

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2004. **OR**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 000-26648

**eXegenics Inc.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware

75-2402409

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

1250 Pittsford-Victor Road

Building 200, Suite 280

Pittsford, New York 14534

(Address of Principal Executive Offices)

(585) 218-4368

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2): Yes  No

As of August 6, 2004, the registrant had 16,227,914 shares of common stock outstanding.

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## Item 1. Financial Statements:

*eXegenics Inc.*  
**BALANCE SHEETS**  
(in thousands, except share data)

	<u>June 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
	<u>(unaudited)</u>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,184	\$ 10,132
Restricted cash	225	600
Prepaid expenses and other current assets	180	602
Total current assets	9,589	11,334
Other assets	5	8
Total assets	\$ 9,594	\$ 11,342
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 230	\$ 1,038
Total current liabilities	230	1,038
Total liabilities	230	1,038
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — \$.01 par value, 10,000,000 shares authorized; 965,249 and 890,564 shares of Series A convertible preferred issued and outstanding (liquidation value \$2,413,000 and \$2,226,000)	10	9
Common stock — \$.01 par value, 30,000,000 shares authorized; 16,839,114 and 16,314,779 shares issued	168	163
Additional paid-in capital	68,385	68,061
Subscriptions receivable	(302)	(302)
Accumulated deficit	(55,560)	(54,290)
Treasury stock, 611,200 shares of common stock, at cost	(3,337)	(3,337)
Total stockholders' equity	9,364	10,304
Total liabilities and stockholders' equity	\$ 9,594	\$ 11,342

See Notes to Financial Statements.

*eXegenics Inc.*  
STATEMENTS OF OPERATIONS  
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(unaudited)		(unaudited)	
Revenue:				
Licensing & research fees	\$ —	\$ —	\$ —	\$ 13
Operating Expenses:				
Research and development	—	32	—	163
General and administrative	560	1,513	1,329	2,309
Expenses related to strategic redirection	—	299	—	447
	<u>560</u>	<u>1,844</u>	<u>1,329</u>	<u>2,919</u>
Operating loss	(560)	(1,844)	(1,329)	(2,906)
Other (income) expense, primarily interest	(29)	(49)	(59)	(124)
Loss before provision (benefit) for taxes	(531)	(1,795)	(1,270)	(2,782)
Provision (benefit) for taxes	—	—	—	—
Net loss	(531)	(1,795)	(1,270)	(2,782)
Preferred stock dividend	—	—	(223)	(31)
Net loss attributable to common shareholders	<u>\$ (531)</u>	<u>\$ (1,795)</u>	<u>\$ (1,493)</u>	<u>\$ (2,813)</u>
Net loss per share-basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>	<u>\$ (0.09)</u>	<u>\$ (0.18)</u>
Weighted average number of shares outstanding				
— basic and diluted	<u>15,871</u>	<u>15,673</u>	<u>15,871</u>	<u>15,673</u>

See Notes to Financial Statements.

*eXegenics Inc.*  
STATEMENTS OF CASH FLOWS  
(in thousands)

	Six Months Ended	
	June 30,	
	2004	2003
	(unaudited)	
Cash flows from operating activities:		
Net loss	\$ (1,270)	\$ (2,782)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3	46
Value assigned to common shares and options	138	20
Changes in:		
Restricted cash	375	—
Prepays and other assets	422	308
Accounts payable and accrued expenses	(808)	(243)
Net cash used in operating activities	<u>(1,140)</u>	<u>(2,651)</u>
Cash flows from investing activities:		
Maturity of investment	—	10,000
Purchase of equipment	—	(4)
Net cash provided by investing activities	<u>—</u>	<u>9,996</u>
Cash flows from financing activities:		
Capital lease payments	—	(46)
Proceeds from option exercises	192	—
Net cash provided by (used in) financing activities	<u>192</u>	<u>(46)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(948)	7,299
Cash and cash equivalents at beginning of period	<u>10,132</u>	<u>6,188</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 9,184</u>	<u>\$13,487</u>

See Notes to Financial Statements.

