

ARCA biopharma, Inc.
Form 8-K
December 30, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 30, 2011 (December 30, 2011)

ARCA biopharma, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

000-22873
(Commission
File Number)

36-3855489
(I.R.S. Employer
Identification No.)

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8001 Arista Place, Suite 430, Broomfield, CO 80021

(Address of Principal Executive Offices) (Zip Code)

(720) 940-2200

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 8 Other Events

Item 8.01 Other Events.

On December 30, 2011, ARCA issued a press release announcing that the U.S. Patent and Trademark Office has issued a patent on methods for treating patients with bucindolol based on genetic targeting. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Section 9 Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number

Description

99.1	Press Release titled ARCA biopharma Announces Additional Patent Issued for Methods for Treatment with Bucindolol Based on Genetic Targeting, dated December 30, 2011.
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: December 30, 2011

ARCA biopharma, Inc.

(Registrant)

By: /s/ Michael R. Bristow

Name: Michael R. Bristow

Title: President and Chief Executive Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	Press Release titled ARCA biopharma Announces Additional Patent Issued for Methods for Treatment with Bucindolol Based on Genetic Targeting, dated December 30, 2011.
	SStd-Bold; color: black; font-weight: bold;"> Executive Officer since
	Thomas Eriksson
	President and Chief Executive Officer, and Director of Neonode Inc.; Chief Executive Officer of Neonode Technologies AB
	April 2009
	Lars Lindqvist
	Vice President, Finance, Chief Financial Officer, Treasurer and Secretary of Neonode Inc.
	August 2014
	Biographical information regarding Mr. Eriksson is under "Composition of the Board of Directors" in the Board Matters and Corporate Governance section above.
	Lars Lindqvist, age 58, has served as an executive officer of Neonode since August 2014. Upon becoming an executive officer, Mr. Lindqvist resigned as 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.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

Our executive compensation programs seek to balance the interests of stockholders and executives while supporting our need to attract and retain competent executive management. Toward this end, the Board of Directors and the Compensation Committee seek to emphasize the enhancement of stockholder value and deliver a total executive

compensation package in a cost-effective manner.

2015 Summary:

For 2015, the Compensation Committee acted in a conservative manner with respect to executive compensation by not awarding a bonus to the Chief Executive Officer or the Chief Financial Officer. In addition, no perquisites were paid to the named executive officers in 2015.

Say-on-Pay:

At our 2015 Annual Meeting of Stockholders, approximately 98% of the votes cast in the advisory “say-on-pay” vote were voted for approval of the compensation of the named executive officers as disclosed in our 2015 proxy statement. The Board of Directors and Compensation Committee have considered the results of the 2015 “say-on-pay” vote and believe that the substantial support by our stockholders indicates they generally are supportive of our approach to executive compensation. The Board of Directors and Compensation Committee will continue to consider “say-on-pay” votes in formulating future executive compensation policies and decisions.

Governance:

These additional factors are important attributes of our company’s overall program with respect to executive compensation:

- Our employees, including executives, are prohibited from pledging or hedging, or selling short, their shares of our common stock.
- Incentive compensation paid to executive officers is subject to a Clawback Policy adopted by the Board of Directors.

- Outstanding stock options are not subject to automatic vesting upon a change in control of our company.
- Our company annually holds an advisory vote on named executive officer compensation.

Compensation Committee

The Compensation Committee of the Board of Directors oversees our executive compensation program. The Compensation Committee, which is composed solely of independent directors, reviews executive officer performance and reviews and approves executive officer compensation.

In addition, the Compensation Committee administers the 2001 Non-Employee Director Stock Option Plan, 2006 Equity Incentive Plan, and the 2015 Stock Incentive Plan of our company. In that capacity, the Compensation Committee selects the employees, including executives, and non-employee directors of our company who will receive awards, determines the number of shares covered thereby, and establishes the terms, conditions, and other provisions of the grants.

Under its charter, 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 a compensation consultant in 2015 and has not engaged a compensation consultant for 2016.

Role of Chief Executive Officer

The Compensation Committee establishes compensation policies and practices for the chief executive officer. The chief executive officer recommends compensation packages for the remaining executive officers based on his review of our company's performance and the executive's contribution to this performance, and salary levels for our employees in general. After reviewing these recommendations and after discussion with the chief executive officer, the Compensation Committee makes whatever modifications it believes are appropriate.

Compensation Philosophy

The Board of Directors believe that executive compensation should vary with our performance in achieving our financial and non-financial objectives, should be tied to individual performance, and should be structured to align the interests of our executive officers with the interests of our stockholders. The Compensation Committee seeks to provide a total compensation package that is adequate and competitive in relation to the compensation practices of comparable companies of our size and type of business. Accordingly, the Compensation Committee provides salaries based upon individual performance together, where appropriate, with periodic cash bonuses and stock options based on our overall performance relative to our corporate objectives and the executive's individual contributions.

The Compensation Committee has not adopted formal guidelines for allocating total compensation between long-term and current compensation or equity compensation and cash compensation but rather allocates on a case-by-case basis as appears appropriate in achieving objectives of our compensation philosophy.

In reviewing the competitiveness of our executive compensation, the Compensation Committee takes into account information from sources such as independent members of the Board of Directors and publicly available data relating to the compensation practices and policies of other companies in our industry. However, the Compensation Committee has not developed any specific list of peer group companies to inform its compensation decisions. Consistent with this view, the Compensation Committee has not targeted a predetermined percentile of any peer group companies in determining compensation. While benchmarking may not necessarily be appropriate for a company of our size or as a sole tool for setting compensation because some aspects of our business and objectives are unique to us, the Compensation Committee may in the future gather and review peer group information if the Compensation

Committee determines it be important to its decision-making process.

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a federal income tax deduction to public companies for certain compensation over \$1,000,000 paid to a chief executive officer and the three other most highly compensated executive officers other than the chief financial officer. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. The Compensation Committee does not believe that Section 162(m) or other accounting and tax treatment of particular

forms of compensation materially affect compensation decisions. However, the Compensation Committee will evaluate the effect of such accounting and tax treatment on an ongoing basis and will make appropriate modifications to compensation policies where appropriate.

Components of Compensation

The primary elements of total compensation we historically pay to our executive officers, including the chief executive officer and the other executive officers identified under the “Summary Compensation Table” below, include the following:

- base salary;
- cash bonus;
- awards under our equity incentive plans;
- benefits under our defined contribution plans; and
- benefits under our health and welfare benefits plans.

Base Salaries:

Base salaries for executives are reviewed annually and adjustments are determined, where appropriate, to maintain salaries at competitive levels, taking into account each executive’s experience and individual performance, to maintain an equitable relationship between executive salaries and overall salaries for other employees, and to reflect the executive’s annual performance evaluation.

For 2015, the base salary of Mr. Eriksson and Mr. Lindqvist were maintained at the same level as 2014. In 2014, the base salary of Mr. Lindqvist upon his appointment as Chief Financial Officer was established at a rate comparable to that of the prior Chief Financial Officer. For 2015, Mr. Bystedt received his annual chairmanship fee but did not receive any additional salary for his services as an executive officer.

Cash Bonuses:

The Compensation Committee determines whether executives should receive cash bonuses based on our financial position, achievement of major corporate objectives, and the contribution of the executive, above normal expectations, to our overall success and achievements in creating stockholder value. The Compensation Committee may award bonuses at its discretion based upon subjective factors it determines after the conclusion of the year.

To date, the Compensation Committee has established a non-discretionary bonus structure solely for Mr. Eriksson as Chief Executive Officer tied to the performance of the share price of our common stock (NEON) relative to the price of the NASDAQ-100 Technology Sector Index (NDXT) based upon a maximum payout to Mr. Eriksson of 1,000,000 Swedish Kronor (“SEK”) (approximately \$119,000 in 2015). If the price of shares of our common stock increases during the year by more than 25% of the increase in the price of the NASDAQ-100 Technology Sector Index, then Mr. Eriksson is entitled to the maximum payout. If the price of shares of our common stock increases during the year at approximately the same percentage as the NASDAQ-100 Technology Sector Index, then Mr. Eriksson is entitled to 50% of the maximum. The price of shares of our common stock in 2015 did not increase relative to the NASDAQ-100 Technology Sector Index. As a result, the Compensation Committee did not award a non-discretionary cash bonus to Mr. Eriksson for the fiscal year ended 2015.

As described under “Employment Agreements” in the Executive Compensation section below, Mr. Lindqvist’s employment agreements provides him with a bonus opportunity of up to 50% of his total yearly salary at the discretion of the chief executive officer. No bonus was awarded to Mr. Lindqvist for the fiscal year ended 2015.

Equity Incentive Plan Awards:

We use the grant of options and other equity awards under our equity incentive plans, particularly the 2015 Stock Incentive Plan, as the primary vehicle for providing long-term incentive compensation opportunities to our employees, including executives. The options we have granted have a per share exercise price which is not less than

the closing price of a share of our common stock on the NASDAQ Stock Market on the grant date. Accordingly, options granted under our equity incentive plans have no value unless the market price of our common stock increases after the grant date. Our equity incentive awards are designed to provide at-risk compensation that aligns management's financial interests with those of our stockholders, encourages management ownership of our common stock, supports the achievement of corporate financial objectives, and provides competitive equity reward opportunities. When determining whether to grant equity awards, the Compensation Committee considers the executive's responsibilities and anticipated contributions to achieving our performance goals, and its judgment about whether the complete compensation package provided to the executive is sufficient to retain, motivate and adequately reward him. For 2015, the Compensation Committee awarded stock options with a three year term to Messrs. Eriksson, Lindqvist, and Bystedt to purchase, respectively, 40,000, 20,000, and 20,000 shares of our common stock.

Defined Contribution Plans:

In accordance with Swedish practice, we contribute an amount equal to fifteen percent of the salary of our executives to Swedish pension organizations through an arrangement akin to a 401(k) plan.

Health and Welfare Benefits Plans:

We provide employee benefits programs to our executives in Sweden, including healthcare, disability, and life insurance. Our employee benefits plans are provided on a non-discriminatory basis to all employees.

Severance and Change in Control Arrangements

Certain of the named executive officers will receive compensation if, under certain circumstances, their employment is terminated by our company or in connection with a change in control of our company. See "Payments Upon Termination or Change in Control" below for a description of these provisions. We believe that change in control arrangements should represent a fair allocation of the risks of termination between us and the executive, preserving a measure of economic security for the executive while making it possible for employment to be terminated without additional liability to our company in the event of changes in our condition and affairs.

Clawback Policy

The Board of Directors has adopted a policy giving it authority to retroactively recoup any cash bonus or incentive compensation paid to any executive officer, including the named executive officers, where it is subsequently determined following a significant or material restatement of our financial statements that the award would not have been paid if performance had been measured in accordance with the restated financials for a period covering any of the three fiscal years preceding the restatement. We intend to amend this policy as needed to comply with any additional requirements of the Dodd-Frank Act with respect to clawbacks after the SEC adopts regulations implementing the requirements.

Insider Trading Policy

Pursuant to our company's Policy Against Insider Trading and Securities Fraud, we prohibit our executive officers and directors from pledging their shares of our common stock or hedging the economic risk of ownership of their shares. To our knowledge, all of our executive officers and directors are in compliance with these anti-pledging and anti-hedging provisions. In addition, pursuant to the Policy Against Insider Trading and Securities Fraud and in accordance with applicable law, our executive officers and directors are prohibited from entering into short sale transactions of shares of our common stock.

Stock Ownership Guidelines

The Board of Directors believes that the interests of our executive officers and our stockholders should be aligned and for this reason supports our executive officers acquiring or maintaining a significant equity ownership position in our company so as to have a meaningful personal financial stake in our success. Mr. Eriksson and Mr. Bystedt each beneficially own at least five percent of our common stock. However, we have not adopted formal stock ownership guidelines.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table presents information regarding compensation earned by the named executive officers. Messrs. Eriksson, Lindqvist, and Bystedt 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 8.43, 6.86, and 6.51 SEK to one US Dollar for the years ended December 31, 2015, 2014 and 2013, respectively.

Name and Principal Position	Year	Salary	Bonus	Option Awards(1)(2)	All Other Compensation(3)	Total
Thomas Eriksson Chief Executive Officer	2015	\$ 215,231	—	\$ 30,040	\$ 28,639	\$ 273,910
	2014	\$ 264,540	—	—	\$ 24,463	\$ 289,003
	2013	\$ 276,383	\$ 76,773	—	\$ 13,819	\$ 366,975
Lars Lindqvist(4) Chief Financial Officer	2015	\$ 177,936	—	\$ 15,020	\$ 26,087	\$ 219,043
	2014	\$ 86,459	\$ 43,752	—	\$ 83,186	\$ 213,397
Per Bystedt(5) Chairman(6)	2015	\$ 95,449	—	\$ 15,020	\$ 3,831	\$ 114,300
	2014	\$ 91,000	—	—	\$ 4,708	\$ 95,708
	2013	\$ 95,813	—	—	\$ 4,791	\$ 100,604

(1) Amounts presented are calculated as of the grant date of the option award in accordance with the provisions of US generally accepted accounting standards. Refer to “Stock-Based Compensation” in Note 9 to the consolidated financial statements of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for the valuation assumptions made in the Black-Scholes option pricing model used to calculate the fair value of the option awards.

(2) For 2015, represents a fully vested three-year stock option granted to each of Messrs. Eriksson, Lindqvist, and Bystedt to purchase, respectively, 40,000, 20,000 and 20,000 shares of our common stock at an exercise price equal to \$4.15 per share, which exceeded the \$3.04 closing price of shares of our common stock on the NASDAQ Stock Market on the grant date.

(3) For 2015, represents matching of Swedish defined contribution plan contributions in the amounts of \$28,639, \$26,087, and \$3,831 for Messrs. Eriksson, Lindqvist, and Bystedt respectively.

(4) Mr. Lindqvist became an executive officer of our company effective August 15, 2014. Prior to that date, he received compensation as a non-employee director of our company as described under “Directors Compensation” in the Board Matters and Corporate Governance section of our 2015 Proxy Statement. The amounts presented in this table do not reflect 2014 compensation paid to Mr. Lindqvist before he became an executive officer.

(5) Mr. Bystedt’s salary for consisted solely of an annual chairmanship fee.

(6) As of June 16, 2015, the Board determined that Mr. Bystedt was no longer serving as an “executive officer” of our company as that term is defined in Rule 3b-7 under the Exchange Act. He remains Chairman of the Board of Directors.

Employment Agreements

On March 5, 2014, our company entered into an employment agreement with Mr. Eriksson. Under his employment agreement, Mr. Eriksson is entitled to receive a monthly salary of 150,000 SEK (approximately \$18,000 monthly in 2015). Mr. Eriksson's employment agreement also provides that, at the discretion of the Compensation Committee, he is eligible to receive an annual bonus up to 1,000,000 SEK (approximately \$119,000 in 2015) and participate in bonus and stock option programs. In addition, Mr. Eriksson 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 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 2015). In addition, Mr. Lindqvist was paid a fee of 250,000 SEK (approximately \$36,000 in 2014) during the initial 30 days of his transition into his role as Chief Financial Officer, and a fee of 200,000 SEK (approximately \$29,000 in 2014) in connection with his relocation to Stockholm, Sweden. Mr. Lindqvist's Employment Agreement also provided that he was entitled to receive a bonus for 2014 of up to 300,000 SEK (approximately \$44,000 in 2014) at the discretion of the chief executive officer and a bonus in each subsequent year

of up to 50% of his total yearly salary. 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.

The summaries of the employment agreements above are qualified in their entirety by reference to the actual agreements, copies of which are incorporated by reference into our annual report on Form 10-K for the fiscal year ended December 31, 2015.

Grant of Plan Based Awards

The following table presents information regarding the equity awards to the named executive officers for the fiscal year ended December 31, 2015.

Name	Grant Date	Number of Shares of Stock Underlying Options	Exercise Price of Option Awards	Grant Date Fair Value of Option Awards(1)
Thomas Eriksson	3/03/2015	40,000	\$ 4.15	\$ 30,040
Lars Lindqvist	3/03/2015	20,000	\$ 4.15	\$ 15,020
Per Bystedt	3/03/2015	20,000	\$ 4.15	\$ 15,020

(1) Amounts presented are calculated as of the grant date of the option award in accordance with the provisions of US generally accepted accounting standards. Refer to "Stock-Based Compensation" in Note 9 to the consolidated financial statements of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for the valuation assumptions made in the Black-Scholes option pricing model used to calculate the fair value of the option awards.

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, 2015.

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
Per Bystedt	6,667 (3)(4)	3,333 (3)(4)	\$ 6.21	1/08/2021
	20,000 (1)(3)	—	\$ 4.15	3/03/2018
	90,000 (2)(3)	—	\$ 4.25	4/26/2019

(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 as member of the Board of Directors.
- (4) Represents an award to purchase 10,000 shares which one-third vested one year after the January 8, 2014 grant date and the remaining two-thirds vest monthly over the subsequent twenty-four months.

Option Exercises

No options were exercised by the named executive officers during the fiscal year ended December 31, 2015.

Potential Payments Upon Termination or Change of Control

Payments Upon Termination:

Mr. Eriksson and Mr. Lindqvist are not entitled to any severance or other additional benefits upon termination of their 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:

The Board of Directors has an unwritten understanding with Mr. Eriksson that if his employment terminates due to a Change in Control Termination, he would be entitled to receive an amount equal to six months of base salary paid in equal monthly installments over the six months following the Change in Control Termination. The understanding of the Board is that "Change in Control" and "Change in Control Termination" as applied to Mr. Eriksson shall be determined in the same manner as in executive severance agreements entered into with executives who have since separated from our company, including David Brunton who served as Chief Financial Officer prior to Mr. Lindqvist. Consistent with those past executive severance agreements, the understanding of the Board is that a "Change in Control" generally means the sale of more than 50% of our company's assets or stock to a purchaser or group of purchasers, or a merger in which our stockholders receive less than 50% of the voting shares of the surviving entity, and a "Change in Control Termination" generally means an involuntary termination without cause or a voluntary termination with good reason, either of which occurs within six months of a Change in Control.

Mr. Lindqvist is not contractually entitled, nor is there any unwritten understanding with the Board of Directors regarding, any severance or other additional benefits upon termination of his employment in connection with the change in control of our company.

In addition, the terms of the outstanding option award agreements held by the 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.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Board of Directors of Neonode Inc. has reviewed and discussed with management the Compensation Discussion and Analysis included in the proxy statement for the 2016 Annual Meeting of Stockholders of Neonode. Based on the review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in such proxy statement.

THE COMPENSATION COMMITTEE

Mats Dahlin, Chairman

Per Löfgren

John Reardon

The foregoing Report of the Compensation 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.

Compensation Committee Interlocks and Insider Participation

In 2015, none of the members of the Compensation Committee were current or former officers or employees of our company at the time they were serving on the Compensation Committee. As a result, there were no “interlocks” (as defined by the rules of the SEC) with respect to any member of the Compensation Committee during 2015.

**PROPOSAL 3 — 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, 2016, 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 2016 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, 2016 requires the affirmative vote of a majority of the votes of 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 3 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, 2016.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table lists aggregate fees billed to us for the fiscal years ended December 31, 2015 and 2014, by KMJ Corbin and Company LLP, Neonode's independent registered public accounting firm.

	2015	2014
Audit Fees	\$ 251,000	\$ 281,000
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total Fees	\$ 251,000	\$ 281,000

Audit Fees. These 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 to issue 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, 2015 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. 16, 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, 2015, which was filed with the Securities and Exchange Commission on March 11, 2016.

THE AUDIT COMMITTEE

Per Löfgren, Chairman

Mats Dahlin

John Reardon

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.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS,
AND DIRECTOR INDEPENDENCE

Review, Approval or Ratification of Transactions with Related Persons

The Board of Directors has adopted a written policy that addresses related person transactions requiring disclosure under Item 404 of Regulation S-K as promulgated by the SEC. A related person of our company includes a director, a director nominee, an executive officer, a stockholder beneficially owning a more than five percent voting interest in our company, or an immediate family member of any of the foregoing. Under the policy, any transaction in which a related person has a direct or indirect material interest and where the amount exceeds \$120,000 must be approved by disinterested members of the Board of Directors.

In determining whether to approve or ratify a related person transaction, the Board of Directors will take into account, whether (i) the terms are fair to our company and on the same basis generally available to an unrelated person, (ii) there are business reasons for our company to enter into the transaction, (iii) it would impair independence of an outside director, and (iv) it would present an improper conflict of interest, taking into account factors that the Board of Directors deems relevant.

Since the beginning of 2015 and including any currently proposed, there have been no related person transactions in respect of our company within the scope of Item 404(a) of Regulation S-K as promulgated by the SEC.

Director Independence

The Board of Directors has determined that each of Messrs. Dahlin, Löfgren, and Reardon is an independent director within the meaning of the applicable NASDAQ Stock Market rules. The Board is composed of a majority of independent directors and, as described under “Committees of the Board of Directors” in the Board Matters and Corporate Governance section above, each established committee of the Board — the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee — is comprised solely of independent directors.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND
MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Beneficial Ownership Table

The following table presents certain information as of April 11, 2016 regarding the beneficial ownership of shares of our common stock by: (i) principal stockholders known by us to be beneficial owners of more than five percent of common stock; (ii) each director and nominee for director; (iii) each of the named executive officers, as identified under “Summary Compensation Table” in the Executive Compensation section above; and (iv) all of our current directors and executive officers as a group. To our knowledge, none of the beneficial owners listed below owned shares of our preferred stock as of April 11, 2016.

Percentage ownership is based on 43,817,234 shares, representing the aggregate number of shares of our common stock and Series B preferred stock outstanding as of April 11, 2016. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock that could be issued upon the exercise of outstanding options and warrants held by that person that are exercisable at the present time or within 60 days of April 11, 2016 are considered outstanding; however, these shares are not considered outstanding when computing the percentage ownership of any other person.

Except as otherwise noted below, the address for each person or entity listed in the table is c/o Neonode Inc., Storgatan 23C, 11455, Stockholm, Sweden.

Beneficial Owner	Beneficial Ownership Number of Shares	Percent of Class	
AWM Investment Company, Inc.(1) c/o Special Situations Funds 527 Madison Avenue Suite 2600 New York, NY 10022	4,024,446	9.2	%
FMR LLC(2) 245 Summer Street Boston, MA 02210	3,687,341	8.4	%
Per Bystedt(3)(4)	3,248,322	7.4	%
Thomas Eriksson(3)(5)	2,186,386	5.0	%
Mats Dahlin(3)(6)	1,304,825	3.0	%
Per Löfgren(3)	45,000		*
John Reardon(3)(7)	120,034		*

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Lars Lindqvist(3)	153,056		*
All Current Directors, Nominees, and Executive Officers as a Group (6 persons)	7,057,623	15.8	%

* Less than 1%

(1) Based upon information contained in a Schedule 13G filed with the SEC on February 11, 2016 by AWM Investment Company, Inc. with respect to the beneficial ownership of shares of our common stock as of December 31, 2015.

(2) Based upon information contained in a Schedule 13G/A filed with the SEC on February 12, 2016 by FMR LLC, Abigail P. Johnson, and Fidelity Low-Priced Stock Fund with respect to the beneficial ownership of shares of our common stock as of December 31, 2015. As of that date according to the Schedule 13G/A, FMR had sole voting power of 294,990 shares and Fidelity Low-Priced Stock Fund had sole voting power of 3,002,751 shares.

(3) Includes 110,000, 279,000, 110,000, 30,000, 110,000, and 118,056 shares of our common stock that Messrs. Bystedt, Eriksson, Dahlin, Löfgren, Reardon, and Lindqvist, respectively, have the right to acquire beneficial ownership of through the exercise of outstanding stock options.

- (4) Includes 1,992,707 shares of our common stock held by Phenning Holdings Ltd, an entity beneficially owned by Mr. Bystedt.
- (5) Includes 1,907,386 shares of our common stock held by Wirelesstoys AB, an entity beneficially owned by Mr. Eriksson.
- (6) Includes 991,825 shares of our common stock held by Davisa Ltd, an entity beneficially owned by Mr. Dahlin.
- (7) Includes 2,754 shares of our common stock held by The RTC Group, an entity beneficially owned by Mr. Reardon.

Securities Authorized for Issuance under Equity Compensation Plans

The following table presents information regarding securities authorized for issuance under equity compensation plans as of December 31, 2015:

Plan Category(1)	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by securityholders(2)	2,184,117	\$ 4.48	1,754,342
Equity compensation plans not approved by securityholders	—	—	—
Total	2,184,117	\$ 4.48	1,754,342

(1) Refer to Note 9 “Stock-Based Compensation” in the Notes to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for additional information about our equity compensation plans and arrangements.

(2) Includes the 2001 Non-Employee Director Stock Option Plan 2006 Equity Incentive Plan, and 2015 Stock Incentive Plan.

