

eXegenics Inc
Form 10-Q
August 14, 2006

**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, 2006.

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 is a large accelerated filer, an accelerated filer, or a nonaccelerated filer (as defined in Rule 12b-2 of the Exchange Act). Check one:

Large accelerated filer o Accelerated filer o Nonaccelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

YES NO

As of August 8, 2006, the registrant had 16,991,101 shares of common stock outstanding.

PART I. FINANCIAL INFORMATION

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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	

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 March 31, 2006.

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 March 31, 2006.

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 March 31, 2006.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

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

ASSETS	June 30, 2006 (unaudited)	December 31, 2005
Current assets:		
Cash and cash equivalents	\$ 8,805	\$ 8,901
Prepaid expenses and other current assets	70	99
Total current assets	8,875	9,000
Total assets	\$ 8,875	\$ 9,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 262	\$ 277
Total current liabilities	262	277
Total liabilities	262	277
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - \$.01 par value, 10,000,000 shares authorized; 1,002,017 and 952,839 shares of Series A convertible preferred issued and outstanding (liquidation value \$2,505,000 and \$2,382,000)	10	10
Common stock - \$.01 par value, 30,000,000 shares authorized; 16,991,101 and 16,945,026 shares issued and outstanding	170	169
Additional paid-in capital	68,385	68,384
Subscriptions receivable, net of reserve	(101)	(101)
Accumulated deficit	(56,514)	(56,402)
Treasury stock, 611,200 shares of common stock, at cost	(3,337)	(3,337)
Total stockholders' equity	8,613	8,723
Total liabilities and stockholders' equity	\$ 8,875	\$ 9,000

See Notes to Financial Statements.

eXegenics Inc.
 STATEMENTS OF OPERATIONS
 (in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(unaudited)		(unaudited)	
Revenue:	\$ —	\$ —	\$ —	\$ —
Operating Expenses:	—	—		
General and administrative	170	484	359	815
	170	484	359	815
Operating loss	(170)	(484)	(359)	(815)
Other (income) expense, primarily interest	(102)	(50)	(247)	(90)
Loss before provision (benefit) for taxes	(68)	(434)	(112)	(725)
Provision (benefit) for taxes	—	—	—	—
Net Loss	(68)	(434)	(112)	(725)
Preferred stock dividend	—	—	(238)	(234)
Net loss attributable to common shareholders	(68)	(434)	(350)	(959)
Net loss per share-basic and diluted	(0.00)	(0.03)	(0.02)	(0.06)
Weighted average number of shares outstanding - basic and diluted	16,378	16,878	16,358	16,264

See Notes to Financial Statements.

eXegenics Inc.
STATEMENT OF CASH FLOWS
(in thousands)

	2006	Six Months Ended June 30, (unaudited)	2005
Cash flows from operating activities:			
Net loss	\$	(112)	\$ (725)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		—	2
Reserve for Subscription Receivable		—	201
Compensation expense - Stock Options		2	—
Changes in:			
Prepays and other assets		29	(16)
Accounts payable and accrued expenses		(15)	(79)
Net cash used in operating activities		(96)	(617)
NET DECREASE IN CASH		(96)	(617)
Cash and cash equivalents at beginning of period		8,901	8,734
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	8,805	\$ 8,117

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, 2005. The results for the interim periods are not necessarily indicative of the results for the full fiscal year.

(2) Cash and Cash Equivalents

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 \$8,805,000 and \$8,901,000 at June 30, 2006 and December 31, 2005, respectively, consist principally of interest-bearing cash deposits.

(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.

(4) Share-Based Compensation

During the six months ended June 30, 2006, the stock option activity under our 1996 Stock Option Plan and 2000 Stock Option Plan (collectively the “Stock Option Plans”), was as follows:

	Weighted Average Price	Number of Shares	Weighted Average Remaining Contractual Term (In Years)
Outstanding, January 1, 2006	\$ 3.37	905,000	
Granted	0.41	40,000	
Canceled or Expired	4.31	(670,000)	

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Forfeited		—	—	
Exercised		—	—	
Outstanding, June 30, 2006	\$	0.63	275,000	8.42
Options exercisable as of June 30, 2006			275,000	8.42

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eXegenics Inc.

NOTES TO FINANCIAL STATEMENTS - (Continued)

Under the Stock Option Plans, 3,975,000 shares of our Common Stock are available for issuance. Options outstanding and exercisable were granted at a stock option price, which was not less than the fair market value of our Common Stock on the date the option was granted and no option has a term in excess of ten years. Additionally, options vested and became exercisable either on the date of grant or commencing one or two years from the option grant date.

In December 2004, Financial Accounting Standards Board issued SFAS No. 123R, Share-Based Payment (“SFAS No. 123R” or the “Statement”). This Statement is a revision of SFAS No. 123, Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (“APB No. 25”) and its related implementation guidance. On January 1, 2006, we adopted the provisions of SFAS No. 123R using the modified prospective method. SFAS No. 123R focuses primarily on accounting transactions in which an entity obtains employee or similar services in share-based payment transactions. The Statement requires entities to recognize compensation expense for awards of equity instruments to employees or employee equivalents based on the grant-date fair value of those awards (with limited exceptions). SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation expense to be reported as financing cash flows, rather than as an operating cash flow as prescribed under the prior accounting rules. This requirement reduces net operating cash flows and increases net financing cash flows in periods after adoption. Total cash flow remains unchanged from what would have been reported under prior accounting rules.

Prior to the adoption of SFAS No. 123R, we followed the intrinsic value method in accordance with APB No. 25 to account for our employee stock options. Accordingly, no compensation expense was recognized for the issuance of stock options under any of our Stock Option Plans for periods ended prior to January 1, 2006. The adoption of SFAS No. 123R primarily resulted in a change in our method of recognizing the fair value of share-based compensation. Specifically, the adoption of SFAS No. 123R will result in our recording compensation expense for employee stock options.

The pre-tax share-based employee compensation expense recorded in the 2006 second quarter was approximately \$2,000. Such expense resulted solely from the estimated value to be recognized from the share-based payments of options granted to our board of directors. The options outstanding at December 31, 2005 did not and will not impact 2006 consolidated results of operations and financial positions since substantially all option-holders were fully vested in such options at December 31, 2005.

The fair market value of the share-based payments made in the second quarter of 2006 was estimated using Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	4.9%
Expected volatility	12.8%
Weighted average expected life (in years)	5.0
Dividend yield	0%

Results for 2005 first quarter have not been restated. Had compensation expense for employee stock options granted under our Stock Option Plans been determined based on fair value at the grant date consistent with SFAS No. 123, our net income and earnings per share for the 2005 first quarter would have been pro forma amounts indicated below:

eXegenics Inc.

NOTES TO FINANCIAL STATEMENTS - (Continued)

Three Months Ended June 30,	Six Months Ended Ju
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