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19,939

August 2006 debenture

$

5,000

$

5,000

December 2006 debenture

2,500

2,500

March 2007 debenture

17,719

17,719

August 2007 debenture

4,136

4,136

$

7,500

$

21,855

$

29,355

December 31, 2007	Face value		Fair value (in thousands)	Total	
Series C Convertible Preferred Stock	$	20,097		$	20,097

August 2006 debenture	$ 5,000		$ 5,000
December 2006 debenture	2,500		2,500
March 2007 debenture		18,798	18,798
August 2007 debenture		4,401	4,401
	$ 7,500	$ 23,199	$ 30,699

Derivative financial instruments arising from the issuance of convertible financial instruments are initially recorded, and continuously carried, at fair value. Upon conversion of any derivative financial instrument, the change in fair value from the previous reporting date to the date of conversion is recorded to income (loss), and then the carrying value is recorded to paid-in capital, provided all other criteria for equity classification are met.

The following tabular presentation reflects the components of derivative financial instruments related to convertible financial instruments in the liability section on our balance sheet at March 31, 2008:

	Series C Convertible Preferred Stock	August 2006 Debenture	December 2006 Debenture	March 2007 Debenture	August 2007 Debenture	Other Warrants [1]	Other Preferred Stock [1]	Total
				(in thousands)				
Common stock warrants	$ 210	$ 1,050	$ 260	$ 788	$ 427	13	-	$ 2,748
Embedded conversion feature[2]	6,923	6,316	3,158	n/a	n/a	-	54	16,451
	$ 7,133	$ 7,366	$ 3,418	$ 788	$ 427	$ 13	$ 54	$ 19,199

[1] The fair values of certain other derivative financial instruments (warrants) that existed at the time of the issuance of Series C convertible preferred stock were reclassified from stockholders' equity to liabilities when, in connection with the issuance of Series C convertible preferred stock, we no longer controlled our ability to share-settle these instruments. These derivative financial instruments had fair values of $14.3 million, $0.782 million and $0.013 million on February 17, 2006, March 31, 2007, and March 31, 2008, respectively. The decrease in fair value of these other derivative financial instruments resulted primarily from a decrease in our share price between February 17, 2006, March 31, 2007, and March 31, 2008. The change in fair value is reported as "Gain on derivative financial instruments" on the condensed consolidated statement of operations during each period. These warrants will be reclassified to stockholders' equity when we reacquire the ability to share-settle the instruments.

[2] For the March 2007 and August 2007 debentures, the embedded conversion feature is effectively embodied in the fair value of those instruments.

The following table reflects the number of common shares into which the convertible instruments and warrants are convertible or exercisable at March 31, 2008:

	Series C Convertible Preferred Stock	August 2006 Debenture	December 2006 Debenture	March 2007 Debenture	August 2007 Debenture	Other Warrants
			(in thousands)			
Common stock warrants	75,000	175,000	42,000	125,000	75,000	12,775
Embedded conversion feature [1]	3,491,487	1,315,789	657,895	1,988,974	467,105	-
Total	3,566,487	1,490,789	699,895	2,113,974	542,105	12,775

[1] The terms of the embedded conversion features in the convertible instruments presented above provide for variable conversion rates that are indexed to our trading common stock price. As a result, the number of indexed shares is subject to continuous fluctuation. For presentation purposes, the number of shares of common stock into which the embedded conversion feature in the Series C convertible stock was convertible as of March 31, 2008 was calculated as the face value plus assumed dividends (if declared), divided by 97% of the lowest closing bid price for the 30 trading days preceding March 31, 2008. The number of shares of common stock into which the embedded conversion feature in the convertible debentures was convertible as of March 31, 2008 was calculated as the face value of each instrument divided by the lower of $0.01 or 50% of the average closing market price of our common stock for the 10 days prior to March 31, 2008.

Changes in the fair value of convertible instruments that are carried at fair value (the March 2007 Debenture and the August 2007 Debenture) and changes in the fair values of derivative instrument liabilities (including warrants and the bifurcated embedded derivative features of convertible instruments not carried at fair value) are reported as “Gain (loss) on derivative financial instruments” in the accompanying consolidated statement of operations, as follows:

	Three months ended March 31, 2008	2007
	(in thousands)	
Series C Convertible Preferred Stock	$ 1,240	$ 2,828
August 2006 debenture	2,291	2,206
December 2006 debenture	964	101
March 2007 debenture	475	(8,640)
August 2007 debenture	405	-
Other derivative instruments	17	(3)
	$ 5,392	($ 3,508)

The fair value of derivative financial instrument liabilities recorded as of March 31, 2008 and December 31, 2007 was:

	March 31, 2008	December 31, 2007

	(in thousands)	
Warrants and embedded conversion features in preferred stock	$ 7,133	$ 8,410
Warrants and embedded conversion features in certain debentures	11,999	16,136
Other warrants	13	26
Fair value of future payment obligation	-	-
Special preference stock of Mobot	54	79
Total derivative financial instruments	$ 19,199	$ 24,651

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Note 5 - Investment in Marketable Securities and Other Long-Term Assets

In 2005, we invested $0.3 million in exchange for 8.3 million shares of Pickups Plus, Inc ("PUPS") restricted common stock. On February 17, 2006, as a component of net proceeds from the issuance of 8% Series C convertible preferred stock, we received marketable securities with a fair value of $0.6 million, of which $0.2 million represented 20 million shares of PUPS common stock and $0.4 million in notes designated as held to maturity. In accordance with FAS 115, "*Accounting for Certain Investments in Debt and Equity Securities*," the investment in PUPS was previously recorded as available-for-sale securities and reported at fair value. As of March 31, 2008, the fair value of our PUPS shares was determined to be $0, as reflected by PUPS failure to maintain current filings with the SEC and not maintaining active trading on a SEC-recognized exchange or trading board. Accordingly, prior unrealized losses related to our PUPS investment is considered realized as of March 31, 2008 and has been charged as an operating loss in the current period, and is no longer included in Other Comprehensive Income (Loss). Previously, our management had announced their intention to distribute the PUPS shares as a dividend to our shareholders, but due to PUPS' inactive standing with the SEC, we are not able to legally distribute the shares until such time that PUPS regains their active status with the SEC and obtain an effective registration statement relating to said shares, both of which are events that management considers remote.

We retained small percentages of ownership in some of the subsidiaries that we sold, including Mobot, represented by 18% ownership of FMS Group, which has operated the Mobot business subsequent to our sale of Mobot, Sponge, of which we retained a 7.5% ownership after the sale, 12Snap, of which we retained a 10% ownership after the sale (sold on January 28, 2008), and Micro Paint Repair, represented by 5% ownership of Micro Paint Holdings Limited, which has operated the MPR business subsequent to our sale of MPR.

We have a long-term facility lease deposit of $0.2 million included in other long-term assets, which represents the deposit required on our Atlanta corporate office.

Note 6 - Stock-Based Compensation

Equity-Based Compensation Plans

We have four stock option plans, the 2005 Stock Option Plan (the "2005 Plan"), the 2003 Stock Option Plan (the "2003 Plan"), the 2002 Stock Option Plan (the "2002 Plan"), and the 1998 Stock Option Plan (the "1998 Plan"), collectively referred to as the "Option Plans". Options issued under these Option Plans have an option term of 10 years. Exercise prices of options issued under the Option Plans may be less than the fair market value per share of our common stock on the date of grant. Options may be granted with any vesting schedule as approved by the stock option committee, but generally the vesting periods range from 0 to 5 years. Common shares required to be issued upon the exercise of stock options and warrants would be issued from our authorized and unissued shares.

In December 2005, the stock option committee of our Board of Directors approved the 2005 Plan. We reserved 60 million shares of common stock in December 2005 for issuance under the 2005 Plan. As of March 31, 2008, we have not registered the shares underlying the options in the 2005 Plan, and as a result all 60 million options remain available for issuance under the 2005 Plan.

In September 2003, we adopted our 2003 Plan. The 2003 Plan provides authority to our stock option committee to grant up to 150 million non-qualified stock options. As of March 31, 2008, options to purchase 5.7 million shares of common stock remained available for issuance under the 2003 Plan.

In June 2002, we adopted our 2002 Plan. The 2002 Plan provides for authority for the stock option committee of our Board of Directors to grant 10 million non-qualified stock options. As of March 31, 2008, options to purchase 20,000 shares of common stock remained available for issuance under the 2002 Plan.

In March 1998, we adopted the 1998 Plan, providing for authority of the stock option committee of our Board of Directors to grant options to purchase up to 8 million shares of our common stock. Effective March 27, 2008, the 1998 Plan expired.

