NEOMEDIA TECHNOLOGIES INC
Form S-3/A
October 12, 2007

As filed with the Securities and Exchange Commission on October 12, 2007
SEC Registration No. 333-137227

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

AMENDMENT NO. 5 TO
FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Delaware (State or other jurisdiction of incorporation or organization)	**NEOMEDIA TECHNOLOGIES, INC.** (Name of issuer in its charter)	**36-3680347** (I.R.S. Employer Identification No.)
2201 Second Street, Suite 600 **Fort Myers, Florida 33901** **(239) 337-3434** (Address and telephone number of Registrant's principal executive offices)	**7373** (Primary Standard Industrial Classification Code Number)	**William J. Hoffman** **2201 Second Street, Suite 600** **Fort Myers, Florida 33901-3083** **(239) 337-3434** **Telecopier No.: (239) 337-3668** (Name, address, and telephone number of agentfor service)

With copies to:

Clayton E. Parker, Esq. Kirkpatrick & Lockhart Preston Gates Ellis LLP 201 S. Biscayne Blvd., Suite 2000 Miami, FL 33131 Telephone No.: (305) 539-3305 Telecopier No.: (305) 358-7095	Ronald S. Haligman, Esq. Kirkpatrick & Lockhart Preston Gates Ellis LLP 201 S. Biscayne Blvd., Suite 2000 Miami, FL 33131 Telephone No.: (305) 539-3319 Telecopier No.: (305) 358-7095

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount To be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(2)
Shares underlying Secured Convertible Debentures, convertible into Common Shares, par value $0.01 per share	100,000,000	$ 0.016	$ 1,600,000.00	$ 49.12
Common Stock, par value $0.01 per share	60,438,026	$ 0.016	$ 967,008.42	$ 29.69
Shares underlying warrants to purchase Common Stock, par value $0.01 per share	108,650,000	$ 0.016	$ 1,738,400.00	$ 53.37
TOTALS	**269,088,026**		**$ 4,305,408.42**	**$ 132.18**

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c), using the average of the high and low prices of NeoMedia's common stock of $0.016 per share as reported in the Over-the-Counter Bulletin Board on October 10, 2007.

(2) On June 21, 2006, NeoMedia paid the registration fee of $8,450.96.

THE REGISTRANT HEREBY AMENDS THIS REGISTRAITON STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRAITON STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

Subject to Completion or Amendment
Dated _______ __, 2007

269,088,026 Shares

NEOMEDIA TECHNOLOGIES, INC.

Up to 100,000,000 Shares Underlying Convertible Debentures
60,438,026 Shares of Common Stock
108,650,000 Shares Underlying Warrants to Purchase Shares of Common Stock

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All of the shares of common stock offered in this Prospectus are being offered by the selling security holders in transactions as described in the plan of distribution. The Company will not receive any of the proceeds from the sales (other than exercise prices received upon the exercise of currently outstanding warrants, the underlying shares of which are being registered for sale hereunder).

Our common stock is traded on the Over-the-Counter Bulletin Board under the symbol “NEOM”. The last reported sale price of our common stock on the Over-the-Counter Bulletin Board on September 20, 2007 was $0.02 per share.

This investment in the common stock involves a high degree of risk. Please pay careful attention to all of the information in this Prospectus. In particular, you should carefully consider the discussion in the section entitled “Risk Factors” beginning on page 4 of this registration statement.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATOR HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE DISTRIBUTED UNDER THIS REGISTRATION STATEMENT OR DETERMINED IF THIS REGISTRATION STATEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The information in this registration statement is not complete and may be changed. NeoMedia may not distribute these securities until the registration statement filed with the United States Securities and Exchange Commission is declared effective. The registration statement is not and shall not constitute an offer to sell and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this Prospectus is ________, 2007.

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ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission ("SEC") registering for sale up to an aggregate of 269,088,026 shares issued or to be issued for the following purposes:

Shares underlying Convertible Debenture issued August 24, 2006		100,000,000
Shares underlying warrants to purchase shares of common stock		108,650,000
Shares of common stock previously issued for the following purposes:		
Stock consideration issued to acquire Gavitec AG	13,660,511	
Stock consideration issued to acquire 12Snap AG	41,543,724	
To retire debt	5,233,791	60,438,026
Total shares being registered hereunder		**269,088,026**

Series C Convertible Preferred Stock

On February 17, 2006, we sold to Cornell Capital Partners 8% cumulative Series C convertible preferred stock with a face value of $22,000,000. At any time until February 17, 2009, the holders have the right to convert the preferred stock, in whole or in part, into NeoMedia common stock of at the then effective conversion price, which varies relative to the trading stock price, as follows: $0.50 per share, or 97% of the lowest closing bid price of the common stock for the 30 trading days immediately preceding the conversion date. The conversions are limited such that the holder cannot exceed 4.99% ownership.

In connection with the Series C convertible perefrered stock, we issued to Cornell Capital Partners warrants to purchase shares of our common stock as follows: 20,000,000 warrants with an exercise price of $0.50 per share, 25,000,000 warrants with an exercise price of $0.40 per share, and 30,000,000 warrants with an exercise price of $0.35 per share. The exercise prices of these warrants were subsequently repriced to $0.02 in connection with a convertible debenture financing in August 2007. All 75,000,000 shares of common stock underlying these warrants are being registered hereunder.

The fair value of net proceeds received by NeoMedia in the transaction was $17,854,000, and the balance of $4,146,000 was afforded to the Purchasers as a discount. The discount afforded to the Purchasers, including the fair value of warrants granted, is substantial and could have a negative affect on current and future stockholders due to additional dilution shareholders may experience if and when the Purchasers exercise such warrants.

