

Neonode, Inc
Form PRE 14A
April 16, 2018

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

SCHEDULE 14A

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 Pursuant to §240.14a-12

NEONODE INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NEONODE INC.

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 7, 2018**

Stockholders of Neonode Inc.:

Notice is hereby given that the 2018 Annual Meeting (the “Meeting”) of Stockholders of Neonode Inc., a Delaware corporation (“Neonode”), will be held on June 7, 2018 at 3:00 p.m. local time at Neonode’s principal executive office located at Storgatan 23C, 11455 Stockholm, Sweden, to conduct the following business:

1. To elect one Class I director to serve on the Board of Directors of Neonode for a term of three years and until the election and qualification of a successor;
2. To approve, on an advisory basis, the compensation of Neonode’s named executive officers;
3. To approve, on an advisory basis, the frequency of the advisory vote on executive compensation;
4. To ratify the appointment of KMJ Corbin and Company LLP as Neonode’s independent registered public accounting firm for the fiscal year ending December 31, 2018;
5. To approve an amendment to the Certificate of Incorporation of Neonode to effect a reverse stock split of our common stock at a ratio in the range of 1-for-5 to 1-for-15 in the discretion of the Board of Directors of Neonode and to reduce the number of authorized shares of our common stock in a corresponding proportion to the reverse stock split;
6. To authorize an adjournment of the Meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Proposal 5; and
7. To transact any other business that may properly come before the Meeting.

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The record date for the Meeting is April 11, 2018. Only stockholders of record, or their proxies, at the close of business on that date may vote at the Meeting or any adjournment thereof.

By Order of the Board of Directors

Lars Lindqvist

Vice President, Finance, Chief Financial
Officer,
Treasurer and Secretary

April , 2018

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of
Stockholders to be Held on Thursday, June 7, 2018:**

**This notice, the proxy statement, the proxy card, and Neonode's annual report
are available at <http://www.astproxyportal.com/ast/16987>**

NEONODE INC.

PROXY STATEMENT FOR THE 2018 ANNUAL MEETING

This proxy statement is furnished by and on behalf of the Board of Directors of Neonode Inc., a Delaware corporation (“we”, “us”, “our”, “company,” or “Neonode”), in connection with the Annual Meeting of Stockholders of Neonode (the “2018 Annual Meeting”) to be held on June 7, 2018 at 3:00 p.m. local time at Neonode’s principal executive office located at Storgatan 23C, 11455 Stockholm, Sweden.

This proxy statement and accompanying materials are first being sent or given to stockholders on approximately April , 2018.

Questions and Answers About the 2018 Annual Meeting

What is the purpose of the 2018 Annual Meeting? At the 2018 Annual Meeting, stockholders will be asked to:

elect one Class I director to Neonode’s Board of Directors for a term of three years;

hold an advisory vote on the compensation of Neonode’s named executive officers (the “say-on-pay” vote);

hold an advisory vote on the frequency of the say-on-pay vote (the “say-on-frequency” vote);

ratify the appointment of KMJ Corbin and Company LLP as Neonode’s independent registered public accounting firm for the fiscal year ending December 31, 2018;

To amend the Certificate of Incorporation of Neonode to (i) effect a reverse stock split of our common stock at a ratio in the range of 1-for-5 to 1-for-15, with such ratio to be determined in the discretion of the Board of Directors of Neonode and with such reverse stock split to be effected at such time and date, if at all, as determined by the Board in its discretion, and (ii) reduce the number of authorized shares of our common stock in a corresponding proportion to the reverse stock split, rounded to the nearest whole share; and

To approve the adjournment of the 2018 Annual Meeting if there are insufficient votes at the time of the meeting to approve the reverse stock split proposal described above.

Stockholders also may be asked to act on any other business that may properly come before the meeting. Members of our company's management team will be present at the meeting to respond to appropriate questions from stockholders.

Who is entitled to vote? The record date for the 2018 Annual Meeting is April 11, 2018. Only stockholders of record at the close of business on that date are entitled to vote at the meeting. Each share of common stock and Series B Preferred Stock entitles the holder thereof to one vote on each matter properly brought before the meeting. As of the record date, 58,594,503 shares of our common stock were issued and outstanding and 83 shares of Series B Preferred Stock were issued and outstanding.

What is the difference between being a "record holder" and holding shares in "street name"? A record holder is listed as a stockholder on the share register of our company. Shares held in "street name" are held of record in the name of a brokerage firm or bank as a nominee for the benefit of another person.

Am I entitled to vote if my shares are held in "street name"? If your shares are held by a broker or bank, you are considered the beneficial owner of shares held in "street name". If your shares are held in street name, proxy materials should be forwarded to you by the record holder if it is a broker or bank along with a voting instruction card. As the beneficial owner, you may direct your broker or bank record holder how to vote your shares, and your broker or bank is required to vote your shares in accordance with your instructions.

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 eligible to vote are represented in person or by proxy at the meeting. 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 or bank, or other nominee record holder) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement.

Who can attend the 2018 Annual Meeting? All of our stockholders of record as of the close of business on April 11, 2018 may attend the 2018 Annual Meeting. “Street name” holders also are invited to attend the meeting; however, if 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 bank.

What if a quorum is not present at the meeting? If a quorum is not present at the scheduled time of the meeting, either the chairman of the meeting or a majority of the outstanding shares entitled to vote represented at the meeting may adjourn the meeting.

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 the record date.

Can I change my vote after I submit my proxy? If you are a record holder of shares, you may revoke your proxy and change your vote at any time before your proxy is actually voted at the meeting:

by signing and delivering another proxy with a later date;

by giving written notice of such revocation to our corporation secretary prior to or at the meeting; or

by voting in person at the meeting.

What if I do not specify how my shares are to be voted? If you submit a proxy but do not indicate any voting instructions, the proxy holder(s) will vote in accordance with the recommendations of the Board of Directors.

How are votes counted? Votes will be counted by the inspector of election appointed for the 2018 Annual Meeting, who will separately count “for” and “against” votes, abstentions, and broker non-votes.

What is an abstention? An “abstention” represents a stockholder’s affirmative choice to decline to vote on a proposal, other than the election of directors (the choices for election of directors are limited to “For” or “Withhold”).

How will abstentions be treated? Under the Bylaws of our company, abstained shares are excluded from the votes cast, so they will not be counted for or against a proposal.

