

NEUROLOGIX INC/DE  
Form 10-Q  
August 11, 2011

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 quarterly period ended June 30, 2011

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). 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

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company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

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

Accelerated filer

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 August 8, 2011, 27,997,701 shares of common stock were outstanding.

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## Item 1. Financial Statements (Unaudited)

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

	June 30, 2011 (Unaudited)	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$3,453	\$ 8,055
Prepaid expenses and other current assets	319	481
<b>Total current assets</b>	<b>3,772</b>	<b>8,536</b>
Equipment, less accumulated depreciation of \$704 and \$682 at June 30, 2011 and December 31, 2010, respectively	49	71
Intangible assets, less accumulated amortization of \$426 and \$364 at June 30, 2011 and December 31, 2010, respectively	1,137	1,065
Other assets	5	5
<b>Total assets</b>	<b>\$4,963</b>	<b>\$ 9,677</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$3,375	\$ 2,302
Notes payable, net of discount	6,078	4,695
<b>Total current liabilities</b>	<b>9,453</b>	<b>6,997</b>
Derivative financial instruments, at estimated fair value – warrants	4,174	6,840
<b>Total liabilities</b>	<b>13,627</b>	<b>13,837</b>
<b>Commitments and contingencies</b>		
Stockholders' deficit:		
Preferred stock; 5,000,000 shares authorized		
Series A – Convertible, \$0.10 par value; 650 shares designated, 645 shares issued and outstanding at June 30, 2011 and December 31, 2010, with an aggregate liquidation preference of \$1	-	-
Series C – Convertible, \$0.10 par value; 700,000 shares designated, 275,235 and 278,849 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively, with an aggregate liquidation preference of \$7,752 and \$8,369 at June 30, 2011 and December 31, 2010, respectively	28	28
Series D – Convertible, \$0.10 par value; 792,100 shares designated, 734,898 shares issued and outstanding at June 30, 2011 and December 31, 2010, with an aggregate liquidation preference of \$31,355 and \$32,547 at June 30, 2011 and December 31, 2010, respectively	73	73
Common Stock:		
\$0.001 par value; 100,000,000 shares authorized, 27,997,701 and 27,918,148 issued and outstanding at June 30, 2011 and December 31, 2010, respectively	28	28
Additional paid-in capital	58,003	57,474
Deficit accumulated during the development stage	(66,796 )	(61,763 )
<b>Total stockholders' deficit</b>	<b>(8,664 )</b>	<b>(4,160 )</b>

Total liabilities and stockholders' deficit	\$4,963	\$ 9,677
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See accompanying notes to unaudited financial statements.

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

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

	Six Months Ended June 30,		Three Months Ended June 30,		For the period February 12, 1999 (inception) through June 30, 2011
	2011	2010	2011	2010	
Revenues	\$-	\$-	\$-	\$-	\$ -
Operating expenses:					
Research and development	3,252	3,399	2,025	1,542	36,748
General and administrative expenses	1,713	1,983	883	699	23,927
Loss from operations	(4,965 )	(5,382 )	(2,908 )	(2,241 )	(60,675 )
Other (expense) income:					
Dividend, interest and other income	-	1	-	1	1,885
Interest expense-related parties	(2,734 )	-	(1,366 )	-	(3,600 )
Change in estimated fair value of derivative financial instruments – warrants	2,666	(2,588 )	1,323	(2,232 )	(569 )
Other (expense) income, net	(68 )	(2,587 )	(43 )	(2,231 )	(2,284 )
Net loss	(5,033 )	(7,969 )	(2,951 )	(4,472 )	\$ (62,959 )
Preferred stock dividends	(1,673 )	(1,558 )	(845 )	(787 )	
Net loss applicable to common stock	\$(6,706 )	\$(9,527 )	\$(3,796 )	\$(5,259 )	
Net loss applicable to common stock per share, basic and diluted	\$(0.24 )	\$(0.34 )	\$(0.14 )	\$(0.19 )	
Weighted average common shares outstanding, basic and diluted	27,997,261	27,865,010	27,996,827	27,865,010	

See accompanying notes to unaudited financial statements.

NEUROLOGIX, INC.  
(A Development Stage Company)  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM FEBRUARY 12, 1999 (INCEPTION) THROUGH JUNE 30, 2011  
(Amounts in thousands, except for share and per share amounts)

	Series D Preferred Stock Shares	Series C Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unearned Compensation	Deficit Accumulated During the Development Stage	Total		
Sale of common stock to founders	-	\$ 0	-	\$ 0	6,004,146	\$ 0	\$ 4	\$ 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,	-	\$ 0	-	\$ 0	6,599,272	\$ 0	\$ 3,227	\$ (553 )	\$ (3,563 ) \$(889 )	

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2002										
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
Conversion of Series B convertible preferred stock to Common Stock	-	-	-	-	1,354,746	1	(1 )	-	-	-
Effects of reverse acquisition	-	-	-	-	7,103,020	14	5,886	-	-	5,900
Amortization of unearned compensation	-	-	-	-	-	-	-	202	-	202



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	Series D Preferred Shares	Series C Preferred Amount	Series C Preferred Shares	Series C Preferred Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unearned Compensation	Deficit Accumulated During the Development Stage	Total
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	-	-	342,857	34	-	-	11,578	-	-	11,612

price of \$35.00 per share										
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 ASC Topic 718	-	-	-	-	-	-	(311 )	311	-	-
Net loss	-	-	-	-	-	-	-	-	(7,046 )	(7,046 )

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	Series D Preferred Stock		Series C Preferred Stock		Common Stock		Additional	Unearned	Deficit	
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Compensation	Accumulated	Total
									During the	
									Development	
									Stage	
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 placement at an average price of \$35.00 per share	428,571	43	-	-	-	-	14,727	-	-	14,770
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	163,470	16	(230,184 )	(23 )	-	-	(347 )	-	354	-

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Preferred Stock											
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	

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	Series D Preferred Stock Shares	Series C Preferred Stock Amount	Series C Preferred Stock Shares	Common Stock Amount	Common Stock Shares	Additional Paid-in Capital	Unearned Compensation	Deficit Accumulated During the Development Stage	Total
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