

Code of Conduct

A Message About the Code from Urban Forssell, Chief Executive Officer:

One of Neonode's most valuable assets is its integrity. Protecting this asset is the job of everyone in Neonode. To that end, we have established this Code of Conduct to help our officers, directors and employees comply with the law and maintain the highest standards of ethical conduct. The Code does not cover every issue that may arise, but it sets out basic principles and a methodology to help guide all officers, directors and employees in the attainment of this common goal.

All of Neonode's employees must carry out their duties in accordance with the policies set forth in this Code and with applicable laws and regulations. To the extent that other Neonode policies and procedures conflict with this Code, employees should follow this Code. Any violation of applicable law or any deviation from the standards embodied in this Code will result in disciplinary action up to and including termination. Disciplinary action also may apply to an employee's supervisor who directs or approves the employee's improper actions, or is aware of those actions but does not act appropriately to correct them. In addition to imposing its own discipline, Neonode may also bring suspected violations of law to the attention of the appropriate law enforcement personnel. If an employee is involved a situation that he or she believes may violate or lead to a violation of this Code, the procedures described in Section 9 of the Code should be followed.

Sincerely

Urban Forssell
Chief Executive Officer

Code of Conduct

1. Policy Statement

Neonode is committed to being a good corporate citizen. Neonode's policy is to conduct its business affairs honestly and in an ethical manner. That goal cannot be achieved unless each and every employee individually accepts his or her responsibility to promote integrity and demonstrate the highest level of ethical conduct in all of his or her activities. Activities that may call into question Neonode's reputation or integrity should be avoided. Neonode understands that not every situation is black and white. When an employee is faced with a business situation where he or she must determine the right thing to do, an employee should ask the following questions:

- ⇒ Am I following the spirit, as well as the letter, of any law or Neonode policy?
- ⇒ Would I want my actions reported publicly?
- ⇒ What would my family, friends or neighbors think of my actions?
- ⇒ Will there be any direct or indirect negative consequences for Neonode?

Every manager and supervisor are expected to take necessary actions to ensure compliance with this Code, to provide guidance and assist employees in resolving questions concerning the Code and to permit employees to express any concerns regarding compliance with this Code.

2. Compliance with Laws, Rules and Regulations

Neonode seeks to comply with both the letter and spirit of the laws and regulations in all jurisdictions in which it operates.

Numerous federal, state and local laws and regulations define and establish obligations with which Neonode, its employees and agents must comply. Any employee or agent who violates these laws or regulations not only risks individual indictment, prosecution and penalties, and civil actions and penalties, but also subjects Neonode to the same risks and penalties. Any employee or agent who violates these laws may be subject to immediate disciplinary action, including possible termination of his or her employment or affiliation with Neonode. If you are uncertain whether a particular action or course of conduct is permissible, you should refrain from engaging in the action or conduct until a determination has been made by the appropriate officer. When faced with situations that require some knowledge of the law, employees should seek advice from supervisors, managers, the Compliance Officer, or other appropriate personnel.

Set forth below are some of the major federal, state and local laws applicable to Neonode and the industry in which we operate. This outline is not intended to identify all applicable laws.

- ⇒ securities laws and such other laws as are enforced by the Securities and Exchange Commission;
- ⇒ antitrust laws;
- ⇒ employment laws;
- ⇒ fraud laws;
- ⇒ false statements and false claim laws;
- ⇒ bribery and gratuity laws; and
- ⇒ conspiracy laws.

As explained below, employees should always consult the Compliance Officer with specific questions. Employees should also refer to the Neonode Employee Handbook for additional policies and standards applicable to Neonode employees in day-to-day operations.

3. Fair Dealing

Our goal is to be regarded as a company that does business with integrity.

Each employee should endeavor to deal fairly with Neonode's strategic partners, competitors, customers, suppliers, employees and anyone else that he or she has contact with in the course of performing his or her job. Under federal and state laws, Neonode is prohibited from engaging in unfair methods of competition, and unfair or deceptive acts and practices. It is illegal to engage in deceptive, unfair or unethical practices and to make misrepresentations in connection with sales activities. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

Examples of prohibited conduct include, but are not limited to:

- ⇒ making affirmative claims about Neonode's products without having a reasonable basis for doing so;
- ⇒ bribery or payoffs to induce business or breaches of contracts by others;
- ⇒ inducing improper disclosure of confidential information from past or present employees of other companies;
- ⇒ acquiring a competitor's trade secrets through bribery or theft; or
- ⇒ making false, deceptive or disparaging claims or comparisons about competitors or their products.