What is a broker non-vote? If you are a “street name” beneficial owner but do not provide voting instructions to your broker record holder, then under applicable rules your broker may only exercise discretionary authority to vote on routine matters. Of the items described in this proxy statement, it is our understanding that routine matters consist of Proposals 4, 5, and 6. A broker may not exercise discretionary authority to vote on non-routine matters. This lack of discretionary authority is called a “broker non-vote.” Of the items described in this proxy statement, it is our understanding that non-routine matters consist of Proposals 1, 2, and 3.

How will broker non-votes be treated? Broker non-votes will be treated as shares present for quorum purposes, but not considered entitled to vote on that matter.

What are the recommendations of the Board of Directors? The Board recommends that you vote:

FOR the election to the Board of Directors of the Class I nominee named in this proxy statement;

FOR the approval, on an advisory basis, of the compensation of the named executive officers;

FOR the approval, on an advisory basis, of a one-year frequency of the advisory vote on executive compensation;

FOR the ratification of KMJ Corbin and Company LLP as independent registered public accounting firm for the fiscal year ending December 31, 2018;

FOR the approval of the amendment to the Certificate of Incorporation to (i) effect a reverse stock split of our common stock at a ratio in the range of 1-for-5 to 1-for-15, with such ratio to be determined in the discretion of the Board and with such reverse stock split to be effected at such time and date, if at all, as determined by the Board in its discretion, and (ii) reduce the number of authorized shares of our common stock in a corresponding proportion to the reverse stock split, rounded to the nearest whole share; and

FOR the approval of the adjournment of annual meeting to solicit additional proxies if there are insufficient votes at the time of the meeting to approve the reverse stock split proposal described immediately above.

How many votes are required to elect the director nominee? The affirmative vote of a plurality of the shares cast at the 2018 Annual Meeting is required to elect the Class I director. This means that the nominee who receives more affirmative votes than any other person will be elected director.

How many votes are required to approve the amendment to our Certificate of Incorporation? The affirmative vote of a majority of the shares of our stock entitled to vote at the 2018 Annual Meeting is required to approve the amendment to our Certificate of Incorporation for a reverse stock split and corresponding reduction in authorized common stock.

How many votes are required for the remaining proposals? The affirmative vote by the shares constituting a majority of the votes cast at the 2018 Annual Meeting is required to approve each remaining proposal other than Proposal 4, for which a choice of frequency rather than approval is requested.

Will any other business be conducted at the 2018 Annual Meeting? We know of no other matter that will be presented at the meeting. However, if any other matter properly comes before the stockholders for a vote at the meeting, the proxy holder(s) will vote your shares in accordance with the recommendations of the Board of Directors or otherwise at the discretion of the proxy holder(s).

Where can I find the voting results of the 2018 Annual Meeting? We intend to announce preliminary voting results at the 2018 Annual Meeting and file final results in a Current Report on Form 8-K with the Securities and Exchange Commission (the "SEC") within four days of the meeting.

Proxy Solicitation

We will bear the entire cost of this proxy solicitation. Our directors, officers and regularly engaged employees may solicit proxies personally or by mail, telephone, facsimile, internet or other electronic means, for which solicitation they will not receive any additional compensation. We will reimburse brokerage firms, banks, custodians, and other fiduciaries for their out-of-pocket expenses in forwarding solicitation materials to beneficial owners upon our request.

Notice and Access

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We are using the “Notice and Access” method of posting the proxy materials online instead of mailing printed copies. We believe that this process will provide you with a convenient and quick way to access the proxy materials, including this proxy statement and our annual report, and to authorize a proxy to vote your shares, while allowing us to conserve natural resources and reduce the costs of printing and distributing the proxy materials.

Most stockholders will not receive paper copies of the proxy materials unless they request them. Instead, a Notice and Access card, which has been mailed to our stockholders of record, provides instructions regarding how you may access or request all of the proxy materials by telephone, e-mail, or online. The Notice and Access card also instructs you how to submit your proxy via the mail or online. If you prefer to receive a paper or e-mail copy of the proxy materials, you should follow the instructions for requesting such materials printed on the Notice and Access card.

If your shares are held by a brokerage firm or bank on your behalf in “street name”, you as beneficial owner should receive a Notice and Access card that instructs you how to provide your broker or bank with voting instructions for your shares. Most brokers and banks enable beneficial owners to provide voting instructions via the mail, online, or other means.

It is important that your shares be represented at the 2018 Annual Meeting and voted in accordance with your wishes. Whether or not you plan to attend the meeting, please complete a proxy as promptly as possible so that your shares will be voted at the 2018 Annual Meeting. This will not limit your right to vote in person or to attend the meeting.

PROPOSAL 1 — ELECTION OF CLASS I DIRECTOR

One person will be elected at the 2018 Annual Meeting of Stockholders to serve as Class I director of the Board of Directors of our company. The elected Class I director is expected to serve until the 2021 Annual Meeting of Stockholders or until a successor is duly elected and qualified, or until earlier death, resignation, or removal.

The Board of Directors has nominated Andreas Bunge for election as Class I director of the Board of Directors.

Mr. Bunge has expressed willingness to continue to serve as a member of the Board. If he becomes unavailable to serve as a director for any reason (which event is not anticipated), the shares represented by proxy may (unless such proxy contains instructions to the contrary) be voted for such other person as may be determined by the proxy holder(s).

Biographical information about Mr. Bunge is provided under “Composition of the Board of Directors” in the Board Matters and Corporate Governance section below.

Required Vote and Recommendation

Directors are elected by a plurality of the votes of the holders of common stock and Series B Preferred Stock present in person or by proxy and entitled to vote at the meeting. Provided a quorum is present, the nominee receiving the highest number of affirmative votes will be elected as Class I director.

Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count towards the presence of a quorum. Properly executed and unrevoked proxies will be voted “FOR” the nominee of the Board of Directors unless contrary instructions are indicated in the proxy.

The Board of Directors recommends that you vote “FOR” the election of the Board of Directors’ nominee for Class I director.

BOARD MATTERS AND CORPORATE GOVERNANCE

Composition of the Board of Directors

In accordance with our Certificate of Incorporation, the Board of Directors exclusively determines the number of directors that compose the Board. By resolution in connection with preparation for the 2018 Annual Meeting, the Board of Directors fixed the size of the Board at five members.

