

NEOMEDIA TECHNOLOGIES INC
Form 10-Q
May 13, 2011

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, 2011

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.

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 9, 2011 was 65,770,910.

NeoMedia Technologies, Inc.

Form 10-Q

For the Quarterly Period Ended March 31, 2011

Index

	Page	
PART I	Financial Information	2
ITEM 1.	Financial Statements	2
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	31
ITEM 4.	Controls and Procedures	31
PART II	Other Information	33
ITEM 1.	Legal Proceedings	33
ITEM 1A.	Risk Factors	33
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	33
ITEM 3.	Defaults Upon Senior Securities	34
ITEM 4.	(Removed and Reserved)	34
ITEM 5.	Other Information	34
ITEM 6.	Exhibits	35
Signatures		45

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, 2011 (unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$49	\$ 80
Trade accounts receivable, net of allowance of \$5 and \$0	299	345
Inventories, net of allowance of \$121 and \$114	118	112
Prepaid expenses and other current assets	134	151
Total current assets	600	688
Property and equipment, net	90	96
Goodwill	3,418	3,418
Proprietary software, net	1,250	1,414
Patents and other intangible assets, net	1,976	2,048
Cash surrender value of life insurance policies	759	738
Other long-term assets	171	171
Total assets	\$8,264	\$ 8,573
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$365	\$ 435
Taxes payable	48	126
Accrued expenses	9,654	9,413
Deferred revenues and customer prepayments	2,198	1,417
Note payable	29	69
Accrued purchase price guarantee	4,535	4,535
Deferred tax liability	706	706
Derivative financial instruments - warrants	673	2,213
Derivative financial instruments - Series C and D preferred stock and debentures payable	22,482	28,092
Debentures payable - carried at amortized cost	14,724	14,560
Debentures payable - carried at fair value	24,013	27,484
Total current liabilities	79,427	89,050
Commitments and contingencies (Note 6)		
Series C convertible preferred stock, \$0.01 par value, 27,000 shares authorized, 7,521 and 8,336 shares issued and outstanding, liquidation value of \$7,521 and \$8,336	7,521	8,336
Series D convertible preferred stock, \$0.01 par value, 25,000		

shares authorized, 25,000 and 25,000 shares issued and outstanding, liquidation value of \$2,500 and \$2,500	2,500	2,500
Shareholders' deficit:		
Common stock, \$0.001 par value, 5,000,000,000 shares authorized, 58,435,344 and 25,695,392 shares issued and 58,418,930 and 25,678,978 shares outstanding, respectively	58	26
Additional paid-in capital	155,289	153,974
Accumulated deficit	(235,604)	(244,395)
Accumulated other comprehensive loss	(148)	(139)
Treasury stock, at cost, 2,012 shares of common stock	(779)	(779)
Total shareholders' deficit	(81,184)	(91,313)
Total liabilities and shareholders' deficit	\$8,264	\$ 8,573

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, 2011	March 31, 2010
Revenues	\$369	\$355
Cost of revenues	238	339
Gross profit	131	16
Sales and marketing expenses	316	319
General and administrative expenses	794	1,095
Research and development costs	401	283
Operating loss	(1,380)	(1,681)