

NEOMEDIA TECHNOLOGIES INC
Form 10-Q
August 14, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10 - Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-21743

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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

678-638-0460
(Registrants' telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The number of outstanding shares of the registrant's Common Stock on August 11, 2009 was 2,048,912,609.

NeoMedia Technologies, Inc.
 Form 10-Q
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FORWARD-LOOKING STATEMENTS

This Form 10-Q contains “forward-looking statements” relating to NeoMedia Technologies, Inc., a Delaware corporation, which represent our current expectations or beliefs including, but not limited to, statements concerning our operations, performance, financial condition and growth. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as “may”, “anticipate”, “intend”, “could”, “estimate”, or “continue” or the negative or other comparative terminology are intended to identify forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, such as credit losses, dependence on management and key personnel, variability of quarterly results, the ability to continue our growth strategy and competition, certain of which are beyond our control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for us to predict all of such factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	June 30, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 303	\$ 1,259
Trade accounts receivable, net of allowance for doubtful accounts of \$0 and \$0, respectively	56	102
Inventories, net of allowance for obsolete & slow-moving inventory of \$65 and \$81 respectively	167	117
Prepaid expenses and other current assets	444	544
Total current assets	970	2,022
Property, equipment and leasehold improvements, net	73	79
Goodwill	3,418	3,418
Proprietary software, net	2,406	2,738
Patents and other intangible assets, net	2,143	2,293
Cash surrender value of life insurance policies	566	508
Other long-term assets	417	430
Total assets	\$ 9,993	\$ 11,488
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 217	\$ 134
Taxes payable	9	7
Accrued expenses	7,206	5,787
Deferred revenues and customer prepayments	314	403
Notes payable	15	50
Accrued purchase price guarantee	4,535	4,614
Deferred tax liability	706	706
Derivative financial instruments - warrants	13,591	1,189
Derivative financial instruments - debentures payable	34,471	26,256
Debentures payable - carried at amortized cost	11,593	11,227
Debentures payable - carried at fair value	19,580	19,892
Total current liabilities	92,237	70,265
Commitments and contingencies (Note 7)		
Series C convertible preferred stock, \$0.01 par value, 30,000 shares authorized, 18,424 and 19,144 shares issued and outstanding, liquidation value of \$18,424 and \$19,144	18,424	19,144
Shareholders' deficit:		

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Common stock, \$0.01 par value, 5,000,000,000 shares authorized, 1,803,018,412 and 1,375,056,229 shares issued and 1,799,867,143 and 1,371,904,960 outstanding, respectively	17,999	13,719
Additional paid-in capital	123,355	120,430
Accumulated deficit	(241,178)	(211,305)
Accumulated other comprehensive loss	(65)	14
Treasury stock, at cost, 201,230 shares of common stock	(779)	(779)
Total shareholders' deficit	(100,668)	(77,921)
Total liabilities and shareholders' deficit	\$ 9,993	\$ 11,488

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

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

	For the three months ended	
	June 30, 2009	June 30, 2008
Net sales	\$ 136	\$ 207
Cost of sales	281	292
Gross deficit	(145)	(85)
Sales and marketing expenses	178	655
General and administrative expenses	863	1,367
Research and development costs	350	655
Operating loss	(1,536)	(2,762)
Gain on extinguishment of debt	-	18
Gain from change in fair value of hybrid financial instruments	23,343	4,052
Gain from change in fair value of derivative liability - warrants	20,879	1,473
Gain (loss) from change in fair value of derivative liability - debentures	37,978	(8,006)
Other interest expense, net	(2,600)	(4,126)
Income (loss) from continuing operations	78,064	(9,351)
Income from discontinued operations	-	154
Net income (loss)	78,064	(9,197)
Dividends on convertible preferred stock	(368)	(399)
Net income (loss) attributable to common shareholders	77,696	(9,596)
Comprehensive income (loss):		
Net income (loss)	78,064	(9,197)
Other comprehensive loss:		
Foreign currency translation adjustment	(22)	(14)
Comprehensive income (loss)	\$ 78,042	\$ (9,211)
Net income (loss) per share, basic:		
Continuing operations	\$ 0.05	\$ (0.01)
Discontinued operations	\$ -	\$ -
Net income (loss) per share, basic	\$ 0.05	\$ (0.01)
Net income (loss) per share, fully diluted:		
Continuing operations	\$ -	\$ (0.01)
Discontinued operations	\$ -	\$ -

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Net income (loss) per share, fully diluted	\$	-	\$	(0.01)
Weighted average number of common shares:				
Basic		1,588,281,567		1,076,657,151
Fully diluted		6,792,874,000		1,076,657,151

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

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

	For the six months ended	
	June 30, 2009	June 30, 2008
Net sales	\$ 626	\$ 471
Cost of sales	808	605
Gross deficit	(182)	(134)
Sales and marketing expenses	464	1,283
General and administrative expenses	1,787	2,573
Research and development costs	673	1,217
Operating loss	(3,106)	(5,207)
Gain on extinguishment of debt	-	22
Gain from change in fair value of hybrid financial instruments	312	2,708
Gain (loss) from change in fair value of derivative liability - warrants	(12,402)	3,466
Loss from change in fair value of derivative liability - debentures	(9,676)	(4,646)
Other interest expense, net	(3,663)	(1,657)
Income (loss) from continuing operations	(28,535)	(5,314)
Loss from discontinued operations	-	(291)
Net income (loss)	(28,535)	(5,605)
Dividends on convertible preferred stock	(743)	(798)
Net income (loss) attributable to common shareholders	(29,278)	(6,403)
Comprehensive income (loss):		
Net income (loss)	(28,535)	(5,605)
Other comprehensive loss:		
Foreign currency translation adjustment	(79)	(14)
Comprehensive income (loss)	\$ (28,614)	\$ (5,619)
Net income (loss) per share, basic:		