

Taglich Brothers, Inc.

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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Samaritan Pharmaceuticals, Inc.

Rating: Neutral

Luis Martins

LIV \$0.39 (AMEX)

December 15, 2005

	<u>FY2002A</u>	<u>FY2003A</u>	<u>FY2004A</u>	<u>FY2005E</u>	<u>FY2006E</u>
Revenues (Thousands)	\$0	\$250	\$0	\$235	\$950
Earnings per share	\$(0.08)	\$(0.07)	\$(0.04)	\$(0.04)	\$(0.04)

52-Week Range	\$1.13 - 0.32	Fiscal Year Ends	December
Shares Outstand (000's)	136,029	Revs/Share (TTM)	\$0.00
Approximate Float (000's shares)	106,900	Price/Sales(TTM)	NMF
Insider Holdings	21.4%	Price/Sales(2006)E	58.2X
Tangible Book Value/Share	\$0.02	Price/Earnings(TTM)	NMF
Price/Tangible book	19.5X	Price/Earnings(2006)E	NMF

Samaritan Pharmaceuticals, Inc. (AMEX: LIV) is a developer of innovative drugs. In collaboration with Georgetown University, LIV has proprietary compounds in pre-clinical and clinical development for the treatment of AIDS, Alzheimer's, cancer and cardiovascular disease.

Key Investment Considerations:

Although we are very encouraged by recent developments, we are maintaining coverage of LIV with a Neutral rating, pending further clinical and business developments.

Throughout 2005, LIV has announced a number of strategic and forward looking developments; nevertheless, we continue to look for future developments relative to: 1) SP-01A's progress through the later stages of the clinical and regulatory processes; 2) the Company's ability to build a revenue generating product portfolio via in licensing; 3) The ability of the Company to successfully partner with a pharmaceutical company with the sales and marketing expertise necessary to effectively market SP-01A; 4) The progress of its product pipeline currently in the early research and development stage; 5) LIV's cash burn rate; 6) New financing agreements; and 7) Dilution.

At current prices, the shares of the Company may provide high risk tolerant, bio-technology investors with a compelling investment opportunity relative to risk and the success of any of its development stage product candidates with significant market potential. Sophisticated bio-tech investors may view the shares as a compelling investment opportunity.

LIV plans to in-license niche drugs in the fields of HIV/Infectious diseases, CNS, Cancer/Oncology, and Cardiovascular diseases. LIV will use its sales and marketing expertise in Greece, South, and Eastern Europe for this endeavor. On December 14, 2005, LIV announced that it in-licensed the Greece and Cyprus marketing rights for Amphotril from Three Rivers Pharmaceuticals.

** Please view our disclaimer located on page 14.*

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Company Overview

Samaritan Pharmaceuticals, Inc. (AMEX: LIV), based in Las Vegas, Nevada, is a developer of innovative drugs. Its proprietary compounds, backed by domestic and foreign patents are in pre-clinical and clinical development for the treatment of HIV/AIDS, Alzheimer's disease, cancer, and cardiovascular disease. Samaritan's most clinically advanced drug, SP-01A, is currently in Phase II/III for the treatment of HIV. Additionally, the Company plans to in-license drugs (in the fields of HIV/Infectious diseases, CNS, Cancer/Oncology and Cardiovascular diseases). On December 14, 2005, LIV announced that it in-licensed the Greece and Cyprus marketing rights for Amphocil from Three Rivers Pharmaceuticals.

The Company's strategic and collaborative partners include CRO professionals, LabConnect, Norbrook, Pharmaplaz, Fusion Capital, and Georgetown University. Its relationship with Georgetown is part of its strategic goal of bridging the gap between scientific discovery and a patient's bedside.

Recently, the Company formed Samaritan Pharmaceuticals Europe in Athens, Greece. The European's operation main focus will center on European clinical trials, regulatory approval, marketing, and distribution. According to Samaritan, the operations first task will be to initiate Samaritan's latest stage HIV drug through European clinical trials and regulatory approval with the European Medicines Agency (EMA).

Throughout 2006, Samaritan expects to file three Investigational New Drug Applications (INDs) for new drugs, SP-10 for HIV and SP-233 and SP-04 for Alzheimer's, pending toxicology studies.

Pipeline

SP-01A, the Company's most advanced drug targeted for the treatment of HIV, is an easy to take, oral, entry inhibitor (EI) tablet. SP-01A's main ingredient is procaine, a drug approved by the FDA over 40 years ago. Procaine, commonly referred to as Novocain, is used as a local anesthetic in medical and dental surgeries and procedures.