We are currently in default of the Investor Registration Rights Agreement entered into on February 17, 2006, as amended by a Master Amendment Agreement entered into on March 27, 2007 in connection with the March 2007 convertible debenture. As a result, Cornell Capital Partners has certain rights with respect to the financing arrangement, specifically, (i) the full face value of $22,000,000 is callable, (ii) up to 417,000,000 warrants held by Cornell Capital Partners with exercise prices between $0.04 - $0.06 can be exercised on a cashless basis, and (iii) NeoMedia is responsible for liquidated damages amounting to 1% of the outstanding amount of Series C preferred stock per month, not to exceed $1,200,000. We paid $882,000 of accrued liquidated damages on March 27, 2007 relating to the Series C preferred stock.

No shares sunderlying the Series C convertible preferred stock are being registered hereunder. Up to 75,000,000 shares of common stock underlying the warrants issued in connection with the Series C convertible preferred stock are being registred hereunder.

Convertible Debenture - August 2006

On August 24, 2006, we sold to Cornell Capital Partners 10% secured convertible debentures maturing two years from the date of issuance with a face value of $5,000,000. At any time until August 24, 2008, Cornell Capital Partners has the right to convert the secured convertible debentures, in whole or in part, into NeoMedia common stock at the then effective conversion price, which varies relative to the trading stock price, as follows: $0.02 per share, or 90% of the lowest closing bid price of the common stock for the 30 trading days immediately preceding the conversion date. The conversions are limited such that the holder cannot exceed 4.99% ownership. The debentures are secured by substantially all of the Company's assets.

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In connection with the secured convertible debentures, we issued to Cornell warrants to purchase shares of our common stock as follows: 50,000,000 warrants with an exercise price of $0.05 per share, 25,000,000 warrants with an exercise price of $0.15 per share, 50,000,000 warrants with an exercise price of $0.20 per share, and 50,000,000 warrants with an exercise price of $0.25 per share. The exercise prices of all these warrants were subsequently repriced to $0.02 in connection with a convertible debenture financing in August 2007. Up to 21,000,000 shares underlying the warrants originally issued with an exercise price of $0.05 are being registered hereunder.

NeoMedia is currently in default of the Investor Registration Rights Agreement entered into on August 24, 2006, as amended by a Master Amendment Agreement entered into on March 27, 2007 in connection with the March 2007 convertible debenture. As a result, Cornell Capital Partners has certain rights with respect to the financing arrangement, specifically, (i) the full face value of each instrument is callable in the aggregate amount of $5,000,000, (ii) up to 492,000,000 warrants held by Cornell Capital Partners with an exercise price of $0.02 can be exercised on a cashless basis, and (iii) NeoMedia is responsible for liquidated damages amounting to 2% of the principal per month, not to exceed $1,000,000. We paid $430,000 of accrued liquidated damages on March 27, 2007 relating to this debenture.

Up to 100,000,000 shares underlying this debenture are being registered hereunder.

Acquisition Consideration Shares

During February and March 2006, NeoMedia completed the acquisitions of Gavitec and 12Snap. The aggregate purchase price for Gavitec was $7,187,000, consisting of $1,800,000 cash, $114,000 acquisition-related costs, and $5,273,000 fair value of 13,660,511 shares issued as consideration. The aggregate purchase price for 12Snap was $22,036,000, consisting of $2,500,000 cash, $114,000 acquisition-related costs, and $19,422,000 fair value of 49,294,581 shares issued as consideration.

Pursuant to the terms of the sale and purchase agreements with each company, in the event that NeoMedia's stock price at the time the consideration shares issued in connection with each acquisition are saleable was less than the price at which they were valued for purposes of the merger agreement ($0.389 per share with respect to Gavitec and $0.3956 per share with respect to 12Snap), NeoMedia was obligated to compensate the sellers in cash for the difference between the price at the time the shares become saleable and the price the shares were valued for purposes of the merger agreement.

On January 23, 2007, we entered into an agreement with the former shareholders of Gavitec, whereby this purchase price obligation was satisfied through the payment by NeoMedia of $1,800,000 in cash, and 61,000,000 shares of NeoMedia common stock. We also agreed to pay interest accrued on the purchase price in the amount of $481,000 and reimburse $100,000 of costs related to the acquisition to the primary former shareholder of Gavitec. NeoMedia issued the shares and made cash payments of $2,113,000 during March 2007.

On February 22, 2007, the shares issued in connection with the acquisition of 12Snap became eligible for resale under Rule 144. The actual calculated purchase price obligation to NeoMedia based on the volume weighted average closing price of NeoMedia stock for the ten days up to and including February 22, 2007 was $16,233,000. During March 2007, we issued 197,620,948 shares of our common stock in satisfaction of a portion of the purchase price obligation totaling $9,427,000. During April 2007, an additional $1,760,000 of the obligation was retired in connection with the sale of 12Snap. In addition, we have made cash payments against the liability totaling $362,000. The balance on the purchase price obligation as of June 30, 2007 was $4,684,000.

