
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, 2005.

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

(State or other jurisdiction of
incorporation or organization)

75-2402409

(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 11, 2005, the registrant had 16,266,618 shares of common stock outstanding.

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Exhibit 10.1	Separation Agreement dated July 26, 2005 between eXegenics, Inc. and David Riggs.
Exhibit 10.2	Agreement dated July 20, 2005 between the eXegenics, Inc. and David Hostelley.
Exhibit 31.1	Certification by John A. Paganelli, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a) 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, 2005.
Exhibit 31.2	Certification by David Hostelley, Chief Financial Officer, pursuant

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to Rule 13a-14(a) and 15d-14(a) 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, 2005.

Exhibit 32.1 Certification by John A. Paganelli, Chief Executive Officer 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, 2005.

Exhibit 32.2 Certification by David Hostelley, Chief Financial Officer 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, 2005.

[EX-10.1 Separation Agreement](#)

[EX-10.2 Agreement Between eXegenics and D. Hostelley](#)

[EX-31.1 302 Certification for CEO](#)

[EX-31.2 302 Certification for CFO](#)

[EX-32.1 906 Certification for CEO](#)

[EX-32.2 906 Certification for CFO](#)

[Table of Contents](#)**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements:

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

	June 30, 2005 <u>(unaudited)</u>	December 31, 2004 <u></u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,117	\$ 8,734
Restricted cash	175	175
Marketable securities available for sale	1,003	1,124
Prepaid expenses and other current assets	51	35
Total current assets	<u>9,346</u>	<u>10,068</u>
Other assets	<u>1</u>	<u>3</u>
Total assets	<u>\$ 9,347</u>	<u>\$ 10,071</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 160	\$ 239
Total current liabilities	<u>160</u>	<u>239</u>
Total liabilities	<u>160</u>	<u>239</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — \$.01 par value, 10,000,000 shares authorized; 1,020,047 and 935,332 shares of Series A convertible preferred issued and outstanding (liquidation value \$2,550,000 and \$2,338,000)	10	9
Common stock — \$.01 par value, 30,000,000 shares authorized; 16,877,818 and 16,869,031 shares issued	169	169
Additional paid-in capital	68,384	68,385
Accumulated other comprehensive income	1,003	1,124
Subscriptions receivable, net of reserve	(101)	(302)
Accumulated deficit	(56,941)	(56,216)
Treasury stock, 611,200 shares of common stock, at cost	<u>(3,337)</u>	<u>(3,337)</u>
Total stockholders' equity	<u>9,187</u>	<u>9,832</u>
Total liabilities and stockholders' equity	<u>\$ 9,347</u>	<u>\$ 10,071</u>

See Notes to Financial Statements.

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eXegenics Inc.
STATEMENTS OF OPERATIONS
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(unaudited)		(unaudited)	
Revenue:	\$ —	\$ —	\$ —	\$ —
Operating Expenses:	—	—		
General and administrative	484	560	815	1,329
	<u>484</u>	<u>560</u>	<u>815</u>	<u>1,329</u>
Operating loss	(484)	(560)	(815)	(1,329)
Other (income) expense, primarily interest	<u>(50)</u>	<u>(29)</u>	<u>(90)</u>	<u>(59)</u>
Loss before provision (benefit) for taxes	(434)	(531)	(725)	(1,270)
Provision (benefit) for taxes	—	—	—	—
Net Loss	<u>(434)</u>	<u>(531)</u>	<u>(725)</u>	<u>(1,270)</u>
Preferred stock dividend	—	—	(234)	(223)
Net loss attributable to to common shareholders	<u>(434)</u>	<u>(531)</u>	<u>(959)</u>	<u>(1,493)</u>
Net loss per share-basic and diluted	<u>(0.03)</u>	<u>(0.03)</u>	<u>(0.06)</u>	<u>(0.09)</u>
Weighted average number of shares outstanding — basic and diluted	<u>16,878</u>	<u>15,871</u>	<u>16,264</u>	<u>15,871</u>

See Notes to Financial Statements.