*eXegenics Inc.*  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004  
(Unaudited)

(1) Financial Statement Presentation

The unaudited financial statements of *eXegenics Inc.*, a Delaware corporation (the “Company”), included herein have been prepared in accordance with the rules and regulations promulgated by the Securities and Exchange Commission and, in the opinion of management, reflect all adjustments necessary to present fairly the results of operations for the interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures are adequate to make the information presented not misleading. These financial statements and the notes thereto should be read in conjunction with the financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2003. The results for the interim periods are not necessarily indicative of the results for the full fiscal year.

(2) Cash, Cash Equivalents and Investments

The Company considers all non-restrictive, highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents, which amount to \$9,184,000 and \$10,132,000 at June 30, 2004 and December 31, 2003, respectively, consist principally of interest-bearing cash deposits placed with a single financial institution. Restricted cash, which amounts to \$225,000 and \$600,000 at June 30, 2004 and December 31, 2003, respectively, consists of certificates of deposits that are used as collateral for equipment leases and corporate credit cards.

(3) Loss Per Common Share

Basic and diluted loss per common share is based on the net loss increased by dividends on preferred stock divided by the weighted average number of common shares outstanding during the period. No effect has been given to outstanding options, warrants or convertible preferred stock in the diluted computation, as their effect would be anti-dilutive.

(4) Stockholders’ Equity

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees.” In October 1995, the Financial Accounting Standards Board issued Statement No. 123, “Accounting for Stock-Based Compensation” (“SFAS No. 123”), which establishes a fair value-based method of accounting for stock-based compensation plans. The Company has adopted the disclosure-only alternative under SFAS No. 123. The Company accounts for stock based compensation to non-employees using the fair value method in accordance with SFAS No. 123 and Emerging Issues Task Force (EITF) Issue No. 96-18. The Company has recognized deferred stock compensation related to certain stock option and warrants grants. No options to purchase shares of common stock were granted in return for consulting services for the six months ended June 30, 2004 and 2003. In connection with other option grants to consultants in previous years, the Company recorded a charge of \$5,000 and \$20,000 during the six months ended June 30, 2004 and 2003, respectively.

During the second quarter, the Board of Directors adopted a resolution providing for the issuance of shares of the Company’s common stock and the granting of stock options as part of compensation paid to directors for their service to the Company. Upon joining the Board, directors are issued 25,000 shares of common stock. The chairman of the Board receives an additional 25,000 shares at the time he assumes this role. Members of the Board of Directors are granted an option to purchase 5,000 shares of the Company’s common stock on the first day of each calendar quarter, with an exercise price equal to the closing trading price of the Company’s common stock on the date of grant.

In the second quarter, the Chairman of the Board was issued 50,000 shares of common stock. Directors were issued 25,000 shares. In the aggregate, 150,000 shares of common stock were issued and recorded at their fair value on the date of grant and as a result, \$133,500 in compensation expense was recorded during the second quarter. Stock options totaling 50,000 shares of common stock were granted to directors pursuant to the Board resolution for services provided by directors in the first and second quarters of 2004.

*eXegenics Inc.*  
NOTES TO FINANCIAL STATEMENTS – (Continued)  
June 30, 2004  
(Unaudited)

(5) Strategic Redirection

During the six months ended June 30, 2003, the Company recognized additional expenses of \$711,000 for severance benefits and legal and other expenses related to scientific programs that were terminated. These costs were offset by expense reimbursement from Bristol Meyers Squibb (“BMS”) of \$264,000 received during the same period, resulting in a net charge of \$447,000 for the six months ended June 30, 2003. All liabilities related to the Company’s strategic redirection have been recorded as of December 31, 2003. Cash payments of \$154,000 and \$460,000 were charged against previously accrued restructuring expenses during the six months ended June 30, 2004 and 2003, respectively. No additional expenses were recorded during the three and six months ended June 30, 2004.

During the three months ended June 30, 2003, the Company recognized additional expenses of \$563,000 for severance benefits and legal and other expenses related to terminated scientific programs. These costs were offset by expense reimbursement from BMS of \$264,000 received during the same period, resulting in a net charge of \$299,000 for the three months ended June 30, 2003. Cash payments of \$42,000 and \$80,000 were charged against previously accrued restructuring expenses during the three months ended June 30, 2004 and 2003, respectively.

