

NEUROLOGIX INC/DE
Form 10-Q
November 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended September 30, 2008
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-13347

NEUROLOGIX, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

06-1582875
(I.R.S. Employer Identification No.)

One Bridge Plaza, Fort Lee, NJ 07024
(Address of principal executive offices)

(201) 592-6451
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 November 10, 2008, 27,764,058 shares of common stock were outstanding.

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NEUROLOGIX, INC.
(A Development Stage Company)
CONDENSED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	September 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,060	\$ 20,157
Prepaid expenses and other current assets	327	418
Total current assets	20,387	20,575
Equipment, less accumulated depreciation of \$520 and \$437 at September 30, 2008 and December 31, 2007, respectively	163	231
Intangible assets, less accumulated amortization of \$165 and \$127 at September 30, 2008 and December 31, 2007, respectively	727	623
Other assets	5	5
Total Assets	\$ 21,282	\$ 21,434
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 688	\$ 1,265
Total liabilities	688	1,265
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; 5,000,000 shares authorized		
Series A – Convertible, \$0.10 par value; 650 shares designated, 645 shares issued and outstanding at September 30, 2008 and December 31, 2007, with an aggregate liquidation preference of \$1	-	-
Series C – Convertible, \$0.10 par value; 700,000 shares designated, 285,878 and 295,115 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively, with an aggregate liquidation preference of \$6,391 and \$6,529 at September 30, 2008 and December 31, 2007, respectively	29	30
Series D – Convertible, \$0.10 par value; 792,100 shares designated, 734,898 and 597,149 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively, with an aggregate liquidation preference of \$27,834 and \$22,673 at September 30, 2008 and December 31, 2007, respectively	73	60
Common Stock:		
\$0.001 par value; 100,000,000 shares authorized, 27,764,058 and 27,632,808 issued and outstanding at September 30, 2008 and December 31, 2007, respectively	28	28
Additional paid-in capital	62,322	56,207
Deficit accumulated during the development stage	(41,858)	(36,156)
Total stockholders' equity	20,594	20,169
Total Liabilities and Stockholders' Equity	\$ 21,282	\$ 21,434

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See accompanying notes to condensed financial statements.

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NEUROLOGIX, INC.
(A Development Stage Company)
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

(Amounts in thousands, except share and per share amounts)

	Nine Months Ended September 30,		Three Months Ended September 30,		For the period February 12, 1999 (inception) through September 30, 2008
	2008	2007	2008	2007	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses:					
Research and development	2,911	3,009	1,082	993	18,530
General and administrative expenses	2,495	2,287	734	681	15,691
Loss from operations	(5,406)	(5,296)	(1,816)	(1,674)	(34,221)
Other income (expense):					
Dividend, interest and other income	478	299	167	84	1,722
Interest expense-related parties	-	-	-	-	(411)
Other income, net	478	299	167	84	1,311
Net loss	(4,928)	(4,997)	(1,649)	(1,590)	\$ (32,910)
Preferred stock dividends	(1,937)	(907)	(707)	(317)	
Charge for accretion of beneficial conversion feature	(562)	-	-	-	
Charge for contingent beneficial conversion feature	(212)	-	-	-	
Net loss applicable to common stock	\$ (7,639)	\$ (5,904)	\$ (2,356)	\$ (1,907)	
Net loss applicable to common stock per share, basic and diluted	\$ (0.28)	\$ (0.22)	\$ (0.08)	\$ (0.07)	
Weighted average common shares outstanding, basic and diluted	27,668,255	26,653,939	27,738,379	26,819,719	

See accompanying notes to condensed financial statements.

NEUROLOGIX, INC. AND SUBSIDIARY
(A Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE PERIOD FROM FEBRUARY 12, 1999 (INCEPTION) THROUGH SEPTEMBER 30, 2008
(UNAUDITED)

(Amounts in thousands, except for share and per share amounts)