On April 4, 2007, we reached an agreement with Bernd Michael, a private investor and former shareholder of 12Snap prior to our acquisition of 12Snap, pursuant to which Bernd Michael acquired from us 90% of the shares of 12Snap, subject to the following material terms and conditions:

- $1,100,000 was paid in cash at closing, of which $1,015,000 was applied toward amounts owed to silent partners of 12Snap
- $500,000 was placed into an escrow account for 90 days to secure warranty claims;
- The buyer waived his portion of the purchase price guarantee obligation in the amount of $880,000;
- The buyer returned to NeoMedia 2,525,818 NeoMedia shares previously issued to him;
- 12Snap management waived their portion of the purchase price guarantee obligation in the amount of $880,000;

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- 12Snap management returned to NeoMedia 5,225,039 shares of NeoMedia common stock previously issued to 12Snap management;

- We retained a 10% ownership in 12Snap, subject to an option agreement pursuant to which we have the right to sell, and the buyer has the right to acquire, the remaining 10% stake held by NeoMedia for a purchase price of $750,000 after December 31, 2007; and

- We will execute a cooperation agreement pursuant to which 12snap will remain NeoMedia preferred partner and enjoy most favored prices, and 12snap will perform certain research and development functions for NeoMedia.

Other Information

It is important to note that of the 269,088,026 shares being registered, 196,000,000, or 73%, are being registered on behalf of one shareholder, Cornell Capital Partners.

You should read both this Prospectus and any Prospectus Supplement together with the additional information under the heading "Where You can Find More Information."

You should rely only on the information contained or incorporated by reference in this Prospectus and any Prospectus Supplement. We have not authorized anyone to provide you with different information. We are not making offers to sell or solicitations to buy the securities in any jurisdiction in which an offer or solicitation is not authorized or in which the person making that offer or solicitation is not qualified to do so or anyone to whom it is unlawful to make an offer or solicitation.

You should not assume that the information contained in this Prospectus, as well as the information we previously filed with the Securities and Exchange Commission that is incorporated by reference herein, is accurate as of any date other than its respective date.

The terms "NeoMedia," "we," "our," and "us" refer to NeoMedia Technologies, Inc. and its subsidiaries unless the contex suggests otherwise.

ABOUT NEOMEDIA TECHNOLOGIES, INC.

NeoMedia Technologies, Inc.
2201 Second Street, Suite 600
Fort Myers, FL 33901
P : (239) 337-3434

NeoMedia (www.neom.com) is a pioneer in mobile enterprise and marketing technology, bridging the physical and electronic world with innovative direct-to-mobile-Web technology solutions. NeoMedia's flagship qode® service links users to the wireless, electronic world. NeoMedia is headquartered in Fort Myers, Florida, with an office in Aachen, Germany. The qode® suite of easy-to-use, market-driven products and applications is based on a strong foundation of patented technology, comprising the qode® (www.qode.com) platform, qode® reader and qode® window, all of which provide One Click to Content™ connectivity for products, print, packaging and other physical objects to link directly to specific desired content on the mobile Internet.

During the first quarter of 2006, NeoMedia acquired subsidiaries 12Snap AG of Munich, Sponge Ltd. of London, Gavitec AG of Aachen, Germany, Mobot, Inc. of Lexington, Massachusetts, and BSD Software, Inc. of Calgary, Canada. During August 2006, NeoMedia announced that it was selling its Micro Paint Repair business, acquired in February 2004. During the fourth quarter of 2006, NeoMedia divested of its Mobot and Sponge subsidiaries. During January 2007, NeoMedia made the strategic decision with respect to its corporate structure in 2007 and beyond, deciding to shed its remaining non-core 12Snap and NTS business units to focus on the area that management believes will deliver the most value - the core code-reading business. During April 2007, NeoMedia sold the 12Snap business.

As a result of the divestitures of 12Snap, Mobot and Sponge, and the proposed divestitures of NMPR and NeoMedia Telecom Services, beginning in the first quarter of 2007 NeoMedia began evaluating its business as one consolidated business, focusing on its core code-reading business and related intellectual property.

RISK FACTORS

In addition to the other information included in this registration statement, including the matters addressed in "Cautionary Statement Concerning Forward-Looking Statements," you should carefully consider the following risks before deciding whether to buy our common stock. If any of these risks actually occur, our business, financial condition, operating results or cash flows could be materially adversely affected. This could cause the trading price of our common stock to decline and you may lose part or all of your investment.

Risks Related to NeoMedia's Business

NeoMedia Has Historically Lost Money And Losses May Continue

NeoMedia has incurred substantial operating losses since inception, and could continue to incur substantial losses for the foreseeable future. NeoMedia reported net losses of $14,096,000, $68,406,000, $9,147,000 and $7,230,000 for the six months ended June 30, 2007 (unaudited) and the years ended December 31, 2006, 2005 and 2004, respectively. NeoMedia's accumulated losses were $175,026,000, $160,930,000 and $92,524,000 as of June 30, 2007 (unaudited) and December 31, 2006 and 2005, respectively. As of June 30, 2007 (unaudited) and December 31, 2006 and 2005, NeoMedia had a working capital deficit of $67,306,000, $69,048,000 and $2,065,000, respectively. NeoMedia had stockholders' equity/(deficit) of $(52,605,000), $(54,132,000) and $4,227,000 as of June 30, 2007 (unaudited) and December 31, 2006 and 2005, respectively. NeoMedia generated revenues from continuing operations of $1,023,000, $10,309,000, $877,000, and $973,000 for the six months ended June 30, 2007 (unaudited), and the years ended December 31, 2006, 2005 and 2004, respectively. In addition, during the six months ended June 30, 2007 (unaudited), and the years ended December 31, 2006, 2005 and 2004, NeoMedia recorded negative cash flows from continuing operations of $5,264,000, $9,958,000, $4,883,000, and $3,937,000, respectively. To succeed, NeoMedia must develop new client and customer relationships and substantially increase its revenue derived from improved products and additional value-added services. NeoMedia has expended, and to the extent it has available financing, NeoMedia intends to continue to expend, substantial resources to develop and improve its products, increase its value-added services and to market its products and services. These development and marketing expenses must be incurred well in advance of the recognition of revenue. As a result, NeoMedia may not be able to achieve or sustain profitability.