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eXegenics Inc.
STATEMENT OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2005	2004
(unaudited)		
Cash flows from operating activities:		
Net loss	\$ (725)	\$ (1,270)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2	3
Reserve for Subscription Receivable	201	—
Value assigned to warrants, options and compensatory stock	—	138
Changes in:		
Restricted Cash	—	375
Prepays and other assets	(16)	422
Accounts payable and accrued expenses	(79)	(808)
Net cash used in operating activities	<u>(617)</u>	<u>(1,140)</u>
Cash flows from financing activities:		
Proceeds from option exercises	—	192
Net cash provided by financing activities	<u>—</u>	<u>192</u>
NET DECREASE IN CASH	(617)	(948)
Cash and cash equivalents at beginning of period	<u>8,734</u>	<u>10,132</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$8,117</u>	<u>\$ 9,184</u>

See Notes to Financial Statements.

eXegenics Inc.

NOTES TO FINANCIAL STATEMENTS

(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, 2004. The results for the interim periods are not necessarily indicative of the results for the full fiscal year.

(2) Cash, Cash Equivalents, Restricted Cash and Marketable Securities

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 \$8,117,000 and \$8,734,000 at June 30, 2005 and December 31, 2004, respectively, consist principally of interest-bearing cash deposits. Restricted cash, which amounts to \$175,000 and \$175,000 at June 30, 2005 and December 31, 2004, respectively, consists of certificates of deposits that are used as collateral for equipment leases.

The Company accounts for marketable securities in accordance with Statement of Financial Accounting Standards No. 115 “Accounting for Certain Investments in Debt and Equity Securities” (“SFAS 115”). SFAS 115 establishes the accounting and reporting requirements for all debt securities and for investments in equity securities that have readily determinable fair values. All marketable securities must be classified as one of the following: held-to-maturity, available-for-sale, or trading. The Company classifies its marketable securities as available-for sale and, as such, carries the investments at fair value, with unrealized holding gains and losses reported in stockholders’ equity as a separate component of accumulated other comprehensive income (loss). The cost of securities sold is determined based on the specific identification method. Realized gains and losses, and declines in value judged to be other than temporary, are included in investment income.

The Company’s marketable securities consist of equity securities in Intrac, Inc. stock, which, as of June 30, 2005, were not fully tradable as we were awaiting effective registration of the stock. On or about July 2005 a registration statement filed by Intrac, Inc. was declared effective by the Securities and Exchange Commission permitting the resale, by the Company, of these shares of Intrac, Inc. common stock. Intrac, Inc. stock is traded on the over the counter bulletin board under the symbol ITRD.OB. As of June 30, 2005 and December 31, 2004, the fair value of the Company’s investment in these securities was equal to approximately \$1,003,000 and \$1,124,000, respectively and corresponding unrealized gains were included as a component of other comprehensive income. The Company’s investments involve the risk of loss, price volatility and other uncertainties and, as such, the results of operations can vary substantially each year.

(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 antidilutive.

eXegenics Inc.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(4) Stock-Based Compensation

The Company accounts for stock-based compensation according to Accounting Principles Board Opinion No. 25 and the related interpretations under Financial Accounting Standards Board (“FASB”) Interpretation No. 44, “Accounting for Certain Transactions Involving Stock Compensation.” The Company adopted the required disclosure provisions under Statement of Financial Accounting Standards No. 148 and continues to use the intrinsic value method of accounting for stock-based compensation. No options to purchase shares of common stock were granted in return for consulting services for the six months ended June 30, 2005 and June 30, 2004.

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,	
	2005	2004	2005	2004
Net loss attributable to common stockholders as reported	\$ (434)	\$ (531)	\$ (959)	\$ (1,493)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1)	(14)	(7)	(36)
Pro forma net loss	\$ (435)	\$ (545)	\$ (966)	\$ (1,529)
Earnings per share:				
Basic and diluted-as reported	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ (0.09)
Basic-pro forma	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ (0.10)

(5) Comprehensive Income

SFAS No. 130, “Reporting Comprehensive Income,” establishes standards for the reporting and display of comprehensive income and its components within the financial statements. Other comprehensive income is comprised of charges to stockholders’ equity, other than contributions from or distributions to stockholders, excluded from the determination of net income. For the six months ended June 30, 2005, the Company’s accumulated other comprehensive income decreased by \$121,000 as a result of a reduction in the fair value of available for sale marketable securities.

