

Neonode, Inc
Form 10-Q
November 22, 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 September 30, 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
(State or other
jurisdiction
of incorporation or
organization)

94-1517641

(I.R.S.
Employer Identification
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).

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Yes No

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 November 20, 2010, was 544,543,736.

The number of shares of the registrant's Series A Preferred stock outstanding as of November 20, 2010 was 4,139.

The number of shares of the registrant's Series B Preferred stock outstanding as of November 20, 2010 was 3,508.

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)

	September 30, 2010 (Unaudited)	December 31, 2009
Current assets:		
Cash	\$ 271	\$ 28
Accounts receivable	55	-
Prepaid expenses	166	58
Debt issuance costs, net	31	26
Other current assets	74	52
Total current assets	597	164
Property, plant and equipment, net	23	20
Other assets	-	28
Total assets	\$ 620	\$ 212
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 509	\$ 699
Accrued expenses	1,198	993
Deferred revenue	475	-
Convertible debt, net of discounts	2,303	361
Embedded derivatives of convertible debt and warrants	12,458	4,507
Total current liabilities	16,943	6,560
Commitments and contingencies (Note 8)		
Stockholders' deficit:		
Series A Preferred stock, 899,081 shares authorized with par value \$0.001 per share; 4,139 and 86,142 shares issued and outstanding at September 30, 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)	35	841
Series B Preferred stock, 108,850 shares authorized with par value \$0.001 per share; 3,508 and 17,265 shares issued and outstanding at September 30, 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; 482,883,923 and 416,472,328 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	483	416
Subscription receivable	(204)	-

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Additional paid-in-capital	88,679	73,048
Accumulated other comprehensive loss	(170)	(96)
Accumulated deficit	(105,146)	(80,557)
Total stockholders' deficit	(16,323)	(6,348)
Total liabilities and stockholders' deficit	\$ 620	\$ 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 September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net revenues	\$ 90	\$ --	\$ 359	\$ --
Cost of revenues	47	--	213	--
Gross margin	43	--	146	--
Operating expenses:				
Product research and development				