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

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

FORM 10-Q

(Mark One)

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

For the quarter ended September 30, 2008 or

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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 b No o

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 o

Accelerated filer "

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No \natural

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)

	•	ember 30, 2008 naudited)	Dec	2007 eember 31,
ASSETS				
Current assets:	\$	20.060	\$	20,157
Cash and cash equivalents	Φ	20,060 327	φ	418
Prepaid expenses and other current assets Total current assets		20,387		20,575
		20,387		20,373
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		105		231
September 30, 2008 and				
December 31, 2007, respectively		727		623
Other assets		5		5
Total Assets	\$	21,282	\$	21,434
Total Assets	φ	21,202	φ	21,434
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	\$	688	\$	1,265
Total liabilities	Ψ	688	Ψ	1,265
		000		1,205
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		_>		20
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:		15		00
\$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.

NEUROLOGIX, INC. (A Development Stage Company) CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED) (Amounts in thousands, except share and per share amounts)

		Nine Mon	ths	Ended		Three Mon	ıths	Ended	199 (ind thre	oruary 12, 99 ception) ough otember 30,
		Septem	ber			Septem	ber		200)8
	*	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	2	27,668,255		26,653,939	2	27,738,379		26,819,719		
6,	_	,	-	,,	-	,, .	-	, ,>		

See accompanying notes to condensed financial statements.

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For the period

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)

	Pre	ies I ferre tock A mo	ed		ferr ocł	ed c	Common Sto nt Shares		Р	lditional Paid-in CapitalC	Uı	nearne	Acc I Dev	Deficit umulated During the elopment Stage	
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 agreemen	t														
at \$1.56 per share	-		-	-		-	368,761	-		577		(577)		-	-
Private placement of Series I	3														
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	С														
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
5										

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)

