

eXegenics Inc  
Form PRER14A  
November 03, 2006

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**SCHEDULE 14A**  
**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- x Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

**eXegenics, Inc.**

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(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by Registration Statement number, or the Form or Schedule and the date of its filing.
  - 1) Amount Previously Paid: \_\_\_\_\_
  - 2) Form, Schedule or Registration Statement No.: \_\_\_\_\_
  - 3) Filing Party: \_\_\_\_\_

4) Date Filed: \_\_\_\_\_



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**eXegenics Inc.**

1250 Pittsford-Victor Road  
Building 200, Suite 280  
Pittsford, New York 14534  
(585) 218-4368

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

To the Stockholders of eXegenics Inc.:

The board of directors has determined that a special meeting of stockholders of eXegenics Inc. will be held on [\_\_\_\_], [\_\_\_\_], 2006 at the corporate offices of eXegenics, 1250 Pittsford-Victor Road, Building 200, Suite 280, Pittsford, New York 14534 at 9:00 a.m., local time, for the following purposes:

1. To approve the sale of 19,440,491 shares of eXegenics common stock pursuant to the stock purchase agreement dated August 14, 2006, in consideration of an initial aggregate purchase price of \$8,613,000, which purchase price is subject to adjustment based on eXegenics stockholders' equity on the closing, as described in the attached Proxy Statement;
2. To approve an amendment to the certificate of incorporation of eXegenics to increase the number of authorized shares of common stock from 30,000,000 shares to 75,000,000 shares, as described in the attached Proxy Statement;
3. To approve the issuance of 50,000 shares of eXegenics common stock to each of John A. Paganelli, our interim chief executive officer, secretary and chairman of the eXegenics board of directors, and Robert Baron, an eXegenics director;
4. To consider and vote upon an adjournment of the special meeting, if necessary, to solicit additional proxies; and
5. To transact other business that may properly come before the special meeting, or any adjournments thereof.

The board of directors of eXegenics has fixed the close of business on \_\_\_\_\_, 2006 as the record date for the determination of the stockholders entitled to notice of and to vote at the special meeting or any adjournments thereof.

**Your vote is important. You are urged to attend the special meeting in person, but if you are unable to do so, the board of directors would appreciate the prompt return of the enclosed proxy card, dated and signed. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote FOR: the stock sale, the amendment to the certificate of incorporation of eXegenics, the issuance of 50,000 shares each to Messrs. Paganelli and Baron and the adjournment of the special meeting, if necessary, to solicit additional proxies. If you fail to return your proxy card, the effect will be a vote "against" the amendment to the certificate of incorporation of eXegenics and your shares will not be counted for purposes of determining whether a quorum is present at the special meeting. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person.**

By Order of the Board of Directors  
November [\_\_], 2006  
John A. Paganelli, *Interim Chief Executive Officer,*  
*Secretary and Chairman of the Board*



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## PROXY STATEMENT

**eXegenics Inc.**  
1250 Pittsford-Victor Road  
Building 200, Suite 280  
Pittsford, New York 14534  
(585) 218-4368

### INFORMATION ABOUT THE SPECIAL MEETING AND VOTING

The board of directors of eXegenics is using this Proxy Statement to solicit proxies from the holders of eXegenics common stock and Series A preferred stock for use at the eXegenics special meeting, and at any adjourned meeting for the purposes set forth in the "Notice of Special Meeting of Stockholders" and this Proxy Statement. We are first mailing this Proxy Statement and accompanying form of proxy to eXegenics stockholders on or about November \_\_\_\_, 2006.

#### Matters Relating to the Special Meeting

##### eXegenics Special Meeting

- Date, Time and Place:** \_\_\_\_\_, 2006, 9:00 a.m., local time, at the corporate offices of eXegenics Inc., 1250 Pittsford-Victor Road, Building 200, Suite 280, Pittsford, New York 14534.
- Purpose of the Special Meeting is to Vote on the Following Items:**
1. the sale of 19,440,491 shares of eXegenics common stock pursuant to the stock purchase agreement, dated August 14, 2006, by and among eXegenics and the investors identified therein, as described under "Summary" on page \_\_\_\_; "The Stock Sale" on page \_\_\_\_ and "Special Meeting Proposals-Item 1-Stock Sale" on page \_\_\_\_;
  2. the amendment to the certificate of incorporation of eXegenics to increase the number of authorized shares of common stock from 30,000,000 shares to 75,000,000 shares, as described under "Special Meeting Proposals—Item 2—Amendment to the Certificate of Incorporation of eXegenics" beginning on page \_\_\_\_;
  3. the grant of 50,000 shares of eXegenics common stock to each of John A. Paganelli, interim chief executive officer, secretary and chairman of the board of directors, and Robert Baron, an eXegenics director, as described under "Special Meeting Proposals-Item 3-Grant of Shares of Common Stock to Insiders" beginning on page \_\_\_\_;
  4. the adjournment of the special meeting, if necessary, to solicit additional proxies; and

5. such other matters as may properly come before the special meeting, including the approval of any adjournment of the special meeting.

**Record Date:**

The record date for shares entitled to vote at the special meeting is \_\_\_\_\_, 2006.

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**Shares Entitled to Vote:**

Shares entitled to vote are eXegenics common stock and Series A preferred stock held at the close of business on the record date, \_\_\_\_\_, 2006.

**Outstanding Shares Held on Record Date:**

As of \_\_\_\_\_, 2006 (the record date), there were \_\_\_\_\_ shares of eXegenics common stock and \_\_\_\_\_ shares of eXegenics Series A preferred stock outstanding.

**Quorum Requirement:**

A quorum of stockholders is necessary to hold a valid special meeting.

The presence in person or by proxy of shares representing a majority in interest of all eXegenics capital stock issued and outstanding and entitled to vote - eXegenics commons stock and Series A preferred stock -- at the special meeting is a quorum. Abstentions and broker non-votes count as present for purposes of establishing a quorum.

A broker non-vote occurs on an item when a broker is not permitted to vote on that item without instruction from the beneficial owner of the shares and no instruction is given.

Brokers may not vote on the proposal to approve the grant of shares of eXegenics common stock to John A. Paganelli and Robert Baron in the absence of instructions from the beneficial owners of the shares of eXegenics common stock and/or Series A preferred stock with respect to this proposal.

**Outstanding shares of eXegenics capital stock entitled to vote and beneficially owned by eXegenics directors as of \_\_\_\_\_, 2006 (the record date):**

\_\_\_\_\_ shares of eXegenics common stock and \_\_\_\_\_ shares of eXegenics Series A preferred stock outstanding and entitled to vote at the special meeting were beneficially owned by the directors of eXegenics as of the record date. These shares represent in total approximately \_\_\_\_% of the voting power of eXegenics capital stock outstanding and entitled to vote at the special meeting. The holders of these shares have entered into voting agreements in which they have agreed to vote their shares of common stock in favor of the stock sale and the amendment to the certificate of incorporation.



Each share of eXegenics common stock that you own entitles you to one vote on each proposal.

Each share of eXegenics Series A preferred stock that you own entitles you to one vote on each proposal.

Shares held by eXegenics in its treasury are not voted.

**Vote Necessary to Approve the Proposals:  
Item**

**Vote Necessary**

**I. Stock Sale**

Approval of the sale of shares of eXegenics common stock pursuant to the stock purchase agreement, as described in "The Stock Sale - The Stock Purchase Agreement" and "Special Meeting Proposal-Item 1-Stock Sale", requires an affirmative vote of the majority of shares present in person or by proxy at the special meeting and entitled to vote. Abstentions will be counted towards the vote total, and will have the same effect as "Against" votes.

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- II. Amendment to the certificate of incorporation to increase the authorized shares of common stock** The amendment to the certificate of incorporation of eXegenics as described in "Special Meeting Proposals—Item 2—Amendment to the Certificate of Incorporation of eXegenics" requires the affirmative vote of a majority of the outstanding shares of eXegenics common stock and Series A preferred stock entitled to vote, voting as a single class, and the affirmative vote of a majority of the outstanding shares of eXegenics common stock entitled to vote, voting as a separate class. Abstentions will have the effect of a vote "Against" approval of the amendment to the certificate of incorporation of eXegenics.
- III. Grant of 50,000 shares of eXegenics common stock to John A. Paganelli, eXegenics interim chief executive officer, secretary and chairman of the board of directors, and Robert Baron, an eXegenics director** Approval of the stock grants described in "Special Meeting Proposals-Item 3-Grant of Shares of Common Stock to Insiders" requires an affirmative vote of a majority of the shares present in person or by proxy at the special meeting and entitled to vote. Abstentions will be counted towards the vote total, and will have the same effect as "Against" votes. Broker non-votes have no effect and will not be counted towards the vote total.
- IV. Adjournment of the meeting, if necessary** Approval of the adjournment of the special meeting, if necessary, to solicit additional proxies requires the affirmative vote of the majority of shares present in person or represented by proxy at the special meeting and entitled to vote. Abstentions will be counted towards the vote total, and will have the same effect as "Against" votes.