In addition, public statements by or on behalf of Neonode should always be accurate, have a reasonable basis in fact, and should not be misleading. Public statements may include such things as publicity, investor or other presentations, and interviews.

4. Insider Trading

Employees should never trade securities on the basis of confidential information acquired through their employment relationship.

Federal law and Neonode policy prohibit employees, directly or indirectly, from purchasing or selling Neonode stock through the use of confidential information concerning Neonode. All non-public information about Neonode should be considered confidential information. This same prohibition applies to trading in the stock of other publicly held companies, such as existing or potential strategic partners, on the basis of confidential information. The “tipping” of others who might make an investment decision on the basis of this information is also illegal. If you have a question concerning appropriateness or legality of a particular securities transaction, it is imperative that you consult with Neonode’s Compliance Officer. A more complete description of Neonode’s Policy Against Insider Trading and Securities Fraud can be obtained from Neonode’s Compliance Officer.

5. Conflicts of Interest and Corporate Opportunities

An employee must avoid any situation in which his or her personal interests conflict or even appear to conflict with Neonode’s interests. Employees owe a duty to Neonode not to compromise Neonode’s legitimate interests and to advance such interests when the opportunity to do so arises in the course of the employee’s employment.

Employees should avoid entering into situations in which their personal, family or financial interests or loyalties may conflict with those of Neonode. Employees may not engage in activities that compete with Neonode or compromise its interests. Employees should not take for their own benefit opportunities discovered in the course of employment that the employee has reason to know would benefit Neonode. A conflict situation can arise:

- ⇒ when an employee, officer, or director, or a member of his or her family, or an affiliate of any of such parties, receives improper personal benefits as a result of his or her position in Neonode;
- ⇒ when an employee, officer, or director takes actions or has interests that make it difficult to perform his or her Neonode work objectively and effectively;
- ⇒ where a Neonode employee, officer or director works simultaneously for a competitor;
- ⇒ where an employee, officer or director has a financial interest in a competitor that may cause divided loyalty with Neonode or the appearance of divided loyalty;

- ⇒ if an employee, officer or director acquires an interest in property (such as real estate, patent rights or securities) where Neonode has, or might have, an interest;
- ⇒ through the making of loans to, or guarantees of obligations of, employees and their family members; or
- ⇒ if any employee, officer or director divulges or uses Neonode's confidential information for his or her own personal or business purposes.

Conflicts are not always clear-cut. If an employee becomes aware of a conflict, potential conflict, or has a question as to a potential conflict, the employee should consult with higher levels of management or Neonode's Compliance Officer and/or follow the procedures described in Section 9 of the Code. If an employee becomes involved in a situation that gives rise to an actual conflict, the employee **must** inform higher levels of management or Neonode's Compliance Officer of the conflict. Please be aware that a member of management may not authorize conflict of interest matters without first seeking the approval of the Compliance Officer and filing with the Compliance Officer a written description of the activity. If a member of management is involved in the potential or actual conflict, that member of management should discuss the matter directly with the Compliance Officer. Officers and directors may seek authorization from the Audit Committee.

6. Confidentiality

All confidential information concerning Neonode obtained by employees, officers, and directors is the property of Neonode and must be protected.

Confidential information includes all non-public information that might be of use to competitors, or harmful to Neonode, if disclosed. Employees must maintain the confidentiality of such information entrusted to them by Neonode, except when disclosure is authorized by Neonode or required by law. The obligation to keep this information confidential applies even to communications with family members.

In addition, because Neonode interacts with other companies and organizations, there may be times when an employee will learn confidential information about other companies before that information has been made available to the public. Employees must treat this information in the same manner as they are required to treat Neonode's confidential and proprietary information. There may even be times when employees must treat as confidential the fact that Neonode has an interest in, or is involved with, another company.