SP-01A is intended to be administered in combination with currently available antiviral therapies for the indication of HIV drug resistance. SP-01A works in the earliest stage of the HIV lifecycle by blocking the HIV virus' ability to infect a cell, thereby, protecting the cells as opposed to directly combating the virus. The blocking mechanism is achieved through the effect of SP-01A on cholesterol synthesis relative to the modification of the cholesterol content of the host cell membrane, which makes it more difficult for the virus to enter and infect the cell and in turn, reduces the HIV-1 virus replication.

Research also suggests that SP-01A may block the development of drug resistance (an ever increasing problem in combating HIV is the ability of the virus to reproduce itself despite the presence of HIV drugs). Since the virus does not penetrate the cell, it does not develop resistance to SP-01A.

The Company's preclinical studies and Phase I/II trials suggested that:

- SP-01A was safe and well tolerated; and
- Patients experienced a clinically significant decrease in viral load and enhancement of quality of life measures. Values rapidly returned to baseline after discontinuing SP-01A.

Based on SP-01A's safety and efficacy, as well as the inability of the virus to resist the drug, the Company may target SP-01A, if approved, for patients that fall into the following categories:

- Treatment naïve HIV-infected patients;
- Treatment-experienced HIV-infected patients with minimal viral load on stable regimens; and
- Treatment-experienced HIV-infected patients who have failed other therapies due to viral mutations.

Rounding out LIV's HIV pipeline is SP-10, which LIV intends to study as a stand alone antiviral. This drug discovered in collaboration with Georgetown University, blocks the entry of HIV and multi drug-resistant HIV viruses into the cells. According to product literature, SP-10 is a small molecule antiviral adjuvant indicated in the treatment of HIV-infected individuals, along with individuals suffering from HIV-associated neurocognitive disorders.

Studies suggest that SP-10 has low toxicity and combats drug resistance. In preclinical in-vivo studies, SP-10 demonstrated superior or comparable efficacy as an antiviral adjuvant when specifically compared to classic antiviral treatments. According to LIV, SP-10 repeatedly and effectively inhibited viral replication in every HIV-1 resistant mutant strain tested.

Samaritan's Alzheimer's disease development portfolio features four promising therapeutics (SP-04, SP-04m, SP-08, and SP-233), two neural stem cell differentiation therapies (SP-sc4 and SP-sc7), a diagnostic, and an animal model. Recently, LIV's AD product candidates were featured in key industry publications. The Journal of Pharmacology published a Samaritan Laboratories study suggesting procaine as exerting neuroprotective properties against Alzheimer's disease. Also, the journal of NEUROPharmacology published Samaritan's preclinical studies evaluating SP-08 and its derivatives, as a possible new approach to fight against Alzheimer's disease.

LIV's portfolio pipeline (of over 250 possible drug candidates) also features a promising cancer drug, SP-C007, and a breast cancer diagnostic highlight Samaritan's cancer program. The diagnostic provides a predictive prognosis of cancerous tumor aggressiveness with more than twice the accuracy rate than that of current technologies.

The Company's cholesterol recognition peptide can be used to clean the blood of excessive cholesterol in acute high cholesterol conditions. LIV is exploring a transdermal patch that transforms and binds LDL cholesterol with immediate results including an immediate response to hypercholesterolemia.

Strategy

Business Strategy

Samaritan strives to develop drugs for indications that have a potential commercial value of at least \$300 million a year to ultimately interest major pharmaceuticals in-licensing. The Company's strategy to maximize shareholder value calls for Management to do the following:

- Take its leading product candidate, SP-01A, as far along the clinical process as possible including conducting Phase IIb/IIIa trials and a Phase IIIb trial during 2006;
- Seek to in-license niche drugs approved (or near approval) by regulatory authorities and market them in Europe. LIV will use its sales and marketing expertise in Greece, South and Eastern Europe for this endeavor. It will concentrate in the fields of HIV/Infectious diseases, CNS, Cancer/Oncology and Cardiovascular diseases;
- Seek out pharmaceutical companies with expert sales and marketing abilities to handle much, if not all, of the marketing and commercialization of SP-01A and other product candidates in its portfolio in exchange for a royalty stream and milestone payments. On July 12, 2005, Samaritan Pharmaceuticals announced that it has entered into seven confidential disclosure agreements as a result of fifty-nine partnering meetings with "big Pharma" over the past year;
- Utilize its research agreements with Georgetown University and other leading universities with top scientific investigators in an effort to build its pipeline of drugs;
- Enter into and maintain relationships with third party companies (i.e. Pharmaplaz and LabConnect) that can provide LIV with expertise in a particular area needed in the drug discovery process. This will allow the Company to conserve cash and possibly reduce the time to market;

- Seek out additional grant monies from such agencies as the NIH and other parties (including European governments) in order to build creditability and reduce cash burn; and
- File (during 2006) three Investigational New Drug Applications (INDs) for new drugs, SP-10 for HIV and SP-233 and SP-04 for Alzheimer's, pending toxicology studies.