**Voting**

**Voting.** You may vote in person at the special meeting or by proxy. We recommend you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the special meeting.

If your shares are held in "street name" by a broker, bank or other nominee, you will receive instructions from the holder of record that you must follow in order for your shares to be voted.

If you properly give your proxy and submit your proxy card in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote "for" or "against", or "abstain" from voting with respect to each of the proposals. If you mark your proxy "abstain" with respect to any proposal, you will be in effect voting against the proposal. In addition, if you fail to send in your proxy and do not vote in person at the special meeting, this, too, will have the same negative effect with respect to the proposal to amend the certificate of incorporation of eXegenics. If your shares are held in "street name" by a broker, bank or other nominee, the broker cannot vote your shares on the proposal to grant shares of stock to Messrs. Paganelli and Baron without your instructions. This is a "broker non-vote."

***How to Vote by Proxy***

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You may vote by mail by completing, signing and dating your proxy card and returning it in the enclosed, postage-paid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted:

- as you instruct, and

• according to the best judgment of the proxy holders if a proposal comes up for a vote at the special meeting that is not on the proxy card or for the adjournment of the special meeting.

If you submit your proxy but do not make specific choices, your proxy will follow the board of directors' recommendations and vote your shares:

- **FOR:** the sale of 19,440,491 shares of eXegenics' common stock in the stock sale;
- **FOR:** the amendment to the certificate of incorporation of eXegenics to increase the number of authorized shares of common stock from 30,000,000 shares to 75,000,000 shares;
- **FOR:** the grant of 50,000 shares of eXegenics common stock to each of John Paganelli and Robert Baron;
- **FOR:** adjournment of the special meeting, if necessary, to solicit additional proxies; and
- In his or their discretion as to any other business that may properly come before the special meeting or adjourned special meeting.

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**Revoking Your Proxy.** You may change your vote at any time before your proxy is exercised, that is before your shares are voted, by:

- executing and delivering a timely and valid later-dated proxy to John A. Paganelli, secretary of eXegenics;
- giving written notice of revocation to eXegenics's secretary that you have revoked your proxy, or
- voting in person at the special meeting.

**Voting in person.** If you plan to attend the special meeting and wish to vote in person, we will give you a ballot at the special meeting. However, if your shares are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you are the beneficial owner of the shares on \_\_\_\_\_, 2006, the record date for shares entitled to vote at the special meeting.

If your shares of eXegenics stock are held in "street name" by your broker, bank or other nominee and you do not provide your broker, bank or nominee with instructions on how to vote your "street name" shares, your broker, bank or nominee:

**will be** permitted to vote on the adoption of the stock sale, the amendment to the certificate of incorporation of eXegenics and the proposal to adjourn the special meeting to solicit additional proxies, and

**will not be** permitted to vote on the issuance of shares of eXegenics common stock to Messrs. Paganelli and Baron.

You should therefore be sure to provide your broker with instructions on how to vote your shares.

**Proxy solicitation.** The accompanying proxy is solicited by the board of directors of eXegenics. The cost of preparing, assembling, printing and mailing the notice of special meeting of stockholders, this Proxy Statement, the enclosed form of proxy and any additional materials, as well as the cost of soliciting the proxies will be borne by us, including reimbursement paid to brokers and other nominees for their reasonable expenses in delivering the proxy materials to you and getting your voting instructions.

In addition to this mailing, eXegenics employees may solicit proxies personally, electronically or by telephone. We will not pay additional compensation to our employees for their solicitation efforts, but we will reimburse them for any out-of-pocket expenses they may incur in their solicitation efforts. eXegenics may also retain firms or individuals to assist it in the solicitation of proxies and estimates that it may incur expenses of up to \$\_\_\_\_\_ in connection with such engagements.

The extent to which these proxy soliciting efforts will be necessary depends entirely upon how promptly proxies are submitted. You should send in your proxy without delay.

## **Other Business; Adjournments**

We are not currently aware of any other business to be acted upon at the special meeting. Under the laws of Delaware, where eXegenics is incorporated, no business other than procedural matters may be raised at the special meeting unless proper notice to the stockholders has been given. If, however, other matters are properly brought before the special meeting, or any adjourned meeting, your proxies will have discretion to vote or act on those matters according to their best judgment, including to adjourn the special meeting.

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. If a quorum is present, the special meeting may be adjourned by approval of the holders of shares representing a majority of

the shares present in person or by proxy at the special meeting and entitled to vote. In the absence of a quorum, the chairman of the board of directors of eXegenics may adjourn the special meeting. In either case, the special meeting may be adjourned, without further notice other than by an announcement made at the special meeting, unless the adjourned meeting is to another time more than 30 days from the special meeting, or if after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting eXegenics may transact the business which was to be transacted at the special meeting. eXegenics does not currently intend to seek an adjournment of the special meeting.

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**SUMMARY**

*This summary highlights selected information from this Proxy Statement. It may not contain all of the information that is important to you. We urge you to read carefully this Proxy Statement and the documents attached to this Proxy Statement for a complete understanding of the matters to be considered by the stockholders at the special meeting. Certain items in this Summary include a page reference directing you to a more complete description of that item in this Proxy Statement.*

**Recommendation of the eXegenics board of directors (see page \_\_\_\_\_):**

The eXegenics board of directors unanimously recommends that the eXegenics stockholders vote **FOR:**

- the sale of 19,440,491 shares of eXegenics common stock to the Investors;
- the amendment to the certificate of incorporation of eXegenics to increase the number of authorized share of common stock from 30,000,000 shares to 75,000,000 shares;
- the issuance of 50,000 shares of eXegenics common stock to each of Messrs. Paganelli and Baron pursuant to the Stock grants; and
- the adjournment of the special meeting, if necessary, to solicit additional proxies.

**The Stock Purchase Agreement (see page \_\_\_\_\_)**

The stock purchase agreement is attached as Annex A to this Proxy Statement. You are encouraged to read the stock purchase agreement as it is the legal document that governs the stock sale.

**Purchase price per share of eXegenics common stock (see page \_\_\_\_\_)**

Under the terms of the stock purchase agreement, in consideration of an initial aggregate purchase price of \$8,613,000 (or \$.44 per share of eXegenics common stock) eXegenics will sell and issue 19,440,491 shares of eXegenics common stock to the Investors. The aggregate purchase price to be paid by the Investors is subject to adjustment based on eXegenics's stockholders' equity at the closing date of the stock sale and the outcome of the disputes eXegenics currently has with Ronald L. Goode and Abdel Hakim Labidi. The final aggregate purchase price to be paid by the Investors on the closing date of the stock sale is equal to eXegenics's stockholders' equity at that date. At June 30, 2006, stockholders' equity was \$8.6 million.

**Purchasers of eXegenics common stock (see page \_\_\_\_)**

On the closing date of the stock sale, an aggregate of 19,440,491 shares of eXegenics common stock will be sold to the following purchasers (collectively, the "Investors"):

Purchaser	Number / percentage of shares to be sold (approximately)	Percentage of shares of eXegenics common stock owned immediately after the stock sale on a fully-diluted basis <sup>(1)</sup>

Frost Gamma Investments Trust, a Florida trust	15,490,546/80.0%	40.7%
New Valley, LLC, a Delaware limited liability company	2,257,110/11.6%	5.9%
RFJM, LLC, a _____ limited liability company	225,711/1.16%	*
MZ Trading LLC, a _____ limited liability company	112,856/*	*
Harter Financial Inc., a New York corporation	112,856/*	*
Encore Atlantic Fund, LLC., a _____ limited liability company	451,422/2.3%	1.2%
Joseph E. and Diane DeLuca	282,139/1.5%	*
Robert Sudack	112,856/*	*
Roni Rosenstock	112,856/*	*
Marie V. Wolf	282,139/1.5%	*

\* Less than 1%

(1) Assumes the issuance of 1,667,017 shares of common stock upon conversion of outstanding Series A preferred stock, the issuance of stock bonuses and the exercise of outstanding options and warrants.