NeoMedia's Independent Registered Public Accounting Firm Have Added Going Concern Language To Their Report On NeoMedia's Consolidated Financial Statements, Which Means That NeoMedia May Not Be Able To Continue Operations

The report of Stonefield Josephson, Inc., NeoMedia's independent registered public accounting firm for its fiscal years ended December 31, 2006, 2005 and 2004, with respect to NeoMedia's consolidated financial statements and the related notes for the years ended December 31, 2006, 2005 and 2004, indicates that, at the date of their report, NeoMedia had suffered significant recurring losses from operations and its working capital deficit raised substantial doubt about its ability to continue as a going concern. NeoMedia's consolidated financial statements do not include any adjustments that might result from this uncertainty.

NeoMedia Will Need to Raise Additional Funds to Continue Its Operations

NeoMedia had cash balances in continuing operations of $151,000 and $2,813,000 as of June 30, 2007 and December 31, 2006, respectively. NeoMedia could receive additional cash at future dates from the following sources: (i) sale of its non-core business units NeoMedia Micro Paint Repair and NeoMedia Telecom Services, (ii) from the exercise of stock options, to the extent that the exercise price of such stock options is less than the market price of NeoMedia's common stock, and (iii) from the exercise of stock warrants, to the extent that the warrants become registered for resale and the exercise price of such stock warrants is less than the market price of NeoMedia's common stock at the time of exercise, and to the extent that the holder of such warrants does not elect to perform a "cashless" exercise, in which case NeoMedia would not receive any cash proceeds from the exercise. However, none of these events is contractually obligated. In order to satisfy its obligations that are currently due and that will come due, and maintain its operations in the absence of a material increase in revenues, NeoMedia will need to either generate from the sale of its non-core businesses, or raise additional cash from outside sources. The most likely source of cash in the short term is from the sale of the Micro Paint Repair and/or Telecom Services business unit.

In the event that (i) NeoMedia is unsuccessful in divesting of its remaining non-core business units in a timely fashion, (ii) NeoMedia's stock price does not increase to levels where it can force exercise of enough of its outstanding warrants to generate material operating capital, (iii) the market for NeoMedia's stock will not support the sale of shares underlying such warrants or other funding sources, or (iv) NeoMedia does not realize a material increase in revenue during the next 12 months, NeoMedia 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, NeoMedia's business and operations would be materially adversely affected and in such event, NeoMedia would be forced to attempt to reduce costs and adjust its business plan, and could be forced to sell certain of its assets.

If NeoMedia Fails to Remediate the Material Weaknesses in Its Internal Control over Financial Reporting, NeoMedia May Be Unable to Accurately Report Its Financial Results or Prevent Fraud which Could Result in a Loss of Investor Confidence in NeoMedia’s Financial Reports and Have an Adverse Effect on NeoMedia’s Business, Operating Results, and Stock Price

Management has assessed the effectiveness of NeoMedia’s internal control over financial reporting as of December 31, 2006, using the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO criteria). Based on its assessment of the design and related testing of NeoMedia’s internal controls over financial reporting, management concluded that NeoMedia did not maintain effective internal controls over financial reporting. Based on the COSO criteria, management identified certain control deficiencies that represent material weaknesses. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The material weaknesses in NeoMedia’s controls over financial reporting identified as of December 31, 2006, as well as certain remediation efforts, are more fully disclosed under Item 9A “Controls and Procedures” of NeoMedia’s 2006 Form 10−K. As of June 30, 2007, management has fully remediated three of the control deficiencies identified in NeoMedia’s 2006 Form 10−K. Management is currently dedicating staffing and other resources to remediate the remaining control deficiencies.

NeoMedia Has Guaranteed The Value Of Stock Issued In Connection With Recent Mergers Through The Registration Of The Shares, Which Could Result In A Material Cash Liability

Pursuant to the terms of the original purchase agreement, in the event that NeoMedia’s stock price at the time the consideration shares are saleable (either upon effectiveness of a registration statement containing the shares, or under Rule 144) was less than $0.3956, NeoMedia was obligated to compensate 12Snap shareholders in cash for the difference between the price at the time the shares become saleable and $0.3956. On February 22, 2007, the shares became eligible for resale under Rule 144. The actual calculated purchase price obligation to NeoMedia based on the volume weighted average closing price of NeoMedia stock for the ten days up to and including February 22, 2007 was $16,233,000. Because the amount of the purchase price guarantee became measurable and highly probable of occurrence beyond a reasonable doubt, as of December 31, 2006, NeoMedia reduced the fair value of the initial stock consideration by the amount of the contingency. During the six months ended June 30, 2007, NeoMedia issued 197,620,948 shares of its common stock in satisfaction of a portion of the purchase price obligation totaling $9,427,000, made cash payments against the liability totaling $362,000, and retired an additional $1,760,000 of the obligation in connection with the sale of 12Snap. The balance on the purchase price obligation as of June 30, 2007 was $4,684,000. NeoMedia does not currently have sufficient cash resources to meet this obligation.