SP-01A Strategy

In May 2005, Samaritan Pharmaceuticals announced it was initiating a Phase II trial to assess SP01A's safety and the effect on viral load in HIV-1 positive individuals, with evidence of increasing viral load despite treatment with other antiretroviral therapy. The study occurring at 4 sites, is a double-blind, placebo controlled, multi-dose, monotherapy study in treatment-experience HIV patients. 92 patients in four treatment groups are expected to be enrolled in the study. Initial draft results are expected to be available before the end of the year.

In July 2005, LIV announced that it commenced dosing the first patient on the Phase II monotherapy trial of its lead "oral entry inhibitor" anti-viral agent SP01A in HIV-infected patients. The Company now plans to extend this trial into a 28 day trial in order to get better data points to submit to the FDA in support of product approval.

In mid-2006, the Company plans to initiate a larger Phase IIIb trial, which is expected to last for 48 weeks. This trial is expected to occur in Europe due to cost considerations. However, Management plans to file with the U.S. FDA for approval, pending successful results in Europe. Concurrent with this trial, Management will be seeking accelerated approval for SP-01A, with data from 26 weeks. Given favorable test data and FDA approval, Management estimates that the drug will be approved for marketing in the United States by 2007.

Prior to approval, LIV may enter into an agreement with a large pharmaceutical company with sales and marketing expertise to facilitate the marketing of the drug. Such an agreement may be in the form of a 50/50 marketing agreement or a royalty agreement that will pay royalties of around 10% to 12% to LIV. Alternatively, the Company may also consider going it alone.

Competitive Position

The Company believes that it can achieve success in the HIV treatment market due to key competitive advantages that SP-01A will be seen to hold. These advantages include: 1) compliance (i.e. orally administered versus injection), 2) cost and affordability, and 3) ability to treat various types of patients in various stages of infection, including those patients with resistance issues. Moreover, SP-01A is intended to be administered in combination with currently antiviral therapies for the indication of HIV drug resistance.

Sophisticated biotech investors may wish to evaluate the Company's product pipeline and recent progress in relation to other companies and their respective pipelines and success (or lack thereof).

Recent Developments

On December 14, 2005, LIV announced that it in-licensed the Greece and Cyprus marketing rights for Amphocil from Three Rivers Pharmaceuticals. The agreement indicates that the Company is attempting to swiftly monetize its new marketing and sales presence in Greece and deliver on its stated strategy to in-license niche drugs approved (or near approval) by regulatory authorities and market them in Europe in the fields of HIV/Infectious diseases, CNS, Cancer/Oncology and Cardiovascular diseases.

Amphocil (amphotericin B cholesteryl sulfate complex for injection) is indicated for the treatment of invasive aspergillosis, a fungal infection that occurs in immuno-compromised patients. According to research, the product is approved in the United States (under the name of Amphotec) and in more than 40 other countries (under the name of Amphocil). Sales of the product were approximately \$2.8 million in 2004, with the overwhelming majority of sales occurring in the U.S. and Western Europe markets. In May 2005, Three Rivers acquired the worldwide rights to the drug from Intermune.

Recent Results

On November 14, 2005, Samaritan Pharmaceuticals (LIV) reported results for its third quarter, ended September 30, 2005. LIV reported revenues of \$0.120 million and a net loss of \$1.342 million or \$(0.01) per share. Revenue recognized in the quarter was relative to a grant from the U.S. Department of Health and Human Services. In 3Q04, the Company reported no revenues and a net loss of \$0.959 million or \$(0.01) per share.

In comparison, Taglich Brothers' estimates called for no revenues and a net loss of \$1.605 million or \$(0.01) per share.

On an operating basis, LIV reported a loss of \$1.342 million, as compared to loss of \$0.959 million in the year ago period.

The Company also reported that as compared to the year ago period:

- Operating expenses increased to \$1.5 million from \$1.00 million. Expenses were incurred in support of the Company's research and development efforts of its pipeline of products.
- The components of operating expenses are illustrated in the following table:

Expenses (\$ 000's)	3Q04A	3Q05A
R&D	475	824
G&A	489	628
D&A	8	25

The substantial year-over-year increase in expenses was attributed to an increase in monies provided to Georgetown for R&D activities, continued activities related to the development in SP-01A, including payments to Pharmaplaz, and an increase in amortization related to financing with Fusion Capital.