services - - - 42 (42) - - Exercise of stock options - - 10,000 - 15 - - 2,2937) (2,937) Balance, December 31, 2004 - S 0 2,2,521,404 S 22 S 12,124 S (318) S (8,774) S 3,065 Sale of Common Stock at an average price of \$1,752 per share - - 2,473,914 4 3,062 - - 3,066 Sale of Common Stock at an average price of \$1,752 per share - - 2,473,914 4 3,062 - - 2,795 Amortization of unearned - - - 1,141,552 1 2,794 - - 2,795 Stock options granted for - - 1,141,552 1 2,794 - - 2,795 Stock options granted for - - 1,305 (1,305) - - - 1,205 1,141,195 3 1,205 (5,345) 5,345 Balance, December 31, 2005 - 0	Stock options granted for										
Net loss - - - - (2,937) (2,937) Balance, December 31, 2004 - 5 0 22,521,404 \$ 22 \$ 1,2124 \$ (318) \$ (8,774) \$ 3,054 Sale of Common Stock through private placement at an average price of \$ 1.30 per site - - 2,473,914 4 3,062 - - 3,066 Sale of Common Stock at an average price of \$ 1.752 per site - 1,141,552 1 2,794 - - 2,795 Mentration of unearned - - - 1,141,552 1 2,794 - 2,795 Stare of Sunto for granted for - - - 1,141,552 1 2,794 - 2,795 Stock options granted for - - - - 825 825 825 Stock options granted for - - - 1,305 - - 127 - 127 Net loss - - 2,654,924 \$27 \$19,412 \$ (798) \$ (14,119) \$ 4,522 \$ (2,621) (2,621) (2,621) (2,621) (2,621) <td>services</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>42</td> <td>(42)</td> <td>-</td> <td>-</td>	services	-	-	-	-	-	-	42	(42)	-	-
Balance, December 31, 2004 - \$ 0 - \$ 0 22, 221, 404 \$ 2 1, 21, 24 \$ (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 - 2, 473, 914 4 3, 062 - - 3, 066 Medtronic - - 2, 473, 914 4 3, 062 - - 3, 066 Sale of Common Stock at an average price of \$1.752 per share and warrants to - - 1, 41, 552 1 2,794 - 2,795 Amotrization of unearned compensation - - - 1,141, 552 1 2,794 - 2,795 Stock options granted for services - - - 1,305 - - 127 Net loss - 0 - 9 0 26,52,924 \$27 \$19,12 \$(798) \$(1,4119) \$4,522	Exercise of stock options	-	-	-	-	10,000	-	15	-	-	15
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 - - 2,473,914 4 3,062 - - 3,066 Medtronic - - - 1,141,552 1 2,794 - 2,795 Amortization of uncarned - - - 1,141,552 1 2,794 - 2,795 Stock options granted for - - - 1,305 (1,305) - - 127 - 127 Net loss - - - 406,054 - 127 - 127 Net loss - - - - - - (5,345) (5,345) (5,345) Salance, December 31, 2005 - 342,857 34 - 11,578 - 11,612 Fair value of beneficial conversion rights issued in connection with issuance of Series D. Preferred Stock - - 2,621 - 2,621 <td< td=""><td>Net loss</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>(2,937)</td><td>(2,937)</td></td<>	Net loss	-	-	-	-	-	-	-	-	(2,937)	(2,937)
through private placement at an average price of \$1.30 per share and warrants to Sale of Common Stock at an average price of \$1.752 per share and warrants to Medtronic 2,795 Amortization of unearned compensation of unearned compensation of unearned for services 2,795 Amortization of unearned compensation of unearned for services	Balance, December 31, 2004	-	\$ 0	-	\$ 0	22,521,404	\$22	\$12,124	\$ (318)	\$ (8,774)	\$ 3,054
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share and warrants to Medironic - - 1,141,552 1 2,794 - 2,795 Amortization of unearned - - - 1,141,552 1 2,794 - 2,795 Amortization of unearned - - - 825 825 825 Stock options granted for - - 406,054 1,305 - - Services of stock options - - 406,054 127 - 127 Net loss - - 406,054 - 127 - 127 Net loss - - - 406,054 - - (5,345) (5,345) Balance, December 31, 2005 - - 342,857 34 - - 11,578 - - 11,612 Fair value of beneficial - - 342,857 34 - - 11,578 - - 11,612 Ferier d Stock - - - 2,621 - 2,621 - 2,621 (2,621) (2,621)											
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Stock options granted for services - - - 1,305 (1,305) - - Exercise of stock options - - 406,054 - 127 - - 127 Net loss - - - 406,054 - 127 - - 127 Net loss - - - 2 406,054 - 127 - - 127 Net loss - - - 2 406,054 - 127 - - 127 Salance, December 31, 2005 - \$ 0 - \$ 0 26,542,924 \$ 27 \$ 19,412 \$ (798) \$ (14,119) \$ 4,522 Sale of Prefered Stock - - 342,857 34 - - 11,578 - - 11,612 Fair value of beneficial - - 342,857 34 - - 2,621 - - 2,621 - - 2,621 - - 2,621 - - 2,621 - <td></td>											
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Exercise of stock options406,054-127127Net loss127-127Net loss127-127Net loss127Balance, December 31, 2005- $\$$ 026,542,924 $\$27$ $\$$ 19,412 $\$$ (798) $\$$ (14,119) $\$$,522Sale of Prefered Stock26,542,924 $\$27$ $\$$ 19,412 $\$$ (798) $\$$ (14,119) $\$$,522Sale of Prefered Stock342,8573411,57811,612Fair value of beneficial342,8573411,57811,612Fair value of beneficial conversion rights issued in2,621-2,621-2,621Preferred Dividend and2,621-2,621(2,621)(2,621)Employee share-based1,1931,193Compensation expense1,1931,193Non-employee share-based8383Reclassification of prior year83-											