(6) Stock Options

The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS Statement No. 123, Accounting for Stock-Based Compensation, to stock-based compensation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net loss attributable to common stockholders as reported	\$ (531)	\$ (1,795)	\$(1,493)	\$(2,813)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(14)	(33)	(36)	(90)
Pro forma net loss	\$ (545)	\$ (1,828)	\$(1,529)	\$(2,903)
Earnings per share:				
Basic and diluted-as reported	\$ (0.03)	\$ (0.11)	\$ (0.09)	\$ (0.18)
Basic-pro forma	\$ (0.03)	\$ (0.12)	\$ (0.10)	\$ (0.19)

*eXegenics Inc.*  
NOTES TO FINANCIAL STATEMENTS — (Continued)  
June 30, 2004  
(Unaudited)

The Company has adopted the provisions of SFAS 148, Accounting for Stock-Based Compensation-Transition and Disclosure which requires disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reporting results. The Black-Scholes option valuation model was developed for use in estimating the fair market value of traded option shares that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair market value estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair market value of our stock options.

(7) Related party transaction

In 2004, the Company entered into a lease agreement for office space with RFG Associates, a financial services organization, an entity in which John A. Paganelli, chairman of the Board of Directors of the Company is an equity owner. The lease provides for a monthly payment of \$625 and is cancelable by either party upon thirty (30) days notice.

(8) Subsequent Event

On July 26, 2004 the Company received official notification from The NASDAQ Stock Market that it was not in compliance with the minimum \$1.00 closing bid price per share requirement as set forth in NASD Marketplace Rule 4310(c)(4). Our common stock was, therefore, subject to delisting from The NASDAQ SmallCap Market effective August 4, 2004. We requested a hearing before the NASDAQ Listing Qualifications Panel to review the NASDAQ staff determination. As set forth in NASD Marketplace Rule 4820, this request stayed any delisting action pending issuance of a written determination by the NASDAQ Listing Qualifications Panel.

On August 9, 2004, the Company was notified by NASDAQ that the delisting has been stayed pending an oral hearing to be held before a NASDAQ Listing Qualifications Panel on September 9, 2004.

If the NASDAQ Listing Qualifications Panel determines that the Company fails to meet the continued listing standards, our common stock will be delisted from the NASDAQ SmallCap Market. This would likely have an adverse impact on the trading price and liquidity of our common stock. If our common stock were to be delisted, trading, if any, in the common stock may continue to be conducted on the OTC Bulletin Board upon application by the requisite market makers.



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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### OVERVIEW

*In this section, "Management's Discussion and Analysis of Financial Condition and Results of Operations," references to "we," "us," "our," and "ours" refer to eXegenics Inc.*

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto included in this report. This report contains certain forward-looking statements as that term is defined in the Private Securities Litigation Reform of 1995. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. When used in this report the words "anticipate," "believe," "estimate," "expect" and similar expressions as they relate to our management or us are intended to identify such forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Historical operating results are not necessarily indicative of the trends in operating results for any future period.

We have historically operated as a drug discovery company, exploiting new enabling technologies to advance and shorten the new drug development cycle. Drug discovery is the first phase of an eight to 12 year cycle, from inception to FDA approval, typically needed to bring a new drug to market. Employing new technologies is a high-risk venture. Our Company has been unsuccessful at advancing research programs. In late 2002, we began to exit this early-stage research business and are now screening new down-stream business opportunities that have strong operating management in place and offer significant revenue growth potential.

On December 5, 2003, our then current Board of Directors: Dr. Joseph M. Davie, Robert J. Easton, Dr. Ronald L. Goode, Dr. Walter M. Lovenberg and Gordon F. Martin, (collectively referred to as the "Prior Board") were removed by a majority vote of our stockholders via a proxy consent solicitation. They were replaced by the following slate of new Directors: John A. Paganelli, Robert A. Baron, Robert Benou, John J. Huntz, Jr., and Dr. David Lee Spencer, collectively referred to as the "New Board". Our New Board of Directors is focused on completing the wind-down of our drug discovery operations begun in late 2002, resolving outstanding liabilities and redeploying the remaining residual assets of the Company. Our New Board has established a committee to recommend strategic direction and identify potential business opportunities. Currently, David E. Riggs is our sole employee who serves as the President, Chief Executive Officer and Chief Financial Officer. Effective May 1, 2004, the Company relocated from Dallas, Texas to Rochester, New York.

