably in reviewing these applications, and we may encounter significant difficulties or costs in our efforts to obtain FDA approvals that could delay or preclude us from marketing any products we may develop. The FDA may also require post-marketing testing and surveillance to monitor the effects of approved products or place conditions on any approvals that could restrict the commercial applications of these products. Regulatory authorities may withdraw product approvals if we fail to comply with regulatory standards or if we encounter problems following initial marketing. With respect to patented products or technologies, delays imposed by the governmental approval process may materially reduce the period during which we will have the exclusive right to exploit the products or technologies.

After an IND becomes effective, a sponsor may commence human clinical trials. The sponsor typically conducts human clinical trials in three sequential phases, but the phases may overlap. In Phase I clinical trials, the product is tested in a small number of patients or healthy volunteers, primarily for safety at one or more doses. In Phase II, the sponsor continues to evaluate safety, but primarily evaluates the efficacy of the product in a patient population. Phase III clinical trials typically involve additional testing for safety and clinical efficacy in an expanded population at geographically dispersed test sites. The sponsor must submit to the FDA a clinical plan, or "protocol," accompanied by the approval of the institution participating in the trials, prior to commencement of each clinical trial. The FDA may order the temporary or permanent discontinuation of a clinical trial at any time.

The sponsor must submit to the FDA the results of the preclinical and clinical trials, together with, among other things, detailed information on the manufacture and composition of the product, in the form of a new drug application or, in the case of a biologic, a biologics license application. In a process which generally takes several years, the FDA reviews this application and, when and if it decides that adequate data is available to show that the new

compound is both safe and effective and that other applicable requirements have been met, approves the drug or biologic for marketing.

The amount of time taken for this approval process is a function of a number of variables, including the quality of the submission and studies presented, the potential contribution that the compound will make in improving the treatment of

the disease in question, and the workload at the FDA. It is possible that our products will not successfully proceed through this approval process or that the FDA will not approve them in any specific period of time, or at all.

Congress enacted the Food and Drug Administration Modernization Act of 1997, in part, to ensure the availability of safe and effective drugs, biologics and medical devices by expediting the FDA review process for new products. The Modernization Act establishes a statutory program for the approval of fast track products, including biologics. A fast track product is defined as a new drug or biologic intended for the treatment of a serious or life-threatening condition that demonstrates the potential to address unmet medical needs for this condition. Under the fast track program, the sponsor of a new drug or biologic may request the FDA to designate the drug or biologic as a fast track product at any time during the clinical development of the product.

The Modernization Act specifies that the FDA must determine if the product qualifies for fast track designation within 60 days of receipt of the sponsor's request. The FDA can base approval of a marketing application for a fast track product on an effect, on a clinical endpoint or on another endpoint that is reasonably likely to predict clinical benefit. The FDA may subject approval of an application for a fast track product to post-approval studies to validate the surrogate endpoint or confirm the effect on the clinical endpoint and prior review of all promotional materials. In addition, the FDA may withdraw its approval of a fast track product on a number of grounds, including the sponsor's failure to conduct any required post-approval study with due diligence. If a preliminary review of clinical data suggests that a fast track product may be effective, the FDA may initiate review of sections of a marketing application for a fast track product before the sponsor completes the application. This rolling review is available if the applicant provides a schedule for submission of remaining information and pays applicable user fees. However, the time periods specified under the Prescription Drug User Fee Act concerning timing goals to which the FDA has committed in reviewing an application do not begin until the sponsor submits the entire application. We may request fast track designation for our drug Anitcort(TM) and other products.

We cannot predict whether the FDA will grant these designations, nor can we predict the ultimate impact, if any, of the fast track process on the timing or likelihood of FDA approval of our therapeutics. The FDA may, during its review of a new drug application or biologics license application, ask for additional test data. If the FDA does ultimately approve the product, it may require post-marketing testing, including potentially expensive Phase IV studies, and surveillance to monitor the safety and effectiveness of the drug. In addition, the FDA may in some circumstances impose restrictions on the use of the drug, which may be difficult and expensive to administer, and may require prior approval of promotional materials.

Before approving a new drug application or biologics license application, the FDA will also inspect the facilities at which the product is manufactured and will not approve the product unless the manufacturing facilities are in compliance with current Good Manufacturing Practices ("cGMPs"). In addition, the manufacture, holding, and distribution of a product must be in compliance with

cGMPs. Manufacturers must continue to expend time, money and effort in the areas of production, quality control, record keeping and reporting to ensure full compliance with those requirements. The labeling, advertising, promotion, marketing and distribution of a drug or biologic product must be in compliance with FDA regulatory requirements. Failure to comply with applicable requirements can lead to the FDA demanding that production and shipment cease, and, in some cases, that the manufacturer recall products, or to FDA enforcement actions that can include seizures, injunctions and criminal prosecution. These failures can also lead to FDA withdrawal of approval to market the product.

We have not received approval in the U.S. or any foreign states or foreign jurisdictions for the commercial sale of any of our potential therapeutics products. However, the FDA has accepted our IND for the clinical examination of our drug Anticort(TM) for the indication of HIV. Completion of testing, studies and trials may take several years, and the length of time varies substantially with the type, complexity, novelty and intended use of the product. There can be no assurance that any of our development programs will be successfully completed, that any IND will become effective or that additional clinical trials will be allowed by the FDA or other regulatory authorities or that we will successfully develop any marketable pharmaceutical product.

Sales of pharmaceutical products outside the United States are subject to foreign regulatory requirements that vary widely from country to country. Whether or not we have obtained FDA approval, we must obtain approval of a product by comparable regulatory authorities of foreign countries prior to the commencement of marketing the product in those countries. The time required to obtain this approval may be longer or shorter than that required for FDA approval. The foreign regulatory approval process includes all the risks associated with FDA regulation set forth above, as well as country specific regulations.

Environmental Matters

We currently rely primarily on third party independent contractors and the research efforts of Georgetown University and the University of Iowa to conduct research and development on and manufacture clinical supplies of our proposed drugs. However, to the extent that any of our current and future research and development activities involve the use of hazardous materials and chemicals, or produce waste products, we will be subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials. Although we would expect that our safety procedures for handling and disposing of these materials would comply with the standards prescribed by such laws and regulations, we may be required to incur significant costs to comply with environmental and health and safety regulations in the future. In addition, the risk of accidental contamination or injury from hazardous and radioactive materials cannot be completely eliminated. The potential liability for damages stemming from accidents involving these materials may exceed our insurance coverage or available resources.

Product and Clinical Studies Liability

Administration of any drug to humans involves the risk of allergic or other adverse reactions in certain individuals. Accordingly, it is possible that

claims might be successfully asserted against us for liability with respect to injuries that may arise from the administration or use of our products during clinical trials or following commercialization. We presently carry what we believe is adequate clinical studies and product liability insurance.

Employees

As of December 31, 2001, we had 5 employees that work directly for Samaritan Pharmaceuticals and 5 scientists that work under our collaboration agreement with Georgetown University. In addition, we make extensive use of consultants.