None of the Investors is currently an affiliate of eXegenics. The 19,440,491 shares of eXegenics common stock issued to the Investors will equal 51% of the outstanding capital stock of eXegenics on the closing date of the stock sale, on a fully-diluted basis.

*The concentration of eXegenics capital stock ownership with the Investors, in particular Frost Gamma Investments Trust and New Valley, LLC will limit our current stockholders ability to influence corporate matters*

After the closing of the stock sale, Frost Gamma Investments Trust and New Valley, LLC, together with the other Investors will own 51% of eXegenics common stock on a fully diluted basis, representing approximately 51% of the voting power of our outstanding capital stock. Frost Gamma Investments Trust and New Valley, LLC, together with the other Investors therefore will have significant influence over the management and affairs of eXegenics and over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of eXegenics or its assets, for the foreseeable future. This concentrated control limits the ability of current eXegenics stockholders to influence corporate matters and, as a result, Frost Gamma Investments Trust and New Valley, LLC, together with the other Investors may take actions that eXegenics current stockholders do not view as beneficial.

#### **Reasons for the stock sale (see page \_\_\_\_)**

eXegenics is proposing the stock sale because, among other things, it believes the funds invested in eXegenics will provide eXegenics with working capital that can be used to create future operational and business opportunities.





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**Recommendation of, and factors considered by, the eXegenics board of directors as to the stock sale (see page \_\_\_)**

After careful consideration, eXegenics's board of directors, by unanimous vote, has determined the stock sale to be fair to the eXegenics stockholders and in their best interests and declared the stock sale advisable. The eXegenics's board of directors approved the stock purchase agreement and recommends that the eXegenics stockholders approve the sale of shares of eXegenics common stock to the Investors pursuant to the stock purchase agreement.

The eXegenics board of directors approved the stock sale based on a number of factors, including, among other factors, the following:

- the infusion of additional capital will provide eXegenics with the ability to participate in business opportunities that might not otherwise be available to eXegenics because of its current limited capital resources and limited business, which is currently that of a holding company;
- the Management and investment experience of Phillip Frost, M.D., which is described in greater detail on page \_\_\_\_ of this Proxy Statement, and who is the sole trustee of Frost Gamma Investment Trusts, an Investor who will purchase 15,490,546, or approximately 80%, of the shares of eXegenics common stock being sold;
- the likelihood that eXegenics will, as a result of its receipt of the proceeds from the sale, have better opportunities for future growth; and
- the ability of eXegenics stockholders to continue to participate in potential business opportunities identified by eXegenics.

In considering the recommendation of the eXegenics board of directors with respect to the stock sale, eXegenics stockholders should be aware that certain directors of eXegenics have certain interests in the stock sale that are different from, or are in addition to, the interests of eXegenics stockholders generally. We encourage you to read the section titled "Interests of eXegenics Directors in the Stock Sale " at page [\_\_\_\_] for a discussion of these interests.

In addition to the interests that certain directors of eXegenics might have in the stock sale, the board of directors also considered the fact that the stock sale will result in a change-in-control of eXegenics and does not represent any premium over book value for the shares of eXegenics common stock being purchased. However, the eXegenics board determined that the anticipated benefits highlighted above and discussed in greater detail under "The Stock Sale - General - Recommendations of the Board of Directors and Reasons for the Stock Sale" of the stock sale necessitated a vote for and recommendation of the sale of eXegenics common stock to the Investors.

**Ownership of eXegenics after the stock sale (see page \_\_\_\_\_)**

At the closing of the stock sale eXegenics will issue 19,440,491 shares of eXegenics common stock to the Investors. Immediately following the completion of the stock sale, the Investors will own 51% of the outstanding capital stock of eXegenics on a fully-diluted basis. This number assumes the conversion of all outstanding eXegenics Series A preferred stock, which are convertible on a share-for-share basis into shares of eXegenics common stock, the exercise of all outstanding options or warrants to purchase shares of eXegenics common stock and the issuance of 50,000 shares of eXegenics common stock to each of Mr. Paganelli and Mr. Baron immediately prior to the closing of the stock sale.

*Current stockholders to experience immediate dilution as a result of the stock sale*

As a result of the stock sale, the current stockholders' percentage ownership of eXegenics common stock will be diluted by more than 51%. Currently, there are a total of 18,558,118 shares of eXegenics common stock issued and outstanding on a fully diluted basis. If the stock sale is

consummated, 19,440,491 shares of eXegenics common stock will be issued to the Investors and 50,000 shares of eXegenics common stock will be issued to each of Messrs. Paganelli and Baron and, as a result, the current 18,558,118 shares of eXegenics common stock will represent approximately 49% of the issued and outstanding common stock of eXegenics on a fully diluted basis after the stock sale.

**Registration of the eXegenics common stock to be issued in the stock sale and to the directors (see page-\_\_\_\_\_)**

Neither the shares of eXegenics common stock to be issued in the stock sale, or the shares to be issued to Messrs. Paganelli and Baron will be registered under the Securities Act of 1933, as amended (the “Securities Act”). As a result these shares will be “restricted securities” within the meaning of the Securities Act and may not be resold in the public market place in the absence of a registration statement covering the shares, or an exemption from the registration requirements under the Securities Act and any applicable state securities laws.

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**Voting agreements (see page \_\_\_\_\_)**

***Voting agreements of directors and greater than 5% stockholders of eXegenics***

The directors of eXegenics own as a group approximately 6.85% of the shares of eXegenics common stock and approximately 6.54% of the shares of Series A preferred stock entitled to vote at the special meeting.

Each of our directors and Bruce Meyers and J. Morton Davis, each a beneficial owner of more than 5% of eXegenics capital stock entitled to vote at the special meeting, have entered into voting agreements with the Investors. Under the voting agreements, each of these directors and stockholders has agreed to vote his shares of eXegenics common stock:

- in favor of the sale of shares of eXegenics common stock pursuant to the stock purchase agreement, and

in favor of the amendment to the certificate of incorporation of eXegenics to increase the number of authorized shares of eXegenics common stock to 75,000,000.

The total number of shares subject to the voting agreements represent approximately \_\_\_% of the total voting power of shares of eXegenics capital stock entitled to vote at the special meeting, a total of \_\_\_ shares of common stock and \_\_\_ shares of Series A preferred stock.

***Voting agreements of Investors post stock sale***

Each of the Investors have agreed to enter into a voting agreement pursuant to which the Investors will agree to vote his, her or its shares of eXegenics common stock for the election of John Paganelli and Robert Baron as directors of eXegenics.

The total number of shares of common stock subject to the post-stock sale voting agreement represents approximately 51% of the total voting power of shares of eXegenics capital stock entitled to vote on matters requiring stockholder approval, including election of directors. This post-stock sale voting agreement will continue for a period of three years from consummation of the stock sale.

**Resignation of current directors and new directors following the stock sale (see page \_\_\_\_\_)**

Upon completion of the stock sale, Robert Benou and David Lee Spencer, M.D. will resign as directors of eXegenics, the size of the board of directors will be increased by one, and three designees of Dr. Frost will be appointed to fill the vacancies created. The directors will serve until eXegenics next annual meeting of stockholders. John Paganelli, who is currently chairman and interim chief executive officer and secretary of eXegenics, and Robert Baron, who is currently a director of eXegenics, will continue as directors of eXegenics until the next annual stockholders meeting.

The change in the size and composition of the eXegenics board of directors will result in current eXegenics directors representing a minority of the reconstituted eXegenics board of directors. As of the date of this Proxy Statement, the Frost designees had not been identified. Accordingly, stockholders of eXegenics considering the stock sale proposal are being asked to vote on this matter without knowledge of the names or experience or potential conflicts of three board members. Under the bylaws of eXegenics and pursuant to the Delaware General Corporation Law, the vote of the majority of the directors present at a meeting at which a quorum is present constitutes the act of the board of directors. The Frost designees will constitute a majority of the eXegenics board of directors.