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to investments, intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize deferred tax assets in the

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future in excess of its net recorded amount, an adjustment to the net deferred tax asset would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the net deferred tax asset would be charged to income in the period such determination was made.

### RESULTS OF OPERATIONS

#### FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003

##### Revenue

There were no revenues for the three months ended June 30, 2004 and 2003.

##### Research and Development Expenses

There were no research and development expenses incurred for the three months ended June 30, 2004. Research and development expense was only \$32,000 for the three months ended June 30, 2003 due to our change in business strategy and the related realignment and consolidation of business priorities.

##### General and Administrative Expenses

We incurred general and administrative expenses of \$560,000 and \$1,513,000 for the three months ended June 30, 2004 and 2003, respectively, a decrease of \$953,000 or 63%. The decrease is mainly attributable to the completion of the Company's wind-down of its drug discovery operations as well as cost containment as it relates to legal, merger and acquisition expenditures. Specifically, salaries and wages decreased \$175,000, professional consulting fees decreased \$156,000, legal expenses decreased \$608,000, investor relations decreased \$168,000 and amortization of the director and officer insurance premium increased \$102,000 for the three months ended June 30, 2004 as compared to the same period in 2003.

##### Expenses Related to Strategic Redirection

Expenses related to strategic redirection, net of recoveries, were \$299,000 for the quarter ended June 30, 2003. We incurred \$563,000 in expenses from operations terminated during the three months ended June 30, 2003, which included \$272,000 for terminated employees, a charge of \$170,000 for writing down laboratory equipment to its estimated resale value, and \$121,000 for other expenses related to terminated scientific programs. This amount was offset by the reimbursement of \$264,000 of research and development costs from BMS. Approximately, \$362,000 in accrued expenses remained to be paid at June 30, 2003. No additional expenses were recorded during the three months ended June 30, 2004.

All liabilities related to the Company's strategic redirection have been recorded as of December 31, 2003. Cash payments of \$42,000 were charged against previously accrued restructuring expenses during the quarter ended June 30, 2004. Approximately, \$39,000 remains to be paid at June 30, 2004.

##### Interest Income

Interest income was \$29,000 and \$49,000 for the three months ended June 30, 2004 and 2003, respectively. The decrease was due primarily to lower principal balances in 2004.

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### Net Loss

We incurred a net loss attributable to common shareholders of \$531,000 and \$1,795,000 for the three months ended June 30, 2004 and 2003, respectively. Net loss per common share was \$0.03 and \$0.11 for the three months ending June 30, 2004 and 2003, respectively.

### FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

### Revenue

There were no revenues for the six months ended June 30, 2004. Revenues of \$13,000 for the six months ended June 30, 2003 were attributable to license and research and development payments from our agreement with Aventis, which was subsequently terminated.

### Research and Development Expenses

There were no research and development expenses incurred for the six months ended June 30, 2004. Research and development expenses were \$163,000 for the six months ended June 30, 2003. The decrease in research and development expenses for the six months ended June 30, 2004 as compared to the same period in 2003 was attributable to the termination of all remaining research programs in connection with the Company's wind-down of its drug discovery operations.

### General and Administrative Expenses

We incurred general and administrative expenses of \$1,329,000 and \$2,309,000 for the six months ended June 30, 2004 and 2003, respectively, a decrease of \$980,000 or 43%. The decrease is mainly attributable to the completion of the Company's wind-down of its drug discovery operations as well as cost containment as it relates to legal, merger and acquisition expenditures. Specifically, salaries and wages decreased \$180,000, professional consulting fees decreased \$185,000, legal expenses decreased \$617,000, investor relations decreased \$215,000 and amortization of the director and officer insurance premium increased \$205,000 for the six months ended June 30, 2004 as compared to the same period in 2003.

### Expenses Related to Strategic Redirection

Expenses related to strategic redirection, net of recoveries, were \$447,000 for the six months ended June 30, 2003. We incurred \$711,000 in expenses from operations terminated during the six months ended June 30, 2003, which included \$400,000 for terminated employees, a charge of \$170,000 for writing down laboratory equipment to its estimated resale value, and \$141,000 for other expenses related to terminated scientific programs. This amount was offset by the reimbursement of \$264,000 of research and development costs from BMS. Approximately, \$362,000 in accrued expenses remained to be paid at June 30, 2003. No additional expenses were recorded during the six months ended June 30, 2004.