(6) Dividends

During the six month periods ended June 30, 2005 and June 30, 2004, 10% preferred stock dividends were declared equal to \$234,000 and \$223,000 respectively.

eXegenics Inc.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(7) Subscriptions Receivable

In May, 2001, the Company entered into a limited recourse note and pledge agreement with a former President and Chief Executive Officer (Dr. Ronald Goode) in connection with a stock subscription arrangement. The amount of this note is \$300,000 plus 4.71% interest paid on a semi-annual basis. Dr. Goode failed to make the semi-annual interest payment due May 2005. The Company is in discussion with Dr. Goode relative to the interest payment due and the status of the note. During the second quarter period ended June 30, 2005, the Company created a reserve and the subscription receivable balance on June 30, 2005 is presented net, equal to the value of the underlying collateral.

(8) Recently Issued Accounting Standards

In December 2004, the FASB issued FASB Staff Position 109-1, Application of FASB Statement No. 109, "Accounting for Income Taxes" ("SFAS No. 109") to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004" ("FSP 109-1"). The American Jobs Creation Act of 2004 (the "Jobs Act") enacted October 22, 2004, provides a tax deduction for income from qualified domestic production activities. FSP 109-1 provides the treatment for the deduction as a special deduction as described in SFAS No. 109. FSP 109-1 is effective prospectively as of January 1, 2005. The Company is currently evaluating the effect that the manufacturer's deduction will have on the future results and has completed a preliminary evaluation of the impact the deduction for qualified production activities will have on its effective tax rate for 2005.

In December 2004, the FASB issued FASB Staff Position 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"), which provides guidance under SFAS No. 109 with respect to recording the potential impact of the repatriation provisions of the Jobs Act on enterprises' income tax expense and deferred tax liability. FSP 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying FASB Statement No. 109. The Company has not yet completed evaluating the impact of the repatriation provisions and has not adjusted its tax expense or deferred tax liability to reflect the repatriation provisions of the Jobs Act.

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Retirement Obligations, an interpretation of FASB Statement No. 143" ("FIN 47"), which requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the

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liabilities fair value can be reasonably estimated. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The Company does not expect the adoption of this Interpretation to have a material impact on its consolidated financial statements.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3" (SFAS 154"). This Statement replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS 154 requires retrospective application to prior periods' financial statements for changes in accounting principle, unless it is impractical to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long, non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company believes that adoption of the provisions of SFAS 154 will not have a material effect on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment". SFAS No. 123R is a revision of SFAS No. 123, "Accounting for Stock Based Compensation", and supersedes APB 25. Among other items, SFAS 123R eliminates the use of APB 25 and the intrinsic value method of accounting, and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements. The effective date of SFAS 123R is the first reporting period beginning after June 15, 2005, which is third quarter 2005 for calendar year companies, although early adoption is allowed. However, on April 14, 2005, the Securities and Exchange Commission (SEC) announced that the effective date of SFAS 123R will be suspended until January 1, 2006, for calendar year companies.

SFAS 123R permits companies to adopt its requirements using either a "modified prospective" method, or a "modified retrospective" method. Under the "modified prospective" method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS 123R for all share-based payments granted after that date, and based on the requirements of SFAS 123 for all unvested awards granted prior to the effective date of SFAS 123R. Under the "modified retrospective" method, the requirements are the same as under the "modified prospective" method, but also permits entities to restate financial statements of previous periods based on proforma disclosures made in accordance with SFAS 123.

The Company currently utilizes a standard option pricing model (i.e., Black-Scholes) to measure the fair value of stock options granted to employees. While SFAS 123R permits entities to continue to use such a model, the standard also permits the use of a "lattice" model. The Company has not yet determined which model it will use to measure the fair value of employee stock options upon the adoption of SFAS 123R.

SFAS 123R also requires that the benefits associated with the tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. These future amounts cannot be estimated because they depend on, among other things, when employees exercise stock options.

The Company currently expects to adopt SFAS 123R effective January 1, 2006, based on the new effective date announced by the SEC; however, the Company has not yet determined which of the aforementioned adoption methods it will use. In addition, the Company has not yet determined the financial statement impact of adopting SFAS 123R for periods beyond 2005.