	Series D Preferred Stock		Series C Preferred Stock		Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unearned Compensation	Deficit Accumulated During the Development Stage	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Amount	Amount	Amount
Sale of common stock to founders	-	\$ 0	-	\$ 0	6,004,146	\$ 0	\$ 4	\$ 0	\$ 0	\$ 4
Net loss	-	-	-	-	-	-	-	-	(328)	(328)
Balance, December 31, 1999	-	\$ 0	-	\$ 0	6,004,146	\$ 0	\$ 4	\$ 0	\$ (328)	\$ (324)
Net loss	-	-	-	-	-	-	-	-	(1,055)	(1,055)
Balance, December 31, 2000	-	\$ 0	-	\$ 0	6,004,146	\$ 0	\$ 4	\$ 0	\$ (1,383)	\$ (1,379)
Stock options granted for services	-	-	-	-	-	-	9	-	-	9
Common stock issued for intangible assets at \$0.09 per share	-	-	-	-	259,491	-	24	-	-	24
Net loss	-	-	-	-	-	-	-	-	(870)	(870)
Balance, December 31, 2001	-	\$ 0	-	\$ 0	6,263,637	\$ 0	\$ 37	\$ 0	\$ (2,253)	\$ (2,216)
Retirement of founder shares	-	-	-	-	(33,126)	-	-	-	-	-
Common Stock issued pursuant to license agreement at \$1.56 per share	-	-	-	-	368,761	-	577	(577)	-	-
Private placement of Series B convertible preferred stock	-	-	-	-	-	-	2,613	-	-	2,613
Amortization of unearned compensation	-	-	-	-	-	-	-	24	-	24
Net loss	-	-	-	-	-	-	-	-	(1,310)	(1,310)
Balance, December 31, 2002	-	\$ 0	-	\$ 0	6,599,272	\$ 0	\$ 3,227	\$ (553)	\$ (3,563)	\$ (889)
Sale of Common Stock	-	-	-	-	276,054	-	90	(89)	-	1
Amortization of unearned compensation	-	-	-	-	-	-	-	164	-	164
Net loss	-	-	-	-	-	-	-	-	(2,274)	(2,274)
Balance, December 31, 2003	-	\$ 0	-	\$ 0	6,875,326	\$ 0	\$ 3,317	\$ (478)	\$ (5,837)	\$ (2,998)
Conversion of note payable to Common Stock at \$2.17 per share	-	-	-	-	1,091,321	1	2,371	-	-	2,372
Conversion of mandatory redeemable preferred stock to Common Stock	-	-	-	-	6,086,991	6	494	-	-	500
	-	-	-	-	1,354,746	1	(1)	-	-	-

Conversion of Series B
convertible preferred stock to
Common Stock

Effects of reverse acquisition	-	-	-	-	7,103,020	14	5,886	-	-	5,900
Amortization of unearned compensation	-	-	-	-	-	-	-	202	-	202

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NEUROLOGIX, INC. AND SUBSIDIARY

(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE PERIOD FROM FEBRUARY 12, 1999 (INCEPTION) THROUGH SEPTEMBER 30, 2008
(UNAUDITED)

(Amounts in thousands, except for share and per share amounts)

Stock options granted for services	-	-	-	-	-	-	42	(42)	-	-
Exercise of stock options	-	-	-	-	10,000	-	15	-	-	15
Net loss	-	-	-	-	-	-	-	-	(2,937)	(2,937)
Balance, December 31, 2004	-	\$ 0	-	\$ 0	22,521,404	\$ 22	\$ 12,124	\$ (318)	\$ (8,774)	\$ 3,054
Sale of Common Stock through private placement at an average price of \$1.30 per share	-	-	-	-	2,473,914	4	3,062	-	-	3,066
Sale of Common Stock at an average price of \$1.752 per share and warrants to Medtronic	-	-	-	-	1,141,552	1	2,794	-	-	2,795
Amortization of unearned compensation	-	-	-	-	-	-	-	825	-	825
Stock options granted for services	-	-	-	-	-	-	1,305	(1,305)	-	-
Exercise of stock options	-	-	-	-	406,054	-	127	-	-	127
Net loss	-	-	-	-	-	-	-	-	(5,345)	(5,345)
Balance, December 31, 2005	-	\$ 0	-	\$ 0	26,542,924	\$ 27	\$ 19,412	\$ (798)	\$ (14,119)	\$ 4,522
Sale of Preferred Stock through private placement at an average price of \$35.00 per share	-	-	342,857	34	-	-	11,578	-	-	11,612
Fair value of beneficial conversion rights issued in connection with issuance of Series C Preferred Stock	-	-	-	-	-	-	2,621	-	-	2,621
Preferred Dividend and accretion of fair value of beneficial conversion charge	-	-	25,298	3	-	-	(3)	-	(2,621)	(2,621)
Employee share-based compensation expense	-	-	-	-	-	-	1,193	-	-	1,193
Non-employee share-based compensation	-	-	-	-	-	-	83	-	-	83
Reclassification of prior year non-employee compensation to prepaid expenses	-	-	-	-	-	-	-	487	-	487
Effects of adoption of SFAS 123R	-	-	-	-	-	-	(311)	311	-	-
Net loss	-	-	-	-	-	-	-	-	(7,046)	(7,046)
Balance, December 31, 2006	-	\$ 0	368,155	\$ 37	26,542,924	\$ 27	\$ 34,573	\$ 0	\$ (23,786)	\$ 10,851
Sale of Series D Preferred Stock through private	428,571	43	-	-	-	-	14,727	-	-	14,770