We also have one stock incentive plan, the 2003 Stock Incentive Plan (the “2003 Incentive Plan”). In October 2003, the stock option committee approved the 2003 Incentive Plan. Under the terms of the 2003 Incentive Plan, we reserved 30 million shares of common stock to be issued to pay compensation and other expenses related to employees, former employees, consultants, and non-employee directors. As of March 31, 2008, we have 426,451 shares of common stock available for issuance under the 2003 Stock Incentive Plan.

In February 2007, we instituted a stock option repricing plan (the "Repricing") as a retention tool to align our employees with our new business strategy. Under the Repricing, we repriced 50,178,750 stock options held by current employees, contractors, and directors as follows: (i) options that were vested as of February 1, 2007, were repriced to $0.045 per share, which was the last sale price on February 1, 2007, (ii) options that were scheduled to vest during the remainder of 2007 were repriced to $0.075, (iii) options that vest during 2008 were repriced to $0.125, and (iv) options that vest during 2009 were repriced to $0.175. Options will continue to vest on their regular schedule, which generally is 25% upon the one-year anniversary of grant date and 25% on each subsequent anniversary date.

The weighted-average grant-date fair value of options repriced on February 1, 2007, using the options' modified terms, was $0.03. All compensation cost related to nonvested options repriced on February 1, 2007 was recognized during 2007.

We accounted for the repricing of stock options in accordance with FAS 123, '*Accounting for Stock-Based Compensation*'. We calculated the fair value of the modified and the repriced options using the original terms and the modified terms as of the repricing date, and recorded the incremental cost of the modified option over the original option as additional compensation cost. Costs related to fully vested options including accelerated vesting were expensed immediately and the costs related to unvested stock options will be recognized over the remaining vesting period of the option. Unrecognized compensation expense relating to the original option grant will continue to be recognized as if the repricing had not occurred.

The following table presents the stock-based compensation recorded in the statement of operations for the three months ending March 31, 2008 and 2007:

	Three months ended March 31,	
	2008	2007
Stock based compensation allocated to:	(in thousands)	
Sales and marketing expense	$ 104	$ 345
General and administrative expense	195	388
Research and development expense	60	157
Stock based compensation included in continuing operations	359	891
Stock based compensation included in discontinued operations	142	537
Total stock based compensation expense included in net loss	$ 501	$ 1,428

During the three months ended March 31, 2008 and 2007, we issued stock options as follows:

	Three months ended March 31,	
	2008	2007
Employees	300,000	1,280,000
Officers	3,262,500	620,000
Directors	216,465	-
Contractors	3,072,155	-
Total	6,851,120	1,900,000

Estimated income tax benefits recognized during the three months ended March 31, 2008 and 2007 were offset by a valuation allowance since realization was not reasonably assured. FAS 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. We will use this presentation if and when we have exhausted our tax loss carryforward.

The weighted-average grant-date fair value of options granted during the three months ended March 31, 2008 and 2007 was $0.012 and $0.047, respectively. The total intrinsic value of options exercised during the three months ended March 31, 2008 and 2007 was $0 and $0.03 million, respectively. Total cash received from options exercised was $0 and $9,000, respectively, for the three months ended March 31, 2008 and 2007. As of March 31, 2008, there was $2.3 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted-average period of 1.6 years.

We used the following assumptions for grants during the three months ended March 31, 2008 and 2007:

	Three months ended March 31,	
	2008	2007
Volatility	88.06%	115.05%
Expected dividends	0	0
Expected term (in years)	6.56	5.59
Risk-free rate	4.35%	4.35%

Note 7 – Inventory

Inventories for continuing operations, consisting of material, material overhead, labor and processing costs, are stated at the lower of cost (first-in, first-out) or market and consist of the following at March 31, 2008 and December 31, 2007:

(in thousands)	March 31, 2008	December 31, 2007
Raw materials	$ 68	$ 59
Finished goods	251	218
Work in process	2	1
subtotal	$ 321	$ 278
Allowance for obsolete or slow-moving inventory	(100)	(80)
Total inventory, net	$ 221	$ 198

Note 8 – Accrued Liabilities

Accrued liabilities for continuing operations consist of the following as of March 31, 2008 and December 31, 2007:

(in thousands)	March 31, 2008	December 31, 2007
Accrued legal and accounting costs	97	358
Accruals for disputed services	1,336	1,336
Accrued operating expenses	2,193	2,184
Payroll related accruals	171	121
Accrued interest & liquidated damages	2,204	2,016
Total	$ 6,002	$ 6,015

Additionally, we have accrued $4.5 million relating to a purchase price guarantee obligation in connection with our acquisition of 12Snap which is not included in the totals above.

Note 9 – Income Taxes

We adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 - Accounting for Income Taxes ("FIN 48")* on January 1, 2007. As a result of the implementation of FIN 48, we did not recognize any material adjustment in the liability for unrecognized income tax benefits. At January 1, 2007, the total amount of unrecognized income tax benefits was $0.

We are subject to U.S. federal income tax as well as income tax of multiple states and foreign jurisdictions. With few exceptions, we are no longer subject to U.S, federal, state and local, or foreign income tax examinations by tax authorities for years prior to 1999. As of March 31, 2008, there are no notifications of any pending audits from any jurisdiction.

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Our continuing practice is to recognize interest and penalties related to uncertain tax positions in other expense (income). As of January 1, 2008 and for the three months ended March 31, 2008, we did not have any interest or penalty expense or accruals related to uncertain tax positions.

The tax years 1999 - 2007 remain open to examination by the major taxing jurisdictions in which we are subject to taxation, including federal, state and foreign jurisdictions. All tax years in which we generated a net operating loss are subject to examination, including federal, state and foreign jurisdictions.

We do not expect a material change in the amount of unrecognized tax benefits in the next twelve months.

Tax expense or benefit from continuing operations for interim periods is based on our estimated annualized tax rate.

Note 10 –Contingencies

We are involved in various legal actions arising in the normal course of business, both as claimant and defendant. While it is not possible to determine with certainty the outcome of these matters, it is possible that the eventual resolution of the following legal actions could have a material adverse effect on our financial position or operating results.

Scanbuy, Inc. - On January 23, 2004, we filed suit against Scanbuy, Inc. ("Scanbuy") in the Northern District of Illinois, claiming that Scanbuy has manufactured, or has manufactured for it, and has used, or actively induced others to use, technology which allows customers to use a built-in UPC bar code scanner to scan individual items and access information, thereby infringing our patents. The complaint stated that on information and belief, Scanbuy had actual and constructive notice of the existence of the patents-in-suit, and, despite such notice, failed to cease and desist their acts of infringement and continue to engage in acts of infringement of the patents-in-suit. On April 15, 2004, the court dismissed the suits against Scanbuy for lack of personal jurisdiction.

On April 20, 2004, we re-filed our suit against Scanbuy in the Southern District of New York alleging patent infringement. Scanbuy filed their answer on June 2, 2004. We filed our answer and affirmative defenses on July 23, 2004. On February 13, 2006, Scanbuy filed an amended answer to the complaint. We filed our reply to Scanbuy's amended answer on March 6, 2006. On January 20, 2007, the court dismissed Scanbuy's request for a summary judgment. The case has been stayed due to the reexamination of "the '048 patent" (see below).

Electronic Frontier Foundation - In October 2007, we received a communication from the United States Patent and Trademark Office (USPTO) stating that a request by the Electronic Frontier Foundation for Ex-Parte Reexamination of U.S. Patent No. 6,199,048 ("the '048 patent") has been granted. Although the '048 patent is an important NeoMedia patent, it is not alone. We have a portfolio consisting of U.S. and foreign patents and pending applications relating to various inventions surrounding the processing of machine readable codes over wireless networks. We believe some or all of the claims of the '048 patent will be confirmed by the USPTO in the course of the re-examination.

Note 11 – Geographic Reporting

As of March 31, 2008, we were structured and evaluated by our Board of Directors and management as one business unit encompassing NeoReader™, legacy licensing, and hardware product lines; in prior years, these product lines were reported as part of the NeoMedia Mobile business unit. Our operations are managed as one global unit out of Atlanta, Georgia and Aachen, Germany.

Consolidated net sales and net loss from continuing operations for the three months ended March 31, 2008 and 2007, and the identifiable assets as of March 31, 2008 and December 31, 2007 by geographic area were as follows:

Net Sales [1] :	Three Months Ended March 31, 2008	2007
	(in thousands)	
United States	$ 116	$ 178
Germany	148	221
	$ 264	$ 399
Net Loss from Continuing Operations [1] :		
United States	$ 4,492	($8,779)
Germany	(454)	(145)
	$ 4,038	($ 8,924)

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Identifiable Assets [1]		March 31, 2008		December 31, 2007
United States	$	10,861	$	12,875
Germany		465		649
	$	11,326	$	13,524

[1] Geographic reporting excludes the Micro Paint Repair, Mobot, Sponge, 12Snap and Telecom Service business units that are reported as discontinued operations and the corresponding assets and liabilities that are reported as Held For Sale.