All liabilities related to the Company's strategic redirection have been recorded as of December 31, 2003. Cash payments of \$154,000 and \$460,000 were charged against previously accrued restructuring expenses during the six months ended June 30, 2004 and 2003, respectively. Approximately, \$39,000 remains to be paid at June 30, 2004.

### Interest Income

Interest income was \$59,000 and \$124,000 for the six months ended June 30, 2004 and 2003, respectively. The decrease was due primarily to lower principal balances in 2004.

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### Net Loss

We incurred a net loss attributable to common shareholders of \$1,493,000 and \$2,813,000 for the six months ended June 30, 2004 and 2003, respectively. Net loss per common share was \$0.09 and \$0.18 for the three months ending June 30, 2004 and 2003, respectively.

### LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2004, we had cash and cash equivalents of approximately \$9,409,000, inclusive of restricted cash. Since our inception, we have financed our operations from debt and equity financings as well as fees received from licensing and research and development agreements. During the six months ended June 30, 2004, net cash used in operating activities was \$1,140,000. In addition, during the six months ended June 30, 2004, we received cash from financing activities of \$192,000 related to the exercise of stock options. The wind-down of operations was completed in the first half of 2004. We spent approximately \$1.1 million during this time to satisfy previous commitments of the Prior Board. Subsequent to the first quarter, we forecast our cash usage to be approximately \$100,000-125,000 per month, assuming that we make no new investments or engage in the operation of a new business. Our future capital needs are uncertain. The Company may or may not need additional financing in the future to fund operations, a determination to be made when the Company implements its new business strategy. We do not know whether additional financing will be available when needed, or that, if available, we will obtain financing on terms favorable to our stockholders.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to financial market risk, including changes in interest rates, relates primarily to our marketable security investments. We generally place our marketable security investments in high credit quality instruments, primarily U.S. government obligations. We do not believe that a 100 basis point increase or decrease in interest rates would significantly impact our business. We do not have any derivative instruments. We operate only in the United States and all sales have been made in U.S. dollars. We do not have any material exposure to changes in foreign currency exchange rates.

### Item 4. Controls and Procedures

An evaluation was carried out by the Company's sole officer, who is President, Chief Executive and Chief Financial Officer, of the effectiveness of the Company's "Disclosure Controls and Procedures". We are exiting the biotechnology-drug discovery business and all employees have been terminated except the Principal Executive and Financial Officer. He has concluded that, given our limited operation, our Disclosure Controls and Procedures were effective. As such term is used above, the Company's Controls and Procedures are controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure Controls and Procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including its sole officer as appropriate to allow timely decisions regarding required disclosure.

Further, there were no significant changes in the internal controls or in other factors that could significantly affect these controls after August 9, 2004, the date of the conclusion of the evaluation of disclosure controls and procedures.

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### **PART II. OTHER INFORMATION**

#### Item 1. Legal Proceedings

We are not a party to any litigation in any court, and management is not aware of any contemplated proceeding by any governmental authority or individual against us except as described below.

*Weiss Litigation.* As reported in the Company's previous quarterly report, The M&B Weiss Family Limited Partnership of 1996 filed a lawsuit in the Delaware Court of Chancery, purportedly as a class action on behalf of all other similarly situated stockholders of the Company, against the Company, as a nominal defendant, and former directors: Joseph M. Davie, Robert J. Easton, Ronald L. Goode and Walter Lovenberg, (collectively referred to as the "Individual Defendants"), and purportedly as a derivative action on behalf of the Company against the Individual Defendants (the "Weiss Litigation"). The suit does not seek damages from the Company but rather from the Individual Defendants. We cannot predict at this point the length of time that the Weiss Litigation will be ongoing or the liability, if any, which may arise there from.

The Plaintiff's discovery request has been stayed while the Court is considering the Individual Defendant's Motion to Dismiss.