(9) Subsequent Events

On or about July 2005 a registration statement filed by Intrac, Inc. was declared effective by the Securities and

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Exchange Commission permitting the resale, by the Company, of the of Intrac, Inc. common stock.

On June 29, 2005, the Company and David E. Riggs mutually agreed that Mr. Riggs would relinquish his duties as President, Chief Executive and Chief Financial Officer of the Company. Chairman of the Board, John A. Paganelli assumed the role of Interim Chief Executive Officer and Interim Chief Financial Officer. On or about July 2005 the Company entered into a Separation Agreement with David Riggs (our former President, Chief Financial Officer and Chief Executive Officer).

On July 1, 2005, the Company Board of Directors appointed Dr. David F. Hostelley to the position of Chief Financial Officer.

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. Our Company has been unsuccessful at advancing research programs. Our Board and management are focused on redeploying the remaining residual assets of the Company. The Board has established a committee to study strategic direction and identify potential business opportunities.

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 reserve against a note and pledge agreement that was generated in connection with a stock subscription arrangement with a former President and Chief Executive Officer. The subscription receivable accounts are presented net of this reserve. We also 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 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 THREE MONTHS ENDED JUNE 30, 2005 AND 2004

Revenue

There were no revenues for the three months ended June 30, 2005 and June 30, 2004.

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General and Administrative Expenses

We incurred general and administrative expenses of \$484,000 and \$560,000 for the three months ended June 30, 2005 and 2004, respectively, a decrease of \$76,000 or 14%. The decrease is attributable to the following: a \$66,000 decrease in leased equipment, a \$133,000 decrease in director and officer insurance premium expense, a \$22,000 decrease in investor relations expenses, a \$25,000 decrease in professional consulting fees, a \$15,000 increase in legal and accounting expense, a \$208,000 increase in miscellaneous expense was for the allowance recorded for Dr. Goode subscription receivable, a \$149,000 decrease in other compensation and overhead expenses, and a \$96,000 increase in connection with severance due David Riggs (our former President, Chief Executive Officer and Chief Financial Officer) pursuant to the terms of the Company's separation agreement with Mr. Riggs. Most of the increase in compensation related to the acceleration of payments made to David Riggs in accordance with the terms of his employment agreement.

Interest Income

Interest income was \$50,000 and \$29,000 for the three months ended June 30, 2005 and 2004, respectively. The increase was primarily due to increased interest rates.

Net Loss

We incurred a net loss attributable to common shareholders of \$434,000 and \$531,000 for the three months ended June 30, 2005 and 2004, respectively. Net loss per common share was \$0.03 and \$0.03 for the three months ending June 30, 2005 and 2004, respectively.

FOR SIX MONTHS ENDED JUNE 30, 2005 AND 2004

Revenue

There were no revenues for the six months ended June 30, 2005 and June 30, 2004.

General and Administrative Expenses

We incurred general and administrative expenses of \$815,000 and \$1,329,000 for the six months ended June 30, 2005 and 2004, respectively, a decrease of \$514,000 or 39%. The decrease is attributable to the following: a \$57,000 decrease in leased equipment, a \$267,000 decrease in director and officer insurance premium expense, a \$26,000 decrease in investor relations expenses, a \$81,000 decrease in professional consulting fees, a \$8,000 decrease in business travel related expenses, a \$71,000 decrease in legal and accounting expenses, and a \$4,000 decrease in compensation and overhead expenses.

Interest Income [Net of Interest Expense]

Interest income was \$92,000, interest expense was \$2,000, with a net interest income of \$90,000, and \$59,000 for the six months ended June 30, 2005 and 2004, respectively. The increase was primarily due to increased interest rates.

Net Loss

We incurred a net loss attributable to common shareholders of \$959,000 and \$1,493,000 for the six months ended June 30, 2005 and 2004, respectively. Net loss per common share was \$0.06 and \$0.09 for the six months ending June 30, 2005 and 2004, respectively.

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LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005, we had cash and cash equivalents of approximately \$8,292,000, inclusive of restricted cash of \$175,000. During the six months ended June 30, 2005, net cash used in operating activities was \$617,000. In addition, during the six months ended June 30, 2005, we received no cash from financing activities related to the exercise of stock options.