**Interest of certain persons in the stock sale (see page \_\_\_\_\_)**

When you consider the recommendations of the eXegenics board of directors that the eXegenics stockholders approve the stock sale, you should be aware that the members of the management and board of directors identified in "The Stock Sale -- Interests of eXegenics Executive Officers and Directors in the Stock Sale" may have interests in the

stock sale that may be different from, or in addition to, the interests of the eXegenics stockholders. As noted above, two current directors of eXegenics will continue as directors of eXegenics upon the closing of the stock sale pursuant to the stock purchase agreement and the post-stock sale voting agreement. In addition, they are also entitled to receive shares of eXegenics common stock upon closing of the stock sale.

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**Conditions to the completion of the stock sale (see page \_\_\_\_\_)**

The completion of the stock sale depends upon the satisfaction or waiver of a number of conditions, including the following:

- approval of the stock sale by the eXegenics stockholders;
- approval of the amendment to the certificate of incorporation of eXegenics to increase the number of shares of common stock eXegenics is authorized to issue from 30,000,000 to 75,000,000;
- absence of all legal prohibition on completion of the stock sale; and
- obtaining all necessary consents and approvals.

The material obligations of each of the Investors is to enter into voting agreements.

In addition, the obligation of eXegenics to complete the stock sale is subject to, among other things, the satisfaction of the following conditions:

• performance by the Investors of their obligations required to be performed by them at or prior to closing to the extent specified in the stock purchase agreement; and

• accuracy as of closing of the representations and warranties made by the Investors to the extent specified in the stock purchase agreement.

In addition, the Investors' obligation to complete the stock sale is subject to, among other things, the satisfaction of the following conditions:

• performance by eXegenics of the obligations required to be performed by it at or prior to closing to the extent specified in the stock purchase agreement; and

• accuracy as of closing of the representations and warranties made by eXegenics to the extent specified in the stock purchase agreement.

The material obligations of eXegenics to a completion of the stock sale, are to: (i) recommend the approval and adoption by its stockholders of the stock sale and the amendment to its charter; (ii) operate its business in the ordinary course consistent with past practice and (iii) deliver executed voting agreements from each of its directors and beneficial owners of more than 5% of its capital stock.

**Regulatory approvals (see page \_\_\_\_\_)**

Neither eXegenics nor the Investors is aware of any government regulatory approval required to be obtained with respect to the consummation of the stock sale, except for the filing with the Securities and Exchange Commission ("SEC") of this Proxy Statement and compliance with all applicable federal and state securities laws regarding the offering and sale of eXegenics common stock to the Investors and the filing of an amendment to the certificate of incorporation of eXegenics evidencing the increase in the number of authorized shares of eXegenics common stock with the Delaware Secretary of State.

**Termination of the stock purchase agreement (see page \_\_\_\_\_)**

The stock purchase agreement may be terminated by mutual written consent of eXegenics and the Investors. In addition, the stock purchase agreement may be terminated by either eXegenics or the Investors if:

- (1) subject to certain exceptions set forth in the stock purchase agreement, the stock sale has not been completed by January 31, 2007;

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(2) there is a permanent legal prohibition to closing the stock sale; or

(3) eXegenics stockholders fail to approve the stock sale and the amendment to the certificate of incorporation of eXegenics at a duly held meeting.

The stock purchase agreement may be terminated by eXegenics if:

the Investors shall have breached their representations and warranties in the stock purchase agreement, or there has been a breach by the Investors of their covenants or agreements contained in the stock purchase agreement, which breach or failure to perform would cause failure of a condition to the closing of the stock sale and which is not cured or curable within ten days of notice to the Investors of such breach or failure to perform.

The stock purchase agreement may be terminated by the Investors if:

eXegenics shall have breached its representations and warranties in the stock purchase agreement, or there has been a breach by eXegenics of its covenants or agreements contained in the stock purchase agreement, which breach or failure to perform would cause failure of a condition to the closing of the stock sale and which is not cured or curable within ten days of notice to eXegenics of such breach or failure to perform.

**Termination fees (see page \_\_\_\_\_)**

eXegenics must pay the Investors a termination fee of \$300,000 in cash if the stock purchase agreement is terminated due to the failure to obtain the approval of the eXegenics stockholders, and the board of directors of eXegenics shall have exercised its right under the stock purchase agreement, and in compliance with its fiduciary duties, to (i) not recommend to the stockholders of eXegenics that they give their approval of the stock sale and the amendment to the certificate of incorporation of eXegenics, or (ii) withdraw or modify in a manner materially adverse to the Investors its recommendation that the stockholders of eXegenics vote in favor of the stock sale and the amendment to the eXegenics charter.

**Opinion of eXegenics Financial Advisor (see page \_\_\_\_)**

In deciding to approve the stock sale, the eXegenics board of directors considered the opinion of its financial advisor, Empire Valuation Consultants, LLC, that, as of July 26, 2006, the consideration to be paid by the Investors to eXegenics in connection with the stock sale is fair to eXegenics and the holders of its common stock and Series A preferred stock from a financial point of view. This opinion is attached to this Proxy Statement as Annex B.

**The approval of the amendment to the certificate of incorporation of eXegenics is required to consummate the stock sale (see page \_\_\_\_)**

The amendment to the certificate of incorporation of eXegenics to increase the number of authorized shares of common stock from 30,000,000 to 75,000,000 is required to consummate the stock sale. Under the stock purchase agreement, eXegenics is required to sell and issue to the Investors that number of shares of eXegenics common stock equal to 51% of the outstanding capital stock of eXegenics on the closing date of the stock sale on a fully diluted basis. eXegenics currently has 30,000,000 shares of common stock authorized. As of June 30, 2006, 16,991,101 shares of common stock and 1,002,017 shares of Series A preferred stock were issued and outstanding and 1,567,017 shares of common stock were reserved for issuance upon conversion of outstanding Series A preferred stock and the exercise of outstanding options and warrants. This means that in order for eXegenics to satisfy its obligations under the stock purchase agreement, eXegenics must be authorized to issue, at least, approximately 38,000,000 shares of common stock, because in determining the number of shares of eXegenics common stock to be issued to the Investors so that the Investors will own 51% of the outstanding capital stock of eXegenics on the closing date on a fully diluted

basis, eXegenics must assume that the 1,002,017 shares of Series A preferred stock have been converted into 1,002,017 shares of common stock, the options and warrants have been exercised and an aggregate of 100,000 shares of eXegenics common stock have been issued to Messrs. Paganelli and Baron in consideration of their respective stock grants.

In addition to increasing the number of authorized shares of eXegenics common stock to accommodate the stock sale, the board of directors has determined that it is in the best interests of eXegenics and its stockholders to have additional shares of common stock available for future issuance in connection with possible acquisitions, equity financing requirements and opportunities and other general corporate purposes. However, except for the issuance of shares of eXegenics common stock in connection with the stock sale, issuances in connection with the conversion of shares of eXegenics Series A preferred stock, issuances in connection with the exercise or conversion of outstanding warrants or options, and the issuance of eXegenics common stock to Messrs. Paganelli and Baron pursuant to the stock grants, eXegenics has no present commitments or agreements that will require or involve the future issuance of any additional shares of common stock.

If the charter amendment is not approved, eXegenics will not have a sufficient number of shares of eXegenics common stock authorized to consummate the stock sale and the stock sale will not close. If the stock sale does not close, there will not be a change-in-control transaction and Messrs. Paganelli and Baron will not be entitled to the shares of eXegenics common stock granted to each of them.

Stockholders must vote **FOR** both the amendment to the certificate of incorporation and the stock sale in order for the stock sale to close.

The approval of the stock sale does not constitute an approval of the stock grants. Stockholders may vote **FOR** the stock sale and **AGAINST** the stock grants.



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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING**

***Q: What will happen in the stock sale?***

A: In the stock sale, eXegenics will sell and issue an aggregate of 19,440,491 shares of eXegenics common stock to the Investors. As required by the stock purchase agreement, immediately following the completion of the stock sale, the Investors will own 51% of eXegenics outstanding capital stock on a fully-diluted basis. This number is based upon the outstanding shares of eXegenics common stock on June 30, 2006 and assumes the conversion of all outstanding eXegenics Series A preferred stock, which are convertible on a share-for-share basis into shares of eXegenics common stock, the exercise of all outstanding options or warrants to purchase shares of eXegenics common stock and the issuance of 50,000 shares of eXegenics common stock to each of Messrs. Paganelli and Baron immediately prior to the closing of the stock sale.