*Labidi Proceeding.* As reported in the Company's previous quarterly report the Company is a defendant in a federal court lawsuit brought against the Company in the United States District Court for the Northern District of Texas by a former employee. At this point, no formal discovery has occurred in this lawsuit. We believe we have meritorious defenses with respect to these allegations, all of which we intend to pursue vigorously.

*2110 Research Row, Ltd. Proceeding.* On April 1, 2004, according to a March 19, 2004 settlement agreement with the 2110 Research Row, Ltd. (the "Landlord"), we made a \$33,000 payment to the Landlord. On April 9, 2004, the Landlord and the Company filed an Agreed Order Of Dismissal With Prejudice in The District Court, 134th Judicial District, Dallas County Texas.

#### Item 2. Changes in Securities and Use of Proceeds

None.

#### Item 3. Defaults upon Senior Securities

None.

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

On June 29, 2004, a special meeting of shareholders was called to consider and act upon a proposal to authorize the Company's board of directors in its discretion to amend the Company's amended certificate of incorporation to effect a one-for-two reverse stock split of the Company's common stock. The special meeting was adjourned until July 8, 2004 as a quorum was not obtained.

On July 8, 2004, the special meeting of shareholders to consider the proposal for a one-for-two reverse stock split was cancelled and the proposal considered defeated as a quorum was again not obtained.

#### Item 5. Other Information

On June 22, 2004, John J. Huntz resigned as a member of the Company's Board of Directors.

On July 26, 2004 the Company received official notification from The NASDAQ Stock Market that it was not in compliance with the minimum \$1.00 closing bid price per share requirement as set forth in NASD Marketplace Rule 4310(c)(4). Our common stock was, therefore, subject to delisting from The NASDAQ SmallCap Market effective August 4, 2004. We requested a hearing before the NASDAQ Listing Qualifications Panel to review the NASDAQ staff determination. As set forth in NASD Marketplace Rule 4820, this request stayed any delisting action pending issuance of a written determination by the NASDAQ Listing Qualifications Panel.

On August 9, 2004, the Company was notified by NASDAQ that the delisting has been stayed pending an oral hearing to be held before a NASDAQ Listing Qualifications Panel on September 9, 2004.

If the NASDAQ Listing Qualifications Panel determines that the Company fails to meet the continued listing standards, our common stock will be delisted from the NASDAQ SmallCap Market. This would likely have an adverse impact on the trading price and liquidity of our common stock. If our common stock were to be delisted, trading, if any, in the common stock may continue to be conducted on the OTC Bulletin Board upon application by the requisite market makers.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- Exhibit 10.1 – Sublease Agreement between the Company and RFG Associates dated as of January 1, 2004
- Exhibit 31.1 – Certifications pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2004.
- Exhibit 32.1 – Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2004.

(b) The following reports were filed on Form 8-K during the quarter ended June 30, 2004:

(1) On May 4, 2004, we filed a current report on Form 8-K announcing (Item 5.) that the Company had relocated its corporate offices to the 1250 Pittsford-Victor Road, Building 200, Suite 280, Pittsford, New York 14534.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

***eXegenics Inc.***

Date: August 16, 2004

/s/ DAVID E. RIGGS

David E. Riggs  
President and Chief Executive Officer

Date: August 16, 2004

/s/ DAVID E. RIGGS

David E. Riggs  
Chief Financial Officer

**EXHIBIT INDEX**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.1	Sublease Agreement between the Company and RFG Associates dated as of January 1, 2004.
31.1	Certification pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2004.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2004.

**SUBLEASE**

THIS AGREEMENT, made as of the 1st day of January, 2004, between RFG ASSOCIATES, a New York general partnership, having offices at 1250 Pittsford-Victor Road, Building 200, Suite 280, Pittsford, New York 1434 (“Sublandlord”) and eXegenics, Inc. having offices at \_\_\_\_\_ (“Subtenant”).

WITNESSETH:

WHEREAS, by lease dated January 22, 1997, as amended by First Amendment to Lease dated May 25, 2000 and Second Amendment to Lease dated February 7, 2002 (the “Prime Lease”), Sublandlord leases from The Uniland Partnership of Delaware L.P., successor in interest to Mills Associates III (the “Prime Landlord”) 1,971 square feet of rentable area in the premises located at 1250 Pittsford-Victor Road, Building 200, Suite 280, Pittsford, New York 14534 (the “Building”); and

WHEREAS, Subtenant desires to sublease 500 square feet of rentable area from Sublandlord as outlined on Exhibit A attached hereto and made a part hereof (the “Premises”).