Also in accordance with our Certificate of Incorporation, the Board of Directors is divided into three classes. Each class has a three-year term. Currently, one member of the Board serves in Class I, one member serves in Class II, and three members serve in Class III.

Our Certificate of Incorporation provides that any vacancies on the Board of Directors may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class may serve for the remainder of the full term of that class, and until the director's successor is elected and qualified.

Continuing Directors and Nominees

The identities and biographies of each nominee and continuing member to the three classes of the Board of Directors serving staggered, three-year terms are as follows:

Class I Nominee for Election with Term Expiring at the 2021 Annual Meeting:

Andreas Bunge, age 57, since 2015 has been Chief Executive Officer of Merkatura AB, a private holding company, and provides business consulting for technology companies. Between January 1, 2018 and March 31, 2018, he served as our interim Chief Executive Officer. Between 2012 and 2015, he served as Chief Executive Officer of Spago Nanomedical AB (formerly Spago Imaging AB) until its public listing on Nasdaq Nordic. Between 2005 and 2012, Mr. Bunge founded and served as Chief Executive Officer of Accelerator Nordic AB, which spun-off Spago Imaging in 2012. Prior to Accelerator Nordic, he founded and served as Chief Executive Officer of Applied Sensor AB and held various managerial positions at Intentia AB. He also has served as a member of the boards of directors of numerous companies during the past 15 years. Mr. Bunge has an MSc in Engineering and Management from Linköping University.

The Board of Directors has concluded that Mr. Bunge should serve as director because of his executive experience, including as former interim chief executive officer of our company, and his understanding of engineering and technology.

Class II Director Continuing in Office with Term Expiring at the 2019 Annual Meeting:

Ulf Rosberg, age 52, currently serves as Chief Executive Officer of UMR Invest AB, a private holding company, and as Chairman of Payair Technologies AB. He previously served in various leadership positions at Nordic Capital AB from 1994 until June 2017, including as investment manager, director, partner, and most recently as senior advisor since 2012. Prior to joining Nordic Capital, Mr. Rosberg held corporate finance positions with SEB Investment Banking and Leimdörfer & Partners. He has an M.Sc. in Economics from the Stockholm School of Economics and a degree with a major in finance from New York University, Stern School of Business in New York.

The Board of Directors has concluded that Mr. Rosberg should serve as director because he was designated as a director in accordance with the Securities Purchase Agreement our company entered into as of August 2, 2017.

Class III Directors Continuing in Office with Terms Expiring at the 2020 Annual Meeting:

Åsa Hedin, age 55, has served as a non-executive board member and business advisor to Elekta AB since April 2015. She previously served as Executive Vice President Marketing and Corporate Development at Elekta between January 2013 and April 2015 and, prior to that, served as Executive Vice President for Elekta Neuroscience and President of Elekta Instrument between August 2007 and January 2013. Ms. Hedin also has held executive positions at Gambro and Siemens Healthcare. She currently serves on the Boards of Directors of Tobii AB, Nolato AB, Immunova AB, Cellavision AB, Fingerprint Cards AB, and E. Öhman J:or Fonder AB.

The Board of Directors has concluded that Ms. Hedin should serve as director because of her ability to serve as an independent member of the Board and her diverse executive background and experience on various company boards.

Per Eriksson, age 56, has served as President and Chief Executive Officer of NetEnt, AB since 2012. NetEnt is a digital entertainment company listed on Nasdaq Nordic. Prior to joining NetEnt, Mr. Eriksson served as President and Chief Executive Officer of Dustin Group and, prior to that, as head of Dell EMC EMEA for Dell Ltd. and Chief Executive Officer for Dell Sweden and the Nordics.

The Board of Directors has concluded that Mr. Eriksson should serve as director because of his eligibility to serve as an independent member of the Board and more than 25 years of experience with B2B sales in the information technology industry.

Per Eriksson is not related to Thomas Eriksson, the former President and Chief Executive Office of Neonode and former member of the Board of Directors.

Per Löfgren, age 54, has served as Vice President Global Sales and Chief Financial Officer for Segment Global Services of Ericsson AB since January 2015. He also has served as President of Ericsson AB since January 2015. From 2011 to 2014, he served as Executive Vice President and Chief Financial Officer of Ericsson North America. From 2008 until 2011, Mr. Löfgren served as President of Ericsson Sweden AB. Prior to 2008, he served in various Ericsson business units globally as a division chief financial officer, controller, marketing and other management positions.

The Board of Directors has concluded that Mr. Löfgren should serve as director because of his qualification as an audit committee financial expert, his general financial and business knowledge, and his thirty years of experience in the communications and technology industry.

Leadership of the Board of Directors

The business of our company is managed under the direction of the Board of Directors, which is elected by our stockholders. The basic responsibility of the Board is to lead our company by exercising business judgment to act in what each director reasonably believes to be the best interests of our company and its stockholders. Leadership is important to facilitate the ability of the Board to act effectively as a working group so that our company and its performance may benefit. The Board does not have a lead independent director. The Board has chosen to separate the positions of chief executive officer and chairman. The Board believes that it is appropriate to have one individual responsible for our company's operational aspects and a second individual responsible for our company's strategic aspects.

Committees of the Board of Directors

The Board of Directors has established three committees: the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee.

In 2017, the Audit Committee met four times, the Compensation Committee met once, and the Nominating and Governance Committee met once. All of the directors attended at least 75% of the meetings of each committee on which he or she was then serving. In addition, the independent directors of the Board of Directors regularly meet in executive sessions.

The Board of Directors has adopted written charters for each of the Audit Committee, Compensation Committee, and Nominating and Governance Committee. Copies of the Audit Committee Charter, Compensation Committee Charter, and Nominating and Governance Committee Charter are available on our website at <http://www.neonode.com/investor-relations/corporate-governance/>. The information contained on our website is not part of and is not incorporated by reference into this proxy statement. Each of the committees has the authority under its respective charter to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities.

The Board of Directors has determined that each of our current directors meet applicable SEC and Nasdaq rules and regulations regarding “independence” and are able to exercise independent judgment with respect to our company. The Board also has determined that each director on the respective committee meets the independence requirements of each charter of the Audit Committee, Compensation Committee, and Nominating and Governance Committee. While he served as interim Chief Executive Officer of our company between January 1, 2018 and March 31, 2018, however, Mr. Bunge was precluded from being independent and did participate or vote in any committee meetings.