Note 12 – Subsequent Events

Preferred Stock conversions

On April 1, 2008, Yorkville converted 64 shares of Series C preferred stock. In exchange for the Series C preferred stock, we issued 10 million shares of common stock.

On May 6, 2008, Yorkville converted 15.5 shares of Series C preferred stock. In exchange for the Series C preferred stock, we issued 5 million shares of common stock.

On May 9, 2008, Yorkville converted 15 shares of Series C preferred stock. In exchange for the Series C preferred stock, we issued 5 million shares of common stock.

Convertible Debenture

$390,000 Secured Convertible Debenture - On April 11, 2008, we issued and sold a secured convertible debenture (the "April debenture") with YA Global Investments, LP ("Yorkville"), an accredited investor in the principal amount of $390,000. The April debenture shall mature, unless extended by the holder in accordance with the terms of the debenture, on April 11, 2010, and accrues interest at the rate of 15%, which is payable quarterly beginning July 1, 2008. The debenture is secured by substantially all of our assets. At any time after the transaction date, Yorkville has the right to convert any portion of the outstanding and unpaid principal and accrued interest thereon into fully-paid and nonassessable shares of our common stock at a price equal to the lessor of $0.015 and 80% of the lowest volume weighted average price of our common stock during the 10 trading days immediately preceding each conversion date. The conversion is limited such that Yorkville cannot exceed 4.99% ownership, unless the holders waive their right to such limitation. The limitation will terminate under any event of default. In connection with the April debenture, Yorkville retained fees of $54,000, resulting in net proceeds to us of $336,000.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Note About Forward-Looking Statements

Certain statements in Management's Discussion and Analysis ("MD&A"), other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will c result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section titled "Risk Factors" (refer to Part II, Item 1A). We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

The following MD&A is intended to help the reader understand the results of operations and financial condition of NeoMedia Technologies, Inc. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements ("Notes").

NeoMedia provides internet advertising solutions using wireless technologies to connect traditional print and broadcast media companies to active mobile content. Using camera-enabled mobile phones, barcode-reading software (NeoReader™), and an interoperable billing, clearing and settlement infrastructure (NeoServer-OMS/OMI), we embrace open standards, full interoperability, and are barcode symbology agnostic.

Our mobile phone technology, NeoReader™, reads and transmits data from 1-D, and 2-D barcodes to its intended destination. Our Optical Messaging and Interchange platforms (OMS and OMI) create, connect, record, and transmit the transactions embedded in the 1-D and 2-D barcodes, like web-URLs, text messages (SMS), and telephone calls, ubiquitously and reliably. We provide the industrial and carrier-grade infrastructure to enable reliable, scalable, and billable commerce. To provide a robust high-performance infrastructure for the processing of optical codes, we extend our offering with the award winning Gavitec technology. Gavitec's Mobile Ticketing and Couponing solutions allow users to enter information and opt-in to initiate mobile transactions.

The Board of Directors recruited William J. Hoffman to join us as Chief Executive Officer and Chairman of the Board in June 2007. In addition to Mr. Hoffman, we added George O'Leary to our Board of Directors in February 2007. In late 2006, our senior management team began implementing a new strategic direction that focuses our resources on our code reading business and related intellectual property. One of the first steps of implementing this strategy was our decision to divest all non-core business units. Consequently, we sold our Sponge and Mobot business units during the fourth quarter of 2006, and we sold the 12Snap business unit in April 2007, we sold our Telecom Services business unit in October 2007, and sold our Micro Paint Repair business unit in November 2007.

By shifting to a business model that focuses on our NeoReader™ business and related intellectual property, we are able to concentrate our management and financial resources on the area that our management believes will deliver the most value. Our primary business strategy is to provide the industrial and carrier-grade infrastructure to enable reliable, scalable and billable commerce that is customer-focused and drives revenue growth.

The proceeds received from the sale of our non-core business units and from the sale of convertible debentures have been used to fund our operations while we continue to develop the NeoReader™ business to commercialization.

Results of Continuing Operations

Comparison of the Three Months Ended March 31, 2008 and March 31, 2007

The loss from continuing operations increased $12.9 million, or 145.1% to $4.0 million for the three months ended March 31, 2008 from negative $8.9 million for the three months ended March 31, 2007. This increase is primarily due to a gain from change in fair value of our derivative financial instruments, decreased interest expense related to our convertible debt, decreased stock-based compensation and decreased general and administrative costs during the current period compared to the prior period.

Revenues. Total revenues decreased $0.1 million, or 34.0%, to $0.3 million for the three months ended March 31, 2008 from $0.4 million for the three months ended March 31, 2007. The revenue decrease was primarily due to management's focus on developing new opportunities for NeoReader™ technology, which we believe will deliver the most value in the future.

	For the Three Months Ended March 31,				Increase(decrease) 2008 to 2007	
	2008		2007		$	%
	(in thousands)					
Hardware sales - Gavitec	$	67	$	149	(82)	-54.9%
Lavasphere revenue - Gavitec		24		11	13	115.0%
Legacy product revenue		77		133	(56)	-42.0%
Patent licensing		39		41	(2)	-6.6%
Other revenue		57		65	(8)	-12.7%
Total revenue	$	264	$	399	(135)	-34.0%

Hardware sales at Gavitec were $67,000 and $149,000 for the three months ended March 31, 2008 and 2007, respectively. Lavasphere revenue, which tends to be project-oriented, was $24,000 for the current period and $11,000 in the prior period. Legacy product revenue declined in the current period to $77,000 from $133,000 in the prior period due to our focus on our new business strategy to develop NeoReader™ business applications. Patent licensing revenue remained constant at approximately $40,000 for both periods.

Other revenues were $56,000 and $65,000 for the three months ended March 31, 2008 and 2007, respectively. Other revenues are primarily comprised of custom programming services at Gavitec.

Operating Costs and Expenses

A summary of the total operating costs and expenses is presented below:

	For the Three Months Ended March 31,			
		2008		2007
	(in thousands)			
Sales and marketing	$	628	$	858
General and administrative		1,206		2,460
Research and development		562		506
Gain (loss) on extinguishment of debt		(4)		-
Interest expense/(income), net		(1,171)		1,698
Gain/(loss) on sale of assets		84		9
Gain from change in fair value of derivative financial instruments		(5,392)		3,508
Total operating costs and expenses		($4,087)	$	9,039

Sales and Marketing. Sales and marketing expenses were $0.6 million and $0.9 million for the three months ended March 31, 2008 and 2007, respectively. This decrease of approximately $0.3 million, or 26.9%, is primarily due to decreased stock based compensation expense of $0.1 million in the current period, compared to $0.3 million in the prior period, and lower sales and marketing costs attributable to our legacy products of $0.2 million in the current period compared to $0.4 million in the prior period, offset by higher sales and marketing expenses at Gavitec of $0.1 million.

General and Administrative. General and administrative expenses were $1.2 million and $2.5 million for the three months ended March 31, 2008 and 2007, respectively. The decrease of $1.3 million, or 51.0%, is primarily

attributable to a reduction of $1.2 million in audit and legal fees and a reduction of $0.2 million of stock compensation expense, offset by increased Gavitec expenditures of $0.1 million for general and administrative expenses driven by higher costs in 2008 associated with the integration of the Gavitec business unit into our consolidated operations.

Included within general and administrative are expenses related to our executives, human resources, finance and accounting, business development, and research & development teams.

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Research and Development. Research and development expenses were $0.6 million and $0.5 million for the three month periods ended March 31, 2008 and 2007, respectively. Increased costs of NeoReader™ development in the current quarter of $0.2 million was offset by lower stock based compensation expense of $0.1 million.

Interest (Income)/Expense. Interest (income)/expense consists primarily of interest charges or gains related to convertible debentures, combined with other interest accrued for creditors as part of financed purchases, past due balances, and notes payable, net of interest earned on cash equivalent investments. Net interest income was $1.2 million for the first quarter of 2008 compared to net interest expense of $1.7 million for the first quarter of 2007. The increase resulted from favorable fair value adjustments of our March 2007 and August 2007 convertible debt in accordance with the FAS 155 provisions that we use to account for these two financial instruments.

(Gain)/Loss on Sale of Assets. We recognized a net loss on sale of assets of $0.01 million during the three months ended March 31, 2008, which was comprised of offsetting items. We wrote down our investment in PUPS stock to reflect the current net realizable value of zero, which resulted in a charge of $450,000. Offsetting this charge during the current quarter was a gain of $370,000 resulting from the sale of our remaining 10% ownership of 12Snap.