In the most recent 10Q, Management stated that although research and development expenses may fluctuate from period to period depending upon the stage of certain projects and the level of pre-clinical testing and clinical trial-related activities, it generally expects research and development expenditures related to drug discovery and development will increase during the remainder of 2005 and subsequent years due to FDA clinical trials which include the continuation and expansion of clinical trials for its HIV drug program, Alzheimer's drug program, the initiation of trials for other potential indications, and additional study expenditures for potential pharmaceutical candidates. Management also expects that the additional research and development activities will result in the adding of two administrative staff and four research and development support personnel over the next 12 months.

- Average shares outstanding increased to 135.8 million from 130.7 million in the year ago period.

Balance Sheet

Key balance sheet items as of September 30, 2005, were as follows:

- Short-term cash and cash equivalents of \$1.6 million, plus an additional \$0.494 million in non-current marketable securities;
- Working capital of \$1.3 million;
- Total assets of \$3.2 million;
- Total liabilities of \$0.3 million; and
- Stockholders' equity of \$2.9 million.

As of September 30, 2005, LIV's accumulated deficit was approximately \$32.3 million. According to our calculations, the Company burned about \$3.5 million during the first nine months of 2005.

Investors should be aware that the Company must spend substantial amounts of money to carry out its research and development activities. Just to complete the next two clinical trials for SP-01A, Management estimates it will need to spend between \$5 million and \$10 million. Therefore in May 2005, Management secured a new financing agreement with Fusion Capital for up to \$40 million in equity financing over a 50-month period, subject to conditions. As the Company taps this source of capital, existing investors are likely to suffer dilution. Dilution will be greater the lower the price of the stock at the time the financing is finalized.

In its latest filings with the SEC, Management states that the commitment from Fusion may only provide a portion of the capital needed by the Company to execute its entire business plan and it may require additional monies to finance the Company's entire strategic plans. Therefore, LIV is exploring additional sources of capital (i.e. grants, in licensing of drugs, and license fees for in house products, and milestone payments).

Projections

Based on the above factors and recent operating trends and corporate developments, we are projecting 2005 revenues of \$0.235 million and a net loss of \$5.5 million or \$(0.04) per share. For fiscal 2006, we are projecting revenues of \$0.950 million and a net loss of \$5.1 million or \$(0.04) per share.

We believe that the Company's revenues over the next two fiscal years will be primarily from grants; however, the Company's initiative of generating revenues through the in-licensing of drugs, such as Amphocil, may also generate revenues. As we garner additional visibility on LIV's in-licensing revenue and cost model, we will adjust our estimates.

Through the end of 2006, LIV will need to continue to allocate significant corporate resources (monetary and otherwise) on the development of its products. Just to complete the next two clinical trials for SP-01A, Management estimates it will need to spend close to \$10 million. Increased clinical and research activities may cause the Company's cash burn rate to increase. However, research and development expenses may fluctuate from period to period depending upon the stage of certain projects and the level of pre-clinical testing and clinical trial-related activities.

In the Company's recent SEC filings, Management stated that it expects research and development expenditures related to drug discovery and development will increase during the remainder of 2005 and subsequent years due to clinical trials which include the continuation and expansion of clinical trials for its HIV drug program, Alzheimer's drug program, the initiation of trials for other potential indications, and additional study expenditures for potential pharmaceutical candidates.

Management also expects that the additional research and development activities will result in the adding of two administrative staff and four research and development support personnel in the next 12 months.

Risks

The Product Approval Process

LIV's lead product is currently still in the clinical stage process, while its other product candidates have yet to reach this stage. Typically, biopharmaceutical products require significant research and development, as well as regulatory approval by governmental agencies prior to commercialization. In the United States, The agency responsible for this regulatory process is the Food and Drug Administration (FDA). In foreign countries, regulatory agencies also oversee the product approval process.

The approval process is long, arduous, and costly. Before beginning human clinical testing of a potential new drug, a company must file an Investigational New Drug Application (IND) and receive clearance from the FDA. Thereafter, clinical trials are typically conducted in three sequential phases (Phase I, Phase II, and Phase III), but these phases may overlap. There is no assurance that clinical trials will be completed successfully within any specified time period, if at all. During the past five years, only 30 new drugs each year, on average, have been approved by the FDA.

Additional considerations in the regulatory approval process include:

- The FDA may suspend clinical trials at any time, if it believes that the subjects or patients are being exposed to an unacceptable health risk or that the investigational product lacks any demonstrable efficacy;
- Clinical trial results are frequently susceptible to varying interpretations by scientists, medical personnel, regulatory personnel, statisticians and others. This may delay, limit, or prevent further clinical development or regulatory approvals;
- There can be no assurance that any approval will be granted on a timely basis, if at all. The Food and Drug Administration may deny a New Drug Application (NDA), if applicable regulatory criteria are not satisfied. The FDA may require additional testing or information. The FDA may ultimately decide that the application does not satisfy its regulatory criteria for approval;
- According to Pharmaceutical Research and Manufacturers of America (PRMA), research and development of new drugs is very costly, time-consuming and highly risky. Companies spend an average of 12 to 15 years at an average cost of \$500 million; and
- According to PRMA, only five in 5,000 compounds that enter pre-clinical testing make it to human testing and only one of these five is approved.