***Q: As a current stockholder of eXegenics will I receive any consideration in connection with the stock sale?***

A: No. The stock sale transaction involves the sale of shares of eXegenics common stock to the Investors. The current stockholders of eXegenics are not entitled to any compensation or other consideration in connection with the stock sale. In fact, if the stock sale is consummated, the issuance of 19,440,491 additional shares of eXegenics common stock to the Investors will have a dilutive effect on the current eXegenics stockholders, because as the number of shares of eXegenics common stock issued and outstanding increases, the percentage ownership interests of the current stockholders of eXegenics decreases.

***Q: Why are shares of eXegenics common stock being issued to John Paganelli and Robert Baron?***

A: In early 2004, the board of directors of eXegenics appointed Messrs. Paganelli and Baron to serve as the members of the Business Opportunities Search Committee to identify and negotiate strategic opportunities for eXegenics. In March of 2005, and in connection with the services rendered to the Business Opportunities Search Committee, the board awarded each a stock bonus of 50,000 shares, the issuance to be contingent upon a change of control transaction and stockholder approval of the grants. You should read the section titled "Interests of eXegenics Executive Officers and Directors in the Stock Sale " at page [\_\_\_\_] for a discussion of these interests and the interests of others in the stock sale.

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***Q: What appraisal rights do stockholders have in connection with the matters before the special meeting?***

A: The holders of eXegenics common stock and Series A preferred stock do not have any right to an appraisal of the value of their shares in connection with any of the matters before the special meeting.

***Q: What happens if I do not return a proxy card or otherwise provide proxy instructions?***

A: The failure to return your proxy card could be a factor in establishing a quorum for the special meeting. If your shares of eXegenics common stock and/or Series A preferred stock are held in “street name”, the failure to provide your broker with instructions on how to vote your shares on the stock grant proposal will be the equivalent of a vote against the stock grants.

***Q: When do you expect the stock sale to be completed?***

A: Assuming approval of the amendment to the certificate of incorporation of eXegenics to increase the number of authorized shares of eXegenics common stock, we expect to complete the stock sale as soon as possible following the special meeting and the filing of the amendment to the certificate of incorporation of eXegenics with the Delaware Secretary of State. However, the exact timing of completion of the stock sale cannot be determined yet because completion of the stock sale is subject to a number of conditions.

***Q: How many authorized but unissued shares of eXegenics common stock will exist after the closing of the stock sale?***

A: Following the closing of the stock sale and, assuming the charter amendment is approved to increase in the authorized shares of eXegenics common stock from 30,000,000 to 75,000,000, there will be approximately 38,468,408 shares of eXegenics common stock authorized but unissued, 1,567,017 of which will be reserved for issuance upon conversion of Series A preferred stock or upon exercise of outstanding options and warrants.

***Q: Who do I call if I have questions about the special meeting?***

A: If you have any questions about the matters to be considered at the special meeting or about procedures for voting, or if you need additional copies of this Proxy Statement or the enclosed proxy card, you should contact:

eXegenics, Inc.  
1250 Pittsford-Victor Road  
Building 200, Suite 280  
Pittsford, New York 14534  
(585) 218-4368

Attention: John A. Paganelli,  
*Interim Chief Executive Officer, Secretary and Chairman of the Board*

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**THE STOCK SALE**

This section of the Proxy Statement describes material aspects of the stock sale, including the stock purchase agreement and the voting agreements. While we believe that the description covers the material terms of the stock sale, this summary may not contain all of the information that is important to you. You should read this entire Proxy Statement and the other documents we refer to carefully for a more complete understanding of the stock sale.

**General**

Under the stock purchase agreement, at the closing of the transaction, eXegenics will issue 19,440,491 shares of common stock to the Investors identified in the stock purchase agreement in consideration of an initial aggregate purchase price of \$8,613,000. Immediately following the closing, the Investors will own, as a group, 51% of the issued and outstanding capital stock of eXegenics on a fully diluted basis, which means, for purposes of determining 51% of the capital stock of eXegenics on a fully diluted bases, the denominator includes all currently issued and outstanding shares of common stock, all Series A preferred stock as if converted on a share-for-share basis into shares of eXegenics common stock, shares of eXegenics common stock that may be issued upon the exercise or conversion of all outstanding warrants and options and the 100,000 shares of eXegenics common stock to be issued to Messrs. Paganelli and Baron.

The shares of common stock to be issued to the Investors pursuant to the stock purchase agreement are being offered and sold in reliance upon an exemption from registration under Section 4(2) of the Securities Act for “transactions by an issuer not involving a public offering” and Rule 506 of Regulation D of the Securities Act. Each of the Investors has represented to eXegenics that it is an “accredited investor” as defined in Rule 501(a) of Regulation D and has further represented, warranted and agreed that the shares of common stock may not be sold, transferred or otherwise disposed of in the absence of a registration statement covering the shares or the availability of an exemption from registration under the federal securities laws and applicable state securities laws.

***Recommendations of the Board of Directors and Reasons for the Stock Sale***

The board of directors of eXegenics has unanimously determined that the stock purchase agreement and the stock sale are fair and in the best interests of eXegenics and its stockholders. Accordingly, the board of directors has unanimously adopted and approved the stock purchase agreement and unanimously recommends that the holders of eXegenics common stock and Series A preferred stock vote “**FOR**” the sale of shares of eXegenics common stock pursuant to the stock purchase agreement. In evaluating and approving the stock sale, the board of directors considered the analysis provided by its financial advisor - Empire Valuation Consultants, LLC - , consulted with eXegenics’s legal counsel and considered a number of factors, including the following:

• the purchase price to be received by eXegenics for its shares of common stock in the context of a change-in-control transaction, which was determined by the board of directors to be fair;

• the fact that the purchase price constituted a premium over the last sale price per share of eXegenics common stock (\$.39) quoted on the Over-the-Counter Bulletin Board (“OTCBB”) on July 25, 2006, the last transaction prior to the July 26, 2006 board of directors meeting;

• the oral opinion of Empire Valuation Consultants, LLC, followed by its written opinion, with respect to its determination as to the fairness of the purchase price consideration, from a financial point of view, to eXegenics and its stockholders, and the analyses, methodologies and conclusions of Empire Valuation underlying its opinion;

• the likelihood that the stock sale could be consummated, noting the timing of and conditions to the stock sale;

• the terms and conditions set forth in the stock purchase agreement;

The fact that eXegenics had been in contact with several other potential strategic partners or acquirers and that such persons had been afforded ample opportunity to submit proposals for consideration by the board of directors; and

The business reputation and investment experience of Phillip Frost, M.D., the sole trustee of Frost Gamma Investments Trust, one of the Investors, and the board of director's belief that Dr. Frost will assist in identifying business opportunities for eXegenics. Brief biographical information as to Dr. Frost follows.

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***Phillip Frost, M.D.***

Phillip Frost, age 68, served as chairman of the board of directors and chief executive officer of IVAX Corporation from 1987 to 2006, when it was acquired by Teva Pharmaceutical Industries Limited. He served as president of IVAX Corporation from July 1991 until January 1995. He was the chairman of the Department of Dermatology at Mt. Sinai Medical Center of Greater Miami, Miami Beach, Florida from 1972 to 1990. Dr. Frost was chairman of the board of directors of Key Pharmaceuticals, Inc. from 1972 to 1986. He also served as chairman of the board of directors of IVAX Diagnostics, Inc. (diagnostic reagent kits), a subsidiary of IVAX Corporation from \_\_\_\_ to 2006. He is a director of Northrop Grumman Corporation (aerospace), Continucare Corporation (healthcare) and Ladenburg Thalmann Financial Services Inc. (securities brokerage). He is Chairman of the Board of Trustees of the University of Miami and a member of the Board of Governors of the American Stock Exchange.

***Background as to the deliberations and considerations of the Board of Directors***

Messrs. Paganelli and Baron, as the members of the Business Opportunities Search Committee, evaluated numerous potential acquisition or merger candidates for eXegenics. Based on those evaluations, they narrowed the field down to approximately twenty companies that warranted discussion with representatives of those target companies. With respect to those final candidates, which included companies in a diverse group of industries, including medical devices, entertainment, banking and software development, eXegenics engaged in preliminary discussions with representatives of the target companies. In each instance, prior to the discussions with Dr. Frost, the opportunities were abandoned, either because representatives of eXegenics concluded that the business prospects of the target companies were inadequate, or because the preliminary discussions made clear that agreement on valuation was not likely to be reached.

