

Neonode, Inc
Form PRE 14A
October 29, 2007
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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

Filed by a Party other than the Registrant

Check the appropriate box:

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

Neonode Inc.

(Name of Registrant as Specified In Its Charter)

Not applicable

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: Common Stock, par value \$0.001 per share, of the Registrant (the "Common Stock").

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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- o Fee paid previously with preliminary materials.
- 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: N/A
(2)	Form, Schedule or Registration Statement No.: N/A
(3)	Filing Party: N/A
(4)	Date Filed: N/A

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NEONODE Inc.

[_____], 2007

Dear Stockholder:

You are cordially invited to attend the Special Meeting of Stockholders of Neonode Inc. (the "Company") to be held on December 18, 2007 at the offices of Davenport Executive Search, located at 12770 High Bluff Drive, Suite 320 San Diego, CA 92130. The meeting will begin promptly at 9:00 a.m. local time.

At the Special Meeting, in addition to the election of directors and ratification of the selection of auditors, you will be asked to consider and vote upon a number of important matters that relate to our recently completed financing (the "September 2007 Financing").

The items of business to be considered at the special meeting are listed in the following Notice of Special Meeting and are more fully addressed in the proxy statement included with this letter. The items you will be asked to approve at the special meeting relate to, (i) an increase in the number of shares authorized for issuance under our Amended and Restated Certificate of Incorporation from 40,000,000 to 75,000,000, (ii) the election of directors, (iii) ratification of the terms of the September 2007 Financing, including without limitation the anti-dilution provisions, (iv) the approval of the convertibility of August 2007 Notes (as described below), and (v) the approval of Ohrlings PricewaterhouseCoopers AB as the new auditors for the company's financial statements.

As discussed in the Proxy Statement, the failure of stockholders to ratify the September 2007 Financing or approve convertibility of the August 2007 Notes could make future financings more complicated and, in some circumstances constitute an event of default under the September 2007 Financing or adversely affect Neonode's listing on the NASDAQ Stock Market.

The Company's Board of Directors believes that a favorable vote for the matters described in the attached Notice of Special Meeting and Proxy Statement is in the best interest of the Company and its stockholders and recommends a vote "FOR" such matters. Accordingly, we urge you to review the accompanying material carefully and to return the enclosed proxy promptly.

Whether or not you plan to attend the special meeting in person, it is important that your shares be represented and voted at the meeting. Please date, sign, and return your proxy card promptly in the enclosed envelope to ensure that your shares will be represented and voted at the special meeting, even if you cannot attend. If you attend the special meeting and are the stockholder of record, you may vote your shares in person even though you have previously signed and returned your proxy.

On behalf of your board of directors, thank you for your investment in and continued support of Neonode Inc.

Sincerely,

/s/ Mikael Hagman

Mikael Hagman
President and Chief Executive Officer

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NEONODE INC.

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On December 18, 2007**

To the Stockholders of Neonode Inc.:

You are cordially invited to attend the Special Meeting of Stockholders of Neonode Inc, a Delaware corporation (the "Company"). The special meeting will be held at the offices of Davenport Executive Search located at 12770 High Bluff Drive, Suite 320, San Diego, CA 92130. The meeting will begin promptly at 9:00 a.m. local time.

- (1) To consider and vote upon the approval of a restated and amended Certificate of Incorporation to incorporate previous amendments and to effect an increase in the number of authorized shares from 40,000,000 to 75,000,000;
- (2) To elect two directors to hold office until the 2010 Annual Meeting of Stockholders;
- (3) To ratify the terms of the financing transaction (the "September 2007 Financing"), pursuant to which the Company issued units (the "September 2007 Units"), consisting of its common stock, convertible notes and warrants, issued warrants to purchase such units to its financial advisor and received gross proceeds of \$6,169,900 (including conversion of \$454,900 principal amount and interest on August 2007 Notes), including certain anti-dilution provisions applicable to such common stock, convertible notes and warrants;
- (4) To approve the convertibility into September 2007 Units of outstanding 8% Senior Secured Notes of the Company (the "August 2007 Notes"), including the remaining \$3,550,000 principal amount (assuming exercise of an option), interest and possible other charges, the issuance of warrants to holders of the August 2007 Notes and certain anti-dilution provisions applicable to such warrants;
- (5) To ratify the selection of Ohrlings PricewaterhouseCoopers AB as our independent auditors for the 2007 fiscal year; and
- (6) To transact such other business as may properly come before the special meeting or any adjournment thereof.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the special meeting is November 6, 2007. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors,