(Gain)/Loss on Derivative Financial Instruments. Gain on derivative financial instruments was $5.4 million for the three months ended March 31, 2008, compared with a loss of $3.5 million for the three months ended March 31, 2007, a change of $8.9 million or 253.7%. The derivative gains and losses are associated with our convertible preferred stock and convertible debenture financing. Certain derivatives and embedded conversion features were created at the time of each offering and are recorded at fair value on the accompanying balance sheet. The gains (losses) represent the reduction (appreciation) in value of the derivatives and embedded conversion features from the beginning of each reporting period presented to the end of the period, resulting primarily from the changes in our stock price during the reporting period. The fair value of the derivative financial instruments at each measurement date correlates to our stock price at the same date. As a result, our net loss varies significantly from our cash flow from operations during the three months ended March 31, 2008 and 2007. In future periods, our loss could fluctuate dramatically from quarter to quarter if our stock price is significantly different from the stock price at the end of the previous measurement period. Because we cannot guarantee that we have enough authorized shares to net share settle the convertible instruments, the change in fair value of derivative instruments will be recorded to our statement of operations each reporting period until the convertible instruments are fully converted.

Results of Discontinued Operations

In fiscal 2006 and 2007 we discontinued the operations of our Mobot, Sponge, 12Snap, Telecom Services and Micro Paint Repair businesses, which were accounted for as discontinued operations in accordance with SEC Staff Accounting Topic 5E, Accounting Principles Board (APB) Opinion 29, APB 18, Statement of Financial Accounting Standards (FAS) 141, FAS 144, and Emerging Issues Task Force Issue 01-2. A loss of $0.4 million was recognized for the three months ended March 31, 2008, which was primarily attributable to deferred compensation expense associated with stock options granted to employees of the divested businesses prior to the divestitures and wind-down expenses associated with Micro Paint Repair-US operations. For the three months ended March 31, 2007, we recognized a loss of $2.6 million for discontinued operations, which included a charge of $2.5 million for impairment of intangible assets related to our prior acquisition of 12Snap, other operating costs of $2.8 million and stock compensation expense of $0.5 million, that were offset by revenues related to the discontinued operations during the period of $3.2 million.

Liquidity and Capital Resources

As of March 31, 2008, we had $0.2 million in cash and cash equivalents as noted on our consolidated balance sheet and statement of cash flows. This is a decrease of $1.2 million or 84.5% compared to a total of $1.4 million as of December 31, 2007.

On a comparative basis, cash used by operating activities of continuing operations decreased $2.0 million to $1.6 million for the three months ended March 31, 2008 compared to $3.6 million of cash used by operating activities for the period ended March 31, 2007. The decrease in cash used by continuing operations is primarily due to fluctuations in fair values of warrants and embedded conversion features related to our convertible financing instruments.

Cash provided by investing activities increased by $2.0 million to $1.0 million for the three months ended March 31, 2008 compared to $1.0 million of cash used in investing activities for the period ended March 31, 2007. This increase was primarily due the sale of our remaining ownership of 12Snap, which resulted in net proceeds to us of $0.8 million, combined with cash and other assets in the amount of $0.3 million retained by us from Micro Paint Repair-US after the operation was shut down, reflecting a partial settlement of intercompany loans, offset by expenditures of $0.07 million for computer equipment and $0.014 million of interest paid on purchase price guarantee obligations. For the three months ended March 31, 2007, we paid purchase price guarantee obligations in the amount of $2.4 million offset by $0.5 million cash received in repayment of a note receivable and cash and other assets in the amount of $0.9 million retained by us from subsidiaries disposed during the period, resulting in net use of cash by investing activities of $1.0 million.

Cash used in financing activities was $0.03 million for the three months ended March 31, 2008 compared to $6.7 million cash provided by financing activities for the three months ended March 31, 2007. During the current period, we repaid $0.03 on notes payable. For the three months ended March 31, 2007, we borrowed funds under a convertible debenture which resulted in $6.7 million in debt related to the convertible financing instrument, and also received a nominal amount of cash from exercised stock options.

Cash used in discontinued operations was $0.4 million and $2.6 million for the periods ending March 31, 2008 and 2007, respectively, representing a decrease of $2.2 million for the current period. The decrease reflects the reduced costs incurred for the discontinued operations subsequent to their disposal. Our future ongoing costs related to discontinued operations will be the recognition of stock based compensation expense related to stock options granted to employees of the discontinued operations prior to the disposals of the units, which will be fully expensed by the end of the second quarter of 2009.

As of March 31, 2008, we have a working capital deficiency of $80.0 million, of which $19.1 million relates to the fair value of derivative financial instruments, and $49.3 million relates to the carrying value of debentures and convertible preferred stock that are convertible into shares of our common stock. We intend to attempt to fund our working capital deficiency as described in “Sources of Cash and Projected Cash Requirements”.

Significant Liquidity Events

Going Concern

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. Net income for the three months ended March 31, 2008 was $3.6 million compared to net loss of $11.5 million for the three months ended March 31, 2007. Net cash used for operations was $1.6 million and $3.6 million, for the three months ended March 31, 2008 and 2006, respectively. We also have an accumulated deficit of $197.8 million and a working capital deficit of $80.0 million as of March 31, 2008.

We have an obligation as of December 31, 2007 of $4.5 million relating to purchase price guarantee associated with our acquisition of 12Snap.

The items discussed above raise substantial doubt about our ability to continue as a going concern.

We will require additional financing in order to execute our operating plan and continue as a going concern. We cannot predict whether this additional financing, if available, will be in the form of equity, debt, or another form. We may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. In any of these events, we may be unable to implement our current plans for expansion, repay our debt obligations as they become due or respond to competitive pressures, any of which circumstances would have a material adverse effect on our business, prospects, financial condition and results of operations. The financial statements do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts or amounts and reclassification of liabilities that might be necessary, should we be unable to continue as a going concern.

Should financing sources fail to materialize, management would seek alternate funding sources such as the sale of common and/or preferred stock, the issuance of debt, or the sale of our marketable assets. Our plan is to attempt to secure adequate funding to bridge the commercialization of our NeoReader™ business.

In the event that these financing sources do not materialize, or that we are unsuccessful in increasing our revenues and profits, we will be forced to further reduce our costs, may be unable to repay our debt obligations as they become due, or respond to competitive pressures, any of which circumstances would have a material adverse effect on our business,

prospects, financial condition and results of operations. Additionally, if these funding sources or increased revenues and profits do not materialize, and we are unable to secure additional financing, we could be forced to reduce or cease our business operations.

Sale of 12Snap Put Option – January 28, 2008

On January 28, 2008, we exercised a put option related to 12Snap whereby we sold our remaining 10% ownership of 12Snap to Bernd Michael, a private investor and former shareholder of 12Snap prior to our acquisition of 12Snap. The option agreement gave us the right to sell and the Buyer had the right to acquire the remaining 10% stake held by us for a purchase price of $0.8 million after December 31, 2007. This resulted in net proceeds of $0.8 million to us in January 2008.

Sources of Cash and Projected Cash Requirements

As of March 31, 2008, our cash balances were $0.2 million. Our plan is to attempt to secure adequate funding to bridge the commercialization of our NeoReader™ business.

NeoMedia's reliance on Yorkville as our primary financing source has certain ramifications that could affect future liquidity and business operations. For example, pursuant to the terms of the convertible debenture agreements between us and Yorkville, signed in connection with the convertible debenture sales, without Yorkville's consent we cannot (i) issue or sell any shares of common stock or preferred stock without consideration or for consideration per share less than the closing bid price immediately prior to its issuance, (ii) issue or sell any preferred stock, warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire common stock for consideration per share less than the closing bid price immediately prior to its issuance, (iii) enter into any security instrument granting the holder a security interest in any of our assets of, or (iv) file any registration statements on Form S-8. In addition, pursuant to security agreements between us and Yorkville, signed in connection with the convertible debentures, Yorkville has a security interest in all of our assets. Such covenants could severely harm our ability to raise additional funds from sources other than Yorkville, and would likely result in a higher cost of capital in the event funding were secured.

Additionally, pursuant to the terms of the investment agreement between us and Yorkville signed in connection with the Series C convertible preferred stock sale, we cannot (i) enter into any debt arrangements in which it is the borrower, (ii) grant any security interest in any of our assets, or (iii) grant any security below market price.

Contractual Obligations

There have been no material changes to our contractual obligations from the information provided in the "Contractual Obligations" portion of Item 7 - Management's Discussion Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Off-Balance Sheet Arrangements

As of March 31, 2008, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance, variable interest or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Related Party Transactions

In December 2006, we entered into a twenty-five month consulting agreement with SKS Consulting of South Florida Corp. ("SKS") whereby we pay SKS $1,000 per day worked on our behalf and 60,000 warrants per month for services rendered by George O'Leary and Jay Bonk. In payment of this agreement, we paid SKS $3,000 and issued stock valued at $2,381 to Mr. O'Leary and stock valued at $794 to Mr. Bonk during the three months ended March 31, 2008.

