

Neonode, Inc
Form PRER14A
February 25, 2009

AMENDMENT 2 TO 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:
- Fee paid previously with preliminary materials.
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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

Neonode Inc.

February [], 2009

Dear Stockholder:

You are cordially invited to attend the Special Meeting of Stockholders of Neonode Inc. (the "Company") to be held on March 26, 2009 at the offices of our Swedish subsidiary, AB Cypressen nr 9683, located at Linnegatan 89, Stockholm, Sweden, 11523. The meeting will begin promptly at 9:00 a.m. local time.

At this Special Meeting, you will be asked to consider and vote upon a number of important matters that relate to our recently completed refinancing (the "December 2008 Refinancing").

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 are as follows:

- (i) an amendment to the Company's certificate of incorporation to increase the number of authorized shares from 77,000,000 to 700,000,000 and to increase the number of authorized shares of common stock from 75,000,000 to 698,000,000;
- (ii) an amendment to the Company's Certificate of Incorporation to increase the conversion rate of the Series A Preferred Stock such that each share of Series A Preferred Stock, which is currently convertible into 1 share of common stock, shall be convertible into 480.63 shares of common stock; and
- (iii) an amendment to the Company's Certificate of Incorporation to increase the conversion rate of the Series B Preferred Stock such that each share of Series B Preferred Stock, which is currently convertible into 1 share of common stock, shall be convertible into 132.07 shares of common stock

As discussed in the Proxy Statement, the failure of stockholders to approve the aforementioned proposals could adversely affect the goals of the December 2008 Refinancing, and could make future financings more difficult and complicated.

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/ Per Bystedt
Per Bystedt

NEONODE INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On March 26, 2009

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 our Swedish subsidiary, AB Cypressen nr 9683, located at Linnegatan 89, Stockholm, Sweden, 11523. The meeting will begin promptly at 9:00 a.m. local time. At the meeting, stockholders will be asked:

- (1) To approve an amendment to our Certificate of Incorporation (a) to increase the number of authorized shares from 77,000,000 to 700,000,000, (b) to increase the number of authorized shares of common stock from 75,000,000 to 698,000,000, and (c) to incorporate the changes effected by our previously filed certificates of designations of our preferred stock;
- (2) To approve an amendment to our Certificate of Incorporation to increase the conversion rate of the Series A Preferred Stock such that each share of Series A Preferred Stock, which is currently convertible into 1 share of common stock, shall be convertible into 480.63 shares of common stock; and
- (3) To approve an amendment to our Certificate of Incorporation to increase the conversion rate of the Series B Preferred Stock such that each share of Series B Preferred Stock, which is currently convertible into 1 share of common stock, shall be convertible into 132.07 shares of common stock
- (4) 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 February 6, 2009. 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
Chief Financial Officer and Secretary

Lafayette, California
February [__], 2009

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, 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 to vote in person.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting
to Be Held on March 26, 2009:

The Proxy Statement is available at [www.\[\]](#).

NEONODE INC.

PROXY STATEMENT

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Except as otherwise specifically noted, “Neonode,” the “Company,” “we,” “our,” “us” and similar words in this proxy statement refer to Neonode Inc., formerly known as SBE, Inc., and its subsidiaries.

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 (the 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>.

NEONODE INC.
651 Byrdee Way Lafayette, California 94549

PROXY STATEMENT
FOR THE SPECIAL MEETING OF STOCKHOLDERS
To Be Held On March 26, 2009

The Special Meeting of Stockholders of Neonode Inc. will be held on March 26, 2009, at the offices of our Swedish subsidiary, AB Cypressen nr 9683, located at Linnegatan 89, Stockholm, Sweden, 11523, 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 outstanding common and preferred stock on or about February [], 2009.

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 or preferred 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 February 6, 2009 will be entitled to vote at the special meeting. On this record date, there were 37,009,589 shares of common stock outstanding and entitled to vote, 874,079.96 shares of Series A Preferred Stock outstanding and entitled to vote, and 92,795.23 shares of Series B Preferred Stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on February 6, 2009 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 February 6, 2009 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 four proposals:

Proposal 1 — To approve an amendment of our amended and restated Certificate of Incorporation (a) to increase the number of authorized shares from 77,000,000 to 700,000,000, (b) to increase in the number of authorized shares of common stock from 75,000,000 to 698,000,000, and (c) to incorporate the changes effected by our previously filed certificates of designations of our preferred stock;

Proposal 2 — To approve an amendment of our amended and restated Certificate of Incorporation to increase the conversion rate of the Series A Preferred Stock such that each share of Series A Preferred Stock, which is currently convertible into 1 share of common stock, shall be convertible into 480.63 shares of common stock;

Proposal 3 — To approve an amendment of our amended and restated Certificate of Incorporation to increase the conversion rate of the Series B Preferred Stock such that each share of Series B Preferred Stock, which is currently convertible into 1 share of common stock, shall be convertible into 132.07 shares of common stock.