/s/ David Brunton

David Brunton
Secretary

San Ramon, California
[____], 2007

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YOU ARE CORDIALLY INVITED TO ATTEND THE SPECIAL MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHICH DOES NOT REQUIRE ANY POSTAGE IF MAILED IN THE UNITED STATES, IN ORDER TO ENSURE YOUR REPRESENTATION AT THE SPECIAL MEETING. EVEN IF YOU HAVE VOTED BY PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM THAT RECORD HOLDER IN ORDER TO VOTE IN PERSON.

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NEONODE INC.

PROXY STATEMENT

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Except as otherwise specifically noted, “Neonode,” “New Neonode,” “we,” “our,” “us” and similar words in this proxy statement refer to Neonode Inc., formerly known as SBE, Inc. and its subsidiaries. References to “Old Neonode” shall mean the company now known as Cold Winter, Inc. (now a wholly owned subsidiary of Neonode Inc.), and its wholly-owned subsidiary, Neonode AB.

FORWARD-LOOKING STATEMENTS

The information in this proxy statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that are not historical in nature, including statements about beliefs and expectations, are forward-looking statements. Words such as “may,” “will,” “should,” “estimates,” “predicts,” “believes,” “anticipates,” “plans,” “expects,” “intends,” and similar expressions are intended to identify these forward-looking statements, but are not the exclusive means of identifying such statements. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. You are cautioned that these forward-looking statements reflect management’s estimates only as of the date hereof, and we assume no obligation to update these statements, even if new information becomes available or other events occur in the future. Actual future results, events and trends may differ materially from those expressed in or implied by such statements depending on a variety of factors, including, but not limited to those set forth in our filings with the Securities and Exchange Commission, or SEC.

WHERE YOU CAN FIND MORE INFORMATION

We are a reporting company and file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, proxy statements or other information that we file at the SEC’s public reference room at 100 F Street N.E., Room 1580, Washington, D.C., 20549. You can also request copies of these documents by writing to the SEC and paying a fee for the copying costs. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. Our public filings with the SEC are also available on the web site maintained by the SEC at <http://www.sec.gov>.

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NEONODE INC.
4000 Executive Parkway, Suite 200
San Ramon, California 94583

PROXY STATEMENT
FOR THE SPECIAL MEETING OF STOCKHOLDERS
To Be Held On December 18, 2007

The Special Meeting of Stockholders of Neonode Inc. will be held on December 18, 2007, at the offices of Davenport Executive Search, located at 12770 High Bluff Drive, Suite 320, San Diego, CA 92130, beginning promptly at 9:00 a.m., local time. The enclosed proxy is solicited by our board of directors. It is anticipated that this proxy statement and the accompanying proxy card will be first mailed to holders of our common stock on or about November [____], 2007.

QUESTIONS AND ANSWERS ABOUT THE PROPOSALS

Why am I receiving this proxy statement and proxy card?

You are receiving a proxy statement and proxy card because you own shares of our common stock. This proxy statement describes the issues on which we would like you, as a stockholder, to vote. It also gives you information on these issues so that you can make an informed decision.

Who can vote at the special meeting?

Only stockholders of record at the close of business on November 6, 2007 will be entitled to vote at the special meeting. On this record date, there were [____] shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on November 6, 2007 your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on November 6, 2007 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the special meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the special meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What is being voted on?

You are being asked to vote on the following five proposals:

Proposal 1 — To consider and vote upon the approval of an amendment of our Certificate of Incorporation to effect an increase in the number of authorized shares from 40,000,000 to 75,000,000;

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Proposal 2 — To elect two directors to hold office until the 2010 Annual Meeting of Stockholders;

Proposal 3 — To ratify the terms of the financing transaction (the “September 2007 Financing”), pursuant to which the Company issued units (the “September 2007 Units”), consisting of its common stock, convertible notes and warrants, and received gross proceeds of \$6,169,900 (including conversion of \$454,900 principal amount and interest on August 2007 Notes) including certain anti-dilution provisions applicable to such common stock, convertible notes and warrants;

Proposal 4 - To approve the convertibility into September 2007 Units of outstanding 8% Senior Secured Notes of the Company (the “August 2007 Notes”), including the remaining \$3,550,000 principal amount (assuming exercise of an option), interest and possible other charges, the issuance of warrants to holders of the August 2007 Notes and certain anti-dilution provisions applicable to such September 2007 Units and such warrants; and

Proposal 5 - To ratify the selection of Ohrlings PricewaterhouseCoopers AB as our independent auditors for the 2007 fiscal year.