Mr. O’Leary is on our Board of Directors.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Recently Issued Accounting Standards

For a discussion of recently issued accounting standards, see Note 2, Summary of Significant Accounting Policies, to the Consolidated Financial Statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks which exist as part of our ongoing business operations. We currently do not engage in derivative and hedging transactions to mitigate the affects of the risks below. In the future, we may enter into foreign currency forward contracts to manage foreign currency risk.

Interest Rate Risk. Because our debt is primarily tied to borrowing rates in the United States, changes in U.S. interest rates would affect the interest paid on our borrowings and/or earned on our cash and cash equivalents. Based on our overall interest rate exposure at March 31, 2008, a near-term change in interest rates, based on historical small movements, would not materially effect our operations or the fair value of interest rate sensitive instruments. Our current debt instruments have fixed interest rates and terms and, therefore, a significant change in interest rates would not have a material adverse effect on our financial position or results of operations; however, changes in interest rates may increase our cost of borrowing in the future.

Investment Risk. As of March 31, 2008, we do not have material amounts invested in other public or privately-held companies and therefore there is minimal associated investment risk with our investment portfolio.

Foreign Currency Risk. We conduct business internationally in two currencies, and as such, are exposed to adverse movements in foreign currency exchange rates. Our exposure to foreign exchange rate fluctuations arise in part from: (1) translation of the financial results of our Gavitec subsidiary into U.S. dollars in consolidation; (2) the re-measurement of non-functional currency assets, liabilities and intercompany balances into U.S. dollars for financial reporting purposes; and (3) non-U.S. dollar denominated sales to foreign customers. Historically, neither fluctuations in foreign exchange rates nor changes in foreign economic conditions have had a significant impact on our financial condition or results of operations. Foreign exchange rate fluctuations did not have a material impact on our financial results for the three months ended March 31, 2008 and 2007.

ITEM 4T. Controls and Procedures

Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report.

These controls are designed to ensure that information required to be disclosed in the reports we file or submit pursuant to the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of March 31, 2008, at the reasonable assurance level, because of the material weaknesses described in Item 9A of our Annual Report on Form 10−K for the fiscal year ended December 31, 2007, which we are still in the process of remediating. Please see “Management’s Report on Internal Control over Financial Reporting” in Item 9A of the 2007 Form 10−K for a full description of these weaknesses.

Notwithstanding the material weaknesses described in Item 9A of the Form 10−K for the fiscal year ended December 31, 2007, we believe that our consolidated financial statements presented in this Quarterly Report on Form 10−Q fairly present, in all material respects, our financial position, results of operations, and cash flows for all periods presented herein.

Management's Remediation Efforts

As of the date of this filing, we have taken the following step to strengthen our internal control over financial reporting. Notwithstanding our efforts, the material weaknesses described in Item 9A of our Form 10−K for the fiscal year ended December 31, 2007, will not be considered remediated until the new controls operate for a sufficient period of time and are tested (in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act) to enable management to conclude that the controls are operating effectively.

- **Financial Expert on the Audit Committee**. On February 6, 2008, our Board of Directors appointed George G. O'Leary as Chairman of the Audit Committee. Mr. O'Leary meets the definition of an Audit Committee Financial Expert as defined by Section 407 of the Sarbanes-Oxley Act.

We are currently addressing each of the material weaknesses in internal control over financial reporting cited in our 2007 Form 10−K and are committed to remediating them as expeditiously as possible. We will devote significant time and resources to the remediation effort.

Inherent Limitations

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. In particular, many of our current processes rely upon manual reviews and processes to ensure that neither human error nor system weakness has resulted in erroneous reporting of financial data.

Internal Control over Financial Reporting. There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

There have been no material developments relating to certain pending legal proceedings. For a description of pending legal proceedings, see Note 12 - Contingencies, to the Consolidated Financial Statements.

ITEM 1A. Risk Factors

You should carefully consider the following factors and all other information contained in this Form 10-Q and our Form 10-K for the year ended December 31, 2007 before you make any investment decisions with respect to our securities. The risks and uncertainties described below may not be the only risks we face.

Risks Related to Our Business

We have incurred losses since inception and could incur losses in the future, and we have a substantial accumulated deficit and a substantial working capital deficit, which means that we may not be able to continue operations.

We have incurred substantial operating losses since inception, and could continue to incur substantial losses for the foreseeable future. To succeed, we must develop new client and customer relationships and substantially increase our revenue derived from improved products and additional value-added services. We have expended, and to the extent we have available financing, we intend to continue to expend, substantial resources to develop and improve our products, increase our value-added services and to market our products and services. These development and marketing expenses must be incurred well in advance of the recognition of revenue. As a result, we may not be able to achieve or sustain profitability. A number of factors could increase our operating expenses, such as:

- adapting corporate infrastructure and administrative resources to accommodate additional customers and future growth;

- developing products, distribution, marketing, and management for the broadest-possible market;
- broadening customer technical support capabilities;
- developing or acquiring new products and associated technical infrastructure;

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- developing additional indirect distribution partners;
- increased costs from third party service providers;
- improving data security features; and
- legal fees and settlements associated with litigation and contingencies.

To the extent that increases in operating expenses are not offset by increases in revenues, operating losses will increase.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate our continuation as a going concern. Net income (loss) from continuing operations for the three months ended March 31, 2008 and 2007 was $4.0 million and ($8.9) million, respectively. Net cash used for operations was $1.6 million and $3.6 million for the three months ended March 31, 2008 and 2007, respectively. We also have an accumulated deficit of $197.8 million and a working capital deficit of $80.0 million as of March 31, 2008.

We have an obligation as of March 31, 2008 of $4.5 million relating to purchase price guarantee associated with our acquisition of 12Snap.

The items discussed above raise substantial doubts about our ability to continue as a going concern.

We will need to raise additional funds to continue our operations.

We had cash balances of $0.2 million as of March 31, 2008. In order to satisfy our obligations that are currently due and that will come due, and maintain our operations in the absence of a material increase in revenues, we will need to raise additional cash from outside sources.

In the event that i) our stock price does not increase to levels where we can force exercise of enough of our outstanding warrants to generate material operating capital, ii) the market for our stock will not support the sale of shares underlying such warrants or other funding sources, or iii) we do not realize a material increase in revenue during the next twelve (12) months, we will have to seek additional cash sources.

There can be no assurances that such funding sources will be available. If necessary funds are not available, our business and operations would be materially adversely affected and in such event, we would be forced to attempt to reduce costs and adjust our business plan, and could be forced to sell certain of our assets, including but not limited to, our remaining subsidiaries and curtail or cease our operations.

Our management and Board of Directors may be unable to execute their plans to turn around the Company, grow our revenues and achieve profitability and positive cash flows.

In February 2007 we added George O'Leary to our Board of Directors. In June 2007, the previous CEO was replaced by William J. Hoffman as Chief Executive Officer, and since that time we have also added several key executives to our management team. If our new CEO is unable to attract and retain management to execute our plans, or if management and the Board of Directors are unable to execute those plans, then we may fail to grow our revenues, contain costs and achieve profitability and positive cash flows.

We have guaranteed the value of stock issued in connection with prior-year mergers through the registration of the shares, which could result in a material cash liability.

Pursuant to the terms of the merger agreement with 12Snap, we were obligated to compensate the sellers in cash for the difference between the price at the time the shares became saleable and the price the shares were valued for purposes of the merger agreement. At the time the shares became saleable, such obligation amounted to $16.2 million.

On March 19, 2007, we issued 197,620,948 shares valued at $9.4 million as partial settlement of the $16.2 million obligation, leaving a balance of $6.8 million after the stock payment. Also during 2007, we made payments of $0.5 million and negotiated a reduction of $1.76 million in the obligation, leaving a balance as of March 31, 2008 of $4.5 million in purchase price guarantees, the entire balance of which is currently due and payable.

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All of our assets are pledged to secure certain debt obligations, which we could fail to repay and could result in the foreclosure upon our assets.

Pursuant to our secured convertible debentures issued to YA Global Investments, LP (fka Cornell Capital Partners LP and herewith "Yorkville"), in the principal amounts of $7.5 million, $5.0 million, $2.5 million and $1.8 million, dated March 27, 2007, August 24, 2006, December 29, 2006 and August 24, 2007, respectively, we were required to secure the convertible debentures' repayment with substantially all of our assets. In the event we are unable to repay the secured convertible debentures, we could lose all of our assets and be forced to cease our operations. As of December 31, 2006, we were in default of the Investor Registration Rights Agreement pursuant to the August 24, 2006 and December 29, 2006 Agreements and as a result, the full fair value of the secured convertible debentures are callable in the amount of $5 million and $2.5 million, respectively, and Yorkville could foreclose on our assets if we are unable to pay these amounts. Prior to the default, we were accreting dividends on the Series C convertible preferred stock, using the effective interest method, through periodic charges to additional paid in capital. Due to the default status, we accreted dividends to the full face value as of December 31, 2006 of the Series C convertible preferred stock, resulting in an additional charge of $18.2 million to net loss attributable to common shareholders for the year ended December 31, 2006. The Series C convertible preferred stock is now reported as demand debt in the current liabilities section of the balance sheet, pursuant to the guidance outlined in FAS 150.