All Of The Company's Assets Are Pledged To Secure Certain Debt Obligations, Which The Company Could Fail To Repay

Pursuant to secured convertible debentures, dated as of August 24, 2007, March 27, 2007, August 24, 2006 and December 29, 2006, in the principal amount of $1,775,000, $7,459,000, $5,000,000 and $2,500,000, respectively, issued to Cornell Capital Partners, LP, the Company was required to secure such secured convertible debentures' repayment with substantially all of its assets. In the event the Company is unable to repay the secured convertible debentures, it could lose all of its assets and be forced to cease its operations. If the Company is found to be in default under the debentures, the full principal amount of the debentures, together with interest and other amounts owing, may become immediately due and payable. As of June 30, 2007, the Company was in default of a covenant contained in the financing agreements due to the Company's failure to have a registration statement registering certain of the underlying shares of the convertible instruments decalred effective by the specified date. NeoMedia is also in default of Series C convertible preferred stock with a face value of $22,000,000. As a result of the default, the holder of the securities could redeem the convertible debentures and preferred stock for cash at their discretion. Additionally, as a result of the default, Cornell Capital Partners currently has the right to exercise on a cashless basis 492,000,000 of the warrants they hold, and NeoMedia may not receive any cash proceeds from such exercises.

There Is Limited Information Upon Which Investors Can Evaluate NeoMedia's 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 NeoMedia operates is a recently developed market. Further, NeoMedia has conducted operations in this market only since March 1996. Consequently, NeoMedia has a relatively limited operating history upon which an investor may base an evaluation of NeoMedia's primary business and determine NeoMedia's prospects for achieving its intended business objectives. To date, NeoMedia has had limited sales of its physical-world-to-Internet products. NeoMedia is prone to all of the risks inherent to the establishment of any new business venture, including unforeseen changes in its business plan. An investor should consider the likelihood of NeoMedia's future success to be highly speculative in light of its limited operating history in its 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, NeoMedia must, among other things:

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

NeoMedia may not be successful in addressing these risks. If NeoMedia is unable to do so, its business, prospects, financial condition, and results of operations would be materially and adversely affected.

NeoMedia's 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 NeoMedia serves. NeoMedia's 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 NeoMedia fails to introduce new and innovative products, it may lose market share to its 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 NeoMedia's business.

NeoMedia's Common Stock Is Deemed To Be “Penny Stock,” Which May Make It More Difficult For Investors To Sell Their Shares Due To Suitability Requirements

NeoMedia’s 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 NeoMedia’s common stock by reducing the number of potential investors. This may make it more difficult for investors in NeoMedia’s common stock to sell shares to third parties or to otherwise dispose of them. This could cause NeoMedia’s 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 NeoMedia's transactions with Cornell Capital Partners will have a dilutive impact on NeoMedia's stockholders. As a result, NeoMedia's net income or loss per share could decrease in future periods, and the market price of its common stock could decline. In addition, the lower NeoMedia's stock price is, the more shares of common stock NeoMedia will have to issue pursuant to the conversion of preferred stock or the convertible debentures. If NeoMedia's stock price is lower, then existing stockholders would experience greater dilution.

Due To The Accounting Treatment Of Certain Convertible Preferred Stock And Convertible Debenture Instruments Issued By NeoMedia, A Fluctuation In NeoMedia's Stock Price Could Have A Material Impact On NeoMedia's Results Of Operations

During the six months ended June 30, 2007 and 2006, and the year ended December 31, 2006, NeoMedia recognized (expense) income in the amount of ($2,386,000), $15,794,000, and $13,645,000, respectively, resulting from adjustments recorded to reflect the change in fair value from revaluation of warrants and embedded conversion features in connection with its Series C convertible preferred shares and its convertible debentures. NeoMedia will adjust the carrying value of its derivative instruments to market at each balance sheet date. As a result, NeoMedia could experience significant fluctuations in its net income (loss) in future periods from such charges based on corresponding movement in NeoMedia's share price.

NeoMedia Is Uncertain Of The Success Of Its NeoMedia Mobile Business Unit And The Failure Of This Unit Would Negatively Affect The Price Of NeoMedia's Stock

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

- its NeoMedia Mobile business unit will ever achieve profitability;
- its current product offerings will not be adversely affected by the focusing of its resources on the physical-world-to-Internet space; or
- the products NeoMedia develops will obtain market acceptance.

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

A Large Percentage Of NeoMedia's Assets Are Intangible Assets, Which Will Have Little Or No Value If NeoMedia's Operations Are Unsuccessful

At June 30, 2007 and December 31, 2006 and 2005, approximately 36%, 27% and 39%, respectively, of NeoMedia's total assets were intangible assets and goodwill used in continuing operations, consisting primarily of rights related to

NeoMedia's patents, other intellectual property, and excess of purchase price over fair market value paid for Gavitec. If NeoMedia's operations are unsuccessful, these assets will have little or no value, which would materially adversely affect the value of NeoMedia's stock and the ability of NeoMedia's stockholders to recoup their investments in NeoMedia's capital stock.

NeoMedia reviews its 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. NeoMedia may be required to record a significant charge to earnings in its financial statements during the period in which any impairment of NeoMedia's goodwill or amortizable intangible assets is determined, resulting in an impact on results of operations.

Certain Of NeoMedia's Emerging Products And Services Have Limited History And May Not Result In Success

To date, NeoMedia has conducted limited marketing efforts directly relating to its emerging technology products, consisting primarily of the qode® suite of products, and certain products of recent acquisition of Gavitec. Many of NeoMedia's 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 it competes, NeoMedia expects that it will have to exert significant efforts to create awareness of, and demand for, its emerging products and services. To the extent funding is available, NeoMedia intends to continue to expand its sales and marketing resources as the market continues to mature. NeoMedia's failure to further develop its sales and marketing capabilities and successfully market its emerging products and services would have a material adverse effect on its business, prospects, financial condition, and results of operations.