How do I vote?

For each of the matters to be voted on, you may vote “For” or “Against” or abstain from voting. The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the special meeting or vote by proxy using the enclosed proxy card. To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the special meeting, we will vote your shares as you direct. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy. If you would like to vote in person, come to the special meeting and we will give you a ballot when you arrive.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the proxy card to ensure that your vote is counted. To vote in person at the special meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of November 6, 2007.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count “For” and “Against” votes, abstentions and broker non-votes. Abstentions and broker non-votes will be counted towards the vote total for Proposals 2 and 5 with the same effect as “For” votes, and will have the same effect as votes “Against” Proposals 1, 3 and 4.

If your shares are held by your broker as your nominee (that is, in “street name”), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to

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instruct your broker to vote your shares. If you do not give instructions to your broker, the shares will be treated as broker non-votes.

How many votes are needed to approve each proposal?

To be approved, Proposal 1 (the authorized share increase proposal) must receive a “For” vote from the holders of a majority of the outstanding shares of our common stock on the record date, Proposal 2 (the director vote proposal), Proposal 3 (the September 2007 Financing proposal), Proposal 4 (the August 2007 Note Convertibility Proposal), and Proposal 5 (the auditor proposal) must receive the affirmative vote of the holders of a majority of the outstanding shares represented in person or by proxy and entitled to vote at the special meeting. If you do not vote or abstain from voting on any of these proposals, it will have the same effect as an “Against” vote. Broker non-votes will have the same effect as “Against” votes only for Proposals 1,3,4 and 5. If those present do not vote, or abstain from voting, it will have the same effect as an “Against” vote. Broker non-votes will have no effect.

What is the quorum requirement?

A quorum is necessary to hold a valid meeting. A quorum will be present if a majority of the outstanding shares are represented in person or by proxy at the special meeting. On the record date, there were [_____] shares of Neonode common stock outstanding and entitled to vote. Thus, at least [_____] shares must be represented in person or by proxy at the special meeting in order to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the special meeting may adjourn the special meeting to another date.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be treated as broker non-votes and will have the same effect as “Against” votes.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, it means that your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

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- You may submit another properly completed proxy card with a later date;
- You may send a written notice that you are revoking your proxy to our Secretary at 4000 Executive Parkway, Suite 200, San Ramon, California 94583; or

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You may attend the special meeting and vote in person. However, simply attending the special meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

Does the board of directors recommend approval of the proposals at the special meeting?

Yes. After careful consideration, our board of directors recommends that our stockholders vote FOR each of the proposals.

Who can help answer my questions about the proposals?

If you have additional questions about these proposals, you should contact David Brunton, our Chief Financial Officer, at (925) 355-7700.

How can I find out the results of the voting at the special meeting?

Preliminary voting results may be announced at the special meeting. Final voting results will be published in our quarterly report on Form 10-Q for the quarter in which the special meeting occurs.

SUMMARY OF THE PROXY STATEMENT

The following summary, together with the previous question and answer section, provides an overview of the proposals discussed in this proxy statement and presented in the attached annexes. The summary also contains cross-references to the more detailed discussions elsewhere in the proxy statement. This summary may not contain all of the information that is important to you. To understand the proposals fully, and for a more complete description of the terms of the each proposal, you should carefully read this entire proxy statement and the attached annexes in their entirety.

September 2007 Financing

On September 26, 2007, we issued in a private offering \$6,169,900 of units (the "September 2007 Units") of our securities (an aggregate of 2,056.33 September 2007 Units) at a price of \$3,000 per September 2007 Unit. The September 2007 Units consist of (i) \$3,084,950 of principal amount of floating rate promissory notes of the Company (the "Note" or "Notes"), sold at par, convertible into shares of the Company's Common Stock, \$0.001 par value (the "Common Stock") at a conversion price of \$3.50 per share ("Conversion Price"); (ii) 1,432,445 shares of Common Stock (the "Shares") at a per share purchase price of \$3.00 (the "Share Price"); and (iii) 876,652 five year warrants (the "Warrants"), exercisable to purchase shares of Common Stock (the "Warrant Shares") at an exercise price of \$3.92 per share ("Warrant Price").