Item 2. Description of Property

The company's executive offices are currently located at 101 Convention Center Drive, Suite 310, Las Vegas, Nevada 89109. The 1,100 square foot office space is rented at a price of $2,650 per month. In addition, under the Research Collaboration agreement between Georgetown University and Samaritan Pharmaceuticals, Georgetown provides lab space and offices which are located at Samaritan Research Laboratories, Georgetown University Medical Center, Medical Dental Building, Suite SE 111, 3900 Reservoir Road, NW, Washington, DC 20007.

Item 3. Legal Proceedings

In November, 2001, the Company was granted a summary judgment, and granted a release of, and collected a $100,000 bond plus other damages, in a lawsuit that was filed in June 2000 against the company in District Court, Clark County, Nevada, Case No. A420721. The principal allegations in the lawsuit concerned the issuance of shares to members of the board of directors and officers as compensation for services rendered. To date, the company has initiated steps to collect the other awarded damages against the plaintiffs, including a Debtor's deposition of Alfred T. Sapse in which he asserted the Fifth Amendment. The Fifth Amendment provides that a person shall not be compelled to be a witness against himself for criminal activities. The company plans to file a contempt order against Alfred T. Sapse and the plaintiffs have filed for an appeal in Nevada Supreme Court.

In a separate proceeding, on October 3, 2000, the Company filed a lawsuit against Alfred Sapse, Cortisol Medical Research, Inc. and Renee Sapse, to remedy an alleged self dealing transaction for 594,352 shares plus a fraud transaction initiated by Alfred Sapse and Cortisol Medical Research for 5 million shares. The Company alleged Alfred Sapse improperly caused the issuance of shares, thus resulting in unfair dilution of its shareholder's value. The court authorized Alfred Sapse to sell an allotted amount of shares to pay his legal bills and personal expenses until a decision can be reached at trial. The Company is seeking to recover 5,000,000 shares which were issued based upon Alfred Sapse's false representations of ownership of the Anticort(TM) technology and the transfer of rights to the Anticort(TM) technology in exchange for these 5,000,000 Company shares. In 2000, the Company bought the rights and patent to Anticort(TM) from its rightful owner to protect our shareholder value and FDA trials.

In a separate (Federal) proceeding, on March 4, 2002, the Company was granted a summary judgment and prejudgment attachment against Cortisol Medical Research in the United States District Court (Federal) for the District of Nevada, Case Number CV-S-01-0520-LRH, filed on May 9, 2001, for claims under Section 16(b) of the Securities Exchange Act of 1934, i.e., seeking damages and repayment of alleged short-swing profits. In addition, in the same suit, the Company filed the same claims against Alfred Sapse for the same cause of action which the

Company is waiting for a similar decision.

The foregoing is a summary of the current suits. The Company intends to vigorously pursue and defend any counterclaims related to these suits upon advice of counsel.

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

None

Part II

Item 5. Market for Common Equity and Related Stockholder Matters

(a) Market Information

The Company's Common Stock is traded on the NASD's over-the-counter ("OTC") Bulletin Board under the symbol "SPHC.OB" and the name of Samaritan Pharmaceuticals, Inc.

The following table sets forth (a) the range of high and low bid closing quotations for our common stock on the over-the-counter market for each quarter within the last two fiscal years. The over-the-counter quotes reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions. The quotations may be rounded for presentation.

Bid Prices

Period	Low	High
Quarter Ended December 31,2001	0.11	0.15
Quarter Ended September 30, 2001	0.14	0.27
Quarter Ended June 30, 2001	0.20	0.40
Quarter Ended March 31, 2001	0.44	0.75
Quarter Ended December 31, 2000	0.46	1.06
Quarter Ended September 30, 2000	1.06	1.84
Quarter Ended June 30, 2000	1.12	2.25
Quarter Ended March 31, 2000	.37	3.68

(b) Holders

As of December 31, 2001 there were approximately six hundred twenty-four (624) holders of record of the Company's common stock. Certain of the shares of common

stock are held in "street" name and may, therefore, be held by numerous beneficial owners.

(c) Dividends

The Company has never paid a cash dividend on its common stock. The payment of dividends may be made at the discretion of the Board of Directors of the Company

and will depend upon, among other things, the Company's operations, its capital requirements, and its overall financial condition.

(d) Equity Compensation Plan Information

Name of Plan	Number of securities authorized for issuance under the plan	Number of securities awarded plus number of securities to be issued upon exercise of options, warrants, or rights granted during Last fiscal year	Number of securities to be issued upon exercise of outstanding options, warrants or rights	Num sec rem ava for is
Samaritan Pharmaceuticals 2001 Stock Incentive Plan	7,661,050	2,981,365	2,981,365	4,6

Trust Agreements

We have entered into trust agreements with institutional trustees providing for the payment out of the assets of the trusts of benefits accrued under our various benefit plans, employment agreements and other employment arrangements as we specify from time to time. To the extent not already irrevocable, the trusts would become irrevocable upon a change of control of Samaritan Pharmaceuticals. We may make contributions to the trusts from time to time, and additional funding could be required upon a change of control. To the extent funded, the trusts are to be used, subject to their terms and to the claims of our general creditors in specified circumstances, to make payments under the terms of the benefit plans, employment agreements and other employment arrangements from time to time specified by us.

(e) Recent sales of unregistered securities; use of proceeds from registered securities

Securities, unregistered, were sold by the Company in the fourth quarter of the fiscal year covered by the Report under an exemption from registration. The title of these securities was the Common Stock of the Company. They were sold for cash unless otherwise noted in this section, they were sold in private transactions to persons believed to be of a class of private investors acting on their own comprised of "accredited investors" (as such term is defined in Regulation D of the U.S. Securities and Exchange Commission or "SEC") and a limited number of non-accredited investors, all investors, to the best knowledge of the Company, not affiliated with the Company, and purchasing the shares with an apparent investment intent. The Company relied upon, among other possible exemptions, Section 4(2) of the Securities Act of 1933, as amended. It's

reliance on said exemption was based upon the fact that no public solicitation

was used by the Company in the offer or sale, and that the securities were legended shares, along with a notation at the respective transfer agent, restricting the shares from sale or transfer as is customary with reference to Rule 144 of the SEC.

The following information identifies the date, and amount of shares sold during the fourth quarter:

Date	Name of Class	Amount of Shares	Total Offer
November 16, 2001	2001 November Common Stock Private Placement	2,000,000	200,0
December 3, 2001	2001 December Common Stock Private Placement	4,010,100	401,1
December 10, 2001	Georgetown Contract Legal Fees	150,000	15,0
December 31, 2001	Samaritan Pharmaceuticals Executive Benefit Plan	4,795,415	479,5
December 31, 2001	Shareholder Approval of Proposal 3	2,300,000	230,0

The total offering price, during the fourth quarter as to these shares, was $1,325,641, less expenses, estimated to be a total of $10,000 for printing, legal, postage, and other expenses related to the offering.