NeoMedia's Internally Developed Systems Are Inefficient And May Put NeoMedia At A Competitive Disadvantage

NeoMedia uses internally developed technologies for a portion of its systems integration services, as well as the technologies required to interconnect its clients' and customers' physical-world-to-Internet systems and hardware with its own. As NeoMedia develops 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 NeoMedia at a competitive disadvantage when compared to competitors with more efficient systems.

NeoMedia Could Fail To Attract Or Retain Key Personnel

NeoMedia's future success will depend in large part on its 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 NeoMedia has. NeoMedia may not be successful in attracting and retaining qualified personnel on a timely basis, on competitive terms, or at all. NeoMedia's failure to attract and retain qualified personnel could have a material adverse effect on its business, prospects, financial condition, and results of operations.

NeoMedia Depends Upon Its Senior Management And Their Loss Or Unavailability Could Put NeoMedia At A Competitive Disadvantage

NeoMedia's success depends largely on the skills of certain key management and technical personnel, including William J. Hoffman, the Company's CEO since June 2007, and Dr. Christian Steinborn, managing director of NeoMedia's Gavitec AG - mobile digit subsidiary in Germany, head of NeoMedia's mobile division in Europe and Asia, and NeoMedia's COO. The loss of the services of these individuals could materially harm NeoMedia's business because of the cost and time necessary to replace and train a replacement. Such a loss would also divert management attention away from operational issues. NeoMedia does not presently maintain a key-man life insurance policy on any of these key individuals. During December 2006, Charles T. Jensen, NeoMedia's former President and Chief Executive Officer, Martin N. Copus, NeoMedia's former Chief Operating Officer and the head of its NeoMedia Mobile business unit, and William E. Fritz, outside director, each resigned their positions. During April 2007, Roger Pavane, Executive Vice President of Sales and Marketing, resigned his position. During June 2007, David A. Dodge, Vice President and Chief Financial Officer, resigned his position. During October 2007, Charles W. Fritz, the founder and Chairman of the Board of NeoMedia, resigned his role as Chairman of the Board.

NeoMedia May Be Unsuccessful In Integrating Its Gavitec Acquisition With Its Current Business

The success of the acquisition of Gavitec could depend on the ability of NeoMedia's executive management to integrate the business plan of Gavitec with NeoMedia's 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 NeoMedia. During the first quarter of 2006, NeoMedia acquired three businesses, 12Snap, Mobot and Sponge, each of which was has been sold as of the date of this filing. In addition, during February 2007 NeoMedia decided to attempt to sell its wholly owned subsidiary NeoMedia Telecom Services, which was acquired during the first quarter of 2006.

NeoMedia May Be Unable To Protect Its Intellectual Property Rights And May Be Liable For Infringing The Intellectual Property Rights Of Others

NeoMedia's success in the physical-world-to-Internet market is dependent upon its proprietary technology, including patents and other intellectual property, and on the ability to protect proprietary technology and other intellectual property rights. In addition, NeoMedia must conduct its operations without infringing on the proprietary rights of third parties. NeoMedia also intends to rely upon unpatented trade secrets and the know-how and expertise of its employees, as well as its patents. To protect its proprietary technology and other intellectual property, NeoMedia relies 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 NeoMedia believes that it has taken appropriate steps to protect its unpatented proprietary rights, including requiring that its employees and third parties who are granted access to NeoMedia's proprietary technology enter into confidentiality agreements, NeoMedia can provide no assurance that these measures will be sufficient to protect its rights against third parties. Others may independently develop or otherwise acquire patented or unpatented technologies or products similar or superior to NeoMedia's.

NeoMedia licenses from third parties certain software tools that are included in NeoMedia's services and products. If any of these licenses were terminated, NeoMedia could be required to seek licenses for similar software from other third parties or develop these tools internally. NeoMedia 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. NeoMedia may in the future be required to defend its 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 effort by, NeoMedia. An adverse determination could subject NeoMedia to significant liabilities to third parties, require NeoMedia to seek licenses from, or pay royalties to, third parties, or require NeoMedia to develop appropriate alternative technology. Some or all of these licenses may not be available to NeoMedia on acceptable terms or at all, and NeoMedia 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 NeoMedia's business, prospects, financial condition, and results of operations.

NeoMedia Is Exposed To Product Liability Claims And An Uninsured Claim Could Have A Material Adverse Effect On NeoMedia's Business, Prospects, Financial Condition, And Results Of Operations, As Well As The Value Of NeoMedia's Stock

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

- NeoMedia has contractually limited its liability for such claims adequately or at all; or
- NeoMedia would have sufficient resources to satisfy any liability resulting from any such claim.

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

NeoMedia Will Not Pay Cash Dividends And Investors May Have To Sell Their Shares In Order To Realize Their Investment

NeoMedia has not paid any cash dividends on its common stock and does not intend to pay cash dividends in the foreseeable future. NeoMedia intends to retain future earnings, if any, for reinvestment in the development and marketing of NeoMedia's products and services. As a result, investors may have to sell their shares of common stock to realize their investment.