NOW, THEREFORE, for and in consideration of the foregoing and for other good and valuable consideration and of the mutual agreements hereinafter set forth, Sublandlord and Subtenant stipulate, covenant and agree as follows:

1. Premises; Term

Sublandlord hereby subleases to Subtenant the Premises for a month-to-month term This Agreement is terminable by either party upon thirty (30) days’ notice.

2. Use

Subtenant shall use and occupy the Premises for executive and administrative purposes only and for no other purposes.

3. Rent

A. Subtenant shall pay Sublandlord the monthly rental of \$625.00, payable in advance on the first day of each month without deduction, setoff or demand. Rent for any portion of a month shall be prorated on a thirty (30) day basis. Rent payments shall be payable to and delivered to Sublandlord at the address set forth above, or such other place as Sublandlord may designate in writing.

B. Subtenant shall pay as additional rent Subtenant’s pro rata share(hereinafter defined) of any increases in “building operating costs” (as defined in the Prime Lease) for which Sublandlord is responsible pursuant to Article 18 of the Prime Lease. Subtenant’s pro rate share is 24%, which is the ratio that square feet of rentable areas of the premises bears to square feet rentable area in the Building. Sublandlord shall furnish Subtenant with a true copy of the



Exhibit 10.1

statement of operating expenses, delivered by Prime Lessor to Sublandlord pursuant to the Prime lease and include thereon a detailed statement of Subtenant's pro rata share of any increase in operating expenses. Subtenant shall reimburse Sublandlord within ten (10) days after the operating expense statement is furnished to Subtenant.

5. Preparation for Occupancy

At the commencement of the of this Agreement, Subtenant shall accept the Premises in its then "as is" condition, "broom clean", and all of Subtenant's furniture, fixtures, equipment and other personal property shall be removed therefrom at Subtenant's expense prior to the expiration of the term. Sublandlord shall not be required to perform work of any kind or nature.

6. Incorporation of Prime Lease

This Sublease is subject to all of the terms of the Prime Lease with the same force and effect as if fully set forth herein at length, excepting only as otherwise specifically provided herein. All of the terms with which Sublandlord is bound to comply under the Prime Lease shall, to the extent only that they apply to the Premises and except as otherwise provided herein, be binding upon Subtenant, and all of the obligations of Prime Lessor set forth in the Prime Lease shall, to the extent that they apply to the Premises, inure to Subtenant's benefit. It is the intention of the parties that, except as otherwise provided in this Sublease, the relationship between Sublandlord and Subtenant shall be governed by the language of the various articles of the Prime lease as if they were typed out in this Sublease in full, and the words "Landlord", "Tenant" and "Lease" as used in the Prime Lease, shall read, respectively, "Sublandlord", "Subtenant" and "Sublease".

7. Quiet Enjoyment

A. Sublandlord covenants and agrees with Subtenant that upon Subtenant Paying the rent and additional rent reserved in this Sublease and observing and performing all of the other obligations, terms, covenants and conditions of this Sublease on Subtenant's part to be observed and performed, Subtenant may peaceably and quietly enjoy the Premises; provided, however, that this Sublease shall automatically terminate upon termination of the Prime Lease and Subtenant shall have no claim against Sublandlord unless such termination was caused by the default of Sublandlord in the performance of its obligations under the Prime lease which have been assumed by Sublandlord under this Sublease and have not been assumed by Subtenant hereunder.

B. Subtenant covenants and agrees that Subtenant shall not do or suffer or permit anything to be done which would constitute a default under the Prime Lease or would cause the Prime Lease to be cancelled, terminated or forfeited by virtue of any rights of cancellation, and replacements to the Building and Premises, compliance with laws, and restoration of the Premises and Building after casualty or condemnation. Therefore, notwithstanding anything to the contrary contained in this Sublease, Subtenant agrees that Subtenant shall look solely to Prime Landlord to furnish all services and maintenance and to perform all obligation which Prime Landlord has agreed to perform and observe under the Prime Lease. Sublandlord shall not

## Exhibit 10.1

be liable to Subtenant or be deemed in default hereunder for failure of Prime Landlord to furnish or perform the same. However, whenever under the terms of the Prime Lease, Prime Landlord shall fail to perform any of its Prime Lease obligations pertaining to the Premises, Subtenant may, at its option, enforce performance thereof if and to the extent authorized by the terms of the Prime Lease, and Sublandlord shall cooperate with Subtenant in such enforcement. However, Sublandlord shall not be obligated to initiate any arbitration or legal proceeding or otherwise to enforce the Prime Lease.