Miscellaneous Regulations

In addition to regulations enforced by the Federal Drug Administration, biotech companies are subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act, and other federal, state, local, or foreign regulations. Various statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record-keeping, and marketing of such products.

Commercialization Risk

For the foreseeable future, we do not expect the Company to record significant product revenues. LIV, itself, does not expect to develop commercial products for some time. Any products that may result from LIV's research and development efforts may take several years to be commercially available or may never achieve market acceptance. Additionally, new technical developments or scientific discoveries may lead to rapid product obsolescence.

Physicians, patients, or the medical community in general may not accept or utilize any products that LIV or its corporate partners may develop. The degree of market acceptance of any products will depend on a number of factors, including potential advantage over alternative treatment methods and competing products, reimbursement policies of government and third-party payors, and ability to market and promote the products effectively.

There may be delays in obtaining regulatory approvals or clearances. This could stall the marketing, selling, and distribution of any products that the Company or its corporate partners develop. This may also result in additional costs, diminish any competitive advantages, and decrease its ability to receive royalties and generate profits. Even a small variation in time to market could adversely impact the Company's financial result and liquidity, as well as our valuation model.

Once a product is approved for sale, regulations govern the production, process, and marketing activities. Product approvals may be withdrawn, if compliance with regulatory standards, labeling, and current good manufacturing practices are not maintained. There can be no assurance that the Company or its partners will meet these requirements.

Competition

The HIV Treatment Market is a very competitive, rapidly evolving market. There are a number of companies involved in this market. According to industry sources, GlaxoSmithKline (NYSE: GSK), Bristol-Myers Squibb (NYSE: BMY), and Abbott Laboratories (NYSE: ABT) hold a substantial market share in the United States and internationally. Additionally, there are many other public and private companies (including major pharmaceutical and specialized biotechnology firms), universities, and other research institutions engaged in developing pharmaceutical and biotechnology products. Additionally, there are a number of companies and organizations that also developing entry inhibitors, which may compete directly with products that LIV may develop. Many of organizations have substantially greater financial, technical, research and development, and human resources than LIV.

Commercially viable products will compete with drugs and therapies manufactured and marketed by major pharmaceutical and other biotechnology companies. These products may be more effective than any of those being developed by LIV or its partners. The Biotechnology and Pharmaceutical Industries are characterized by rapidly evolving technology and intense competition. There are many public and private companies (including major pharmaceutical and specialized biotechnology firms), universities, and other research institutions engaged in developing pharmaceutical and biotechnology products.

In order to successfully compete with other companies, LIV must be able to obtain, maintain, and defend its intellectual property, including but not limited to patents, trade secrets, and proprietary rights. The Company has U.S. and foreign patent (Europe, Japan, and Australia) and pending patent applications relate to Alzheimer's, Cancer, Cardiovascular, and HIV indications. In total, it has been issued 1 U.S. patent and has 17 pending licensed patent applications in the U.S. Its foreign patent portfolio outside the U.S. is comprised of 2 licensed issued patents and 17 licensed pending patent applications.

According to marketresearch.com and clinicaltrials.gov, there are more than 100 biopharmaceutical companies with a combined HIV drug portfolio of over 600 projects, from pre-clinical to Phase III. Many of these organizations have substantially greater financial, technical, research and development, and human resources than LIV. Investors should be aware that companies that complete clinical trials, obtain required regulatory approvals, and commence commercial sales of their products before their competitors may achieve a significant competitive advantage.

Collaborations

The Company may seek a strategic partner to commercialize its product pipeline. However, there can be no assurances that LIV will be successful in securing a partner arrangement or obtain favorable financial terms. Future product revenue stream may likely depend on its partners' sales/marketing capabilities and ability to execute proposed marketing plan; matters outside of the control of LIV.

Lack of Recurring Revenues

Since inception, the Company has only generated minimal revenues and from non-recurring sources (i.e. grants). If LIV is unable to generate recurring revenues, it will likely become dependent on third party financing to continue to meet its obligations and maintain current operations.

Funding Risk

LIV may likely be required to raise additional equity capital in order to continue with its near-term research efforts. More extensive financing will likely be needed for future clinical trials. Although the Company has shown an ability to obtain financing to fund operations, there is substantial risk that it may not be able to secure sufficient financing to fund its clinical activities and bring its product to market. There is no assurance that financing, if obtained, will be available on favorable terms.