Examples of confidential information include, but are not limited to: Neonode's trade secrets and proprietary know-how; business trends and projections; information about financial performance; source codes; new product or marketing plans; pricing strategies; personnel data; information about potential acquisitions, divestitures and investments; stock splits, public or private securities offerings or changes in dividend policies or amounts; and information regarding existing or potential major design wins, contracts, orders or finance sources or the loss thereof.

The obligations of employees, officers and directors with respect to confidential information of Neonode continue even after their employment or director relationship with Neonode terminates. Each employee's confidentiality obligations, and express agreement to abide by such obligations, is set forth in each employee's confidentiality, nondisclosure and assignment agreement.

7. Protection and Proper Use of Company Assets

All employees should endeavor to protect Neonode's assets and ensure their proper use.

Neonode assets are to be used only for legitimate business purposes of Neonode and only by authorized employees or their designees. This includes both tangible and intangible assets. Intangible assets include, but are not limited to: intellectual property such as: trade secrets and proprietary know-how; patents, trademarks and copyrights; business, marketing and service plans; research, engineering and manufacturing ideas; databases; Neonode records; salary information; and any unpublished financial data and reports. Unauthorized alteration, destruction, use, disclosure or distribution of these assets violates Neonode policy and this Code. Any such action, as well as theft or waste of, or carelessness in using, these assets have a direct adverse impact on Neonode's operations and profitability and will not be tolerated.

Neonode provides computers, voice mail, electronic mail (e-mail), and Internet access to certain employees for the purpose of achieving the Neonode's business objectives. As a result, Neonode has the right to access, reprint, publish, or retain any information created, sent or contained in any of Neonode's computers or e-mail systems of any Neonode machine. Employees may not use e-mail, the Internet or voice mail for any illegal purpose or in any manner that is contrary to Neonode's policies or the standards embodied in this Code.

No employee should make copies of, or resell or transfer (externally or internally), copyrighted publications, including software, manuals, articles, books, and databases being used in Neonode that were created by another entity and licensed to Neonode unless he or she is authorized to do so under the applicable license agreement or by the "fair use" doctrine, such as for "backup" purposes.

8. Maintenance of Corporate Books, Records, Documents and Accounts; Financial Integrity; Public Reporting

The integrity of our records and public disclosure depends on the validity, accuracy and completeness of the information supporting the entries to our books of account.

Neonode's corporate and business records should be completed accurately and honestly. The making of false or misleading entries, whether such entries relate to financial results or test results, is strictly prohibited. Neonode's records serve as a basis for managing its business and are important in meeting its obligations to customers, suppliers, creditors, employees and others with whom Neonode does business. As a result, it is important that Neonode's books, records and accounts accurately and fairly reflect, in reasonable detail, its assets, liabilities, revenues, costs and expenses, as well as all transactions and changes in assets and liabilities.

Neonode requires that:

- ⇒ no entry be made in its books and records that intentionally hides or disguises the nature of any transaction or of any of its liabilities, or misclassifies any transactions as to accounts or accounting periods;
- ⇒ transactions be supported by appropriate documentation;
- ⇒ the terms of sales and other commercial transactions be reflected accurately in the documentation for those transactions and all such documentation be reflected accurately in Neonode's books and records;
- ⇒ employees comply with Neonode's system of internal controls; and
- ⇒ no cash or other assets be maintained for any purpose in any unrecorded or "off-the-books" fund.

Neonode's accounting records are also relied upon to produce reports for its management, stockholders and creditors, as well as for governmental agencies. In particular, Neonode relies upon its accounting and other business and corporate records in preparing the periodic and current reports that it files with the SEC. Securities law requires that these reports provide full, fair, accurate, timely and understandable disclosure and fairly present Neonode's financial condition and results of operations. Employees who collect, provide or analyze information for or otherwise contribute in any way in preparing or verifying these reports should strive to ensure that Neonode's financial disclosure is accurate and transparent and that Neonode's reports contain all of the information about Neonode that would be important to enable stockholders and potential investors to assess the soundness and risks of Neonode's business and finances and the quality and integrity of Neonode's disclosures. In addition:

- ⇒ no employee may take or authorize any action that would cause Neonode's financial records or financial disclosure to fail to comply with generally accepted accounting principles, the rules and regulations of the SEC or other applicable laws, rules and regulations;
- ⇒ all employees must cooperate fully with Neonode's accounting and internal auditing departments and personnel, as well as its independent public accountants and counsel, respond to their questions with candor and provide them with complete and accurate information to help ensure that Neonode's books and records, as well as Neonode's reports filed with the SEC, are accurate and complete; and
- ⇒ no employee should knowingly make (or cause or encourage any other person to make) any false or misleading statement in any of the Neonode's reports filed with the SEC or knowingly omit (or cause or encourage any other person to omit) any information necessary to make the disclosure in any of Neonode's reports accurate in all material respects.