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 and/or preferred stock you own as of February 6, 2009.

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 have the same effect as votes “Against” all Proposals.

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 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, all Proposals must receive a “For” vote from the holders of a majority of the outstanding stock entitled to vote thereon. In addition, the votes in favor of Proposal 1 must include a majority of the outstanding shares of common stock. 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 for all Proposals. If those present do not vote, or abstain from voting, it will have the same effect as an “Against” vote.

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 37,009,589 shares of the Company's common stock outstanding and entitled to vote, 874,079.96 shares of the Company's Series A Preferred Stock outstanding and entitled to vote, and 92,795.23 shares of the Company's Series B Preferred Stock outstanding and entitled to vote, for total of 37,976,464.19 shares of stock outstanding and entitled to vote. Thus, at least 18,989,733 shares must be represented in person or by proxy at the special meeting in order to have a quorum.

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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:

- 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 Chief Financial Officer at 651 Byrdee Way, Lafayette, California 94549;
or
- 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) 768-0620.

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.

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SUMMARY OF INFORMATION RELATED TO THE PROPOSALS

The section, together with the previous question and answer section, provides background information related to the proposals discussed in this proxy statement and to be voted on at the special meeting. The proposals to be voted on are described in greater detail elsewhere in this proxy statement. This section 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 each proposal, you should carefully read this entire proxy statement and the attached exhibit in their entirety.

Business Overview

We develop user interface touchscreen solutions that enable people to interact more easily and intuitively with a wide variety of mobile computing, communications, entertainment and other electronic devices. We currently target the market for digital lifestyle products, including portable digital music and video players, digital cameras, mobile phones and other select electronic device markets with our customized touchscreen user interface solutions. The cornerstone of our technology is our innovative optical infrared touchscreen solutions. We believe that keyboards and keypads with moving parts will become obsolete and that our touchscreen solutions will be at the forefront of a new wave of finger based input technologies that will enable the user to interact and operate everything from small mobile devices to large industrial applications using a combination of touches, swipes and hand gestures.

For a description of our financial condition, please see our 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 15, 2008, and our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 19, 2008, which are incorporated herein by reference.

Background of the December 2008 Refinancing

Prior to the December 2008 Refinancing, our capital structure included several types of convertible notes, promissory notes, and warrants that had been issued by us in 2007 and 2008 as part of or as a consequence of prior financing rounds. The following is a brief description of these issuances and the resulting impact on our capital structure:

August 2007 Financing.

On August 8, 2007, we made an offering of convertible notes (the "August Bridge Notes") pursuant to a Note Purchase Agreement, dated as of July 31, 2007, which agreement was subsequently amended on August 1, 2007, September 26, 2007 and March 24, 2008. We originally received \$3,250,000 from the August 2007 offering. The August Bridge Notes originally matured on December 31, 2007; however the maturity was extended to December 31, 2008. The August Bridge Notes, due December 31, 2008, bore 8% per annum interest and were convertible into purchase units that were made up of a combination of shares of our common stock, convertible debt and warrants.

On September 26, 2007, the August Bridge Note holders that had not converted their debt were given three year warrants to purchase up to 219,074 shares (1st Extension Warrants) of our common stock at a price of \$3.92 per share in exchange for an agreement to extend the term of their notes from the original date of December 31, 2007 until June 30, 2008.

On May 21, 2008, the August Bridge Note holders that had not converted their debt were given additional three year warrants (2nd Extension Warrants) to purchase up to 510,294 shares of our common stock at a price of \$1.45 per share in exchange for an agreement to extend the term of their notes from June 30, 2008 until December 31, 2008.

September 2007 Financing.

On September 26, 2007, we sold \$5.7 million of securities in a private placement, comprised of (i) \$2.9 million of three-year promissory notes bearing the higher of LIBOR plus 3% or 8% interest per annum, convertible into shares of our common stock at a conversion price of \$3.50 per share, (ii) 952,499 shares of our common stock, and (iii) 5 year warrants to purchase 1,326,837 shares of our common stock at a price of \$3.92 per share, which was subsequently reduced to \$1.27 per share pursuant to certain anti-dilution provisions.