Because our historical financial information is not representative of our future results, investors and analysts will have difficulty analyzing our future earnings potential.

Because we have grown through acquisitions and our past operating results reflect the costs of integrating these acquisitions, as well as revenues from operations which have now been sold, historical results are not representative of future expected operating results. We have recognized very sizable charges and expenditures in the past for impairment charges and discontinued operations. Because these items are not recurring, it is more difficult for investors to predict future results.

We have material weaknesses in our internal control over financial reporting that may prevent us from being able to accurately report our financial results or prevent fraud, which could harm our business and operating results.

Effective internal controls are necessary for us to provide reliable and accurate financial reports and prevent fraud. In addition, Section 404 under the Sarbanes-Oxley Act of 2002 requires that we assess, and our independent registered public accounting firm attest to, the design and operating effectiveness of internal control over financial reporting. If we cannot provide reliable and accurate financial reports and prevent fraud, our business and operating results could be harmed. We have in the past discovered, and may in the future discover, areas of our internal controls that need improvement. We identified five (5) material weaknesses in our internal control as of December 31, 2007. These matters and our efforts regarding remediation of these matters, as well as efforts regarding internal controls generally are discussed in detail in Part II, Item 9A(T), Controls and Procedures, of our Annual Report on Form 10-K for the year ended December 31, 2007. However, as our material weaknesses in our internal controls demonstrate, we cannot be certain that the remedial measures we have taken to date will ensure that we design, implement, and maintain adequate controls over our financial processes and reporting in the future. Additionally, since the requirements of Section 404 are ongoing and apply for future years, we cannot be certain that we or our independent registered public accounting firm will not identify additional deficiencies or material weaknesses in our internal controls in the future, in addition to those identified as of December 31, 2007. Remedying the material weaknesses that have been presently identified, and any additional deficiencies, significant deficiencies or material weaknesses that we or our independent registered public accounting firm may identify in the future, could in the future require us to incur significant costs, hire additional personnel, expend significant time and management resources or make other changes. Any delay or failure to design and implement new or improved controls, or difficulties encountered in their implementation or operation, could harm our operating results, cause us to fail to meet our financial reporting obligations, or prevent us from providing reliable and accurate financial reports or avoiding or detecting fraud. Disclosure of our material

weaknesses, any failure to remediate such material weaknesses in a timely fashion or having or maintaining ineffective internal controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock and our access to capital.

There is limited information upon which investors can evaluate our business because the physical-world-to-internet market has existed for only a short period of time.

The physical-world-to-internet market in which we operate is a recently developed market. Further, we have conducted operations in this market only since March 1996. Consequently, we have a relatively limited operating history upon which an investor may base an evaluation of our primary business and determine our prospects for achieving our intended business objectives. To date, we have had limited sales of our physical-world-to-internet products. We are prone to all of the risks inherent to the establishment of any new business venture, including unforeseen changes in our business plan. An investor should consider the likelihood of our future success to be highly speculative in light of our limited operating history in our primary market, as well as the limited resources, problems, expenses, risks, and complications frequently encountered by similarly situated companies in new and rapidly evolving markets, such as the physical-world-to-internet space. To address these risks, we must, among other things:

- maintain and increase our client base;
- implement and successfully execute our business and marketing strategy;
- continue to develop and upgrade our products;
- continually update and improve service offerings and features;
- respond to industry and competitive developments; and
- attract, retain, and motivate qualified personnel.

We may not be successful in addressing these risks. If we are unable to do so, our business, prospects, financial condition, and results of operations would be materially and adversely affected.

Our future success depends on the timely introduction of new products and the acceptance of these new products in the marketplace.

Rapid technological change and frequent new product introductions are typical for the markets we serve. Our future success will depend in large part on continuous, timely development and introduction of new products that address evolving market requirements. To the extent that we fail to introduce new and innovative products, we may lose market share to our competitors, which may be difficult to regain. Any inability, for technological or other reasons, to successfully develop and introduce new products could materially and adversely affect our business.

Our common stock is deemed to be "Penny Stock" which may make it more difficult for investors to sell their shares due to suitability requirements.

Our common stock is deemed to be "penny stock" as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934, as amended. These requirements may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline. Penny stocks are stock:

- with a price of less than $5.00 per share;
- that are not traded on a "recognized" national exchange;

- whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ listed stock must still have a price of not less than $5.00 per share); or

- in issuers with net tangible assets less than $2 million (if the issuer has been in continuous operation for at least three years) or $10 million (if in continuous operation for less than three years), or with average revenues of less than $6 million for the last three years.

Broker-dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker-dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor.

Existing shareholders will experience significant dilution when certain investors convert their preferred stock to common stock, convert outstanding convertible debentures or when the investors exercise their warrants and receive common stock shares under the investment agreement with the investors.

The issuance of shares of common stock pursuant to the conversion of Series C convertible preferred stock, the conversion of convertible debentures or the exercise of warrants pursuant to our transactions with Yorkville will have a dilutive impact on our stockholders. As a result, our net income or loss per share could decrease in future periods, and the market price of our common stock could decline. In addition, the lower our stock price is, the more shares of common stock we will have to issue pursuant to the conversion of preferred stock or the convertible debentures. If our stock price is lower, then existing stockholders would experience greater dilution.

Due to accounting treatment of certain convertible preferred stock and convertible debenture instruments issued by us, a fluctuation in our stock price could have a material impact on our results of operations.

During the three months ended March 31, 2008, we recognized a gain in the amount of $5.4 million resulting from adjustments recorded to reflect the change in fair value from revaluation of warrants and embedded conversion features in connection with our Series C convertible preferred stock and our convertible debentures. We will adjust the carrying value of our derivative instruments to market at each balance sheet date. As a result, we could experience significant fluctuations in our net income (loss) in future periods from such charges based on corresponding movement in our share price.

We are uncertain of the success of our mobile business and the failure of this business would negatively affect the price of our stock.

We provide products and services that provide a link from physical objects, including printed material, to the mobile internet. We can provide no assurance that:

- our mobile business unit will ever achieve profitability;
- our current product offerings will not be adversely affected by the focusing of our resources on the physical-world-to-internet space; or
- the products we develop will obtain market acceptance.

In the event that our mobile business unit should never achieve profitability, that our current product offerings should so suffer, or that our products fail to obtain market acceptance, our business, prospects, financial condition, and results of operations would be materially adversely affected.

A large percentage of our assets are intangible assets, which will have little or no value if our operations are unsuccessful.

At March 31, 2008, approximately eighty-one (81%) of our total assets used in continuing operations were intangible assets and goodwill, consisting primarily of rights related to our patents, other intellectual property, and excess of purchase price over fair market value paid for Gavitec. If our operations are unsuccessful, these assets will have little or no value, which would materially adversely affect the value of our stock and the ability of our stockholders to recoup their investments in our stock.

We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. We may be required to record a significant charge to earnings in our financial statements during the period in which any

impairment of our goodwill or amortizable intangible assets is determined, resulting in an impact on results of operations.

Certain of our emerging products and services have limited history and may not result in success.

To date, we have conducted limited marketing efforts directly relating to our emerging technology products, consisting primarily of the NeoReader™ suite of products, and certain products of Gavitec. Many of our marketing efforts with respect to these emerging technologies have been largely untested in the marketplace, and may not result in materially increased sales of these emerging products and services. To penetrate the emerging markets in which we compete, we expect that we will have to exert significant efforts to create awareness of, and demand for, our emerging products and services. To the extent funding is available, we intend to continue to expand our sales and marketing resources as the market continues to mature. Our failure to further develop our sales and marketing capabilities and successfully market our emerging products and services would have a material adverse effect on our business, prospects, financial condition, and results of operations.

Our internally developed systems are inefficient and may put us at a competitive disadvantage.

We use internally developed technologies for a portion of our systems integration services, as well as the technologies required to interconnect our clients' and customers' physical-world-to-internet systems and hardware with our own. As we develop these systems in order to integrate disparate systems and hardware on a case-by-case basis, these systems are inefficient and require a significant amount of customization. Such client and customer-specific customization is time consuming and costly and may place us at a competitive disadvantage when compared to competitors with more efficient systems.

We could fail to attract or retain key personnel, which could have a materially adverse effect on our business.