### 11. Casualty and Condemnation

Article 16, titled "Eminent Domain" and Article 17, titled "Fire, Casualty, Etc." of the Prime lease are modified to provide that if by operation of either of these two Articles the Prime Lease is not terminated and continues in full force and effect, this Sublease shall not be terminated but shall also continue in full force and effect, except that until the Premises are restored in accordance with these two Articles there shall be a proportionate abatement of rent and additional rent payable hereunder to the extent of damage to the Premises as determined by Prime Landlord, Sublandlord and Subtenant; provided, however, that such abatement shall in no event exceed the abatement granted to Sublandlord under the Prime Lease for the Premises and, provided further, that no compensation or claim or reduction will be allowed or paid by Sublandlord by reason of inconvenience, annoyance or injury to Subtenant's business arising from the necessity of effecting repairs to the Premises or any portion of the Building, whether such repairs are required by operation of these two Articles or any other provision of the Prime Lease.

### 12. Binding and Entire Agreement

This Sublease shall be binding on Subtenant and its heirs and executors, and on the respective legal representatives, successors and assigns of the parties. This Sublease contains the entire agreement of the parties with respect to the subject matter herein and may not be modified except by instrument in writing which is signed by both parties.

### 13. Broker

Subtenant warrants and represents to Sublandlord that no Person has negotiated or brought about this transaction and covenants and agrees to defend, indemnify and save harmless Sublandlord from and against any claim which may be asserted against Sublandlord by any Person other than for brokerage fees or commissions if (a) the claim is made in connection with this transaction and (b) Subtenant employed or dealt with the claiming Person. Subtenant shall reimburse Sublandlord for reasonable expenses, losses, costs and damages (including reasonable attorneys' fees and court costs if Subtenant fails or refuses to defend as herein required) incurred by Sublandlord in connection with such claims. This Article shall survive the expiration or earlier termination of this Sublease.

Exhibit 10.1

14. Relationship to Prime Landlord

Sublandlord acknowledges and agrees that, as between Sublandlord and Prime Landlord, Sublandlord shall remain the primary obligor under the Prime Lease. This acknowledgement is made by Sublandlord so that Sublandlord may execute and deliver this Agreement without the necessity of acquiring Prime Landlord's consent, and shall in no way limit Sublandlord's rights and remedies against Subtenant.

IN WITNESS WHEREOF, duly authorized representatives of the parties hereto have executed this Sublease as of the day and year first above written.

WITNESS:

RFG ASSOCIATES

By: /S/  
Name: Mark A. Paganelli  
Title: Partner

WITNESS:

EXEGENICS, INC.

By: /S/  
Name: David Riggs  
Title: President

**EXEGENICS INC.**  
**CERTIFICATION PURSUANT TO**  
**RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934**  
**AS ADOPTED PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David E. Riggs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of eXegenics Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d-15(e) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. I have disclosed, based on my most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and
6. I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 16, 2004

/s/ DAVID E. RIGGS  
David E. Riggs  
President and Chief Executive Officer  
(Principal Executive Officer)

**EXEGENICS INC.**

**CERTIFICATION PURSUANT TO  
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David E. Riggs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of eXegenics Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d-15(e) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. I have disclosed, based on my most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and
6. I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 16, 2004

/s/ DAVID E. RIGGS  
David E. Riggs  
Chief Financial Officer  
(Principal Financial Officer)

**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, David E. Riggs, President, Chief Executive Officer and Chief Financial Officer of eXegenics Inc. (the "Company"), hereby certify that:

The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 16, 2004

/s/ DAVID E. RIGGS  
President and Chief Executive Officer

Dated: August 16, 2004

/s/ DAVID E. RIGGS  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.