A shareholder of eXegenics suggested to the Business Opportunities Search Committee that they might consider discussions with Dr. Frost, who had a track record of pursuing successful ventures. Messrs. Paganelli and Baron had an initial meeting with Dr. Frost and some of his associates on April 20, 2006. That meeting led to a proposal for Dr. Frost and other investors to make an investment in eXegenics, the principal terms of the proposal are set out in the stock purchase agreement. Messrs. Paganelli and Baron had frequent telephone contact with Dr. Frost and his representatives during the period from April 20, 2006 through August 14, 2006, the date of execution of the stock purchase agreement. In addition, they met with Dr. Frost on four occasions during that period to answer questions related to the investors' due diligence examinations of eXegenics and to confirm understandings with respect to various elements of the proposed transaction.

Messrs. Paganelli and Baron kept the other two members of the eXegenics board of directors informed by telephone with respect to the progress of their evaluations and negotiations.

When it became clear that a definitive agreement was likely in the transaction, Mr. Paganelli contacted Empire Valuation Consultants, LLC in late June of 2006 concerning the possible engagement of Empire Valuation to deliver a fairness opinion. On June 27, 2006, eXegenics retained the services of Empire Valuation for these purposes.

The board of directors met on July 26, 2006 and unanimously approved the transaction.

The materials considered by the eXegenics board of directors, in addition to the proposed agreements and the information furnished by Empire Valuation, consisted of background information concerning Dr. Frost and various companies with which Dr. Frost is or has been associated.

The amount of capital to be invested in eXegenics and the purchase price to be paid by the Investors were considered to be the most significant elements of the transaction by the eXegenics board.

The eXegenics board considered only two factors that weighed against completing the stock sale. First, the transaction would confer control to the investors, so that the existing eXegenics stockholders would become minority owners. They also considered the fact that the purchase price proposed by the investors did not include any premium above book value for any other assets of eXegenics, such as its ability to provide liquidity to investors in future capital raises or the possible continuing availability of net operating loss carryforwards for tax purposes. The eXegenics board concluded that the factors in favor of the transaction outweighed any negatives.

The description of the information and factors considered by the eXegenics board of directors above is not meant to be exhaustive. The board of directors did not quantify or attach any particular weight to the various factors that it considered in reaching its determination that the stock sale is fair to, and in the best interests of, eXegenics and the eXegenics stockholders. Rather, the eXegenics board of directors made its determination based on the total mix of information available to it, and the judgments of individual directors may have been influenced to a greater or lesser degree by different factors. In considering the recommendation of the eXegenics board of directors with respect to the stock sale, stockholders of eXegenics should be aware that the interests of certain directors and executive officers with respect to the stock sale may be different from or in addition to the interests of the eXegenics stockholders generally. Specifically, each of John A. Paganelli, interim chief executive officer, secretary and chairman of the board of directors, and Robert A. Baron, a director, is entitled to the issuance of 50,000 shares of eXegenics common stock, assuming approval by the eXegenics stockholders at the special meeting, in the event the stock sale is consummated, and each of Messrs. Paganelli and Baron are the subject of a voting agreement that the Investors have agreed to enter into pursuant to which the Investors will agree to vote their respective shares of eXegenics common stock for the election of Mr. Paganelli and Mr. Baron as directors of eXegenics for a period of three years from the closing of the stock sale. The board of directors was aware of these interests and took them into account in making its recommendation.

Although it is the expectation of the current board of directors of eXegenics that after completion of the closing of the stock sale that eXegenics will identify, investigate and possibly pursue one or business opportunities, the business opportunities, if any, actually identified, and the specific criteria and other factors that will be considered for purposes of identifying possible business opportunities will be determined by the board of directors of eXegenics after completion of the stock sale.

**The board of directors unanimously recommends that the eXegenics stockholders vote “FOR” the sale of shares of eXegenics common stock pursuant to the stock purchase agreement.**

#### *Opinion of Financial Advisor*

The eXegenics board of directors retained Empire Valuation Consultants, LLC to deliver an opinion to the board of directors as to the fairness of the purchase price to eXegenics and the eXegenics stockholders from a financial point of view. Empire Valuation was selected by eXegenics because of its knowledge, expertise and reputation. Empire Valuation was paid a fee of \$35,000, no portion of which was contingent upon the closing of the stock sale transaction. No limitations were imposed by the eXegenics board of directors on Empire Valuation with respect to the investigation made or the procedures followed by it in arriving at its opinion.

At the July 26, 2006 meeting of the eXegenics board of directors, during which the board of directors reviewed and considered the terms of the stock sale and stock purchase agreement, Empire Valuation provided orally to the board its opinion, which was subsequently reduced to writing, that the purchase price for the shares of eXegenics common stock offered by the Investors to eXegenics was fair from a financial point of view to eXegenics and the holders of its common stock and Series A preferred stock.

The full text of Empire Valuation’s opinion is attached as Annex B and is incorporated into this Proxy Statement by reference. That opinion describes the procedures followed by Empire Valuation in arriving at its opinion, as well as certain assumptions made by Empire Valuation.

In arriving at its opinion, Empire Valuation performed a variety of financial analyses, including those summarized in this Proxy Statement. The preparation of a fairness opinion is a complex process that involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstance. Therefore, such an opinion is not necessarily susceptible to partial analysis or summary description. Empire Valuation believes that its analyses must be considered as a whole and selecting portions thereof or portions of the factors considered by it, without considering all analyses and factors, could create an incomplete view of the evaluation process underlying its opinion. Empire Valuation made numerous assumptions with respect to general business, economic, market and financial conditions and other matters, many of which are beyond the control of eXegenics. Further, Empire Valuation considered the cessation of eXegenics' operations and that its net assets consisted primarily of cash and cash equivalent securities, and determined, for purposes of its analysis that eXegenics was both a "shell" corporation and an investment holding company. Consistent with this characterization, Empire Valuation reviewed the then current business, economic and market conditions relative to investment holding companies and reviewed the market for other similarly situated publicly traded shell corporations, that is, shell corporation without net assets. Any estimates contained in Empire Valuation's analyses are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses.

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Empire Valuation arrived at valuation ranges for the sale of stock to the Investors by considering three principal valuation methodologies: the investment value, market value and net asset value. Ultimately, due to eXegenics' lack of operations, investment opportunities and future income potential and Empire Valuation's determination that eXegenics was both a shell corporation and an investment holding company, Empire Valuation was not able to apply the investment value methodology in arriving at its opinion. The following is a brief summary of these analyses and the other factors considered by Empire Valuation and reviewed with our board in Empire Valuation's oral presentation on July 26, 2006 and subsequently confirmed in writing.

*Investment Value.* The investment value, which is sometimes referred to as the income value or earnings value, establishes a range of values of a business based on various methods. One investment value method frequently used estimates the present value of an enterprise's future earnings or cash flow. Another recognized investment value method is to determine the level of current annual benefits (i.e., earnings, cash flow, dividends, etc.), and then capitalize one or more of the benefit types using an appropriate capitalization rate. Yet another method of calculating investment value is a cash flow analysis of the ability of an enterprise to service acquisition debt obligations (at a certain price level) while providing sufficient earnings for reasonable dividends and capital adequacy requirements. In connection with the cash flow analysis, the return on investment that would accrue to a prospective buyer at the transaction value is calculated.

eXegenics is currently a holding company with a portfolio of marketable securities. eXegenics, formerly known as Cytoclonal Pharmaceuticals Inc., was previously involved in the research, creation, and development of drugs for the treatment and/or prevention of cancer and infectious diseases. Prior to 2004, eXegenics had operated as a drug discovery company, exploiting new enabling technologies to advance and shorten the new drug development cycle. By the end of 2003, it had completed the termination of all research activities. All scientific staff and administrative positions were eliminated and all of its research and development activities were terminated. In 2006 year-to-date, eXegenics' scaled down general and administrative costs have exceeded the net investment income earned from its investment portfolio. eXegenics' future investment value was dependent on management's ability to find a profitable investment opportunity. The capital infusion from the sale of stock to the Investors is expected to enhance eXegenics' ability to find a suitable investment. However, given the lack of a specific future investment for eXegenics, Empire Valuation was unable to directly apply a future income valuation analysis.