Our future success will depend in large part on our ability to attract, train, and retain additional highly skilled executive level management, creative, technical, and sales personnel. Competition is intense for these types of personnel from other technology companies and more established organizations, many of which have significantly larger operations and greater financial, marketing, human, and other resources than we have. We may not be successful in attracting and retaining qualified personnel on a timely basis, on competitive terms, or at all. Our failure to attract and retain qualified personnel could have a material adverse effect on our business, prospects, financial condition, and results of operations.

We may be unsuccessful in integrating our Gavitec acquisition with our current business, which could have a materially adverse effect on our business.

The success of the acquisition of Gavitec could depend on the ability of our executive management to integrate the business plan of Gavitec with our overall business plan. Failure to properly integrate the business could have a material adverse effect on the expected revenue and operations of the acquisition, as well as the expected return on investment for us. We acquired Gavitec during the first quarter of 2006, when we also acquired four other businesses – Mobot, Sponge, 12Snap and NeoMedia Telecom Services, each of which have been subsequently divested, less than two (2) years after acquisition. As a result of these divestitures, we have experienced a substantial decrease in revenues, operating losses and consolidated assets in the current year as compared to the prior year. For the three months ended March 31, 2008, Gavitec accounted for approximately fifty-six percent (56%) of our consolidated revenues. In addition, Gavitec assets represented approximately four percent (4%) of our consolidated assets as of March 31, 2008.

We may be unable to protect our intellectual property rights and may be liable for infringing the intellectual property rights of others, which could have a materially adverse effect on our business.

Our success in the physical-world-to-internet market is dependent upon our proprietary technology, including patents and other intellectual property, and on the ability to protect proprietary technology and other intellectual property rights. In addition, we must conduct our operations without infringing on the proprietary rights of third parties. We also intend to rely upon unpatented trade secrets and the know-how and expertise of our employees, as well as our patents. To protect our proprietary technology and other intellectual property, we rely primarily on a combination of the protections provided by applicable patent, copyright, trademark, and trade secret laws as well as on confidentiality procedures and licensing arrangements. Although we believe that we have taken appropriate steps to protect our unpatented proprietary rights, including requiring that our employees and third parties who are granted access to our proprietary technology enter into confidentiality agreements, we can provide no assurance that these measures will be sufficient to protect our rights against third parties. Others may independently develop or otherwise acquire patented or unpatented technologies or products similar or superior to ours.

We license from third parties certain software tools that are included in our services and products. If any of these licenses were terminated, we could be required to seek licenses for similar software from other third parties or develop

these tools internally. We may not be able to obtain such licenses or develop such tools in a timely fashion, on acceptable terms, or at all. Companies participating in the software and internet technology industries are frequently involved in disputes relating to intellectual property. We may in the future be required to defend our intellectual property rights against infringement, duplication, discovery, and misappropriation by third parties or to defend against third party claims of infringement. Likewise, disputes may arise in the future with respect to ownership of technology developed by employees who were previously employed by other companies. Any such litigation or disputes could result in substantial costs to, and a diversion of resources by us. An adverse determination could subject us to significant liabilities to third parties, require us to seek licenses from, or pay royalties to, third parties, or require us to develop appropriate alternative technology. Some or all of these licenses may not be available to us on acceptable terms or at all, and we may be unable to develop alternate technology at an acceptable price or at all. Any of these events could have a material adverse effect on our business, prospects, financial condition, and results of operations.

We are currently involved in litigation to defend some of our patents from infringement from Scanbuy, and our ‘048 patent is currently under reexamination by the United States Patent and Trademark Office (USPTO) in conjunction with the Electronic Frontier Foundation, as described in Note 12 - Contingencies. While it is not possible to determine with certainty the outcome of these matters, it is possible that the eventual resolution of the following legal actions could have a material adverse effect on our financial position or operating results.

We are exposed to product liability claims and an uninsured claim could have a material adverse effect on our business, prospects, financial condition, and results of operations, as well as the value of our stock.

Many of our projects are critical to the operations of our clients’ businesses. Any failure in a client’s information system could result in a claim for substantial damages against us, regardless of our responsibility for such failure. We could, therefore, be subject to claims in connection with the products and services that we sell. We currently maintain product liability insurance. There can be no assurance that:

- We have contractually limited our liability for such claims adequately or at all; or

- We would have sufficient resources to satisfy any liability resulting from any such claim.

The successful assertion of one or more large claims against us could have a material adverse effect on our business, prospects, financial condition, and results of operations.

We utilize data centers maintained by third parties, which could affect our ability to support our customers or financial performance.

Many of the network services and computer servers utilized by us in our provision of services to customers are housed in data centers owned by third-party vendors. In the future, we may house additional servers and hardware items in facilities owned or operated by other vendors.

A disruption in the ability of one of these data centers to provide service to us could cause a disruption in service to our customers. A data center could be disrupted in its operations through a number of contingencies, including unauthorized access, computer viruses, accidental or intentional actions, electrical disruptions, and other extreme conditions. Although we believe we have taken adequate steps to protect our operations through our contractual arrangements with our data centers, we cannot eliminate the risk of a disruption in service resulting from the accidental or intentional disruption in service by a date center. Any significant disruption could cause significant harm to us, including a significant loss of customers. In addition, a data center could raise its prices or otherwise change its terms and conditions in a way that adversely affects our ability to support our customers or financial performance.

We will not pay cash dividends and investors may have to sell their shares in order to realize their investment.

We have not paid any cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future. We intend to retain future earnings, if any, for reinvestment in the development and marketing of our products and services. As a result, investors may have to sell their shares of common stock to realize their investment.

Some provisions of our certificate of incorporation and bylaws may deter takeover attempts, which may limit the opportunity of our stockholders to sell their shares at a premium to the then-current market price.

Some of the provisions of our Certificate of Incorporation and bylaws could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders by providing them with the opportunity to sell their shares at a premium to the then-current market price. On December 10, 1999, our Board of Directors adopted a stockholders rights plan and declared a non-taxable dividend of one right to acquire our Series A Preferred Stock, par

value $0.01 per share, on each outstanding share of our common stock to stockholders of record on December 10, 1999 and each share of common stock issued thereafter until a pre-defined hostile takeover date. The stockholder rights plan was adopted as an anti-takeover measure, commonly referred to as a “poison pill”. The stockholder rights plan was designed to enable all stockholders not engaged in a hostile takeover attempt to receive fair and equal treatment in any proposed takeover of us and to guard against partial or two-tiered tender offers, open market accumulations, and other hostile tactics to gain control of us. The stockholders rights plan was not adopted in response to any effort to acquire control of us at the time of adoption. This stockholders rights plan may have the effect of rendering more difficult, delaying, discouraging, preventing, or rendering more costly an acquisition of us or a change in control of us. Certain of our principal stockholders, Charles W. Fritz, William E. Fritz and The Fritz Family Limited Partnership and their holdings were exempted from the triggering provisions of our “poison pill” plan, as a result of the fact that, as of the plan’s adoption, their holdings might have otherwise triggered the “poison pill”.

In addition, our Certificate of Incorporation authorizes our Board of Directors to designate and issue preferred stock, in one or more series, the terms of which may be determined at the time of issuance by our Board of Directors, without further action by stockholders, and may include voting rights, including the right to vote as a series on particular matters, preferences as to dividends and liquidation, conversion, redemption rights, and sinking fund provisions.

We are authorized to issue a total of 25 million shares of Preferred Stock, par value $0.01 per share. The issuance of any preferred stock could have a material adverse effect on the rights of holders of our common stock, and, therefore, could reduce the value of shares of our common stock. In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell our assets to, a third party. The ability of our Board of Directors to issue preferred stock could have the effect of rendering more difficult, delaying, discouraging, preventing, or rendering more costly an acquisition of us or a change in our control.

Risks Relating To Our Industry

The security of the internet poses risks to the success of our entire business.

Concerns over the security of the internet and other electronic transactions, and the privacy of consumers and merchants, may inhibit the growth of the internet and other online services generally, especially as a means of conducting commercial transactions, which may have a material adverse effect on our physical-world-to-internet business.

We will only be able to execute our physical-world-to-internet business plan if internet usage and electronic commerce continue to grow.

Our future revenues and any future profits are substantially dependent upon the widespread acceptance and use of the internet and camera devices on mobile telephones. If use of the internet and camera devices on mobile telephones does not continue to grow or grows more slowly than expected, or if the infrastructure for the internet and camera devices on mobile telephones does not effectively support the growth that may occur, or does not become a viable commercial marketplace, our physical-world-to-internet business, and therefore our business, prospects, financial condition, and results of operations, could be materially adversely affected. Rapid growth in the use of, and interest in, the internet and camera devices on mobile telephones is a recent phenomenon, and may not continue on a lasting basis. In addition, customers may not adopt, and continue to use mobile telephones as a medium of information retrieval or commerce. Demand and market acceptance for recently introduced services and products over the mobile internet are subject to a high level of uncertainty, and few services and products have generated profits. For us to be successful, consumers and businesses must be willing to accept and use novel and cost efficient ways of conducting business and exchanging information.