The Notes, the Warrants and the subscription agreement pursuant to which the September 2007 Units were issued (the "Subscription Agreement") provide for certain protection for the holders of Shares, Notes and Warrants from dilution resulting from future sales of our securities. The Company is barred from issuing any securities that would trigger these anti-dilution provisions in violation of the NASDAQ Marketplace Rules.

In addition, Empire Asset Management, Inc. ("Empire") received a fee of 7.5% of the total amounts raised through the sale of September 2007 Units plus five year warrants, exercisable to purchase up to 142.875 September 2007 Units (the "Empire Warrants") at a price of \$3,250 per September 2007 Unit.

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The forms of the Subscription Agreement, Notes, Warrants and Empire Warrants were filed as exhibits to the Company's Form 8-K, dated October 2, 2007, and are incorporated herein by reference.

The Warrants will not be exercisable until March 26, 2008, six months after closing of the offering. The Warrant Price will be subject to reduction on a ratchet anti-dilution basis if the Company issues Common Stock below the Warrant Price prior to March 27, 2009; however, there will be no corresponding increase in the number of Warrant Shares.

The number of shares issuable upon conversion of the Notes shall include additional shares representing accrued interest or, if the Company redeems the Notes, the redemption premium. The Conversion Price will be subject to reduction on a ratchet anti-dilution basis if the Company issues Common Stock below the Conversion Price prior to March 27, 2009; and, upon any such reduction, the Notes will be convertible into a greater number of shares.

The initial holders of the Shares will also be entitled to ratchet anti-dilution protection in the event of issuance of Common Stock below \$3.00 per share. All of the ratchet anti-dilution provisions expire on March 27, 2009.

Conversion of August 2007 Notes

A predecessor of the Company, a private company also known as Neonode Inc. ("Old Neonode"), issued \$3,250,000 of 8% convertible notes (the "August 2007 Notes") prior to the merger of Old Neonode with a subsidiary of the Company. The August 2007 Notes, as amended, plus accrued interest and certain other charges are convertible at the option of the holders exercised prior to June 30, 2008, into Units. An aggregate of \$454,900 of August 2007 Notes (including interest) converted into Units in the September 2007 Financing.

Simultaneously with the issuance of the August 2007 Notes, Old Neonode also agreed to sell up to \$750,000 of additional August 2007 Notes to Ellis International at its option, expiring December 31, 2007. These August 2007 Notes, if purchased, plus accrued interest are also convertible, at the option of the holders exercised prior to December 31, 2007, into securities substantially similar to the September 2007 Units. The holders of August 2007 Notes have agreed to amendment of the August 2007 Notes to defer the convertibility of the August 2007 Notes in exchange for three year warrants (the "Note Extension Warrants") to purchase an aggregate of 219,074 shares of Common Stock at a price of \$3.92 per share. The form of Note Extension Warrant was filed as an exhibit to the Company's Form 8-K, dated October 2, 2007, and is incorporated herein by reference.

The holders of Note Extension Warrants are protected from dilution resulting from future sales of our securities in substantially the same way as the holders of securities included in the September 2007 Units. The Company is barred from issuing any securities that would trigger the anti-dilution provisions in violation of the NASDAQ Marketplace Rules.

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PROPOSAL 1

APPROVAL OF INCREASE IN AUTHORIZED SHARES

We are requesting stockholder approval to increase the authorized number of shares of our common stock from 40,000,000 shares to 75,000,000 shares. The additional common stock to be authorized by adoption of this proposal would have rights identical to our currently outstanding common stock. Adoption of the proposed amendment and issuance of the common stock would not affect the rights of the holders of our currently outstanding common stock, except for effects incidental to possible future increases in the number of shares of our common stock outstanding, such as dilution of the earnings per share and voting rights of our current holders of common stock. If the amendment is adopted, it will become effective upon filing of the amended and restated certificate of incorporation with the Secretary of State of the State of Delaware.