placement at an average price
of \$35.00 per share

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NEUROLOGIX, INC. AND SUBSIDIARY
(A Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE PERIOD FROM FEBRUARY 12, 1999 (INCEPTION) THROUGH SEPTEMBER 30, 2008
(UNAUDITED)

(Amounts in thousands, except for share and per share amounts)

Fair value of beneficial conversion rights issued in connection with the issuance of Series D Preferred Stock	-	-	-	-	-	-	2,130	-	-	2,130
Preferred Dividend and accretion of fair value of beneficial conversion charge	5,108	1	68,801	7	-	-	(8)	-	(2,130)	(2,130)
Contingent beneficial conversion feature related to Series C Preferred Stock	-	-	-	-	-	-	627	-	(627)	-
Induced conversion of preferred stock in connection with the issuance of Series D Preferred Stock	163,470	16	(230,184)	(23)	-	-	(347)	-	354	-
Issuance of Series C Preferred Stock in connection with induced conversion of preferred stock	-	-	93,940	9	-	-	2,949	-	(2,958)	-
Issuance of Common Stock in connection with issuance of Series D Preferred Stock	-	-	-	-	192,017	-	192	-	(192)	-
Employee share-based compensation expense	-	-	-	-	-	-	702	-	-	702
Non-employee share-based compensation	-	-	-	-	-	-	72	-	-	72
Conversion of Series C Preferred Stock to Common Stock	-	-	(5,597)	-	110,052	-	-	-	-	-
Exercise of stock options	-	-	-	-	787,815	1	590	-	-	591
Net loss	-	-	-	-	-	-	-	-	(6,817)	(6,817)
Balance, December 31, 2007	597,149	\$ 60	295,115	\$ 30	27,632,808	\$ 28	\$ 56,207	\$ 0	\$ (36,156)	\$ 20,169
Sale of Series D Preferred Stock through private placement at an average price of \$35.00 per share	142,857	14	-	-	-	-	4,918	-	-	4,932
Fair value of beneficial conversion rights issued in connection with the issuance of Series D Preferred Stock	-	-	-	-	-	-	562	-	-	562
Accretion of fair value of beneficial conversion charge	-	-	-	-	-	-	-	-	(562)	(562)
Contingent beneficial conversion feature related to Series C Preferred Stock	-	-	-	-	-	-	212	-	(212)	-

Adjustment to preferred dividends accrued	(5,108)	(1)	(3,237)	(1)	-	-	2	-	-	-
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NEUROLOGIX, INC. AND SUBSIDIARY
 (A Development Stage Company)
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
 FOR THE PERIOD FROM FEBRUARY 12, 1999 (INCEPTION) THROUGH SEPTEMBER 30, 2008
 (UNAUDITED)

(Amounts in thousands, except for share and per share amounts)

Employee shared-based compensation expense	-	-	-	-	-	-	408	-	-	408
Non-employee share-based compensation	-	-	-	-	-	-	13	-	-	13
Conversion of Series C Preferred Stock to Common Stock	-	-	(6,000)	-	131,250	-	-	-	-	-
Net Loss	-	-	-	-	-	-	-	-	(4,928)	(4,928)
Balance September 30, 2008	734,898	\$ 73	285,878	\$ 29	27,764,058	\$ 28	\$ 62,322	\$ -	\$(41,858)	\$ 20,594

See accompanying notes to condensed financial statements.

NEUROLOGIX, INC.
(A Development Stage Company)
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Amounts in thousands)

	Nine Months Ended September 30,		For the period February 12, 1999 (inception) through September 30, 2008
	2008	2007	
Operating activities:			
Net loss	\$ (4,928)	\$ (4,997)	\$ (32,910)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	83	80	526
Amortization	38	32	305
Gain on redemption of investment	-	-	(62)
Stock options granted for services	-	-	