In addition, the public in general may not accept the use of the internet and camera devices on mobile telephones as a viable commercial or information marketplace for a number of reasons, including potentially inadequate development of the necessary network infrastructure or delayed development of enabling technologies and performance improvements. To the extent that mobile phone internet usage continues to experience significant growth in the number of users, their frequency of use, or in their bandwidth requirements, the infrastructure for the mobile internet may be unable to support the demands placed upon them. In addition, the mobile internet and mobile interactivity could lose its viability due to delays in the development or adoption of new standards and protocols required to handle increased levels of mobile internet activity, or due to increased governmental regulation. Significant issues concerning the commercial and informational use of the mobile internet, and online network technologies, including security, reliability, cost, ease of use, and quality of service, remain unresolved and may inhibit the growth of internet business solutions that utilize these technologies. Changes in, or insufficient availability of, telecommunications services to support the internet, the web or other online services also could result in slower response times and adversely affect

usage of the internet, the web and other online networks generally and our physical-world-to-internet product and networks in particular.

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We may not be able to adapt as the internet, physical-world-to-internet, and customer demands continue to evolve.

We may not be able to adapt as the mobile internet and physical-world-to-internet markets and consumer demands continue to evolve. Our failure to respond in a timely manner to changing market conditions or client requirements would have a material adverse effect on our business, prospects, financial condition, and results of operations. The mobile internet and physical-world-to-internet markets are characterized by:

- rapid technological change;
- changes in user and customer requirements and preferences;
- frequent new product and service introductions embodying new technologies; and
- the emergence of new industry standards and practices that could render proprietary technology and hardware and software infrastructure obsolete.

Our success will depend, in part, on our ability to:

- enhance and improve the responsiveness and functionality of our products and services;
- license or develop technologies useful in our business on a timely basis;
- enhance our existing services, and develop new services and technologies that address the increasingly sophisticated and varied needs of our prospective or current customers; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

We may not be able to compete effectively in markets where our competitors have more resources.

While the market for physical-world-to-internet technology is relatively new, it is already highly competitive and characterized by an increasing number of entrants that have introduced or developed products and services similar to those offered by us. We believe that competition will intensify and increase in the near future. Our target market is rapidly evolving and is subject to continuous technological change. As a result, our competitors may be better positioned to address these developments or may react more favorably to these changes, which could have a material adverse effect on our business, prospects, financial condition, and results of operations.

Some of our competitors have longer operating histories, larger customer bases, longer relationships with clients, and significantly greater financial, technical, marketing, and public relations resources than we do. We may not successfully compete in any market in which we conduct or may conduct operations. We may not be able to penetrate markets or market our products as effectively as our better-funded more-established competitors.

In the future, there could be government regulations and legal uncertainties which could harm our business.

Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the internet and other online services, could have a material adverse effect on our business, prospects, financial condition, and results of operations. Due to the increasing popularity and use of the internet, the web and other online services, federal, state, and local governments may adopt laws and regulations, or amend existing laws and regulations, with respect to the internet or other online services covering issues such as taxation, user privacy, pricing, content, copyrights, distribution, and

characteristics and quality of products and services. The growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws to impose additional burdens on companies conducting business online. The adoption of any additional laws or regulations may decrease the growth of the internet, the Web or other online services, which could, in turn, decrease the demand for our services and increase our cost of doing business, or otherwise have a material adverse effect on our business, prospects, financial condition, and results of operations. Moreover, the relevant governmental authorities have not resolved the applicability to the internet, the Web and other online services of existing laws in various jurisdictions governing issues such as property ownership and personal privacy and it may take time to resolve these issues definitively.

Certain of our proprietary technology allow for the storage of demographic data from our users. In 2000, the European Union adopted a directive addressing data privacy that may limit the collection and use of certain information regarding internet users. This directive may limit our ability to collect and use information collected by our technology in certain European countries. In addition, the Federal Trade Commission and several state governments have investigated the use by certain internet companies of personal information. We could incur significant additional expenses if new regulations regarding the use of personal information are introduced or if our privacy practices are investigated.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

On March 1, 2007, we issued 61 million shares of common stock to the former Gavitec shareholders as partial payment against the purchase price protection clause of the original sale and purchase agreement between the former Gavitec shareholders and us. The shares were valued at $0.053 per share, which was the fair value at the time of issuance.

On March 19, 2007, we issued 197,620,948 shares of common stock to the former 12Snap shareholders as partial payment against the purchase price protection clause of the original sale and purchase agreement between the former 12Snap shareholders and us. The shares were valued at $0.045 per share, which was the fair value at the time of issuance.

On March 27, 2007, we entered into a Securities Purchase Agreement with Yorkville, pursuant to which Yorkville agreed to purchase 13% secured convertible debentures maturing two years from the date of issuance in the aggregate amount of $7.4 million. The March Debenture Agreement also provided for the issuance to Yorkville warrants to purchase 125 million shares of our common stock at an exercise price of $0.04 per share. At any time from the closing date until March 27, 2009, Yorkville has the right to convert the convertible debenture into our common stock at the then effective conversion price, which varies relative to our trading stock price, as follows: the lower of $0.05 per share, or 90% of the lowest closing bid price (as reported by Bloomberg) of the common stock for the 30 trading days immediately preceding the conversion date. The conversion is limited such that Yorkville cannot exceed 4.99% ownership, unless Yorkville waives their right to such limitation. The limitation will terminate under any event of default. In connection with the March Debenture Agreement, we applied $1.3 million of the gross proceeds toward payment of liquidated damages accrued on previous convertible instruments payable to Yorkville, and $0.4 million toward accrued interest on previous convertible debentures. Yorkville also retained fees of $0.8 million, resulting in net proceeds to us of $5.0 million.

On July 20, 2007, we issued 517,415 shares of common stock to SKS Consulting of South Florida Corp. (“SKS”) as partial payment against the consulting agreement we have with SKS. The shares were valued at $0.0251 per share, which was the fair value at the time of issuance.

On August 16, 2007, we issued 28,854,685 shares of unregistered common stock to Tesscourt Capital, Ltd. as settlement of debt.

On August 24, 2007, we entered into a Securities Purchase Agreement with Yorkville, pursuant to which Yorkville agreed to purchase 14% secured convertible debentures maturing two years from the date of issuance in the aggregate amount of $1.775 million. The August Debenture Agreement also provided for the issuance to Yorkville warrants to purchase 75 million shares of our common stock at an exercise price of $0.02 per share. At any time from the closing date until August 24, 2009, Yorkville has the right to convert the convertible debenture into our common stock at the then effective conversion price, which varies relative to our trading stock price, as follows: the lower of $0.02 per share, or 80% of the lowest closing bid price (as reported by Bloomberg) of the common stock for the 10 trading days immediately preceding the conversion date. The conversion is limited such that Yorkville cannot exceed 4.99% ownership, unless Yorkville waives their right to such limitation. The limitation will terminate under any event of

default. Yorkville retained fees of $0.2 million, resulting in net proceeds to us of $1.575 million.

On October 2, 2007, we issued 264,753 shares of common stock to SKS Consulting of South Florida Corp. ("SKS") as partial payment against the consulting agreement we have with SKS. The shares were valued at $0.019 per share, which was the fair value at the time of issuance.

On October 31, 2007, we issued 6,190,476 shares of unregistered common stock to Guy Fietz in conjunction with the disposition of the NeoMedia Telecom Services business unit.

On December 17, 2007, we issued 820,313 shares of common stock to Corporate Resources, Inc. as partial payment against a placement fee incurred in filling a management position with us. The shares were valued at $0.016 per share, which was the fair value at the time of issuance.

On January 21, 2008, we issued 288,620 shares of common stock to SKS Consulting of South Florida Corp. ("SKS") as partial payment against the consulting agreement we have with SKS. The shares were valued at $0.011 per share, which was the fair value at the time of issuance.

We relied upon the exemption provided in Section 4(2) of the Securities Act and/or Rule 506, which cover "transactions by an issuer not involving any public offering," to issue securities discussed above without registration under the Securities Act of 1933. The certificates representing the securities issued displayed a restrictive legend to prevent transfer except in compliance with applicable laws, and our transfer agent was instructed not to permit transfers unless directed to do so by us, after approval by our legal counsel. We believe that the investors to whom securities were issued had such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the prospective investment. We also believe that the investors had access to the same type of information as would be contained in a registration statement.

ITEM 3. Default Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

31.1 Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEOMEDIA TECHNOLOGIES, INC.
(Registrant)

Dated: May 15, 2008

/s/ Frank J. Pazera
Frank J. Pazera
Chief Financial Officer & Principal Accounting Officer