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 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. 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 Interim Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's "Disclosure Controls and Procedures". They have 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, as appropriate to allow timely decisions regarding required disclosure.

Further, there were no significant changes in the internal controls over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the quarter ended June 30, 2005 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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.

On May 15, 2003, 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 complaint alleged, among other things, that the Individual Defendants mismanaged the Company, made unwarranted and wasteful loans and payments to certain directors and third parties, disseminated a materially false and misleading proxy statement in connection with the 2003 annual meeting of our stockholders, and breached their fiduciary duties to act in the best interests of our Company and its stockholders. The defendants in the Weiss litigation filed a joint motion with the Delaware Court of Chancery to dismiss the complaint for failure to state a claim and for failure to make the statutorily required demand on the Company to assert the subject claims. On April 12, 2005 the judge, in a ruling from the bench, dismissed the matter with prejudice.

Labidi Proceeding

In April 2002, Dr. Labidi, one of our former employees, made certain allegations against us regarding discrimination. Dr. Labidi filed a federal court lawsuit against eXegenics in the United States District Court for the Northern District of Texas. In the lawsuit, Dr. Labidi asserted harassment and discrimination claims. In addition, Dr. Labidi alleged that we wrongfully converted certain biological research materials that Dr. Labidi claims belong to him. On May 6, 2005 we participated in a mediation session with Dr. Labidi. No settlement has been reached as a result of this mediation. Discovery on this matter is continuing. A trial date has been set for November 2005. We believe we have meritorious defenses with respect to these allegations, all of which we intend to pursue vigorously.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

On or about July 2005 a registration statement filed by Intrac, Inc. was declared effective by the Securities and Exchange Commission permitting the resale, by the Company, of the of Intrac, Inc. common stock

On June 29, 2005, the Company and David E. Riggs mutually agreed that Mr. Riggs would relinquish his duties as President, Chief Executive and Chief Financial Officer of the Company. Chairman of the Board, John A. Paganelli assumed the role of Interim Chief Executive Officer and Interim Chief Financial Officer. On or about July 2005 the Company entered into a Separation Agreement with David Riggs (our former President, Chief Financial Officer and Chief Executive Officer).

On July 1, 2005, the Company Board of Directors appointed Dr. David F. Hostelley to the position of Chief Financial Officer.

The Company is in discussions with Dr. Goode relative to the interest payment due May 2005 on his note with the Company and on the status of the note.

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Item 6. Exhibits.

- Exhibit 10.1 Separation Agreement dated July 26, 2005 between eXegenics, Inc. and David Riggs.
- Exhibit 10.2 Agreement dated July 20, 2005 between the eXegenics, Inc. and David Hostelley.
- Exhibit 31.1 Certification by John Paganelli, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a) 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, 2005.
- Exhibit 31.2 Certification by David Hostelley, Chief Financial Officer, pursuant to Rule 13a-14(a) and 15d-14(a) 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, 2005.
- Exhibit 32.1 Certification by John Paganelli, Chief Executive Officer 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, 2005.
- Exhibit 32.2 Certification by David Hostelley, Chief Financial Officer 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, 2005.

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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 15, 2005

/s/ John A. Paganelli

John A. Paganelli
Chairman of the Board,
Chief Executive Officer (Interim)

/s/ David Hostelley

David Hostelley
Chief Financial Officer

EXHIBIT INDEX

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
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VIA FEDERAL EXPRESS

David Riggs
277 West Wayne Place
Wheeling, Illinois 60090

Re: Separation Agreement

Dear Mr. Riggs:

This letter, upon your signature, will constitute the Separation Agreement between you and eXeGENICS, Inc. (the "Company") on the terms of your separation from employment with the Company.