The SEC declared effective the Company's registration statement on Form SB-2, Commission Registration No. 333-52296, on December 20, 2000 (as amended and supplemented from time to time, "Registration Statement"). Under the Registration Statement, certain selling shareholders may sell shares of Common Stock, which is the title of the class of securities registered, acquired from the Company. The Company does not receive any proceeds from the sale of securities being offered by the selling shareholders under the Registration Statement. The Company registered the shares for sale to provide the selling shareholders with freely tradable securities, but the registration of the shares does not necessarily mean that any of the shares will be offered or sold by the selling shareholders. However, we may receive payments under agreements relating to the shares and may receive proceeds from the exercise of warrants. Such proceeds are intended for use as to working capital and other corporate purposes. The offering under the Registration Statement has not terminated. The Registration Statement registered a total of 11,825,000 shares for a total anticipated offering price, subject to conditions, of $20,000,000. The amount of shares sold by the selling shareholder to date is believed to be 2,078,300 for

aggregate proceeds of $556,351. The Company received, under its agreements as noted above, proceeds of $556,351, and incurred, in connection with the registration, estimated expenses of $26,000 for legal, printing, and related offering expenses, with net proceeds to the Company of approximately $530,351 used primarily for working capital (again not from the sale of the securities under the Registration Statement, but from agreements with the selling shareholders). The payment of offering related expenses by the Company as to direct or indirect payment to others (not officers, Directors, or persons holding 10% or more of any class of security of the Company nor any affiliates of the Company).

Item 6. Management's Discussion and Analysis or Plan of Operation

The following discussion and analysis should be read in conjunction with the Financial Statements appearing elsewhere in this Registration Statement.

Plan of Operations

We are a discovery and development stage biopharmaceutical company. Since our inception, we have focused our resources primarily on research and development. To date, none of our proprietary products has reached a commercial stage and hence, we do not have, nor do we anticipate in the near future, revenue. We will continue to have significant general and administrative expenses, including expenses related to clinical studies, 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. The Company believes potential private placements, the agreement with Fusion Capital, and an eventual registered public offering, if successful, will assist the Company in meetings its cash needs, but there is no guarantee.

Except for an agreement to sell shares to Fusion Capital Fund II, LLC. ("Fusion Capital"), discussed below, no commitment exists for continued investments, or for any underwriting. The company has thus far been able to meet its capital needs, and believes that extensive discussions and certain agreements with various potential sources of funding may eventually reach necessary funding agreements. The Board of Directors directed the officers to file Form SB-2 registration statement, offer registered securities to the market and/or as part of agreements with shareholders and others to allow them, as selling shareholders, to sell their shares, once received, in a registered offering, as in the case of Fusion Capital. The officers complied and the SEC declared such registration statement effective. Given the Company has been able to substantially meet its cash needs during the past 12 months, and management's estimation of what may occur in the months ahead, the company believes it will be able to continue to find avenues to obtain capital needed for operations.

On November 13, 2000, we entered into a common stock purchase agreement with Fusion Capital Fund II, LLC, a Chicago-based institutional investor, whereby Fusion Capital agreed, subject to contract terms, to buy $20 million of the Company's common stock. The aggregate equity investment committed to the Company by Fusion Capital is $20 million. These funds will be used to further develop

the proprietary drug Anticort(TM), through FDA clinical trials and for acquisitions, alliances and other corporate opportunities. More specifically, Fusion Capital has agreed to purchase from the Company up to $20 million of the common stock over a 50-month period, subject to a three-month extension by the Company. After the U.S. Securities & Exchange Commission declared effective a

registration statement, each month SPHC has the right to sell to Fusion Capital $400,000 of its common stock at a price based upon the market price of the common stock on the date of each sale without any fixed discount to the market price. At the Company's sole option, Fusion Capital can be required to purchase lesser or greater amounts of common stock each month up to $20 million in the aggregate. The Company has the right to control the timing and the amount of stock sold to Fusion Capital. SPHC also has the right to terminate the agreement at any time without any additional cost. Other terms and conditions apply.

Summary of Research and Development

We have a series of therapeutic projects either in "discovery research", "preclinical trials", "product development" or "clinical development"; and we utilize these formal stages of product progression to track progress, performance, competition, and cost for each project. Our programs primarily are aimed at satisfying defined medical needs in the areas of Alzheimer's, cancer, infectious diseases, neurology and tissue engineering, and are based on an intellectual property position that, we believe, is both broad and strong. Several of our development programs involve ex vivo technologies in which patients' tissues are manipulated outside the body and, as such, may be less costly to investigate and quicker to develop than in vivo agents. We expect to apply for and receive regulatory approval from the U.S. FDA to use certain of our technologies to initiate human trials that may commence in the future.

During the fiscal year ended December 31, 2001, we concentrated our efforts on Samaritan Research Laboratories, our collaboration with Georgetown University, setting up the operations towards increasing efficiencies and streamlining structure. We have the benefit of a strong portfolio of opportunities, each of which must compete for resources and priority status.

A key currency in the biotechnology and pharmaceutical market is patents and strong intellectual property. A central activity for us has been, and continues to be, the acquisition, development and maintenance of intellectual property positions directly in support of defined product development opportunities. We continue to expend significant funds and efforts on licenses and patent protection. In addition, we are continually examining our intellectual property positions in relation to competitive activities and our ability to operate and defend our positions in relation to products. We believe that this is a key value element for our development.

The process of developing therapeutic products requires significant discovery research, product development as well as pre-clinical and clinical testing of those products in order to gain regulatory approval. These activities are expected to result in continuing cash outflows. Furthermore we do not expect to

generate any meaningful product revenues from our biopharmaceutical programs unless and until a clinical candidate completes its clinical trials, obtain regulatory approval for commercialization and is successfully marketed. The risks of developing therapeutic products extend beyond technical and clinical development and, in particular, involve intellectual property rights, the need for substantial additional capital, competitive and medical economic factors, which are continually changing, and issues of insurance reimbursement. Any one or more of these factors could cause us to fail to develop any commercially successful products.

We are seeking additional equity funding. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders will be reduced and our stockholders may experience dilution

of their interest in us.

Samaritan Pharmaceuticals will continue to seek additional, non-dilutive funding from grants and other similar sources. Although to date, Samaritan Pharmaceuticals has not been granted any monies from such funding sources. As a small, newcomer to the biotech industry and as part of the several hundred companies that constitute the public biotech industry, we are not well known. We have initiated efforts to improve the awareness and understanding of our company. We believe, despite the external market conditions, we will be able to successfully accomplish this goal in the long run.

A. Drug Candidates

Drug Candidates	Indication	Syn & Pur	Bio Test	Toxic Test	Mech	Metab	In Vi Tests
SP-10	HIV, Alzheimer's	xxxx	xxxx	xxxx			
SP-02 to SP-50	HIV, Alzheimer's	IP					
SP-222	Alzheimer's, Neurodegeneration	xxxx	xxxx	xxxx	IP		
SP-222b	Stem Cell Therapy	xxxx	xxxx	xxxx	IP		
SP-222c	Cancer	xxxx	xxxx	xxxx	IP		
SP-223 to SP-230	Alzheimer's, Neurodegeneration	IP					
SP-1000	High Cholesterol	xxxx	xxxx	xxxx			
SP-5000	Cancer	xxxx	IP				

*IP = In Progress

Anticort(TM)

The Company also has a drug, Anticort(TM), for the indication of HIV that completed a Phase II clinical trial. The Company is awaiting the results from the AIDS Research Alliance, Los Angeles, CA, to evaluate and determine the next

course of action. The Company hopes that the results are strong enough to warrant continued action. In evaluating the company's statements about Anticort(TM), you should specifically consider various factors, including the risks outlined in "Risk Factors."

B. Animal Testing Models for Alzheimer's

Samaritan is conducting research and development of animal models for Acute Alzheimer' and Chronic Alzheimer'. We are currently doing in-vitro validation and in-vivo testing with animal models. The models, if successful, will allow efficacy testing for new therapies.

C. Diagnostics

One of the major problems with the diagnosis and treatment of diseases is the inability of clinicians to determine the onset of disease. Samaritan is conducting research and development of diagnostic kits whereby the onset of diseases can be detected. Our diagnostics may also require FDA approval before we can market them to the public but the following is a chart of our progress to date.

Test	In Vitro Testing	Human Testing (Small Test Group)	Human T (Large Sam
Breast Cancer	xxxx	xxxx	In Pro
Alzheimer's / Amyloidoisis	xxxx	xxxx	In Pro
Alzheimer's Generation II	In Progress		
Alzheimer's Generation III	xxxx	xxxx	In Pro

The Company has incurred research development stage losses since inception. These losses consist primarily of research and related expenditures, marketing costs, consulting, and administrative overhead and expenses, incurred while the Company seeks to complete development of its product, which includes studies to obtain FDA final approval. No significant revenues have been earned by the Company, or cash flow from operations, to help pay these operating needs.

RISK FACTORS

Should any of the following risks occur, in addition to risks and uncertainties not presently known to us, our business, the price of our stock, our financial condition, and the results of our operations could be materially impacted, and you could lose all or part of your investment in our common stock. Additional risks not listed below, known or unknown, may also affect the value of our shares.

1. Risks Related To Our Financial Condition

We are a development stage company with a history of operating losses; we expect to continue to incur losses and we may never be profitable.

We are still in our development stage. We have been unprofitable since our inception and have incurred significant losses. These losses have resulted principally from costs incurred in our research and development programs and from our general and administrative costs. We have derived no significant

revenues from product sales or royalties. We do not expect to achieve significant product sales or royalty revenue in the near future and are not able to predict when we might do so. Furthermore we may never do so. We expect to continue to incur substantial additional operating losses in the future. These losses may increase significantly as we expand development and clinical trial efforts although we prioritize our capital to technologies closest to commercialization.

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.

We currently do not have available the financial resources to complete the clinical development of any of our therapeutic products without a strategic partner, and we are in need of and are seeking to raise additional capital. Accordingly, we cannot assure you that any of our product development efforts will be successfully completed, that any of our products will be proven to be safe and effective, that regulatory approvals will be obtained at all or be as broad as sought, that our products will be capable of being produced in commercial quantities or that any of our products, if introduced, will achieve market acceptance or generate significant revenues.

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. Accordingly, we expect our substantial losses to continue as we develop our portfolio and, even if one or more of our products under development should be commercialized, there can be no assurance that we can ever generate significant revenues to achieve or sustain profitability.

We need to obtain additional funds to develop our therapeutics 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.

Even though we believe that our cash on hand and our equity line with Fusion Capital should be sufficient to meet our projected operating and capital requirements, we might require substantial additional funds. 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. We do not have any commitments or arrangements to obtain any such funds and there can

be no assurance that any additional funds, whether through exercise of the Warrants and Options, additional sales of securities or collaborative or other arrangements with corporate partners or from other sources, will be available to us upon terms acceptable to us or at all. 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 holders of shares purchased in this offering.

2. Risks Related to our Operations

We are subject to extensive regulation which can be costly and time consuming and subject us to unanticipated delays; even if we obtain regulatory approval for a product, the product may still face regulatory difficulties.

All of our potential products and manufacturing activities are subject to comprehensive regulation by the Food and Drug Administration (FDA) in the United States and by comparable authorities in other countries. The process of obtaining FDA and other required regulatory approvals, including foreign approvals, is expensive and often takes many years and can vary substantially based upon the type, complexity and novelty of the products involved. Preclinical studies involve laboratory evaluation of product characteristics and often animal studies to assess the efficacy and safety of the product. The FDA regulates preclinical studies under a series of regulations called the current Good Laboratory Practices regulations. If the sponsor violates these regulations, the FDA, in some cases, may invalidate the studies and require that the sponsor replicate them.

Certain of our potential products may be novel, and regulatory agencies may lack experience with them, which may lengthen the regulatory review process, increase our development costs and delay or prevent their commercialization. There is limited successful commercialization of products based on technology such as ours. In addition, we have had only limited experience in filing and pursuing applications necessary to gain regulatory approvals, which may impede our ability to obtain timely FDA approvals, if at all. We will not be able to commercialize any of our potential therapeutic products until we obtain FDA approval, and so any delay in obtaining, or inability to obtain, FDA approval would harm our business. We have not yet sought FDA approval for any of our therapeutic product.

If we violate regulatory requirements at any stage, whether before or after marketing approval is obtained, we may be fined, forced to remove a regulated product from the market and experience other adverse consequences including delay, which could materially harm our financial results. Additionally, we may not be able to obtain the labeling claims necessary or desirable for the promotion of our therapeutic products. We may also be required to undertake

post-marketing trials. In addition, if we or others identify side effects after any of our therapeutic products are on the market, or if manufacturing problems occur, regulatory approval may be withdrawn and reformulation, additional clinical trials, changes in labeling, and additional marketing applications may be required.

An investigational new drug application ("IND") must become effective before human clinical trials may commence. The IND is automatically effective 30 days after receipt by the FDA, unless before that time the FDA requests an extension to review the application or raises concerns or questions about the conduct of the trials as outlined in the application. In the latter case, the sponsor of the application and the FDA must resolve any outstanding concerns before clinical trials can proceed. However, the submission of an IND may not result in the FDA authorizing us to commence clinical trials in any given case.

The process of developing therapeutic products requires significant research and development, preclinical testing and clinical trials, as well as regulatory filings and patent prosecution, all of which are extremely expensive and time-consuming. If testing of a particular product does not yield successful

results, then we will be unable to commercialize that product.

Some of our potential therapeutic programs are in research or preclinical development, the results of which do not necessarily predict or prove safety or efficacy in humans. Therefore, we must demonstrate each product's safety and efficacy in humans through extensive clinical testing. Although for planning purposes we project the commencement, continuation and completion of our clinical trials, we may experience numerous unforeseen events during, or as a result of the testing process, that could delay or prevent commercialization of our products, including the following:

- - the results of preclinical studies may be inconclusive, or they may not be indicative of results that will be obtained in human clinical trials;

- - after reviewing test results, we or our collaborators may abandon projects that we might previously have believed to be promising;

- - we, our collaborators or regulators, may suspend or terminate clinical trials if the participating subjects or patients are being exposed to unacceptable health risks;

- - we may have to delay clinical trials as a result of scheduling conflicts with participating clinicians and clinical institutions, or difficulties in identifying and enrolling patients who meet trial eligibility criteria;

- - safety and efficacy results attained in early human clinical trials may not be indicative of results that are obtained in later clinical trials; and

- - the effects our potential products have may not be the desired effects or may include undesirable side affects or other characteristics that preclude regulatory approval or limit their commercial use if approved.

Clinical testing is very expensive, can take many years and may not be completed on schedule, and the outcome is uncertain. The data collected from clinical trials may not be sufficient to support regulatory approval of any of our products, and the FDA may not ultimately approve any of our therapeutic products for commercial sale, which may adversely affect our business and prospects. If we fail to commence or complete, or experience delays in, any of our planned clinical trials, our stock price and our ability to conduct our business as currently planned could be harmed.

We are currently dependent on one source of supply, the University of Iowa, for our Anticort(TM) product, and there would be a material adverse effect on our business and prospects if we were unable to obtain adequate supplies. University of Iowa manufactures the material in a facility which adheres to current Good Manufacturing Practices, or cGMP, regulations enforced by the FDA through its facilities inspection program. If our supplier was unable to produce and provide us with the Anticort(TM) product, especially of cGMP grade, we will be forced to identify an alternative supplier or produce the product ourselves. In the case of the former, we currently do not have an alternative supplier capable of meeting our needs and might experience delays in replacing our supplier. We would be required to design, in addition, if the suppliers produce an inadequate supply, or fail to produce or deliver the product on a timely basis; our clinical testing may be delayed, thereby delaying the submission of products for regulatory approval or the market introduction and subsequent sales of our products. Any such delay may lower our revenues and potential profitability and otherwise have a material adverse effect on us.

In the event of dissolution of the Georgetown University Collaboration, we

cannot now determine which assets of the Collaboration we would acquire, other than the assets we have already licensed. Aside from the Anticort(TM) technology, we are substantially dependent upon our licensed product opportunities.

Our potential therapeutic products are not the result of our own internal basic research but rather arise from our ability to license technologies from third parties. Licenses may require us to achieve certain preclinical and clinical milestones within defined time periods. Our failure to meet any such obligations could result in the imposition of financial penalties or the non-exclusivity or termination of our licenses, which could have a material adverse effect upon our business and prospects.

We are dependent upon third parties for certain research and development, and all clinical studies and manufacturing and marketing of our therapeutic products, which could impair our ability to commercialize our products. Given our limited personnel resources and experience, we are dependent upon third parties to perform research and development related to our programs to supervise and perform all our clinical trials, manufacture all our pharmaceutical products for use in clinical trials and prepare and submit applications for regulatory approval of our clinical testing and commercialization of our products. There can be no assurance that we will be able to obtain these services from third

parties by entering into collaborative arrangements or license agreements on commercially reasonably terms or at all or that any or all of the contemplated benefits from such collaborative arrangements or license agreements will be realized. Failure to obtain such arrangements would result in delays in the development of our proposed products or the loss of exclusivity or termination of our licenses.

If we were required to fund such product development internally, our future capital requirements would increase substantially, and there can be no assurance that we could obtain additional funds to meet such increased capital requirements on acceptable terms, or at all.

For example, we intend to rely on third-party contract manufacturers to produce materials needed for clinical trials and product commercialization. Third-party manufacturers may not be able to meet our needs with respect to timing, quantity or quality. If we are unable to contract for a sufficient supply of needed materials at an acceptable price and other terms, or if we should encounter delays or difficulties in our relationships with manufacturers, our clinical testing may be delayed, thereby delaying the submission of products for regulatory approval or the market introduction and subsequent sales of our products. Any such delay may lower our revenues and potential profitability.

Moreover, we and any third-party manufacturers that we may use must continually adhere to cGMP. If our facilities or the facilities of these manufacturers cannot pass a pre-approval plant inspection, the FDA pre-market approval of our therapeutics will not be granted. In complying with cGMP and foreign regulatory requirements, we and any of our third-party manufacturers will be obligated to expend time, money and effort in production, record-keeping and quality control to assure that our products meet applicable specifications and other requirements. If we, or any of our third-party manufacturers, fail to comply with these requirements, we may be subject to regulatory action, which could disrupt our business development and delay our market entry.

By relying on these partners and third parties we will have less control, and may have virtually no control, over the timing, resources and other aspects of

clinical trials than if we performed them ourselves; and we may be unable to control the amount and timing of resources which our collaborative partners would devote to our programs or potential products. We can't assure you that collaborators will not pursue other technologies or product candidates either on their own or in collaboration with others. Should a collaborative partner fail to develop or commercialize successfully any product candidate to which it has rights, our business and stock price may be materially and adversely affected.

Collaborative arrangements or license agreements may also require us to expend funds and to meet certain milestones, and there can be no assurance that we will be successful in doing so.

In addition, we can't assure you that disputes will not arise in the future with respect to the ownership of rights to any technology developed with or by third parties. These and other possible disagreements with collaborators could lead to

delays in the collaborative research, development or commercialization of certain product candidates or could require or result in litigation or arbitration, which would be time consuming and expensive, and would have a material adverse effect upon our business, financial condition and results of operations.

In addition, we have limited experience with sales, marketing or distribution. We may choose to utilize one or more pharmaceutical companies with established distribution systems and direct sales forces to market our products. In the event we choose to utilize such a distribution network and are unable to reach an agreement with one or more pharmaceutical companies to market our products, we may be required to market our products directly and to develop a marketing and sales force with technical expertise and with supporting distribution capability. There can be no assurance that we will be able to establish, or have the financial and managerial resources to establish, in-house sales and distribution capabilities or relationships with third parties, or that we will be successful in commercializing any of our potential products. To the extent that we enter into co-promotion or other licensing arrangements, any revenues we receive will depend upon the efforts of third parties and we can't assure you that these efforts will be successful.

Technology with respect to therapeutics and other biopharmaceutical fields is rapidly evolving, and there can be no assurance of our ability to respond adequately. We are engaged in biopharmaceutical fields characterized by extensive research efforts, rapidly evolving technology and intense competition from numerous organizations, including pharmaceutical companies, biotechnology firms, academic institutions and others. New developments are expected to continue at a rapid pace in both industry and academia. We cannot assure you that research and discoveries by others will not render any of our potential products obsolete, uneconomical or otherwise unmarketable or unprofitable.

In order to compete successfully, we will need to complete the development of and obtain regulatory approval of one or more of our products that keep pace with technological developments on a timely basis. Any failure by us to anticipate or respond adequately to technological developments will have a material adverse effect upon our prospects and financial condition.

We may not be able to adequately protect our proprietary rights. Our success will depend in significant part on our ability to obtain and maintain elements of business protection practices, including but not limited to U.S. patent protection for our licensed technologies, preservation and defense of our trade secrets and proprietary rights, and operations that do not infringe upon the

proprietary rights of third parties. Because of the length of time and expense associated with bringing new products through development and regulatory approval to the marketplace, the pharmaceutical industry has traditionally placed considerable importance on obtaining patent and trade secret protection for significant new technologies, products and processes. We can't assure you that patents will issue from the patent applications we own, or have licensed or that the patent issued on will provide us with significant protection against

competitive applications or otherwise be commercially valuable. In addition, patent law relating to certain of our fields of interest, particularly as to the scope of claims in issued patents, is still evolving. Patent positions may not be as strong as in other more well-established fields, and it is unclear how this uncertainty will affect our patent rights.

Litigation, which could be costly and time consuming, may be necessary to enforce any patents issued in the future to us or our licensors or to determine the scope and validity of the proprietary rights of third parties. The issuance of a patent is not conclusive as to its validity or enforceability and it is uncertain how much protection, if any, will be given to our patents if we attempt to enforce them and they are challenged in court or in other proceedings, such as oppositions, which may be brought in foreign jurisdictions to challenge the validity of a patent. A third party may challenge the validity or enforceability of a patent after its issuance by the U.S. Patent and Trademark Office. It is possible that a competitor may successfully challenge our patents or that a challenge will result in limiting their coverage. Moreover, the cost of litigation to uphold the validity of patents and to prevent infringement can be substantial. If the outcome of litigation is adverse to us, third parties may be able to use our patented invention without payment to us. Moreover, it is possible that competitors may infringe our patents or successfully avoid them through design innovation. To stop these activities we may need to file a lawsuit. These lawsuits are expensive and would consume time and other resources, even if we were successful in stopping the violation of our patent rights. In addition, there is a risk that a court would decide that our patents are not valid and that we do not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of our patents were upheld, a court would refuse to stop the other party on the ground that its activities are not covered by, that is, do not infringe, our patents.

Our competitive position is also dependent upon unpatented technology and trade secrets which may be difficult to protect. We can't assure you that others will not independently develop substantially equivalent proprietary information and techniques which would legally circumvent our intellectual property rights, that our trade secrets will not be disclosed or that we can effectively protect our rights to unpatented trade secrets.

As the biotechnology industry expands and more patents are issued, the risk increases that our potential products may give rise to claims that they infringe upon the patents of others. Any such infringement litigation would be costly and time consuming to us.

Currently, we have not registered all of our potential trademarks and there can be no assurance that we will be able to obtain registration for such trademarks.

The use of our technologies could potentially conflict with the rights of others. Our competitors, or others, may have or acquire patent rights that they could enforce against us. If they do so, then we may be required to alter our products, pay licensing fees or cease activities in that area. If our products

conflict with patent rights of others, third parties could bring legal actions against us or our collaborators, licensees, suppliers or customers, claiming

damages and seeking to enjoin manufacturing and marketing of the affected products. If these legal actions are successful, in addition to any potential liability for damages we could be required to obtain a license in order to continue to manufacture or market the affected products. We may not prevail in any legal action and a required license under the patent may not be available on acceptable terms or at all.

We may suffer material adverse consequences as a result of litigation or other proceedings relating to patent and other intellectual property rights. The cost to us of any litigation or other proceeding relating to intellectual property rights, even if resolved in our favor, could be substantial. Some of our competitors may be better able to sustain the costs of complex patent litigation because they have substantially greater resources. If there is litigation against us, we may not be able to continue our operations.

Should third parties file patent applications, or be issued patents claiming technology also claimed by us in pending applications, we may be required to participate in interference proceedings in the U.S. Patent and Trademark Office to determine priority of invention. We also may be required to participate in interference proceedings involving our issued patents and pending applications. As a result of an unfavorable outcome in an interference proceeding, we may be required to cease using the technology or to license rights from prevailing third parties, who may not offer us a license on commercially acceptable terms.

We are exposed to potential liability claims, and our insurance against these claims may not be sufficient to protect us. Our business exposes us to potential clinical trial and product liability risks, which are inherent in the testing, manufacturing, marketing and sale of pharmaceutical products. Although we have clinical trial and product liability insurance, there can be no assurance that the coverage it provides will be adequate to satisfy all claims that may arise. Regardless of merit or eventual outcome, such claims may result in decreased demand for a product, injury to our reputation, withdrawal of clinical trial volunteers and loss of revenues. Thus, even though we are insured, a product liability claim or product recall may result in losses that could be material.

Competition in our industry is intense and many of our competitors have substantially greater managerial resources than we have. Competition in our fields of research is intense and is accentuated by the rapid pace of technological development. Many of our competitors have substantially greater research and development capabilities and manufacturing, marketing, financial and managerial resources than we do. Research and discoveries by others may result in breakthroughs which may render our products obsolete even before they generate any revenue. There are products currently under development by others that could compete with the products that we are developing. Competitors also may succeed in developing and marketing products that are more effective than or marketed before our products. Our competitors may develop safer or more effective therapeutic products, reach the market more rapidly and thereby reduce the potential sales of our products, or establish superior proprietary positions.

We also anticipate that we will face increased competition in the future as new companies enter our markets and as scientific developments continue to

accelerate. If any of our products receive marketing approval, the inability of our products to compete effectively in the marketplace will materially and adversely affect our business operations.

We must expand our operations to commercialize our products, which we may not be able to do. We will need to expand and effectively manage our operations and facilities to successfully pursue and complete future research, development and commercialization efforts. To grow, we will need to add personnel, including management, and expand our capabilities, which may strain our existing managerial, operational, financial and other resources. In addition, we will need to renew our current lease or locate different facilities when our lease expires. To compete effectively and manage our growth, we must train, manage and motivate a substantially larger employee base, accurately forecast demand for our products and implement operational, financial and management information systems. In the event that we fail to expand or manage our growth effectively, our product development and commercialization efforts could be curtailed or delayed. If we lose key management and scientific personnel or cannot recruit qualified employees, our product development programs and our research and development efforts will be harmed.

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, our chief scientific officer. The company does not maintain key man insurance on either officer and the loss of their services could delay our product development programs and our research and development efforts. In addition, the loss of Dr. Janet Greeson may result in the loss of the Georgetown University Collaboration.

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.

The success of our products will depend in some part upon the availability of health care reimbursement. Our ability to commercialize our therapeutic products successfully will depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Significant uncertainty exists as to the reimbursement status of newly approved health care products, and we cannot assure you that reimbursement for any technology we may market will be available, or if available, that the payor's reimbursement policies will not materially adversely affect our ability or the ability of any of our corporate partners to sell these products profitably.

3. Risks Related to our Common Stock

We are authorized to issue additional shares of our common stock without stockholder approval, which could have an adverse affect upon the rights of our stockholders and the market price of our common stock. We have a substantial

number of shares of common stock un-issued and not reserved for specific issuances, of which we could issue an amount equal to 20% of our outstanding shares of common stock, without any action or approval by our stockholders in according to Samaritan Pharmaceuticals, Inc. 2001 Stock Incentive Plan (the "2001 Plan"), thus substantially diluting the percentage ownership of Samaritan Pharmaceuticals held by purchasers of the securities offered hereby and potentially adversely affecting the market price of our common stock.

Market volatility may affect our stock price and the value of your investment may be subject to sudden decreases.

The trading price for our common stock has been, and we expect it to continue to be, volatile. The price at which our common stock trades depends upon a number of factors, including our historical and anticipated operating results and general market and economic conditions, which are beyond our control. Factors such as fluctuations in our financial and operating results, the results of preclinical and clinical trials, announcements of technological innovations or new commercial products by us or our competitors, developments concerning proprietary rights and publicity regarding actual or potential performance of products under development by us or our competitors could also cause the market price of our common stock to fluctuate substantially. In addition, the stock market has, from time to time, experienced extreme price and volume fluctuations. These broad market fluctuations may lower the market price of our common stock. Moreover, during periods of stock market price volatility, share prices of many biotechnology companies have often fluctuated in a manner not necessarily related to their operating performance. Accordingly, our common stock may be subject to greater price volatility than the stock market as a whole.