Some Provisions Of NeoMedia's Certificate of Incorporation And bylaws May Deter Takeover Attempts, Which May Limit The Opportunity Of NeoMedia's Stockholders To Sell Their Shares At A Premium To The Then-Current Market Price

Some of the provisions of NeoMedia's Certificate of Incorporation and bylaws could make it more difficult for a third party to acquire NeoMedia, even if doing so might be beneficial to NeoMedia's stockholders by providing them with the opportunity to sell their shares at a premium to the then-current market price. On December 10, 1999, NeoMedia's Board of Directors adopted a stockholders rights plan and declared a non-taxable dividend of one right to acquire Series A Preferred Stock of NeoMedia, par value $0.01 per share, on each outstanding share of NeoMedia's 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 NeoMedia and to guard against partial or two-tiered tender offers, open market accumulations, and other hostile tactics to gain control of NeoMedia. The stockholders rights plan was not adopted in response to any effort to acquire control of NeoMedia 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 NeoMedia or a change in control of NeoMedia. Certain of NeoMedia's then directors, officers and principal stockholders, Charles W. Fritz, William E. Fritz and The Fritz Family Limited Partnership, and their holdings were exempted from the triggering provisions of NeoMedia's “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, NeoMedia's Certificate of Incorporation authorizes the 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 the 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.

NeoMedia is authorized to issue a total of 25,000,000 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 NeoMedia's common stock, and, therefore, could reduce the value of shares of NeoMedia's common stock. In addition, specific rights granted to future holders of preferred stock could be used to restrict NeoMedia's ability to merge with, or sell NeoMedia's assets to, a third party. The ability of the 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 NeoMedia or a change in NeoMedia's control.

Risks Relating To NeoMedia's Industry

The Security Of The Internet Poses Risks To The Success Of NeoMedia's 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 NeoMedia's physical-world-to-Internet business.

NeoMedia Will Only Be Able To Execute Its Physical-World-To-Internet Business Plan If Internet Usage and Electronic Commerce Continue To Grow

NeoMedia's 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, NeoMedia's physical-world-to-Internet business, and therefore NeoMedia's 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 NeoMedia 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 networks 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 NeoMedia's physical-world-to-Internet product and networks in particular.

NeoMedia May Not Be Able To Adapt As The Internet, Physical-World-To-Internet, And Customer Demands Continue To Evolve

NeoMedia may not be able to adapt as the mobile Internet and physical-world-to-Internet markets and consumer demands continue to evolve. NeoMedia’s failure to respond in a timely manner to changing market conditions or client requirements would have a material adverse effect on its 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.

NeoMedia’s success will depend, in part, on its ability to:

- enhance and improve the responsiveness and functionality of its products and services;
- license or develop technologies useful in its business on a timely basis;

- enhance its existing services, and develop new services and technologies that address the increasingly sophisticated and varied needs of NeoMedia’s prospective or current customers; and

- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

NeoMedia May Not Be Able To Compete Effectively In Markets Where Its 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 NeoMedia. NeoMedia believes that competition will intensify and increase in the near future. NeoMedia's target market is rapidly evolving and is subject to continuous technological change. As a result, NeoMedia's 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 NeoMedia's business, prospects, financial condition, and results of operations.

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

In The Future There Could Be Government Regulations And Legal Uncertainties Which Could Harm NeoMedia's Business

Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to NeoMedia's business, or the application of existing laws and regulations to the Internet and other online services, could have a material adverse effect on NeoMedia's 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 NeoMedia's services and increase NeoMedia's cost of doing business, or otherwise have a material adverse effect on NeoMedia's 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 NeoMedia's proprietary technology allows for the storage of demographic data from NeoMedia's 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 NeoMedia's ability to collect and use information collected by NeoMedia's 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. NeoMedia could incur significant additional expenses if new regulations regarding the use of personal information are introduced or if NeoMedia's privacy practices are investigated.

Risks Specific To This Offering

As of September 20, 2007, we had 955,326,897 shares of common stock outstanding, and options and warrants to purchase up to an aggregate 623,993,494 shares of common stock. We currently have Series C Convertible preferred stock with a face value of $20,877,000, and convertible debentures with a face value of $16,734,000 outstanding. These instruments are convertible into shares of our common stock at discounts as high as 20% of the lowest closing bid price of the common stock for the 30 trading days immediately preceding the conversion date. Up to 100,000,000 common shares underlying the convertible debentures and 96,000,000 shares underlying warrants issued in connection with the convertible debentures are being registered hereunder.

Existing Shareholders Will Experience Significant Dilution When Certain Investors Convert Their Preferred Stock or Convertible Debentures to Common Stock, or When the Investors Exercise Their Warrants and Receive Shares Of Common Stock Under the Investment Agreement with the Investors

The issuance of shares of common stock pursuant to the conversion of Series C Convertible Preferred Stock or secured convertible debentures pursuant to our transactions with Cornell Capital Partners and the issuance of shares of common stock in connection with the exercise of warrants 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 our preferred stock. If our stock price is lower, then our existing stockholders would experience greater dilution.

The Market Price Of Our Securities May Be Volatile

As a result of the emerging and evolving nature of the markets in which we compete, as well as the current nature of the public markets and our current financial condition, our operating results may fluctuate materially, as a result of which quarter-to-quarter comparisons of our results of operations may not be meaningful. If in some future quarters, whether as a result of such a fluctuation or otherwise, our results of operations fall below the expectations of securities analysts and investors, the trading price of our common stock would likely be materially and adversely affected. An investor should not rely on our results of any interim period as an indication of our future performance. Additionally, our quarterly results of operations may fluctuate significantly in the future as a result of a variety of factors, many of which are outside our control. Factors that may cause our quarterly results to fluctuate include, among others:

- the ability to retain existing clients and customers;
- the ability to attract new clients and customers at a steady rate;
- the ability to maintain client satisfaction;
- the ability to motivate potential clients and customers to acquire and implement new technologies;
- the extent to which our products gain market acceptance;
- the timing and size of client and customer purchases;
- introductions of products and services by competitors;
- price competition in the markets in which we compete;
- the pricing of hardware and software that we resell or integrate into our products;

- the level of use of the mobile Internet and online services, as well as the rate of market acceptance of physical-world-to-Internet marketing;

- the ability to upgrade and develop our systems and infrastructure in a timely and effective manner;

- the ability to attract, train, and retain skilled management, strategic, technical, and creative professionals;
- the amount and timing of operating costs and capital expenditures relating to the expansion of our business, operations, and infrastructure;
- unanticipated technical, legal, and regulatory difficulties with respect to use of the Internet; and
- general economic conditions and economic conditions specific to Internet technology usage and electronic commerce.

