

Neonode, Inc
Form 10-Q
May 24, 2010

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

FORM 10-Q

(Mark one)

- Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2010
- Transition report pursuant to section 13 or 15(d) of the Securities and Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 0-8419

NEONODE INC.

(Exact name of registrant as specified in its charter)

Delaware 94-1517641
(State or other jurisdiction (I.R.S.
of incorporation or Employer Identification
organization) No.)

Sweden Linnegatan 89, SE-115 23 Stockholm, Sweden
USA 651 Byrdee Way, Lafayette, CA. 94549

(Address of principal executive offices and zip code)

Sweden + 46 8 667 17 17
USA + 1 925 768 0620

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

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Indicate by check mark whether the registrant is an large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “non-accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares of the registrant’s common stock outstanding as of May 18, 2010, was 426,985,185.

The number of shares of the registrant’s Series A Preferred stock outstanding as of May 18, 2010 was 68,120.

The number of shares of the registrant’s Series B Preferred stock outstanding as of May 18, 2010 was 9,875.

NEONODE INC.

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PART I. Financial Information

Item 1. Financial Statements

NEONODE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, Except Share and Per Share Amounts)

	March 31, 2010	December 31, 2009
	(Unaudited)	
Current assets:		
Cash	\$426	\$28
Accounts receivable	72	—
Prepaid expenses	124	58
Debt issuance costs	71	26
Other current assets	66	52
Total current assets	759	164
Property plant and equipment, net	20	20
Other assets	28	28
Total assets	\$807	\$212
LIABILITIES AND STOCKHOLDERS' EQUITY DEFICIT		
Current liabilities:		
Convertible debt, net of discounts	\$762	\$361
Accounts payable	843	699
Accrued expenses	880	993
Embedded derivatives of convertible debt and warrants	5,263	4,507
Total current liabilities	7,748	6,560
Commitments and contingencies (Note 7)		
Stockholders' deficit:		
Series A Preferred stock, 899,081 shares authorized with par value \$0.001 per share; 68,120 and 86,142 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively. (In the event of dissolution, each share of Series A Preferred stock has a liquidation preference equal to par value of \$0.001 over the shares of common stock)	664	841
Series B Preferred stock, 108,850 shares authorized with par value \$0.001 per share; 9,875 and 17,265 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively. (In the event of dissolution, each share of Series B Preferred stock has a liquidation preference equal to par value of \$0.001 over the shares of common stock)	—	—
Common stock, 698,000,000 shares authorized with par value \$0.001 per share; 426,985,185 and 416,472,328 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	427	416
Additional paid-in capital	74,860	73,048

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Accumulated other comprehensive loss	(91)	(96)
Accumulated deficit	(82,801)	(80,557)
Total stockholders' deficit	(6,941)	(6,348)
Total liabilities and stockholders' deficit	\$ 807	\$ 212

See notes to condensed consolidated financial statements.

NEONODE INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In thousands, except per share amounts) (Unaudited)

	Three months ended March 31,	
	2010	2009
Net revenues	\$ 146	\$—
Cost of revenues	62	—
Gross margin	84	—
Operating expenses:		
Product research and development	410	221
Sales and marketing	31	58
General and administrative	340	403
Amortization of fair value of stock issued to related parties for purchase of Neonode Technologies AB	1,584	1,584
Total operating expenses	2,365	2,266
Operating loss	(2,281)	(2,266)
Other income (expense), net:		
Interest and other expense, net	—	(30)
Interest expense	(28)	(3)
Gain on conversion and forgiveness of accounts payable	—	30
Loss on troubled debt restructuring	—	(2,741)
Non-cash items related to debt discounts and deferred financing fees		