In addition, on September 26, 2007, certain holders of the August Bridge Notes converted an aggregate of \$454,900 of debt and accrued interest into units offered in the September 26, 2007 financing. The holders of the August Bridge Notes who converted their notes received (i) \$227,450 three-year promissory notes bearing the higher of LIBOR plus 3% or 8% interest per annum, convertible into shares of our common stock at a conversion price of \$3.50 per share, (ii) 75,817 shares of our common stock, and (iii) 5-year warrants to purchase 105,612 shares of our common stock at a price of \$3.92 per share.

May 2008 Financing.

On May 21, 2008, we completed a \$5.1 million financing, with net cash proceeds to us of \$4.1 million, primarily to prior security holders, Directors, affiliates of management and institutional investors. We issued 4,004,793 shares of our common stock and two new common stock purchase warrants, with an exercise price of \$1.45, for each outstanding warrant exercised. A total of 8,009,586 new common stock purchase warrants were issued to investors who surrendered or purchased shares under the warrant exchange offer. We also extended the maturity date of \$2.85 million of convertible debt that was due on June 30, 2008 until December 31, 2008 by issuing to the note holders 510,293 common stock purchase warrants, with an exercise price of \$1.45.

In sum, immediately prior to the December 2008 Refinancing, there were 27 note holders holding convertible notes and promissory notes in the aggregate amount of \$6,341,611, and 129 warrant holders holding warrants for the issuance of up to 14,365,434 shares of common stock.

Reasons for and Description of December 2008 Refinancing

In December 2008, our Board of Directors approved a number of measures designed to raise new working capital, refinance the Company and retain key employees to enable it to continue the development and marketing of its touch screen technologies. In addition, the approved measures were designed to enable the Company to satisfy the maintenance requirements for continued listing on the NASDAQ Stock Market. Specifically, on December 27, 2008, our Board of Directors approved our entry into refinancing and stock subscription agreements (together, the "Refinancing Agreements") relating to the unregistered sale of up to an aggregate amount of 1,007,931 shares of our Series A Preferred Stock and Series B Preferred Stock, par value \$0.001 per share.

Series A and Series B Preferred Stock

The rights, preferences, privileges, and restrictions of the Series A Preferred Stock and of the Series B Preferred Stock are as described in the Certificate of Designations filed by us with the Delaware Secretary of State on December 30, 2008. Out of the Company's 2 million shares of blank check preferred stock, the Certificate of Designations designated 899,081 shares as Series A Preferred Stock and 100,934 shares as Series B Preferred Stock. On January 13, 2009, we filed with the Delaware Secretary of State a Certificate of Increase of Designation which increased the amount of designated Series B Preferred Stock from 100,934 to 102,690. On January 29, we filed with the Delaware Secretary of State a second Certificate of Increase of Designation which increased the amount of designated Series B Preferred Stock from 102,690 to 108,850.

The Certificate of Designations provides as follows:

Dividends and Distributions.

Series A The holders of shares of Series A Preferred Stock are entitled to participate with the holders of the Preferred Company's common stock with respect to any dividends declared on the common stock in proportion to the Stock: number of shares of common stock issuable upon conversion of the shares of Series A Preferred Stock held by them.

Series B Preferred Stock: The holders of shares of Series B Preferred Stock are entitled to participate with the holders of the Company's common stock with respect to any dividends declared on the common stock in proportion to the number of shares of common stock issuable upon conversion of the shares of Series B Preferred Stock held by them

Liquidation Preference.

Series A Preferred Stock: In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, subject to the rights of any other series of Preferred Stock to be established by the Board of Directors (the "Senior Preferred Stock"), the holders of Series A Preferred Stock shall be entitled to receive, after any distribution to the holders of Senior Preferred Stock and prior to and in preference to any distribution to the holders of common stock, \$0.001 for each share of Series A Preferred Stock then outstanding.

Series B Preferred Stock: In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, subject to the rights of the Series A Preferred Stock and any other series of Preferred Stock to be established by the Board of Directors (collectively, the "Senior Preferred Stock"), the holders of Series B Preferred Stock shall be entitled to receive, after any distribution to the holders of Senior Preferred Stock and prior to and in preference to any distribution to the holders of common stock, \$0.001 for each share of Series B Preferred Stock then outstanding.

Voting.