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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 - - 342,857 34 - - 11,578 - - 11,612 Per share - 342,857 34 - - 11,578 - - 11,612 Fair value of beneficial conversion rights issued in connection with issuance of - - - - 2,621 - - 2,621 Preferred Stock - - 25,298 3 - - 2,621 - - 2,621 (2,621) (2,621) (2,621) Preferred Dividend and accretion of fair value of - - 25,298 3 - - 1,193 - - 1,193 - - 1,193 - - 1,193 - - 1,193 - - 1,193 - - 1,193 - - 1,193 - -	-	-	-	-	-	406,054	-	127	-	-	
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 $ -$		-	-	-	-	-	-	-	-		
through private placement at an average price of $\$35.00$ per share - 3 342,857 34 - 3 11,578 - 11,612 Fair value of beneficial conversion rights issued in connection with issuance of Series C Preferred Stock - 3 - 4 - 4 - 4 - 4 - 4 - 4 - 4 - 4 - 4		-	\$ 0	-	\$ 0	26,542,924	\$27	\$19,412	\$ (798)	\$(14,119)	\$ 4,522
an average price of \$35.00 per share - 342,857 34 - 11,578 - 11,612 Fair value of beneficial - - 11,612 - 11,612 conversion rights issued in - - - - 11,612 conversion rights issued in - <											
per share - 342,857 34 - - 11,578 - 11,612 Fair value of beneficial conversion rights issued in connection with issuance of - - - 1 - - 2,621 - - 2,621 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) (2,621) Employee share-based - - - - 1,193 - - 1,193 Non-employee share-based - - - - 1,193 - - 1,193 Non-employee share-based - - - 83 - - 83 compensation of prior year - - - - 83 - - 487 487 Italistication of prior year - - - - - 487 - - - - <											
Fair value of beneficial - - - - - - - 2,621 - 2,621 conversion rights issued on - - - 2,621 - 2,621 - 2,621 Preferred Stock - - 2,5298 3 - - 2,621 - 2,621 Preferred Dividend and - - 2,5298 3 - - (3) - 2,621) (2,621) (2,621) beneficial conversion charge - 25,298 3 - - (3) - (2,621) (2,621) Employee share-based - - - - - 1,193 - - 1,193 Non-employee share-based - - - - 83 - - 83 compensation expense - - - - 83 - - 83 Reclassification of prior year - - - - 487 487 Effects of adoption of SFAS - -	÷ .										
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connection with issuance of Series C Preferred Stock - - - 2,621 - 2,621 Preferred Dividend and accretion of fair value of - 25,298 3 - - (3) - (2,621) (2,621) beneficial conversion charge - 25,298 3 - - (3) - (2,621) (2,621) Employee share-based - - - - (3) - - 1,193 Non-employee share-based - - - 1,193 - - 83 Reclassification of prior year - - - 83 - - 83 Reclassification of prior year - - - - 487 - 487 Effects of adoption of SFAS -											
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beneficial conversion charge - 25,298 3 - - (3) - (2,621) (2,621) Employee share-based - - - 1,193 - - 1,193 Non-employee share-based - - - - 1,193 - - 1,193 Non-employee share-based - - - - 83 - - 83 compensation expense - - - - 83 - - 83 Reclassification of prior year - - - - 83 - - 83 prepaid expenses - - - - - 487 - 487 Effects of adoption of SFAS - - - - (311) 311 - - Net loss - - - - - - (7,046) (7,046) Balance, December 31, 2006 - \$ 0 368,155 \$ 37 26,542,924 \$ 27 \$ 34,573 0 \$ (23,78											
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Non-employee share-based - - - 83 - - 83 compensation - - - 83 - - 83 Reclassification of prior year - - - 83 - - 83 non-employee compensation - - - - - 487 - 487 to prepaid expenses - - - - 487 - 487 Effects of adoption of SFAS - - - - - 487 - 123R - - - - - - - - - Net loss - - - - - - - - - - Balance, December 31, 2006 - \$ 0 368,155 \$ 37 26,542,924 \$ 27 \$ 34,573 0 \$ (23,786) \$ 10,851 Sale of Series D Preferred 428,571 43 - - - 14,727 - - 14,770	· ·										
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Reclassification of prior year non-employee compensation to prepaid expenses - - - 487 - 487 Effects of adoption of SFAS - - - 487 - 487 123R - - - (311) 311 - - Net loss - - - - (7,046) (7,046) Balance, December 31, 2006 - \$ 0 \$(23,786) \$10,851 Sale of Series D Preferred 428,571 43 - - - 14,727 - - 14,770	1 2										
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to prepaid expenses - - - - 487 - 487 Effects of adoption of SFAS - - - - - 487 - 487 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 428,571 43 - - - 14,727 - - 14,770	- ·										
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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 428,571 43 - - - 14,727 - - 14,770								(211)			
Balance, December 31, 2006 - \$ 0 368,155 \$ 37 26,542,924 \$ 27 \$ 34,573 \$ 0 \$ (23,786) \$ 10,851 Sale of Series D Preferred 428,571 43 - - 14,727 - - 14,770		-	-	-	-	-	-	(311)	311	-	-
Sale of Series D Preferred 428,571 43 - - - 14,727 - - 14,770		-	-	-	-	-	-	-	-		
				368,155	\$37	26,542,924	\$27		\$ 0	\$ (23,786)	
Stock through private		428,571	43	-	-	-	-	14,727	-	-	14,770
	Stock through private										

placement at an average price of \$35.00 per share

6

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)

	unounts n	i tilous	ands, excep	1 101 511	are and per sn		nounts)			
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	_	-	_
7										

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)

	Ni	ne Months En 30	eptember	Fel (in t	For the period pruary 12, 1999 nception) hrough tember 30,
		2008	2007	-	2008
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		-	-		