Financing Arrangements/Dilution

If the Company obtains additional sources of funds through equity, current shareholders will suffer dilution. Substantial dilution may adversely impact LIV's equity value. As part of its recent financing efforts, the Company has executed an equity financing agreement with Fusion Capital. Investors should note that currently, the Company has no commitments from third parties to provide it with additional debt or equity financing.

As of September 30, 2005, there were 24.076 million options outstanding with a weighted average strike price of \$0.60 per share.

In June 2005, LIV increased its authorized shares from 200 million to 250 million.

History of Operations

The Company has and is likely to continue to incur significant losses. Losses were generated primarily due to expenditures for research and development and general and administrative expenses. Losses are likely to continue until significant recurring revenues are generated; therefore, an investor should be aware that an investment in an early stage biotechnology company assumes all the risks of developing and marketing a product, as well as the potential benefits.

As of September 30, 2005, the accumulated deficit was \$32.3 million. Since inception, the Company has accumulated over \$15 million in net operating loss carryforwards.

Corporate Governance

Wall Street has recently increased its focus on corporate governance and placed increased emphasis on the accountability of Management and Directors to shareholders. Investors are also increasingly considering executive compensation and familial relationships. The above factors have brought about the passage of the Sarbanes-Oxley Act of 2002 by Congress and signage by the President. Corporate governance may be an issue facing the Company in light of new rules and regulations being issued by government regulatory agencies. This could mean that the Company will eventually be required to hire additional personnel in order to diversify various operational, management, and compliance functions, as well as spend monies to comply with the various aspects of the Act.

Federal Reserve/FOMC

After its last thirteen meetings, the Federal Reserve raised the Discount Rate and its target rate for Fed Funds by 0.25 points after each meeting. Such a monetary policy is theoretically and empirically bad news for equity prices and valuations, particularly for smaller cap stocks.

Microcap Concerns

Shares of LIV have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. The Company has approximately 107 million shares in the float. On average, approximately 68,000 shares are traded daily.

Miscellaneous Risks

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Conclusion

At current prices, the shares of the Company may provide high risk tolerant, bio-technology investors with a compelling investment opportunity relative to risk and the success of any of its development stage product candidates with significant market potential.

Since early 2005 the Company has announced a number of strategic and forward looking developments. We are very encouraged by these developments; nevertheless, we are maintaining coverage of Samaritan Pharmaceuticals, Inc. (AMEX: LIV) with a Neutral rating, pending further clinical and business developments.

The developments that we continue to monitor include:

- SP-01A's progress through the later stages of the clinical and regulatory processes;
- The Company's ability to build a revenue generating product portfolio via in licensing;
- The ability of the Company to successfully partner with a pharmaceutical company with the sales and marketing expertise necessary to effectively market SP-01A;
- The progress of its product pipeline currently in the early stages of development;
- LIV's cash burn rate;
- New financing agreements; and
- Dilution.

The strategic and forward looking developments announced in recent months include:

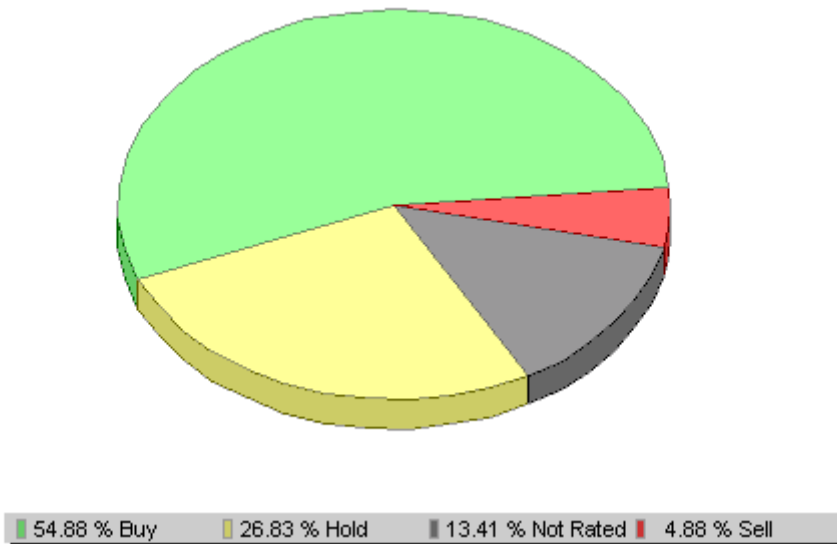
- In May 2005, LIV announced it was initiating a Phase II trial to assess SP01A's safety and the effect on viral load in HIV-1 positive individuals, with evidence of increasing viral load despite treatment with other antiretroviral therapy;
- In May 2005, Management secured a new financing agreement with Fusion Capital for up to \$40 million in equity financing over a 50-month period;
- In July 2005, LIV announced that it commenced dosing the first patient in its Phase II trial for HIV;
- In July 2005, Samaritan announced that it has entered into seven confidential disclosure agreements as a result of fifty-nine partnering meetings with "big Pharma" over the past year;
- In August 2005, LIV announced the formation of Samaritan Pharmaceuticals Europe in Athens, Greece;