1. Your employment has been terminated effective June 30, 2005.
2. You acknowledge that you have been paid your earned salary through the date your employment terminated. You acknowledge that you have submitted outstanding business expenses incurred but not paid to you in the amount of \$638.54. You acknowledge that you have two weeks of accrued, but unused vacation payable to you. Information about your rights under COBRA to continue your health insurance coverage period will be sent to you under separate cover.
3. You have returned or will immediately return to the Company any office keys, security passes, or other access or identification cards, as well as any computers, phones, PDA's, other equipment, credit cards, and any other Company property in your possession. You have returned or will immediately return to the Company any documents or materials you have about its clients, accounts, practices, procedures, trade secrets, customer lists, merger candidates, or product marketing.
4. You acknowledge that the termination of your employment is not due to a disagreement with the Company, known to an executive officer or member of the Board of Directors of the Company, on any matter relating to the Company's operations, policies or practices.
5. In consideration of your acceptance of this Separation Agreement, the Company will provide you with severance in an amount equal to six months of salary, less customary payroll deductions, payable in a single, lump sum payment within 10 business days after the "effective date" of this Agreement as defined in paragraph 9 below. The total amount of the severance payment shall be \$117,500.00 (less customary payroll deductions).
6. You acknowledge: (a) that the Company Stock Options to purchase 225,000 shares of Company Common Stock granted under the Nonqualified Stock Option Agreement dated March 10, 2003 shall terminate on September 30, 2005, and (b) that the Company Stock Options to purchase 75,000 shares of Company Common Stock granted under the Nonqualified Stock Option Agreement dated March 29, 2004 shall terminate on June 30, 2007.
7. In consideration for payment to you under this Separation Agreement, you expressly waive and release any and all claims that you have or might have against the Company and its current, past and future officers, directors, agents, attorneys, employees, successors or assigns, arising from or related to your employment with the Company and/or the termination of your

employment with the Company. These claims include, but are not limited to, claims arising under federal, state and local statutory or common law, such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the New York State and City Human Rights laws, wage and hour laws, and the law of contract and tort. These claims also include, but are not limited to, any claims for breach of your employment contract dated March 10, 2003, as amended, and any claims for any wages, bonuses, finder's fees, and commissions. This waiver and release is intended to cover claims, whether known or unknown, arising any time prior to the date you sign this Separation Agreement; you are not waiving claims arising after the date you sign this Separation Agreement. You further agree that you have not and will not bring any claims, proceedings, suits or arbitrations relating to any claims waived or released under this Separation Agreement, including any claims regarding your employment with the Company and/or the cessation of your employment with the Company, except that nothing herein is intended to affect your right to challenge the validity of this Separation Agreement under the Older Workers Benefit Protection Act.

8. You will not, unless required or otherwise permitted by law, disclose to others any information regarding the following:

a. Any information regarding the Company's clients, accounts, practices, procedures, trade secrets, customer lists, merger/acquisition plans, merger or takeover candidates, business plans or product marketing.

b. The terms of this Separation Agreement, the benefit being paid under it or the fact of its payment, are confidential except that you may disclose this information to your attorney, accountant or other professional advisor to whom you must make the disclosure in order for them to render professional services to you. You will instruct them, however, to maintain the confidentiality of this information just as you must.

9. In the event that you breach any of your obligations under this Separation Agreement, the Company will be entitled to obtain all relief authorized by law.

10. The following is required by the Older Workers Benefit Protection Act:

You have up to 21 days from the date you receive a copy of this letter to accept the terms of this Separation Agreement, although you may accept it at any time within those 21 days. You are advised to consult an attorney of your choice about this Separation Agreement.

To accept this Separation Agreement, please date and sign this letter and return it to me. (An extra copy for your files is enclosed). Once you do so, you will still have an additional 7 calendar days in which to revoke your acceptance. To revoke, you must send me a written statement of revocation by registered mail, return receipt requested, within the 7 day revocation period. If you do not revoke, the eighth day after the date of your acceptance will be the "effective date" of the Separation Agreement.

11. The parties agree that should any inquiries be made from prospective employers concerning your employment with the Company, the Company will answer such inquiries by providing only your dates of employment and position held.

12. You agree not to make, write, publish, produce or in any way participate in placing into the public domain any statement, opinion or information which reflects adversely upon, disparages, or could reasonably impair the reputation or best interests of the Company or its officers, agents, Board members, or employees.

13. Upon the Company's request, you agree to cooperate to the extent necessary to protect the interests of the Company, including but not limited to providing information you have about the Company's business and operations and/or providing truthful testimony as a witness or declarant with respect any future litigation or audit or investigation.