Any employee who becomes aware of any departure from these standards has a responsibility to report his or her knowledge promptly to a supervisor, the Compliance Officer, or other appropriate personnel as described in Section 9 of the Code.

9. Reporting Violations of Company Policies and Receipt of Complaints Regarding Financial Reporting or Accounting Issues

All employees should report any violation or suspected violation of this Code.

Neonode's efforts to ensure observance of, and adherence to, the goals and policies outlined in this Code mandate that employees bring any instance, occurrence or practice that they, in good faith, believe is inconsistent with or in violation of this Code to the attention of their supervisors, managers or other appropriate personnel. The following is an approach to dealing with potential problem situations. For a more complete description of this policy, please refer to Neonode's Whistleblowing and Complaint Policy.

* Discuss possible problems with a supervisor or other member of Neonode management. In the event you believe a violation of the Code has occurred or you have observed or become aware of conduct that appears to be contrary to the Code, immediately discuss the situation with your supervisor. If you receive a complaint or concern, or notice of a complaint or concern, regarding Neonode's financial disclosure, accounting, internal controls or audits, you must immediately advise your supervisor. If you feel it would be inappropriate to discuss the issue with your supervisor, you should contact the Compliance Officer. If you feel it would be inappropriate to discuss the issue with the Compliance Officer, please send an e-mail with your concerns to the confidential e-mail address audit@neonode.com or auditcommittee@neonode.com. These e-mail accounts are monitored by a member of Neonode's Audit Committee and the only employee of Neonode that has access to it is the network administrator. If you want absolute certainty that your concern is only known to the Audit Committee, or that your submission is completely anonymous, please mail a letter (anonymous if desired) describing the circumstances surrounding the matter to the following address:

Chairman of the Audit Committee
Neonode, Inc.
c/o RIMON LAW
One Embarcadero Center, Suite 400, San Francisco, CA 94111
Attn: David Mittelman

These resources will promptly listen to your concerns and assess the situation.

* Use common sense and good judgment; Act in good faith. Every employee and manager are expected to become familiar with and to understand the requirements of the Code. If you become aware of a suspected violation, don't try to investigate it or resolve it on your own. Prompt disclosure to the appropriate parties is vital to ensuring a thorough and timely investigation and resolution. A violation of the Code is a serious matter and could have legal implications. Allegations of such behavior are not taken lightly and should not be made

to embarrass someone or put him or her in a false light. Reports of suspected violations should always be made in good faith.

* Internal investigation. When an alleged violation of the Code is reported, Neonode or the Audit Committee, as appropriate, shall take appropriate action in accordance with the compliance procedures outlined in Section 12 of the Code. Employees are expected to cooperate in internal investigations of misconduct.

* No fear of retaliation. It is a federal crime for anyone to intentionally retaliate against any person who provides truthful information to a law enforcement official concerning a possible violation of any federal law. In cases in which an employee reports a suspected violation in good faith and is not engaged in the questionable conduct, Neonode will attempt to keep its discussions and actions confidential to the greatest extent possible. In the course of its investigation, Neonode may find it necessary to share information with others on a “need to know” basis. No retaliation shall be taken against employees for reporting alleged violations while acting in good faith.

10. Publication of the Code of Business Conduct

The most current version of Neonode’s Code of Business Conduct will be posted and maintained on Neonode’s intranet and will be made publicly available in such manner as may be required by the rules and regulations of the Securities and Exchange Commission and the listing standards of the Nasdaq Stock Market.

11. Waivers of the Code of Business Conduct

Any waiver of this Code for executive officers (including, where required by applicable laws, the principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions)) or directors may be made only by the Audit Committee and will be disclosed to stockholders to the extent required by applicable laws, rules and regulations and the listing standards of the Nasdaq Stock Market.