- In October 2005, LIV expanded on its strategy of in-licensing niche drugs in the fields of HIV/Infectious diseases, CNS, Cancer/Oncology and Cardiovascular diseases in order to market them in Greece, South and Eastern Europe for this endeavor; and
- In December 2005, LIV announced that it in-licensed the Greece and Cyprus marketing rights for Amphocil from Three Rivers Pharmaceuticals.

Investors should be acutely aware that the Company faces considerable risks, including limited financial resources, increasingly competitive product markets, a development stage product pipeline, regulatory concerns, and the probability of significant dilution. An investment in LIV is an investment in a development stage biotech opportunity with all the risks and benefits. Shares of LIV are only suitable for high-risk tolerant investors seeking exposure to an emerging biotech company.



Taglich Brothers Current Ratings Distribution



Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

Public Companies Mentioned in this report

GlaxoSmithKline (NYSE: GSK)

Bristol-Myers Squibb (NYSE: BMY)

Abbott Laboratories (NYSE: ABT)

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I, Luis Martins, the research analyst of this report, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

Samaritan Pharmaceuticals, Inc.
Annual Income Statement Model
For Fiscal Year Ended December 31
(in thousands)

	<u>F12/2002A</u>	<u>F2003A</u>	<u>F12/2004A</u>	<u>F12/2005E</u>	<u>F12/2006E</u>
Total Revenues	\$ -	\$ 250	\$ -	\$ 235	\$ 950
Costs of Goods Sold	-	-	-	-	-
Gross Profit	-	250		235	950
<i>Gross Margins</i>	<i>NMF</i>	<i>100.00%</i>	<i>NMF</i>	<i>100.00%</i>	<i>100.00%</i>
R&D	1,097	838	1,544	3,190	3,300
G&A	2,419	4,902	3,561	2,469	2,600
D&A	520	24	27	75	100
Operating Expenses	4,036	5,764	5,132	5,734	6,000
Operating Income	(4,036)	(5,514)	(5,132)	(5,499)	(5,050)
<i>Operating Margin</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>-531.58%</i>
Interest Expense(Income)-net	20	6	(37)	(57)	(40)
Other	-	-	(214)	11	-
Pre-Tax Income	(4,056)	(5,520)	(4,881)	(5,452)	(5,050)
<i>Pre-Tax Margins</i>	<i>#DIV/0!</i>	<i>NMF</i>	<i>#DIV/0!</i>	<i>NMF</i>	<i>-531.58%</i>
Taxes (Benefit)	-	-	-	-	-
<i>Tax Rate</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
Net Income	(4,056)	\$ (5,520)	\$ (4,881)	\$ (5,452)	\$ (5,050)
EPS-fully diluted	\$ (0.08)	\$ (0.07)	\$ (0.04)	\$ (0.04)	\$ (0.04)
Avg Shares Out-fully diluted	50,789	79,767	124,566	134,551	141,100
<u>Percent of Revenue</u>					
SG&A	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Net Margin	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	304.26%

Samaritan Pharmaceuticals, Inc.
Quarterly Income Statement Model
For Fiscal Year Ended December 31, 2003
(in thousands)

	<u>Q1(3/03)A</u>	<u>Q2(6/03)A</u>	<u>Q3(9/03)A</u>	<u>Q4(12/03)A</u>	<u>F2003A</u>
Total Revenues	\$ -	\$ -	\$ -	\$ 250	\$ 250
Costs of Goods Sold	-	-	-	-	-
Gross Profit	-	-	-	250	250
<i>Gross Margins</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>100.00%</i>	<i>100.00%</i>
R&D	188	199	201	250	838
G&A	440	450	438	3,574	4,902
D&A	6	6	6	6	24
Operating Expenses	634	655	645	3,830	5,764
Operating Income	(634)	(655)	(645)	(3,580)	(5,514)
<i>Operating Margin</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Interest Expense(Income)-net	4	2	2	(2)	6
Pre-Tax Income	(638.00)	(657.00)	(647.00)	(3,578)	(5,520)
<i>Pre-Tax Margins</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Taxes (Benefit)	-	-	-	-	-
<i>Tax Rate</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
Net Income	\$ (638)	\$ (657)	\$ (647)	\$ (3,578)	\$ (5,520)
EPS-fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.07)
Avg Shares Out-fully diluted	66,635	75,940	83,469	85,000	79,767
<u>Percent of Revenue</u>					
SG&A	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Net Margin	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>