Audit Committee. The current members of the Audit Committee are Åsa Hedin, Per Löfgren, and Ulf Rosberg. Mr. Löfgren is Chairman of the Audit Committee. Ms. Hedin was appointed to the Audit Committee in 2017 following the expiration of Mats Dahlin’s service on the Board upon the 2017 Annual Meeting of Stockholders. Mr. Rosberg was appointed to the Audit Committee in 2018 following the resignation of John Reardon from the Board effective December 31, 2017. The Board of Directors has determined that Mr. Löfgren qualifies as an “audit committee financial expert”, as defined in SEC rules.

The Audit Committee, which was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), oversees our company’s corporate accounting and financial reporting process, the audits of our company’s financial statements, and the integrity of financial reports and other financial

information provided by our company to the government and the public. The Audit Committee's authority and responsibilities are specified in its charter and include the following:

determining whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm;

reviewing and approving the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;

discussing with management and with the independent registered public accounting firm the results of the annual audit and the results of the quarterly financial statements;

reviewing the financial statements to be included in the Annual Report on Form 10-K;

conferring with management and the independent registered public accounting firm regarding the effectiveness of internal controls over financial reporting; and

establishing procedures for the receipt, retention, and treatment of complaints received regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Compensation Committee. The current members of the Compensation Committee are Andreas Bunge, Åsa Hedin, and Ulf Rosberg. Ms. Hedin is Chairman of the Compensation Committee. Each of the current members were appointed to the Compensation Committee following the 2017 Annual Meeting of Stockholders. Prior to then, the members of the Compensation Committee were Mats Dahlin, Per Löfgren, and John Reardon.

The Compensation Committee reviews all components of executive officer and director compensation. The Compensation Committee's authority and responsibilities are specified in its charter and include the following:

reviewing and approving the compensation and other terms of employment of the chief executive officer;

reviewing and approving corporate performance objectives and goals relevant to the compensation of the chief executive officer;

reviewing and approving the compensation and other terms of employment of the other executive officers; and

administering and reviewing incentive-based or equity compensation plans of the executive officers and other employees.

In addition, the Compensation Committee considers matters related to individual compensation, such as compensation for new executive hires, as well as various compensation policy issues throughout the year. For executives other than the chief executive officer, the Compensation Committee receives and considers performance evaluations and compensation recommendations submitted to the Compensation Committee by the chief executive officer. In the case of the chief executive officer, the evaluation of his performance is conducted by the Compensation Committee, which determines any adjustments to his compensation as well as awards to be granted. The agenda for meetings of the Compensation Committee typically is determined by its chairman, with the assistance of the chief executive officer and chief financial officer. For equity grants, the Compensation Committee selects an exercise price that is not less than the closing price of shares of our common stock on The Nasdaq Capital Market on the grant date.

To perform its duties, the Compensation Committee has the authority to retain or terminate any consulting firm used to evaluate director or executive compensation, and to determine and approve the terms, costs and fees for such engagements. The Compensation Committee did not retain such a consultant in 2017 and has not engaged such a consultant for 2018.

Nominating and Governance Committee. The current members of the Nominating and Governance Committee are Andreas Bunge, Åsa Hedin, and Per Löfgren. Mr. Bunge is Chairman of the Nominating and Governance Committee. Mr. Bunge and Mr. Hedin were appointed to the Nominating and Governance Committee following the 2017 Annual Meeting of Stockholders replacing Mats Dahlin and John Reardon.

The Nominating and Governance Committee's authority and responsibilities are specified in its charter and include the following:

developing and recommending to the Board of Directors criteria for selecting qualified director candidates;

identifying individuals qualified to become members of the Board of Directors;

evaluating and selecting, or recommending to the Board of Directors, director nominees for each election of directors;

considering committee member qualifications, appointment, and removal;

recommending codes of conduct and codes of ethics applicable to our company; and

providing oversight in the evaluation of the Board of Directors and each committee.

The Nominating and Governance Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 21 years of age and possessing personal integrity and ethics. The Nominating and Governance Committee also considers factors such as whether a candidate possesses relevant expertise upon which to be able to offer advice and guidance to management, has sufficient time to devote to the affairs of our company, has demonstrated excellence in his or her field, has the ability to exercise sound business judgment, and has the commitment to rigorously represent the long-term interests of our stockholders. The Nominating and Governance Committee retains the right to modify these qualifications from time to time.

The Nominating and Governance Committee does not have a specific policy with respect to the consideration of diversity in identifying director nominees. Candidates are reviewed in the context of the current composition of the Board of Directors and whether it reflects the appropriate balance of independence, sound judgment, business specialization, technical skills, diversity, and other desired qualities. The Nominating and Governance Committee seeks to have a Board with a diversity of background and experience.

In the case of an incumbent director whose term of office is set to expire, the Nominating and Governance Committee reviews the director's overall service to our company during his or her term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair the director's independence or judgment. In the case of new director candidates, the Nominating and Governance Committee determines whether the candidate will be independent pursuant to applicable SEC and Nasdaq rules and regulations. The Nominating and Governance Committee may conduct appropriate and necessary inquiries into the backgrounds and qualifications of current or possible nominees. To date, the Nominating and Governance Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

The Nominating and Governance Committee will consider director candidates recommended by stockholders. The Nominating and Governance Committee does not intend to alter the manner in which it evaluates a candidate as described above for nominees based on whether the candidate was recommended by a stockholder. Since the beginning of 2017, there have been no material changes to the procedures by which stockholders may recommend director candidates.

Stockholders may directly nominate a person for director only by complying with the procedure set forth in the Bylaws of our company, which in summary requires that the stockholder submit the name of the nominee in writing to our corporation secretary not less than 60 days nor more than 90 days prior to the first anniversary of the date of the preceding year's annual meeting. Nominations may be mailed or delivered to Corporation Secretary, Neonode Inc., Storgatan 23C, 11455 Stockholm, Sweden, at least six months prior to any meeting at which directors are to be elected. As described in more detail in the Bylaws of our company, nominations must include the full name of the nominee, complete biographical information of the nominee including a description of business experience for at least the previous five years, a description of the nominee's qualifications for director, and a representation that the nominating stockholder is a beneficial owner or record holder of shares of our stock. Any such submission must be accompanied by the written consent of the nominee to be named as a nominee and to serve as a director if elected. To date, the Nominating and Governance Committee has not received any director nominations from our stockholders.