*Market Value.* Market value is generally defined as the price, established on an "arms-length" basis, at which knowledgeable, unrelated buyers and sellers would agree. The "hypothetical" market value for the stock of a corporation is normally determined by comparison of certain financial data of similarly situated publicly traded corporations, adjusting for significant differences in financial performance criteria and for any lack of marketability or liquidity. The market value in connection with the evaluation of control is determined by the sales of comparable companies.

Under the market approach, Empire Valuation, using publicly available information, compared eXegenics' price-to-net asset value ("NAV") with similar data of selected publicly-traded companies engaged in businesses considered by Empire Valuation to be reasonably related to eXegenics, which included, closed-end investment companies investing in small capitalization securities and U.S. government obligations. Empire Valuation compared eXegenics' pre-announcement current trading price per share (latest close \$0.39) and the transaction price of \$0.44 per share to eXegenics' estimated NAV per share relative to price-to-NAV of publicly traded closed end investment holding companies. Price-to-NAV for closed end funds, is the closing stock price on a given day divided by the NAV as reported by the fund. The funds report their NAV on a weekly basis in various financial publications. Next, Empire Valuation considered the fact that the Investors with a total 51% interest would be considered a control group under SEC regulations. As such, the Investors' eXegenics common stock would be restricted from sale in the public market under SEC Rule 144. Further, Empire Valuation considered the implied premium of the cash transaction purchase price per share of \$0.44 to the pre-announcement trading range of \$0.38 to \$0.43 per share before and after a discount



for Rule 144 restrictions.

*Net Asset Value.* NAV is the value of the net equity of an entity, after adjusting the company's assets and liabilities from its stated cost basis to its estimated market value. Empire Valuation gave consideration to eXegenics' stock portfolio, prepaid expense, stock subscription receivable, net operating loss ("NOL") carryforward, accounts payable, accrued expenses and its continued lawsuit with a former employee. In its analysis: eXegenics' stock portfolio was marked-to-market, so book value for purposes of the analysis was determined to be equal to net asset value; its prepaid expense and stock subscription receivable, were considered to be a reduction of the net asset value; eXegenics' NOL was given little-to-no value; and, its current liabilities were treated as a net against (reduction) in net asset value. Further, Empire Valuation considered, that to the extent eXegenics' reserve for the former employee lawsuit was not sufficient, eXegenics' net asset value would be further reduced. Empire Valuation also gave consideration to the prospective market value of eXegenics as a shell corporation exclusive of its other assets and liabilities. The prospective market value of the "shell" is not captured and capitalized under GAAP accounting, so this would add to eXegenics' net asset value. The realization of the "shell value" would take place at some future date if eXegenics were to merge with an operating private company and would depend on the facts and circumstances at that time. Accordingly, the present value of the "shell value", for purposes of Empire Valuation's analysis, was determined to equal its prospective future value discounted back to current time. Further, in the event eXegenics were to liquidate and terminate, the shell would actually be a net liability, that is, it would cost money to close down. Empire Valuation concluded that \$0.49 to \$0.50 per share, plus or minus \$0.02 was a reasonable estimate of the net asset value per share of eXegenics common stock.

*Conclusion.* It is Empire Valuation's opinion that the aggregate cash purchase price of \$8,613,000 or \$0.44 per share for a 51% interest in eXegenics is fair from a financial perspective to the public shareholders. Empire Valuation arrived at its opinion, based on its experience and judgment as an independent appraiser, subjectively weighed the values arrived at using the market value, investment value and net asset value appraisal methods previously summarized, and concluded that each analysis independently supports Empire Valuation's ultimate opinion regarding the fairness of the transaction.

**Back to Table of Contents*****High and Low Sales Prices of eXegenics Common Stock***

The following table sets forth the high and low sales prices of eXegenics common stock for each fiscal quarter of the previous two years and the first two quarters of this year, as quoted on the OTCBB:

	<b>High</b>	<b>Low</b>
<b>2006:</b>		
First Quarter	\$ 0.46	\$ 0.39
Second Quarter	0.45	0.38
<b>2005:</b>		
First Quarter	\$ 0.45	\$ 0.32
Second Quarter	0.47	0.35
Third Quarter	0.44	0.36
Fourth Quarter	0.46	0.39
<b>2004:</b>		
First Quarter	\$ 1.09	\$ 0.68
Second Quarter	1.32	0.68
Third Quarter	0.85	0.35
Fourth Quarter	0.70	0.21

***Interests of eXegenics Executive Officers and Directors in the Stock Sale***

In considering the recommendation of the eXegenics board of directors that the eXegenics stockholders vote **FOR** the sale of shares of eXegenics common stock pursuant to the stock purchase agreement, stockholders of eXegenics should be aware that certain members of the eXegenics board of directors and members of its management team have interests in the stock sale that differ from, or are in addition to, those of the eXegenics stockholders generally. The eXegenics board of directors was aware of these potential conflicts during its deliberations on the merits of the stock sale and in making its decision to approve the stock sale, the stock purchase agreement and the related transactions and, in determining to recommend to the stockholders of eXegenics that they vote **FOR** the sale of shares of eXegenics common stock pursuant to the stock purchase agreement.

**eXegenics Board Membership**

Pursuant to a voting agreement to be executed by the Investors, each of the Investors will agree, for a period of three years after the closing of the stock sale, to vote their shares of eXegenics common stock and any successor in favor of the election as directors of John A. Paganelli, interim chief executive officer, secretary and chairman of the board of directors, and Robert Baron, a director of eXegenics, to the board of directors of eXegenics.

**Stock Bonus**

Each of Mr. Paganelli and Mr. Baron were awarded in 2005 contingent stock bonuses of 50,000 shares of eXegenics common stock in connection with their services to the Business Opportunities Search Committee of the board of directors. These awards are contingent upon the consummation of a change-in-control transaction - the stock sale constitutes a change in control transaction - and approval by the eXegenics stockholders of the stock grants. One of the proposals for consideration by the eXegenics stockholders at the special meeting is approval of the stock grants.

The benefits and amounts of the stock grants to Messrs. Paganelli and Baron are set forth in the below table.

Number of Shares

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	Dollar Value \$(1)	
John A. Paganelli	\$ 40,000	50,000 shares of common stock
Robert Baron	\$ 40,000	50,000 shares of common stock

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(1) Based on the closing price of eXegenics common stock on the OTCBB on September 22, 2006.

The approval of the stock sale does not constitute an approval of the stock grants, and stockholders may vote **FOR** the stock sale and **AGAINST** the stock grants.

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***Purchase Price Adjustment***

Not more than 60 days following the closing of the stock sale, eXegenics will prepare, and deliver to the Investors, a balance sheet, as of the closing date, which shall include a computation of stockholders' equity as of the closing date. If eXegenics's disputes with Ronald L. Goode and/or Abdel Hakim Labidi have not been resolved as of the closing of the stock sale, the closing balance sheet will include reserves reflecting the maximum potential liability of eXegenics in connection any such unresolved matter. A detailed description of eXegenics's disputes with Ronald L. Goode and Abdel Hakim Labidi is included in the Notes to Financial Statements to the audited financial statements of eXegenics for the fiscal year ended December 31, 2005 included with this Proxy Statement; specifically, Note G - Stockholders' Equity - Subscription receivable, and Note I - Commitments and Other Matters - Legal Proceedings - Labidi Proceeding.

Following the receipt by the Investors of eXegenics closing date balance sheet, the Investors will have 30 days to review and to reject the eXegenics closing date balance sheet. If the Investors reject the eXegenics closing date balance sheet, eXegenics and the Investors will have 10 days during which to resolve the dispute. If the Investors and eXegenics are unable to resolve the dispute within such 10 day period, the dispute will be referred to an independent certified public accounting firm reasonably acceptable to eXegenics and the Investors for resolution. The determination of the independent accounting firm will be binding on the parties. The fees and expenses of the independent accounting firm will be paid by the party found to be incorrect with regard to the objections. If both parties are found to be partially incorrect with regard to the objections, the fees and expenses of the independent accounting firm will be shared proportionately by the parties based upon the amount of the objections successfully contested by the Investors bears to the total of the objected amounts submitted to the independent accounting firm.

If the final determination of the stockholders' equity at the closing date is greater than the initial purchase price paid by the Investors at the closing, the Investors will pay the difference to eXegenics, and if the final stockholders' equity at the closing date is less than the initial purchase price, eXegenics will pay the difference to the Investors.