Samaritan Pharmaceuticals, Inc.
Quarterly Income Statement Model
For Fiscal Year Ended December 31, 2004
(in thousands)

	<u>Q1(3/04)A</u>	<u>Q2(6/04)A</u>	<u>Q3(9/04)A</u>	<u>Q4(12/04)A</u>	<u>F12/2004A</u>
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Costs of Goods Sold	-	-	-	-	-
Gross Profit	-	-	-	-	-
<i>Gross Margins</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
R&D	105	315	475	649	1,544
G&A	717	700	476	1,668	3,561
D&A	7	7	7	6	27
Operating Expenses	829	1,022	958	2,323	5,132
Operating Income	(829)	(1,022)	(958)	(2,323)	(5,132)
<i>Operating Margin</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Interest Expense(Income)-net	50	-	-	(87)	(37)
Other	-	-	-	(214)	(214)
Pre-Tax Income	(879)	(1,022)	(958)	(2,236)	(4,881)
<i>Pre-Tax Margins</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Taxes (Benefit)	-	-	-	-	-
<i>Tax Rate</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
Net Income	\$ (879)	\$ (1,022.0)	\$ (958)	\$ (2,236)	\$ (4,881)
EPS-fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.04)
Avg Shares Out-fully diluted	108,952	127,561	130,749	131,000	124,566
<u>Percent of Revenue</u>					
SG&A	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Net Margin	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>

Samaritan Pharmaceuticals, Inc.
Quarterly Income Statement Model
For Fiscal Year Ended December 31, 2005
(in thousands)

	<u>Q1(3/05)A</u>	<u>Q2(6/05)A</u>	<u>Q3(9/05)A</u>	<u>Q4(12/05)E</u>	<u>F12/2005E</u>
Total Revenues	\$ -	\$ 15	\$ 120	\$ 100	\$ 235
Costs of Goods Sold	-	-	-	-	-
Gross Profit	-	15	120	100	235
<i>Gross Margins</i>	<i>NMF</i>	<i>100.00%</i>	<i>100.00%</i>	<i>100.00%</i>	<i>100.00%</i>
R&D	727	814	824	825	3,190
G&A	544	672	628	625	2,469
D&A	7	17	26	25	75
Operating Expensess	1,278	1,503	1,478	1,475	5,734
Operating Income	(1,278)	(1,488)	(1,358)	(1,375)	(5,499)
<i>Operating Margin</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Interest Expense(Income)-net	(17)	(17)	(13)	(10)	(57)
Other	5	6	-	-	11
Pre-Tax Income	(1,266)	(1,476)	(1,345)	(1,365)	(5,452)
<i>Pre-Tax Margins</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Taxes (Benefit)	-	-	-	-	-
<i>Tax Rate</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
Net Income	\$ (1,266)	\$ (1,476)	\$ (1,345)	\$ (1,365)	\$ (5,452)
EPS-fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)
Avg Shares Out-fully diluted	132,440	133,895	135,768	136,100	134,551
<u>Percent of Revenue</u>					
SG&A	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
Net Margin	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>	<i>NMF</i>

Samaritan Pharmaceuticals, Inc.
Consolidated Balance Sheet
For Fiscal Period Ended
(in thousands)

	<u>F2004A</u>	<u>1Q05A</u>	<u>2Q05A</u>	<u>3Q05A</u>
Assets				
Current Assets				
Cash & Equivalents	\$ 3,929	\$ 3,773	\$ 2,553	\$ 1,599
Prepaid Expense & Other	<u>76</u>	<u>84</u>	<u>67</u>	<u>76</u>
Total Current Assets	4,005	3,857	2,620	1,675
Plant, Property, & Equipment-net	37	42	210	204
Marketable securities	493	492	493	494
Deposits & other	253	253	253	253
Intellectual property	<u>461</u>	<u>491</u>	<u>558</u>	<u>591</u>
Total Assets	<u>\$ 5,249</u>	<u>\$ 5,135</u>	<u>\$ 4,135</u>	<u>\$ 3,217</u>
Liabilities & Shareholders' Equity				
Current Liabilities				
Accounts Payable & Accruals	<u>170</u>	<u>198</u>	<u>251</u>	<u>332</u>
Total Current Liabilities	170	198	251	332
Total Shareholders' Equity	<u>5,079</u>	<u>4,938</u>	<u>3,883</u>	<u>2,885</u>
Total Liabilities & Equity	<u>\$ 5,249</u>	<u>\$ 5,135</u>	<u>\$ 4,135</u>	<u>\$ 3,217</u>
SHARES OUT	132,030	133,258	135,716	136,029