14. The parties agree that any dispute arising from the interpretation or alleged breach of this Separation Agreement shall be subject to the exclusive jurisdiction of the courts in the State of New York and that this agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to rules relating to conflict of laws. The parties consent to personal jurisdiction within the State of New York.

15. Except as set forth under this Separation Agreement, there are no representations or agreements between you and the Company about or pertaining to the termination of your employment with the Company or the Company's obligations to you with respect to your employment or any other matter mentioned in this Separation Agreement. In the event any portion of this Separation Agreement is determined to be unenforceable, the remaining provisions shall remain in effect.

Best of luck in your future endeavors.

Sincerely,

John Paganelli
Chairman of the Board of Directors

By signing this letter, I acknowledge that I have had the opportunity to review this Separation Agreement carefully with an attorney of my choice; that I have read this Agreement and understand the terms of this Agreement; and that I knowingly and voluntarily agree to them.

Dated: July 26, 2005.

David Riggs

CONTRACT CFO & ACCOUNTING, INC.

**c/o 9974 Huntington Park Drive
Strongsville, OH 44136-2516
440-759-7470
440-238-8346 fax**

**David F. Hostelley, Ph D, CPA
Director of Public Entities Services
dave@hostelley.com**

July 20, 2005

Mr. John A. Paganelli, Chairman
eXegenics, Inc.
1250 Pittsford-Victor Road
Building 200, Suite 280
Pittsford, NY 14534

Dear Mr. Paganelli:

This letter expresses our understanding of the services we will render and the fees for such services. We will provide CFO type services as it relates to eXegenics, Inc. (the "Company") In this regard, we will work with the outsourced accounting staff in the preparation and review of the Company's annual and quarterly reports (Form 10-K's and 10-Q's) along with other standard public company reporting documentation. We will work with legal counsel to the Company and others to prepare the Company's annual and quarterly reports and the filing of same with the Securities and Exchange Commission. We will review the financial statements and related footnotes prepared by the outsourced staff; the signing of these reports will be by David F. Hostelley, CPA, of our firm.

It is acknowledged and agreed that all services shall be performed solely by David F. Hostelley, CPA and Mr. Hostelley shall serve as Chief Financial Officer of the Company. In the event Mr. Hostelley is unable to perform the services set forth herein, this agreement shall terminate immediately. We agree to treat all information relating to the Company and our services provided hereunder as confidential.

Additionally, we will review the proposed merger candidate initial information and participate in discussions and make recommendations. We will prepare all projections and forecasts and state our assumptions in our report.

Our fees for these services will be \$2,500 per month, billed and payable on the first of each month. This agreement will be on a month to month basis with either party able to terminate the agreement at will upon three business days notice.

Any travel on behalf of the Company for any reason will be billed separately at \$800 per day plus out-of-pocket expenses. All travel will be pre-approved by the Chairman of the Board of the Company.

Any other services not anticipated by this letter will be discussed and payment terms will be mutually agreed upon before services will be rendered.

We thank you for the opportunity to provide our services to you and we are looking forward to a mutually beneficial relationship.

Please acknowledge your agreement with this understanding and fax a signed copy back to me.

Sincerely,

Contract CFO & Accounting, Inc.

By: _____
David F. Hostelley, CPA
Director of Public Entities Services

Agreed to:

eXegenics, Inc.

By: _____
John A. Paganelli,
Chairman of the Board

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, John A. Paganelli, 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. The Registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. I have disclosed, based on my most recent evaluation of material control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2005

John A. Paganelli
Chairman of the Board,
Chief Executive Officer (Interim)

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 Hostelley, 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. The Registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
 5. I have disclosed, based on my most recent evaluation of material control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
-

Date: August 15, 2005

David Hostelley
Chief 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 18 U.S.C. Section 1350, as adopted pursuant section 906 of the Sarbanes-Oxley Act of 2002, I, John A. Paganelli, Chief Executive Officer of eXegenics Inc. (the "Company"), hereby certify that:

The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 (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.

Date: August 15, 2005

John A. Paganelli
Chairman of the Board,
Chief Executive Officer (Interim)

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.

**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 18 U.S.C. Section 1350, as adopted pursuant section 906 of the Sarbanes-Oxley Act of 2002, I, David Hostelley, 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, 2005 (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.

Date: August 15, 2005

David Hostelley
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.