Further, under the terms of the stock purchase agreement, in the event the eXegenics closing balance sheet includes additional reserves for eXegenics's unresolved disputes with Goode and/or Labidi, and if, prior to December 31, 2006, eXegenics subsequently resolves these matters for an amount or amounts less than the amounts reserved on the eXegenics closing date balance sheet, then the Investors will pay eXegenics, in the form of additional purchase price, an amount equal to the difference between the actual amount paid or incurred by eXegenics and the amount of the reserve in the eXegenics closing date balance sheet.

**The Stock Purchase Agreement**

The following summary of the stock purchase agreement is qualified by reference to the complete text of the stock purchase agreement, which is incorporated by reference into this Proxy Statement and attached hereto as Annex A. The stock purchase agreement has been included to provide you with information regarding its terms. You are encouraged to read the entire stock purchase agreement.

***Structure of the Stock Sale; Stock Sale Consideration***

Under the stock purchase agreement, eXegenics will sell and issue 19,440,490 shares of its common stock to the Investors in consideration for an initial aggregate purchase price of \$8,613,000, reflecting eXegenics's stockholders' equity as at June 30, 2006. The aggregate purchase price is subject to adjustment based on eXegenics's stockholders' equity at the closing date and in the event of resolution of eXegenics unresolved disputes with Ronald L. Goode and/or Abdel Hakim Labidi, as more fully described above.

Immediately following the completion of the stock sale, the new Investors will own 51% of the outstanding capital stock of eXegenics on a fully-diluted basis. This number assumes the conversion of all outstanding eXegenics Series A preferred stock, which are convertible on a share-for-share basis into shares of eXegenics common stock, the exercise of all outstanding options or warrants to purchase shares of eXegenics common stock and the issuance of 50,000 shares of eXegenics common stock to each of Mr. Paganelli and Mr. Baron immediately prior to the closing of the stock sale.

***Timing of Closing***

Unless eXegenics and the Investors agree otherwise, the closing will occur on the next business day following the later of the special meeting or the day on which the last of the conditions set forth in the stock purchase agreement has been satisfied or waived, unless the stock purchase agreement has been terminated prior to such date. eXegenics expects that, immediately following the special meeting, assuming the eXegenics stockholders approve both the amendment to the certificate of incorporation of eXegenics and the stock sale, eXegenics will file the amendment with the Secretary of State of Delaware and, immediately following the filing of such amendment, close the stock sale.

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***eXegenics Board of Directors and Related Matters***

eXegenics has agreed to take the necessary corporate actions so that, as of the closing of the stock sale:

- the size of the eXegenics board of directors is increased from four to five members;

two of eXegenics current directors - Robert Benou and David Lee Spencer, M.D. - will resign from the board of directors; and

three designees of Phillip Frost, M.D., to be identified prior to the closing, will become directors of eXegenics, to serve until their terms expire at eXegenics's next annual stockholder meeting.

***Certain Covenants***

Each of eXegenics and the Investors has undertaken certain covenants in the stock purchase agreement. The following summarizes the most significant of these covenants.

*eXegenics Board of Directors' Covenant to Recommend.* The eXegenics board of directors has agreed to recommend the approval and adoption by the stockholders of eXegenics of the stock sale and the amendment to the certificate of incorporation. However, the eXegenics board of directors is permitted to (i) not recommend approval and adoption of the stock sale and the charter amendment or (ii) withdraw or modify its recommendation in a manner materially adverse to the Investors, if the eXegenics board of directors determines in good faith, after consultation with outside legal counsel, that it is necessary to withdraw or modify its recommendation to comply with its fiduciary duties.

*Interim Operations of eXegenics.* eXegenics has undertaken a covenant that places restrictions on it until either the closing of the stock sale or until the stock purchase agreement is terminated. In general, eXegenics is required to conduct its business in the ordinary course consistent with past practice.

eXegenics has also agreed to some specific restrictions which are subject to exceptions described in the stock purchase agreement. The following table summarizes the most significant of these restrictions, subject to certain exceptions, undertaken by eXegenics:

***Restrictions. eXegenics shall not, without the prior consent of a majority of the Investors:***

Amend its organizational documents;

Issue, sell or authorize the issuance or sale of shares of any class of its securities, or enter into agreements or commitments obligating it to issue such securities, other than in connection with the conversion of shares of its preferred stock or the exercise of outstanding warrants or stock options or bonuses granted to directors, officers or employees prior to the date of the stock purchase agreement;

Redeem, purchase or otherwise acquire its capital stock;

Enter into material contracts or transactions, or make any material capital expenditure other than those relating to the transactions contemplated by the stock purchase agreement;

Declare, set aside or pay dividends or make other distributions (whether in cash, stock or property) with respect to its common stock;

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Create, incur, assume, maintain or permit to exist any indebtedness except as otherwise incurred in the ordinary course of business, consistent with past practice;

Pay, discharge or satisfy claims or liabilities other than in the ordinary course of business, consistent with past practice;

Cancel any material debts or waive any material claims or rights;

Make any loans, advances or capital contributions to, or investments in financial instruments of any person;

Assume, guarantee, endorse or otherwise become responsible for the liabilities or commitments of any person;

Increase compensation payable to its employees, officers or directors or increase any bonus, insurance, pension or other employee benefit plan, payment or arrangement made to, for or with any of its employees, officers or directors;

Enter into any employment contract or grant any severance or termination pay or make any such payment with or to any of its employees, officers or directors;

Materially change its accounting practices, the manner of keeping its books, accounts or records, other than alterations required by GAAP or applicable law;

Enter into any indemnification, contribution or similar contract pursuant to which it is required to indemnify any person or make contributions to any other person;

Amend or terminate any of its existing contracts in a manner that would result in any material liability to it or as a result of such amendment or termination; or

Change its tax accounting principles, methods or election.

*Reasonable Efforts Covenant.* eXegenics and the Investors have agreed to cooperate with each other and use commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to complete the stock sale and the other transactions contemplated by the stock purchase agreement.

***Representations and Warranties***

The stock purchase agreement contains representations and warranties made by eXegenics to the Investors with respect to eXegenics's:

- organization, good standing and qualifications to do business in foreign jurisdictions;
- no subsidiaries;
- capitalization;



corporate power, authority and capacity to enter into and perform the transactions contemplated by the stock purchase agreement;

authorization to issue shares of its common stock to the Investors under and pursuant to applicable law free and clear of liens and with the rights and preferences set forth in its certificate of incorporation;

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- no conflicts or defaults;
- SEC filings and certain compliance matters;
- absence of certain material changes since December 31, 2005, the date of its latest audited financial statements;
- absence of undisclosed litigation matters;
- absence or non-applicability of statutory, charter or bylaw takeover provisions;
- no brokers', finders' or agents' fees; and
- truthfulness and correctness, in all material respects, of disclosure materials provided.

The stock purchase agreement contains representations and warranties made by each of the Investors to eXegenics with respect to each Investor's:

- investment intent;
- power, authority and capacity to enter into and perform the transactions contemplated by stock purchase agreement;
- qualification as an "accredited investor" under the Securities Act of 1933;
- sophistication and suitability;
- nationality and residence;
- knowledge of restrictions as to transferability of the shares of common stock to be issued and awareness of the provisions of Rule 144 of the Securities Act of 1933; and
- no brokers', finders' or agents' fees.

The representations and warranties in the stock purchase agreement do not survive the closing of the stock sale.

***Conditions to the Completion of the Stock Sale***

***Mutual Closing Conditions.*** The obligations of eXegenics and the Investors to complete the stock sale are subject to the satisfaction or, to the extent legally permissible, waiver of the following conditions:

- approval of the stock sale by the eXegenics stockholders;
- approval of the amendment to the certificate of incorporation of eXegenics to increase the number of shares of common stock eXegenics is authorized to issue from 30,000,000 to 75,000,000;
- absence of all legal prohibition on completion of the stock sale; and
- obtaining all necessary consents and approvals. However, except for the approval of the eXegenics stockholders of the stock sale and the amendment to the charter of eXegenics, neither eXegenics nor the Investors are aware of any other required consents or approvals to the proposed stock sale.

*Additional Closing Conditions for eXegenics's Benefit.* eXegenics's obligations to complete the stock sale are subject to the satisfaction of the following additional conditions: