

NEOMEDIA TECHNOLOGIES INC  
Form 10-Q  
May 17, 2010

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

FORM 10 - Q

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 EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-21743

NeoMedia Technologies, Inc.  
(Exact Name of Issuer as Specified In Its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

36-3680347  
(I.R.S. Employer  
Identification No.)

Two Concourse Parkway, Suite 500, Atlanta, GA 30328  
(Address, including zip code, of principal executive offices)

678-638-0460  
(Registrants' 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 Exchange Act of 1934 during the preceding 12 months, 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes  No

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

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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 Act). Yes  No

The number of outstanding shares of the registrant's Common Stock on May 10, 2010 was 22,675,678.

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Form 10-Q  
For the Quarterly Period Ended March 31, 2010  
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## PART I — FINANCIAL INFORMATION

## ITEM 1. Financial Statements

NeoMedia Technologies, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(in thousands, except share and per share data)

	March 31, 2010 (Unaudited)	December 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 290	\$ 198
Trade accounts receivable	269	374
Inventories, net of allowance of \$124 and \$136	103	124
Prepaid expenses and other current assets	94	294
Total current assets	756	990
Property and equipment, net	103	129
Goodwill	3,418	3,418
Proprietary software, net	1,910	2,076
Patents and other intangible assets, net	1,943	1,996
Cash surrender value of life insurance policies	659	659
Other long-term assets	156	156
Total assets	\$ 8,945	\$ 9,424
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 427	\$ 558
Taxes payable	8	4
Accrued expenses	7,449	7,292
Deferred revenues and customer prepayments	631	791
Note payable	29	69
Note payable - YA Global	-	500
Accrued purchase price guarantee	4,535	4,535
Deferred tax liability	706	706
Derivative financial instruments - warrants	5,792	9,912
Derivative financial instruments - Series C and D preferred stock and debentures payable	12,851	50,985
Debentures payable - carried at amortized cost	14,237	12,523
Debentures payable - carried at fair value	21,044	37,678
Total current liabilities	67,709	125,553
Commitments and contingencies (Note 7)		
Series C convertible preferred stock, \$0.01 par value, 27,000 shares authorized, 8,642 and 8,642 shares issued and outstanding, liquidation value of \$8,642 and \$8,642	8,642	8,642
Series D convertible preferred stock, \$0.01 par value, 25,000 shares authorized, 25,000 and 0 shares issued and outstanding, liquidation value of \$2,500 and \$0	2,500	-

## Shareholders' deficit:

Common stock, \$0.001 par value, 5,000,000,000 shares authorized, 22,707,093 and 22,707,093 shares issued and 22,675,678 and 22,675,678 shares outstanding, respectively	22,676	22,676
Additional paid-in capital	130,464	130,406
Accumulated deficit	(222,153)	(276,985)
Accumulated other comprehensive loss	(113)	(89)
Treasury stock, at cost, 2,012 shares of common stock	(779)	(779)
Total shareholders' deficit	(69,905)	(124,771)
Total liabilities and shareholders' deficit	\$ 8,946	\$ 9,424

The accompanying notes are an integral part of these consolidated financial statements.

NeoMedia Technologies, Inc. and Subsidiaries  
Condensed Consolidated Statements of Operations (Unaudited)  
(in thousands, except share and per share data)

	Three Months Ended	
	March 31, 2010	March 31, 2009
Revenues	\$ 355	\$ 490
Cost of revenues	339	527
Gross profit (deficit)	16	(37)
Sales and marketing expenses	319	286
General and administrative expenses	1,095	923
Research and development costs	283	324
Operating loss	(1,681)	(1,570)
Gain (loss) on extinguishment of debt	(5,643)	-
Gain (loss) from change in fair value of hybrid financial instruments	18,372	(23,031)
Gain (loss) from change in fair value of derivative liability - warrants	6,551	(33,281)
Gain (loss) from change in fair value of derivative liability - Series C and D preferred stock and debentures	40,179	(47,654)
Interest expense related to convertible debt	(446)	(1,063)
Net income (loss)	57,332	(106,599)
Dividends on convertible preferred stock	(2,500)	(375)
Net income (loss) attributable to common shareholders	54,832	(106,974)
Comprehensive income (loss):		
Net income (loss)	57,332	(106,599)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(24)	(57)
Comprehensive income (loss)	\$ 57,308	\$ (106,656)
Net income (loss) per share, basic and diluted:		
Basic	\$ 2.42	\$ (7.00)
Fully diluted	\$ (0.04)	\$ (7.00)
Weighted average number of common shares:		
Basic	22,675,678	15,030,827
Fully diluted	112,316,492	15,030,827

The accompanying notes are an integral part of these consolidated financial statements.



NeoMedia Technologies, Inc. and Subsidiaries  
Consolidated Statement of Shareholders' Deficit (Unaudited)  
(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income Accumulated (Loss) Deficit		Treasury Stock		Total Shareholders' Equity (Deficit)
	Shares	Amount		Shares	Amount			
Balance, December 31, 2009	22,675,678	\$ 22,676	\$ 130,406	\$ (89)	\$ (276,985)	2,012	\$ (779)	\$ (124,771)
Deemed dividend on Series D Preferred Stock issued to YA Global	-	-	-	-	(2,500)	-	-	(2,500)
Stock-based compensation expense	-	-	58	-	-	-	-	58
Comprehensive income - foreign currency translation adjustment	-	-	-	(24)	-	-	-	(24)
Net income	-	-	-	-	57,332	-	-	57,332
Balance, March 31, 2010	22,675,678	\$ 22,676	\$ 130,464	\$ (113)	\$ (222,153)	2,012	\$ (779)	\$ (69,905)

The accompanying notes are an integral part of the consolidated financial statements.

NeoMedia Technologies, Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows (Unaudited)  
(in thousands)

	Three Months Ended March 31,	
	2010	2009
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 57,332	\$ (106,599)