Meetings of the Board of Directors

The Board of Directors met five times during 2017. Each director attended 75% or more of the meetings of the Board.

Although our company does not have a policy requiring their attendance, members of the Board of Directors are encouraged to attend the annual meeting of stockholders. Five of the six members of the Board at the time attended, in person or telephonically, last year's 2017 Annual Meeting of Stockholders. We have been informed that each member of the Board intends to attend, either in person or telephonically, this year's 2018 Annual Meeting.

Director Compensation

Prior to October 1, 2017, the annual retainer for the non-employee directors, other than Mr. Bystedt (as described below), was \$48,000.

Effective October 1, 2017, the Board reduced the annual retainer for all directors to \$10,000.

Directors do not receive per-meeting fees. The members of the Board also are eligible for reimbursement for their expenses incurred in attending Board meetings.

None of our directors received stock option awards in 2017.

Until October 1, 2017, the annual retainer for Mr. Bystedt for serving as Chairman of the Board was 624,000 Swedish Kronor (“SEK”) (approximately \$96,000 in 2011 when his annual chairmanship fee was established). In addition, we contributed approximately 5% of Mr. Bystedt’s compensation to a Swedish pension organization. Mr. Bystedt resigned from the Board effective February 12, 2018.

The following table lists the compensation paid to non-employee directors for their services as members of the Board for the fiscal year ended December 31, 2017. Compensation paid to Thomas Eriksson is presented as part of the “Summary Compensation Table” below. Payments are made in our local currency; accordingly, for purposes of this table, compensation has been converted to US Dollars at an approximate weighted average exchange rate of 8.54 SEK to one US Dollar.

Name	Fees Earned or Paid in Cash	Option Awards	All Other Compensation	Total
Per Bystedt	\$80,103	—	\$ 3,260	(1) \$83,363
Mats Dahlin ⁽²⁾	\$36,000	—	—	\$36,000
Per Löfgren	\$41,466	—	—	\$41,466
John Reardon	\$41,466	—	—	\$41,466
Andreas Bunge ⁽³⁾	\$1,658	—	—	\$1,658
Per Eriksson ⁽⁴⁾	\$1,658	—	—	\$1,658
Åsa Hedin ⁽⁴⁾	\$1,658	—	—	\$1,658
Ulf Rosberg ⁽³⁾	\$1,658	—	—	\$1,658

(1) Represents matching contributions to a Swedish defined contribution plan

(2) The term of Mr. Dahlin ended upon the 2017 Annual Meeting on October 3, 2017.

(3) Appointed to the Board on September 13, 2017.

(4) Elected to the Board at the 2017 Annual Meeting on October 3, 2017.

Communication with the Board of Directors

Stockholders, or anyone else wishing to contact the Board of Directors directly, may send a written communication to Corporation Secretary, Neonode Inc., Storgatan 23C, 11455 Stockholm, Sweden. Our corporation secretary will forward such correspondence only to the intended recipients, whether the entire Board or only an individual member of the Board. However, prior to forwarding any correspondence, our corporation secretary may review such correspondence and, at his discretion, may not forward certain items if deemed to be of a commercial nature or in bad faith.

Risk Oversight

Management continually monitors the material risks facing our company. The Board of Directors is responsible for exercising oversight of management's identification of, planning for, and managing these risks, which include financial, technological, competitive, and operational risks. The Board periodically reviews and considers the relevant risks faced by our company.

Code of Ethics

The Board of Directors has adopted the Code of Business Conduct applicable to our officers, directors, and employees. The Code of Business Conduct contains a separate Code of Ethics that applies specifically to our company's chief executive officer and senior financial officers. The Code of Business Conduct, including the Code of Ethics, is available on our website at <http://www.neonode.com/investor-relations/corporate-governance/>. If we amend or waive the Code of Business Conduct or Code of Ethics with respect to our directors, principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, we will post the amendment or waiver on our website. The information contained on our website is not part of and is not incorporated by reference into this this proxy statement.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Based solely upon a review of the copies of such reports and written representations that no other reports were required, we believe that for the fiscal year ended December 31, 2017 all of our directors, executive officers, and greater than ten percent beneficial owners have complied with the reporting requirements of Section 16(a).

**PROPOSAL 2 — ADVISORY VOTE ON
NAMED EXECUTIVE OFFICERS COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) requires that we provide our stockholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of the named executive officers as disclosed in this proxy statement. This proposal, commonly known as a “say-on-pay” proposal, provides stockholders the opportunity to express their views on the compensation of the named executive officers, which for 2017 consisted of Thomas Eriksson and Lars Lindqvist. The Board of Directors has determined that our company will hold a nonbinding, advisory “say-on-pay” vote every year until the next required advisory vote on the frequency of such vote, which is occurring by means of Proposal 3 at this 2018 Annual Meeting of Stockholders.

Our compensation programs are designed to attract and retain key executives responsible for the success of our company and are administered in the long-term interests of our company and our stockholders. In deciding executive compensation, the Board and Compensation Committee seek to emphasize the enhancement of stockholder value and deliver a total compensation package in a cost-effective manner.

For 2017, the Compensation Committee acted conservatively with respect to executive compensation by awarding neither bonuses nor equity compensation to the named executive officers. In addition, no perquisites were paid to the named executive officers in 2017.

The Board of Directors believes that the compensation paid to the named executive officers for 2017 was reasonable and appropriate.

Accordingly, stockholders are being asked to vote on the following resolution at the 2018 Annual Meeting:

“RESOLVED, that the stockholders of Neonode Inc. approve, on an advisory basis, the compensation of the named executive officers, as disclosed in Neonode Inc.’s Proxy Statement for the 2018 Annual Meeting of Stockholders, pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the summary compensation table and the other related tables and disclosure.”

Required Vote and Recommendation

Approval of the compensation of the named executive officers requires the affirmative vote of a majority of the votes cast by the holders of shares of our common stock and Series B Preferred Stock present in person or by proxy and entitled to vote at the meeting. This vote is advisory and therefore is not binding. However, the Board of Directors and the Compensation Committee will review the voting results and take them into account in making decisions regarding future compensation of the named executive officers.

Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count towards the presence of a quorum. Properly executed and unrevoked proxies will be voted “FOR” Proposal 2 unless contrary instructions are indicated in the proxy.

The Board of Directors recommends that you vote “FOR” the approval, on an advisory basis, of the compensation of the named executive officers as disclosed in this proxy statement.

PROPOSAL 3 — ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Act also requires that we provide our stockholders with the opportunity to vote, on a nonbinding, advisory basis, for their preference as to how frequently we should seek future advisory votes on the compensation of our named executive officers, such as Proposal 2 included in this proxy statement. By voting with respect to this Proposal 3, which we refer to as the advisory vote on executive compensation, stockholders may indicate whether they would prefer that we conduct future advisory votes on executive compensation once every one, two, or three years. Stockholders also may abstain from casting a vote on this proposal.

The Board of Directors believes that an advisory vote on executive compensation that occurs every year is the most appropriate alternative for our company and therefore the Board recommends that stockholders vote for a one-year interval for the advisory vote on executive compensation. In determining to recommend a vote for a frequency of every year, the Board considered that a one-year frequency has become the standard frequency for public companies and that an annual vote affords our stockholder greater opportunity to provide feedback to the management team of our company and the Board.

Required Vote and Recommendation

Holders of shares of our common stock and Series B Preferred Stock present in person or by proxy and entitled to vote at the meeting have the opportunity to choose among four options (every three, two, or one years, or abstaining) as to the frequency of the advisory vote on executive compensation. Stockholders therefore will not be voting to approve or disapprove the recommendation of the Board of Directors.

Because the vote is advisory, it is not binding on our company, the Board of Directors, or the Compensation Committee. The Board and the Compensation Committee will take into account the outcome of the vote, however, when considering the frequency of future advisory votes on executive compensation. The Board may decide that it is in the best interests of our stockholders and our company to hold an advisory vote on executive compensation more or less frequently than the frequency chosen by our stockholders.

Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count towards the presence of a quorum. Properly executed and unrevoked proxies will be voted “FOR” one year unless contrary instructions are indicated in the proxy.

The Board of Directors recommends that you vote for the option of every one year as the preferred frequency for the advisory vote on executive compensation.

EXECUTIVE OFFICERS

Information about our current and former executive officers is as follows:

Name	Title	Executive Officer between
Håkan Persson	Chief Executive Officer	April 2018 to present
Andreas Bunge	(Former) Interim Chief Executive Officer	January 2018 to March 2018
Thomas Eriksson	(Former) President and Chief Executive Officer	April 2009 to December 2018
Lars Lindqvist	Vice President, Finance, Chief Financial Officer, Treasurer and Secretary	August 2014 to present

Håkan Persson, age 57, became Chief Executive Officer of our company effective April 1, 2018. He previously served from November 2013 through January 2018 as Chief Executive Officer of Precise Biometrics AB, which provides fingerprint software and mobile smart card readers for digital authentication of identity and is publicly listed on Nasdaq Nordic. Prior to that, he served during 2013 as Interim Manager Linux operations at Enea AB, an information technology company which provides operating systems and related services. Prior to that, he served from 2010 to 2012 as Chief Executive Officer of Scalado AB, which provides imaging technologies, applications, and services to the mobile industry. In addition, Mr. Persson has previously served in executive positions at various public and private companies including IBM, Aspiro AB, Telelogic AB, and Telia Mobile International.

Andreas Bunge biographical information is provided under “Composition of the Board of Directors” in the Board Matters and Corporate Governance section above.

Thomas Eriksson, age 47, served as President of Neonode from June 2015 and as Chief Executive Officer of Neonode from January 2011 until his resignation from both positions on December 31, 2017. He also served as a director of Neonode from December 2009 until his resignation in February 2018. Mr. Eriksson was one of the founders of our company in 2001. Prior to joining Neonode, Mr. Eriksson founded several companies with products ranging from car electronics test systems and tools to GSM/GPRS/GPS-based fleet management systems including M2M applications and wireless modems.

Lars Lindqvist, age 60, has served as an executive officer of Neonode since August 2014. Upon becoming an executive officer, Mr. Lindqvist resigned as a member of the Board of Directors of Neonode, a position he had held since November 2011. Prior to becoming an executive officer of our company, Mr. Lindqvist served as a management consultant to LQ Consulting GmbH since January 2013, interim Chief Executive Officer of 24 Mobile Advertising Solutions AB from June 2012 to December 2012, interim Chief Executive Officer of ONE Media Holding AB from April 2011 to May 2012, and Chief Financial Officer for Mankato Investments AG Group from June 2005 to March 2011. In addition, Mr. Lindqvist was Chief Financial Officer of Microcell OY, a Finnish ODM of mobile phones, from August 2002 to May 2005, and he was Chief Financial Officer of Ericsson Mobile Phones from May 1995 to July 2002.

EXECUTIVE COMPENSATION**Summary Compensation Table**

The following table presents information regarding compensation earned by the executive officers of our company during the year ended December 31, 2017 (the “named executive officers”). Our executives are compensated in Swedish Kronor (“SEK”); accordingly, for purposes of this table compensation paid in SEK has been converted to US Dollars at an approximate weighted average exchange rate of 8.54 and 8.55 SEK to one US Dollar for the years ended December 31, 2017 and 2016 respectively.

Name and Principal Position	Year	Salary ⁽²⁾	Bonus	Option Awards	All Other Compensation ⁽³⁾	Total
Thomas Eriksson	2017	\$329,258	—	—	\$ 31,971	\$361,229
Chief Executive Officer ⁽¹⁾	2016	\$219,983	—	—	\$ 29,172	\$249,155
Lars Lindqvist	2016	\$202,289	—	—	\$ 25,249	\$227,538
Chief Financial Officer	2015	\$176,655	—	—	\$ 25,804	\$202,459

(1) Mr. Eriksson resigned as Chief Executive Officer effective December 31, 2017.

Includes cash payments of approximately \$59,000 and \$10,000 to Mr. Eriksson and \$27,000 and \$1,000 to Mr.

Lindqvist in lieu of vacation time for 2017 and 2016 respectively. Also includes, for Mr. Eriksson, compensation in

(2) January 2018, at an average exchange rate of 8.105 SEK to one US Dollar, related to his resignation of employment consisting of one-month salary of \$18,500, as required by Swedish law, and cash payment for accrued and unused vacation time of \$41,000.