FORWARD-LOOKING STATEMENTS

This report and other oral and written statements made by us to the public contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based upon management's current expectations that are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in our forward-looking statements. Such statements address the following subjects: our need for and ability to obtain additional capital, including from the sale of equity and/or from federal or other grant sources; our expected future losses; the sufficiency of cash and cash equivalents; our ability to generate revenues; our ability to develop commercially successful products, including our ability to obtain FDA approval to initiate further studies of our potential products and our technologies; the high cost and uncertainty of the research and development of pharmaceutical products; the unpredictability of the duration and results of the U.S. Food and Drug Administration's review of new drug applications; the possible impairment of our existing, and the inability to obtain new, intellectual property rights and the cost of protecting such rights as well as the cost of obtaining rights from third parties when needed on acceptable terms; our ability to enter into successful partnering relationships with respect to the development and/or commercialization of our product candidates; our dependence on third parties to

research, develop, manufacture and commercialize and sell any products developed; our ability to improve awareness and understanding of our company, our technology and our business objectives; whether our predictions about market size and market acceptability of our products will prove true; and our understandings and predictions regarding the utility of our potential products and our technology.

Statements in this report expressing our expectations and beliefs regarding our future results or performance are forward-looking statements that involve a number of substantial risks and uncertainties. When used in this Form 10-KSB, the words "anticipate," "believe," "estimate," "expect," "intend," may be," "seek," "plan," "focus," and "potential" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. Our actual future results may differ significantly from those stated in any forward-looking statements.

As a result of the foregoing and other factors, we may experience material

fluctuations in future operating results on a quarterly or annual basis which could materially and adversely affect our business, financial condition, operating results and stock price. We are not under any duty to update any of the forward-looking statements in this report to conform these statements to actual results, unless required by law. For further information, refer to the more specific risks and uncertainties discussed above and throughout this report.

Item 7. Financial Statements

Please see the attached Financial Statements and accompanying footnotes, which should be read with the statements.

CONSOLIDATED FINANCIAL STATEMENTS INDEX

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Samaritan Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheet of Samaritan Pharmaceuticals, Inc. (formerly Steroidogenesis Inhibitors International, Inc. a development stage company) as of December 31, 2001 and the related consolidated statements of operations, shareholders' deficit and cash flows for the year ended December 31, 2001 and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, the consolidated financial position of Samaritan Pharmaceuticals, Inc. (a development stage company) as of December 31, 2001 and the consolidated

results of its operations and its cash flows for the years ended December 31, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred significant losses and as more fully described in Note 1, the Company anticipates that additional funding will be necessary to sustain the Company's operations through the year ending December 31, 2002. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Feldman Sherb & Co, P.C.
Feldman Sherb & Co., P.C.
Certified Public Accountants

New York, New York
April 13, 2002

SAMARITAN PHARMACEUTICALS, INC.
(FORMERLY STEROIDOGENESIS INHIBITORS INTERNATIONAL, INC.)
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEET

December 31, 2001

ASSETS

CURRENT ASSETS:		
Cash	$	304,367
Prepaid expenses and other current assets		18,000
TOTAL CURRENT ASSETS		322,367
PROPERTY AND EQUIPMENT		29,979
OTHER ASSETS:		
Patent registration costs		205,085
Purchased technology rights		63,567
Deposits and other assets		18,004
TOTAL OTHER ASSETS		286,656
	$	639,002

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES:		
Accounts payable	$	747,391
Accrued expenses		611,630

Common stock to be issued	5,000
Short-term borrowings	315,900
TOTAL CURRENT LIABILITIES	1,679,921
DEFERRED REVENUE	250,000
SHAREHOLDERS' DEFICIT:	
Common stock, 100,000,000 shares authorized at $.001 par value, 37,736,699 issued and outstanding	37,736
Additional paid-in capital	12,903,173
Deferred compensation	(495,036)
Accumulated deficit during development stage	(13,736,792)
TOTAL SHAREHOLDERS' DEFICIT	(1,290,919)
	$ 639,002

See accompanying notes to the consolidated financial statements.

SAMARITAN PHARMACEUTICALS, INC.
(FORMERLY STEROIDOGENESIS INHIBITORS INTERNATIONAL, INC.)
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

FROM INCEPTION (SEPTEMBER 5, 1994) TO DECEMBER 31, 2001
AND FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	From Inception September 5, 1994 To December 31, 2001	For the Years Ended December 31, 2001	2000
	(Unaudited)		
REVENUES	$ 50,000	$	$ -
EXPENSES:			
Research and development	2,804,093	1,068,902	1,077,590
Interest, net	23,365	9,420	
General and administrative	10,520,657	2,623,148	2,746,810
Depreciation and amortization	576,457	516,116	18,908

	13,924,572	4,217,586	3,843,308
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(13,874,572)	(4,217,586)	(3,843,308)
Extraordinary item	137,780	137,780	-
NET INCOME (LOSS)	$ (13,736,792)	$ (4,079,806)	$ (3,843,308)
Loss per share-basic and diluted:			
Before extraordinary item	$ (1.19)	$ (0.17)	$ (0.21)
Extraordinary item, per share	0.01	0.01	0.00
Loss per share	$ (1.18)	$ (0.17)	$ (0.21)
Weighted average number of shares used in calculation of basic and diluted loss per share	11,624,970	24,467,817	17,947,520

See accompanying notes to the consolidated financial statements.

SAMARITAN PHARMACEUTICALS, INC.
(FORMERLY STEROIDOGENESIS INHIBITORS INTERNATIONS, INC.)
(A DEVELOPMENT STATE COMPANY)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

FROM INCEPTION (SEPTEMBER 5, 1994) TO DECEMBER 31, 2001

	Number of Shares	Par Value Common Stock	Reserved for Conversion	Additional Paid in Capital	Warrants	C
Inception at September 5, 1994	-	$ -	$ -	$ -	$ -	$
Shares issued for cash, net of offering costs	6,085,386	609	-	635,481	-	
Warrants issued for cash	-	-	-	-	5,000	
Shares issued as compensation						

for services	714,500	71	-	1,428,929	-	
Net loss	-	-	-	-	-	
December 31, 1996	6,799,886	680	-	2,064,410	5,000	
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 $.001	(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	5,000	
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	5,000	
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	-	-	-	-	152,125	
Detachable warrants exercised	100,000	100	-	148,900	(149,000)	
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	8,125	
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	(3,125)	
Warrants expired	-	-	-	5,000	(5,000)	
Net loss	-	-	-	-	-	

December 31, 2000	21,534,807	21,535	-	9,390,184	-	(
Shares issued for cash, net of offering costs	6,497,088	6,497	-	1,257,758	-	
Shares issued as compensation	9,162,197	9,162	-	1,558,599	-	(
Shares issued on 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	$ -	$ 12,903,17	$ -	$ (

See accompanying notes to the consolidated financial statements.