As of November [], 2007, we had outstanding [] shares, as well as options and warrants, which if exercised, would result in the issuance of an additional [] shares. Accordingly, on a fully diluted basis, that is, assuming exercise of all outstanding warrants and options and conversion of the Notes and August 2007 Notes, we have ___ shares outstanding. Without the proposed increase, we will likely have insufficient authorized shares of common stock to issue in connection with expected future financings.

The additional shares of common stock that would become available for issuance if the proposal is adopted could also be used by us to oppose a hostile takeover attempt or to delay or prevent changes in control or management of Neonode. For example, without further stockholder approval, our board of directors could strategically sell shares of common stock in a private transaction to purchasers who would oppose a takeover or favor the incumbent board of directors. Although this proposal to increase the authorized common stock has been prompted by business and financial considerations and not by the threat of any hostile takeover attempt (nor is our board of directors currently aware of any such attempts directed at us), nevertheless, stockholders should be aware that approval of proposal could facilitate our future efforts to deter or prevent changes in control of Neonode, including transactions in which the stockholders might otherwise receive a premium for their shares over then current market prices.

In order to incorporate previous amendments to our certificate of incorporation, we request that you approve an amended and restated Certificate of Incorporation in the form attached hereto as Exhibit A and adopt the following resolutions:

“RESOLVED, that the Certificate of Incorporation of this Corporation (the “Certificate”) be, and it hereby is, amended to increase the number of authorized shares of the Corporation’s common stock (the “Common Stock”) from forty million to seventy-five million; and further

RESOLVED, that the Certificate be, and it hereby is, amended and restated so as to be and read in its entirety as set forth in the form attached hereto as Exhibit A, which Certificate the officers of the Corporation are hereby authorized to file with the Secretary of the State of Delaware.”

The adoption of Proposal 1 will require the affirmative vote of the holders of a majority of the outstanding shares of our common stock on the record date.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE
IN FAVOR OF PROPOSAL 1.**

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PROPOSAL 2

ELECTION OF DIRECTORS

The Board currently has five members. There are two directors whose terms of office expire in 2007. If elected at the annual meeting, these nominees would serve until the 2010 annual meeting and until their successors are elected and have qualified, or until their earlier death, resignation or removal. All of the directors were directors of Neonode Inc. ("Old Neonode"), which merged into a subsidiary of the Company on August 10, 2007. With the exception of John Reardon, all of the directors became directors of the Company on August 10, 2007.

The following is a brief biography of each nominee and each director whose term will continue after the annual meeting.

NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2010 ANNUAL MEETING

John Reardon - Mr. Reardon, age 48, has served as a director of the Company since February 2004 and of Old Neonode since February 2007. Mr. Reardon is the chairman of the Audit Committee and member of the Compensation and Nominating and Governance Committees of the Company. Mr. Reardon has served as President and member of the board of directors of The RTC Group, a technical publishing company since 1990. In 1994, Mr. Reardon founded a Dutch corporation, AEE, to expand the activities of The RTC Group into Europe. Mr. Reardon also serves on the board of directors of One Stop Systems, Inc., a computing systems and manufacturing company.

Mikael Hagman - Mr. Hagman, age 39, joined Old Neonode as Chief Executive Officer in March 2007 from Sony where he served as Chief Executive Officer for Sony Corp. in Sweden and Finland. During his eight years with Sony, Mr. Hagman held a number of positions and served on the board of Sony Nordic AS. While at Sony Mr. Hagman was nominated for several Pan European committees and participated in forums that developed Sony's commercial strategies. Prior to Sony, Mr. Hagman worked for United Biscuits Ltd. in various leading sales and marketing roles. He currently serves on the board of directors of AIK Fotboll AB, a publicly traded company listed on NGM (Nordic Growth Markets). AIK Fotboll AB is one of Sweden's leading soccer clubs. He has served on the board of various industry associations (Consumer Electronics Association, Elektronik branchen, SRL).

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF THE NAMED NOMINEES.**

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2009 ANNUAL MEETING

Per Bystedt - Mr. Bystedt, age 42, served as the interim CEO of Old Neonode from October 2005 through July 2006. Since 1997, Mr. Bystedt has been the CEO of Spray AB, an internet investment company. From 1991 through 1997, Mr. Bystedt was the CEO of various television production and network companies including Trash Television, ZTV AB, TV3 Broadcasting Group Ltd and MTG AB. From 1998 through the present, Mr. Bystedt has served as a member of the board of directors of Axel Johnson AB. From 2000 to the pre