(3) Represents matching contributions to Swedish defined contribution plan.

Employment Agreements

On March 5, 2014, our company entered into an employment agreement with Mr. Eriksson. Under his employment agreement, Mr. Eriksson was entitled to receive a monthly salary of 150,000 SEK (approximately \$17,500 monthly in 2017). Mr. Eriksson’s employment agreement also provided that he was eligible to receive a discretionary annual bonus up to 1,000,000 SEK (approximately \$117,000 in 2017) and may participate in other bonus and stock option programs. In addition, Mr. Eriksson was eligible to receive health care, pension, and other benefits available to Neonode’s Swedish employees. His employment agreement contained other customary Swedish employment and post-termination provisions.

On August 5, 2014, our company entered into an employment agreement with Mr. Lindqvist. Under his employment agreement, Mr. Lindqvist is entitled to receive a monthly salary of 125,000 SEK (approximately \$15,000 monthly in 2017). Mr. Lindqvist's employment agreement also provides that he is eligible to receive a discretionary annual bonus of up to 50% of his total yearly salary and may participate in other bonus and stock option programs. In addition, Mr. Lindqvist is eligible to receive health care, pension, and other benefits available to Neonode's Swedish employees. His employment agreement contains other customary Swedish employment and post-termination provisions.

On April 1, 2018, Håkan Persson became Chief Executive Officer of our company. In advance of the commencement of his service, our company entered into an employment agreement Mr. Persson on February 12, 2018. Under his employment agreement, Mr. Persson is entitled to receive a monthly salary of 166,000 SEK (approximately \$20,500 monthly). His salary will be reviewed in February 2019 and thereafter on an annual basis. Mr. Persson further will be entitled to receive a yearly bonus during 2019 and in each subsequent year up to a maximum of 50% of his total yearly salary based on his performance as Chief Executive Officer and the financial performance of our company. His employment agreement contains other customary Swedish employment and post-termination provisions.

The summaries of the employment agreements described above are qualified in their entirety by reference to the actual agreements, copies of which are incorporated by reference in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Outstanding Equity Awards at Fiscal Year-End

The following table presents information regarding the outstanding equity awards held by the named executive officers as of December 31, 2017.

Name	Number of Securities Underlying Unexercised Options Exercisable		Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date
Thomas Eriksson	40,000	(1)	—	\$ 4.15	3/03/2018
	239,000	(2)	—	\$ 4.25	4/26/2019
Lars Lindqvist	20,000	(1)	—	\$ 4.15	3/03/2018
	90,000	(2)(3)	—	\$ 4.25	4/26/2019
	10,000	(3)(4)	—	\$ 6.21	1/08/2021

(1) Fully vested on the March 3, 2015 grant date.

(2) One-third vested on the April 26, 2012 grant date and the remaining two-thirds vested monthly over the subsequent twenty-four months.

(3) Represents award granted on April 26, 2012 as a member of the Board of Directors.

(4) One-third vested one year after the January 8, 2014 grant date and the remaining two-thirds vested monthly over the subsequent twenty-four months.

Potential Payments Upon Termination or Change of Control*Payments Upon Termination*

Under the terms of Mr. Persson's employment agreement, either our company or he may terminate his employment with six months' notice, during which time he will be entitled to receive his monthly salary and all other employment benefits.

Mr. Lindqvist is not entitled to any severance or other additional benefits upon termination of his employment with our company.

In addition, the terms of the outstanding option award agreements held by the named executive officers do not contain a provision that would accelerate the option if the employment of the executive officer is terminated for any reason.

Severance and Other Benefits Upon Change of Control

Mr. Persson and Mr. Lindqvist are not contractually entitled to any severance or other additional benefits upon termination of their employment in connection with the change in control of our company.

In addition, the terms of the outstanding option award agreements held by named executive officers do not contain provisions that would accelerate their options if their employment is terminated in connection with a change in control of our company.

**PROPOSAL 4 — RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected KMJ Corbin and Company LLP as our company's independent registered public accounting firm for the fiscal year ending December 31, 2018, and the Board is asking stockholders to ratify that selection. A representative of KMJ Corbin and Company LLP is not expected to be present at the 2018 Annual Meeting.

Although ratification is not required by the Bylaws of our company or otherwise, the Board of Directors considers the selection of the independent registered public accounting firm to be an important matter of stockholder concern and is submitting the selection of KMJ Corbin and Company LLP for ratification by stockholders as a matter of good corporate practice. If the selection is not ratified, the Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm. Even if the selection is ratified, the Audit Committee at its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interest of our company.

Required Vote and Recommendation

Ratification of the appointment of KMJ Corbin and Company LLP as our company's independent registered public accounting firm for the fiscal year ending December 31, 2018 requires the affirmative vote of a majority of the votes cast by the holders of shares of our common stock and Series B Preferred Stock present in person or by proxy and entitled to vote at the meeting.

Abstentions and broker non-votes, if any, will not be counted as votes cast and will have no effect on the result of the vote, although they will count towards the presence of a quorum. Properly executed and unrevoked proxies will be voted FOR Proposal 4 unless contrary instructions are indicated in the proxy.

The Board of Directors recommends that you vote "FOR" the ratification of the appointment of KMJ Corbin and Company LLP as Neonode's independent registered public accounting firm for the fiscal year ending December 31, 2018.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table lists aggregate fees billed to us for the fiscal years ended December 31, 2017 and 2016, by KMJ Corbin and Company LLP, our company's independent registered public accounting firm.

	2017	2016
Audit Fees	\$202,000	\$246,000
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total Fees	\$202,000	\$246,000

Audit Fees represent aggregate fees billed for professional services rendered for the audit of our annual consolidated financial statements and internal control over financial reporting, the review of the condensed consolidated financial statements included in our quarterly reports, and the review of registration statements including consents provided therewith and related matters.

Pre-Approval of Audit and Non-Audit Services

Pursuant to applicable law, and as set forth in the terms of its charter, the Audit Committee of the Board of Directors is responsible for appointing, setting compensation for, and overseeing the work of our company's independent registered public accounting firm. Any audit or non-audit services proposed to be performed are considered by and, if deemed appropriate, approved by the Audit Committee in advance of the performance of such services. All of the fees earned by KMJ Corbin and Company LLP described above were attributable to services pre-approved by the Audit Committee.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors of Neonode assists the Board of Directors in its oversight of Neonode's accounting and financial reporting process and interacts directly with and evaluates the performance of Neonode's independent registered public accounting firm.