SAMARITAN PHARMACEUTICALS, INC.
(FORMERLY STEROIDOGENESIS INHIBITORS INTERNATIONAL, INC.)
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FROM INCEPTION (SEPTEMBER 5, 1994 to December 31, 2001) AND FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	From Inception September 5, 1994 to December 31, 2001	For the Years Ended December 31, 2001	
	(Unaudited)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (13,736,792)	$ (4,079,806)	$ (3,
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	575,528	516,116	
Expenses paid through issuance of stock	5,427,338	1,337,249	1,
Stock options issued for services	439,544	439,544	
(Increase) decrease in assets:			
Notes receivable-related party	-	-	
Prepaids and other current assets	(33,525)	(18,000)	
Other assets	-	-	
Increase in liabilities:			
Deferred revenue	250,000	-	
Accounts payable and accrued expenses	1,513,960	452,296	

NET CASH USED IN OPERATING ACTIVITIES	(5,563,947)	(1,352,601)	(1,
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of technology rights	(108,969)	-	
Purchase of property and equipment	(65,069)	-	
Increase in patent registration costs	(205,085)	(115,006)	
NET CASH USED IN INVESTING ACTIVITIES	(379,123)	(115,006)	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from warrants	157,125	-	
Proceeds from debentures	642,120	-	
Proceeds from stock issued for cash	3,778,826	1,264,255	
Common stock to be issued	193,550	5,000	
Offering costs	(2,284)	(1,234)	
Short-term loan proceeds	1,477,900	315,900	
NET CASH PROVIDED BY FINANCING ACTIVITIES	6,247,237	1,583,921	1,
CHANGE IN CASH	304,167	116,314	
CASH AT BEGINNING OF PERIOD	-	187,853	
CASH AT END OF PERIOD	$ 304,167	$ 304,167	$
NON-CASH FINANCING & INVESTING ACTIVITIES:			
Purchase of net, non-cash assets of subsidiary for stock	$ 195	$ -	$
Debt retired through issuance of stock	$ 1,890,179	$ 69,080	$
Shares issued on previously purchased shares	$ -	$ 188,550	$

See accompanying notes to the consolidated financial statements.

SAMARITAN PHARMACEUTICALS, INC.
(FORMERLY STEROIDOGENESIS INHIBITORS INTERNATIONAL, INC.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Company

Samaritan Pharmaceuticals, Inc. (sometmes the "Company" or "Samaritan") was formed in March 1996 and became public in October

1997. It was named Smaritan Pharmaceuticals in April 2001 to reflect a change in the charter and strategic focus of its business. Our principal place of busines is located at 101 Convention Center Drive, Suite 310, Las Vegas, NV 89109, and our telephone number is (702) 735-7001.

Samaritan Pharmaceuticals (SPHC) is an emerging product-driven Biopharmaceuticals Company. SPHC is dedicated to saving lives by focusing on the development of unique therapeutic products for Alzheimer's, Aging Related Disorders, Cancer, Cholesterol Reduction, HIV, and Parkingson's disease. SPHC has an emerging pipeline, with one drug candidate Anticort completing Phase II, two Predictive Medicine Diagnostics and several preclinical drug candidates. SPHC's collaboration with Georgetown University is designed to accelerate discovery and the development of new products through the "proof of concept" phase and expand SPHC's intellectual property coverage for proven drug candidates.

On October 21, 1997, the Company acquired 100% of the outstanding stock of WEBX Media, Inc., through a reorganization agreement. Under the agreement, the principal shareholders of the Company exchanged their stock on a share for share basis for the stock of the Subsidiary. At the time of the acquisition, the Subsidiary was a non-operating public shell with no significant assets. The Company then converted such shares into shares of the Subsidiary for the purpose of becoming a public company.

The acquisition has been accounted for as a reverse acquisition under the purchase method for business combinations. Accordingly, the combination of the two companies is recorded as a recapitalization of the Company, pursuant to which the Company is treated as the continuing entity.

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred a loss since inception of $13,736,792. As such, the financial statements reflect recurring losses, working capital deficiencies, negative cash flows from operating activities, and adverse key financial ratios. The Company is dependent upon outside capital to continue in existence and to achieve profitable operations.

Management's plans for dealing with the adverse effects of the conditions cited above is to raise working capital through equity financing arrangements and private placements.

Furthermore, management notes that many expenditures can be deferred until funds are available to continue development. While such a strategy would not be preferred due to a competitive market, management is willing to pursue it if necessary.

B. Basis of Consolidation

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

C. 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.

D. 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. Because the patents were not approved at December 31, 2001, no amortization was recorded for 2001.

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. Amortization of purchased technology was approximately $10,900 for the year ended December 31, 2001. Accumulated amortization at December 31, 2001 was $45,402.

E. 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." Generally, 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.

F. 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.

G. 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.

H. Research and Development Costs

Research and development costs are expensed when incurred.

I. Impairment of Long-Lived Assets

The Company reviews long - lived assets, certain identifiable assets and goodwill 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. At December 31, 2001, the Company does not believe that any impairment has occurred.

J. 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 and accounts payable approximates fair value because of the short maturity of those instruments.

K. New Accounting Pronouncements

Revenue Recognition - In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), which we adopted effective January 1, 2000. The adoption of SAB 101 did not have a material effect on the Company's financial statements, and therefore, no cumulative effect of a change in accounting principle has been recorded. SAB 101 addresses, among other items, when revenue relating to various license fees should be recognized. The Company performs a detailed analysis of its license fee revenues and records deferred revenues and associated expenses accordingly. These deferred amounts are recognized over the life of each specific license.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement on Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations." SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interest method. The Company believes that the adoption of SFAS No. 141 did not have a significant impact on our financial statements.

In July 2001, FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions upon adoption for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the testing for the impairment of existing goodwill and other intangibles. The Company is currently assessing but have not yet determined the impact of SFAS No. 142 on our financial position and results of operations.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets," which supercedes Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and certain provisions of APB Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS 144 requires that long-lived assets to be disposed of by sale, including discontinued operations, be measured at the lower of carrying amount or fair value, less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS 144 also broadens the reporting requirements of discontinued operations to include all components of an entity that have operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. The provisions of SFAS 144 are effective for fiscal years beginning after December 15, 2001. Management believes that the implementation of this standard will have no impact on the Company's results of operations and financial position.

L. Stock-Based Compensation

The Company has adopted the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and continues to apply Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans.

2. PROPERTY AND EQUIPMENT

Property and equipment, at cost, consist of the following as of December 31, 2001:

	Estimated Useful Life (Years)	
Furniture and Fixtures	5-7	$ 65,069
Accumulated depreciation		(35,090)
		$ 29,979

3. SHORT-TERM BORROWINGS

On October 5, 2001 the Company issued a note for $237,302. The note is payable on demand and bears interest at 12% per annum.

At December 31, 2001 the Company had an amount due to an entity for $78,598. This loan is unsecured, due on demand and does not accrue interest.

4. DEFERRED REVENUE

Our subsidiary, Steroidogenesis Inhibitors, Inc. received $250,000 from Steroidogenesis Inhibitors Canada, Inc., (SI- Canada) for a licensing agreement. The licensing agreement has a duration of ten years beginning with the date the drug is approved for use in Canada.

Pursuant to the agreement, the Company has agreed to provide assistance in securing such approval. The revenue will be recognized as expenses are incurred in providing such assistance.

5. SHAREHOLDERS' DEFICIT

On April 24, 2001, the Company amended its articles of incorporation to increase the authorized number of shares to 100 million and to authorize a class of 5 million shares of preferred stock.

A. Stock Option Plan

The Company has a stock option plan (Samaritan Pharmaceuticals 2001 Stock Option Plan) under which 7,661,050 shares are reserved. There were 2,981,365 options granted pursuant and 4,679,685 options remaining pursuant to the plan as of December 31, 2001.

The following table summarizes the Company's stock options outstanding at December 31, 2001:

	Shares	Weigh