ADDITIONAL INFORMATION

Annual Report

On March 11, 2016, we filed with the SEC our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. A copy of our annual report is being made available to all stockholders along with this proxy statement. The Notice and Access card provided to stockholders contains instructions on how to access this proxy statement and our annual report. The Notice and Access card also contains instructions as to how to obtain a paper or e-mail copy of the proxy materials.

Our filings with the SEC are accessible on our company website at <http://www.neonode.com/investor-relations/sec-filings/>. The information contained on our website is not part of and is not incorporated by reference into this proxy statement.

We will provide without charge to any person solicited hereby, upon the written request of any such person, a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Requests should be directed to us at our principal executive office at Storgatan 23C, 11455, Stockholm, Sweden.

Stockholder Proposals

From time to time, stockholders present proposals that may be proper subjects for inclusion in a proxy statement and for consideration at an annual meeting of stockholders. To be included in the proxy statement for our 2016 Annual Meeting of Stockholders, proposals must be received by us no later than December 26, 2016 and otherwise must comply with SEC rules governing inclusion of such proposals. Any proposal received after December 26, 2016 will be untimely, in accordance with SEC rules and regulations.

Matters (other than nominations of candidates for election as directors) may be brought before the meeting by stockholders only by complying with the procedure set forth in the Bylaws of our company, which in summary requires notice in writing to the Corporate Secretary of our company be delivered or mailed to, and received at, our principal executive office not less than 60 days nor more than 90 days prior to the anniversary of the prior year's annual meeting. Each such stockholder notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (1) a brief description of the matter desired to be brought before the annual meeting and the reasons for bringing such matter before the annual meeting; (2) the name and address, as they appear on our company's books, of the stockholder proposing such business; (3) the class and number of shares of our company which are beneficially owned by the stockholder; (4) any material interest of the stockholder in such business; and (5) any other information that is required to be provided by the stockholder pursuant to applicable SEC rules. For information regarding nominating candidates for election as directors, refer to description under "Committees of the Board of Directors" in the Board Matters and Corporate Governance section above.

Householding

Under rules adopted by the SEC, we are permitted to deliver a single set of proxy materials to any household at which two or more stockholders reside if we believe the stockholders are members of the same family. This process, called householding, allows us to reduce the number of copies of these materials we must print and mail. Even if householding is used, each stockholder will continue to be entitled to submit a separate proxy or voting instruction.

If you share the same last name and address with another of our stockholders who also holds his or her shares directly, and you each wish to start householding for our annual reports and proxy statements, please contact us at our principal executive offices at Storgatan 23C, 11455, Stockholm, Sweden, or by calling us at 46 (0) 8 667 17 17.

If you consent to householding, your election will remain in effect until you revoke it. Should you later revoke your consent, you will be sent separate copies of those documents that are mailed at least 30 days or more after receipt of your revocation.

In addition, some broker and bank record holders who hold shares of our common stock for beneficial owner street name holders may be participating in the practice of householding proxy statements and annual reports. If your household receives a single set of proxy materials for this year, but you prefer to receive your own copy, contact us as stated above, and we will promptly send you a copy. If a broker or bank holds shares of our common stock for your benefit and you share the same last name and address with another stockholder for whom a broker or bank

holds shares of our common stock, and together both of you prefer to receive only a single set of our disclosure documents, contact your broker or bank as described in the voter instruction card or other information you received from your broker or bank.

Direction to Annual Meeting Location

All of our stockholders of record as of the close of business on April 11, 2016 may attend the 2016 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.

If you do attend the 2016 Annual Meeting at our office in Stockholm, most people will find it easiest to take the train or a taxi from the Stockholm Arlanda Airport. The train (the Arlanda express) takes approximately twenty minutes to the central station, and from there take a taxi to our office. If you want to take the subway, the nearest station is Östermalmstorg. The address of our office where the 2016 Annual Meeting will be held is Storgatan 23C (Östermalmstorg).

Other Matters

The Board of Directors of our company knows of no matters to be presented for stockholder action at the 2016 Annual Meeting other than as set forth in this proxy statement. However, other matters may properly come before the 2016 Annual Meeting or any adjournment or postponement thereof. In the event that other matters properly come before the 2016 Annual Meeting, the proxy holder(s) will vote as recommended by the Board or, if no recommendation is given, at the discretion of the proxy holder(s).