Management is responsible for Neonode's internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of Neonode's consolidated financial statements and assessment of Neonode's internal control over financial reporting in accordance with standards of the Public Company Accounting Oversight Board and for issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

The Audit Committee reviewed and discussed the audited consolidated financial statements of Neonode for the fiscal year ended December 31, 2017 with management and KMJ Corbin and Company LLP. The Audit Committee also discussed with KMJ Corbin and Company LLP the matters required to be discussed by Auditing Standard No. 1301, as adopted by the Public Company Accounting Oversight Board. In addition, the Audit Committee received from KMJ Corbin and Company LLP the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board with respect to KMJ Corbin and Company LLP's communications with the Audit Committee concerning independence, and the Audit Committee discussed with KMJ Corbin and Company LLP their independence from Neonode and its management.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited consolidated financial statements of Neonode be included in Neonode's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which was filed with the Securities and Exchange Commission on March 8, 2018.

THE AUDIT COMMITTEE
Per Löfgren, Chairman

Åsa Hedin,
Ulf Rosberg

The foregoing Report of the Audit Committee is not soliciting material, shall not be deemed filed with the Securities and Exchange Commission and shall not be incorporated by reference in any filing of Neonode under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

PROPOSAL 5 — APPROVAL OF AMENDMENT TO CERTIFICATE OF INCORPORATION FOR REVERSE SPLIT AND CORRESPONDING REDUCTION IN AUTHORIZED COMMON SHARES

Introduction

The Board of Directors of our company has adopted, subject to receiving the approval of our stockholders, an amendment to our Amended and Restated Certificate of Incorporation, as amended and restated (the “Certificate of Incorporation”) to (i) effect a reverse stock split (the “Reverse Split”) of common stock of our company at a ratio of between 1-for-5 and 1-for-15, with such ratio to be determined at the sole discretion of the Board and with such Reverse Split to be effected at such time and date, if at all, as determined by the Board in its sole discretion prior to the 2019 Annual Meeting of Stockholders, and (ii) reduce the number of authorized shares of common stock of our company in a corresponding proportion to the Reverse Split, rounded to the nearest whole share. The form of proposed amendment to the Certificate of Incorporation to effect the Reverse Split and corresponding reduction in authorized shares of common stock is attached as *Appendix A* to this proxy statement. However, the text of the proposed amendment is subject to revision to include such changes as may be required by the Secretary of State of the State of Delaware and the Board deems necessary or advisable to effect the proposed amendment to the Certificate of Incorporation.

By approving this proposal, stockholders will approve a series of changes to the Certificate of Incorporation pursuant to which any whole number of outstanding shares between and including five and fifteen would be combined into one share of our common stock, and the total number of authorized shares of common stock will be reduced by a corresponding proportion from 100,000,000 shares to between 20,000,000 shares (in the event of a 1-for-5 Reverse Split) and 6,666,667 shares (in the event of a 1-for-15 Reverse Split), and authorize the Board of Directors of our company to file only one such amendment, as determined by the Board in the manner described herein, and to abandon each amendment not selected. The Board believes that stockholder approval of amendment granting the Board this discretion, rather than approval of a specified exchange ratio, provides the Board with maximum flexibility to react to then-current market conditions and, therefore, is in the best interests of our company and its stockholders. The Board may effect only one Reverse Split as a result of this authorization. The Board may also elect not to do any Reverse Split. The Board’s decision as to whether and when to effect the Reverse Split will be based on a number of factors, including market conditions, existing and expected trading prices for our common stock, and the continued listing requirements of The Nasdaq Capital Market. Although our stockholders may approve the Reverse Split, we will not effect the Reverse Split if the Board does not deem it to be in the best interests of our company and its stockholders. The Board will not effect the Reverse Split after the date of the 2019 Annual Meeting of Stockholders.

The Reverse Split will take effect, if at all, after it is approved by our stockholders holding a majority of the shares of our common stock outstanding on the record date, is deemed by the Board to be in the best interests of our company and its stockholders, and after filing the amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware.

Background

Our common stock is currently listed on The Nasdaq Capital Market. In order for our common stock to continue to be listed on The Nasdaq Capital Market, we must satisfy various listing maintenance standards established by The Nasdaq Stock Market (“Nasdaq”). If we are unable to meet The Nasdaq Capital Market requirements, our common stock will be subject to delisting.

Under Nasdaq’s continued listing requirements for The Nasdaq Capital Market, if the closing bid price of our common stock is under \$1.00 per share for 30 consecutive business days and does not thereafter reach \$1.00 per share or higher for a minimum of ten consecutive business days during the 180 calendar days following notification by Nasdaq, our common stock would be subject to delisting by Nasdaq.

On December 27, 2017, Nasdaq notified us that the bid price of our common stock had closed below the required \$1.00 per share for 30 consecutive trading days, and, accordingly, that we did not comply with the applicable Nasdaq minimum bid price requirement. We have been provided 180 calendar days by Nasdaq, or until June 25, 2018, to regain compliance with this requirement.

In the event we are not in compliance with the minimum bid price requirement by June 25, 2018, we may be afforded a second 180 calendar days period. To qualify, we would be required to meet the continued listing requirements for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the minimum bid price requirement. In addition, we would be required to provide written notice of our intention to cure the minimum bid price deficiency during the second 180 day compliance period by effecting a reverse stock split, if necessary.

Accordingly, to increase the share price of our common stock, the Board of Directors adopted resolutions, subject to approval by our stockholders, to amend the Certificate of Incorporation to effect a Reverse Split of our common stock at a ratio in the range of 1-for-5 to 1-for-15, such ratio to be determined in the discretion of the Board of Directors of our company.

Purpose of the Proposed Reverse Split

The Board's primary objective in proposing the Reverse Split is to raise the per share trading price of the common stock. The Board believes that the Reverse Split will result in a higher per share trading price, which is intended to enable us to maintain the listing of our common stock on The Nasdaq Capital Market and generate greater investor interest in our company.

If the Reverse Split is approved by our stockholders and implemen