12. Compliance Procedures

Neonode has established this Code of Business Conduct as part of its overall policies and procedures. The Code applies to all Neonode employees in all locations. The Code is based on Neonode’s core values, good business practices and applicable law. The existence of a Code, however, does not ensure that directors, officers and employees will comply with it or act in a legal and ethical manner. To achieve optimal legal and ethical behavior, the individuals subject to the Code must know and understand the Code as it applies to them and as it applies to others. All employees must champion the Code and assist others in knowing and understanding it.

* Compliance. Every employee, officer and director are expected to become familiar with and understand the requirements of the Code. Most important, each of those persons must comply with it.

* Management Responsibility. Neonode’s CEO shall be responsible for ensuring that the Code is established and effectively communicated to all employees. Although the day-to-day compliance issues will be the responsibility of Neonode’s managers, the CEO has ultimate accountability with respect to the overall implementation of and successful compliance with the Code.

* Compliance Officer. The Audit Committee shall select an employee to act as the Compliance Officer. The Compliance Officer is currently Ulf Mårtensson, Executive Vice President. The Compliance Officer will, with the assistance and cooperation of Neonode’s executives and managers, foster an atmosphere where employees are comfortable in communicating and/or reporting concerns and possible Code violations.

* Screening and Retention of Employees. Neonode shall exercise due diligence when hiring and promoting employees and, in particular, when conducting an employment search for a position involving the exercise of substantial discretionary authority, such as a member of the executive team, a senior management position or an employee with financial management responsibilities. Neonode shall make reasonable inquiries into the background of each individual who is a candidate for such a position. All such inquiries shall be made in accordance with applicable law and good business practice. In addition, in the event an employee in a position that exercises substantial discretionary authority engages in illegal or unethical behavior in connection with his/her services to Neonode or is convicted of, or pleads guilty or no contest to allegations that he/she committed a crime involving moral turpitude, that individual shall be removed from his/her position and not assigned to any other position involving the exercise of substantial discretionary authority, and may be subject to disciplinary action, up to and including termination of employment.

* Access to the Code. All employees may access the Code on Neonode’s internal website. In addition, each current employee will be provided with a copy of the Code. New employees will receive a copy of the Code as part of their new hire introduction. From time to time, Neonode will sponsor employee training programs in which the Code and other Neonode policies and procedures will be discussed.

* Monitoring. The officers of Neonode shall be responsible for reviewing the Code with all of Neonode’s managers. In turn, Neonode’s managers with supervisory responsibilities should review the Code with his/her direct reports. The manager is the “go to” person for employee questions and concerns, especially in the event of a potential violation. The manager will immediately report any known violations or allegations to the Compliance Officer. The managers will work with the Compliance Officer in assessing areas of concern, potential problems and overall compliance with the Code and other related policies.

* Internal Investigation. When an alleged violation of the Code is reported, Neonode or the Audit Committee, as appropriate, shall take prompt and appropriate action in accordance with the law and regulations and otherwise consistent with good business practice. The Compliance Officer or Chairman of the Audit Committee, as applicable, shall assess the situation and determine the appropriate course of investigation. Investigations shall be documented, as appropriate.

* Disciplinary Actions. A manager, after consultation with the President, shall be responsible for implementing the appropriate disciplinary action in accordance with Neonode's policies and procedures for any employee who is found to have violated the Code. In addition to imposing discipline upon persons involved in non-compliant conduct, Neonode also may impose discipline, as appropriate, upon individuals who fail to detect non-compliant conduct and upon individuals who fail to report known non-compliant conduct. If a violation has been reported to the Audit Committee, that committee shall be responsible for determining appropriate disciplinary action. Such disciplinary action may include the termination of the employee's employment. Disciplinary action shall be documented, as appropriate.

* Corrective Actions. In the event of a breach of the Code, the manager and Compliance Officer should assess the situation to determine whether the breach is a problem that can be resolved by corrective action. If a violation has been reported to the Audit Committee, that committee shall be responsible for determining appropriate corrective actions. Such corrective action may include retraining Neonode employees, adjusting Neonode policies and procedures, and other action necessary to prevent similar non-compliant conduct from occurring in the future. Such corrective action shall be documented, as appropriate.