Our common stock has traded as low as $0.01 and as high as $0.722 between January 1, 2003 and September 20, 2007. Since February 9, 2006, NeoMedia's stock has been subject to dramatic price volatility. Between February 9, 2006 and September 20, 2007, NeoMedia's stock has traded as low as $0.02 per share and as high as $0.42 per share. From time to time after this offering, the market price of our common stock may experience significant volatility. Our quarterly results, failure to meet analysts' expectations, announcements by us or our competitors regarding acquisitions or dispositions, loss of existing clients, new procedures or technology, changes in general conditions in the economy, and general market conditions could cause the market price of the common stock to fluctuate substantially. In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the trading prices of equity securities of many technology companies. These price and volume fluctuations often have been unrelated to the operating performance of the affected companies.

You May Suffer Significant Additional Dilution If Outstanding Options And Warrants Are Exercised

As of September 20, 2007, we had outstanding stock options and warrants to purchase 623,993,494 shares of common stock, some of which have exercise prices at or below the price of our common shares on the public market. To the extent such options or warrants are exercised, there will be further dilution. In addition, in the event that any future financing should be in the form of, be convertible into, or exchangeable for, equity securities, and upon the exercise of options and warrants, investors may experience additional dilution.

Future Sales Of Common Stock By Our Stockholders Could Adversely Affect Our Stock Price And Our Ability To Raise Funds In New Stock Offerings

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market as a result of this offering, or the perception that these sales could occur. These sales also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. The potential aggregate dilutive effect on stockholders of financing and acquisition arrangements in place as of September 20, 2007, assuming various stock prices at the time of the transactions, are as follows:

	Assumed NeoMedia Stock Price (4)			
	$0.02	**$0.05**	**$0.10**	**$0.25**
Shares of common stock outstanding as of September 20, 2007	955,326,897	955,326,897	955,326,897	955,326,897
Plus pro forma common shares issued upon:				
Conversion of outstanding options and warrants (1)	623,993,494	623,993,494	623,993,494	623,993,494
Conversion of convertible preferred shares (2)	1,232,454,633	492,981,853	246,490,927	98,596,371
Conversion of convertible debentures (3)	492,335,564	196,934,225	115,791,073	90,263,396
Pro forma shares outstanding after all transactions	3,304,110,588	2,269,236,469	1,941,602,391	1,768,180,158

(1) Outstanding warrants include 502,000,000 warrants held by Cornell Capital Partners with exercise price of $0.02 that were issued in connection with the Series C convertible preferred stock and convertible debentures. These warrants are not included in the pro forma share calculation for conversion of convertible preferred shares or the convertible debenture shares.

(2) Convertible preferred shares convert into common shares at 97% of the lowest closing bid price for the 30-day period prior to conversion, with a maximum conversion price of $0.02.

(3) Convertible debenture shares convert into common shares at 80-90% of the lowest closing bid price for the 30-day period prior to conversion, with a maximum conversion price of $0.02.

(4) This table reflects the number of shares that would be issued to satisfy current financing and acquisition transactions to which we are a party at different prices of our common stock at the time the transaction is effected. The last sale price of our common stock on September 20, 2007 was $0.02. Amounts are shown for pro forma informational purposes only.

Sales of our common stock in the public market following this offering could lower the market price of our common stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. Of the 955,326,897 shares of common stock outstanding as of September 20, 2007, 667,333,849 are, or upon effectiveness of this registration statement will be, freely tradable without restriction, unless held by our “affiliates.”

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements regarding management's plans and objectives for future operations including plans and objectives relating to our planned marketing efforts and future economic performance. The forward-looking statements and associated risks set forth in this Prospectus include or relate to, among other things, (a) our projected sales and profitability, (b) our growth strategies, (c) anticipated trends in our industry, (d) our ability to obtain and retain sufficient capital for future operations, and (e) our anticipated needs for working capital. These statements may be found under "About NeoMedia Technologies, Inc." as well as in this Prospectus generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" and matters described in this Prospectus generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Prospectus will in fact occur.

The forward-looking statements herein are based on current expectations that involve a number of risks and uncertainties. Such forward-looking statements are based on assumptions that there will be no material adverse competitive or technological change in conditions in our business, that demand for our products will significantly increase, that our executive officers will remain employed as such, that our forecasts accurately anticipate market demand, and that there will be no material adverse change in our operations or business or in governmental regulations affecting us or our manufacturers and/or suppliers. The foregoing assumptions are based on judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Accordingly, although we believe that the assumptions underlying the forward-looking statements are reasonable, any such assumption could prove to be inaccurate and therefore there can be no assurance that the results contemplated in forward-looking statements will be realized. In addition, as disclosed elsewhere in the "Risk Factors" section of this Prospectus, there are a number of other risks inherent in our business and operations which could cause our operating results to vary markedly and adversely from prior results or the results contemplated by the forward-looking statements. Growth in absolute and relative amounts of cost of goods sold and selling, general and administrative expenses or the occurrence of extraordinary events could cause actual results to vary materially from the results contemplated by the forward-looking statements. Management decisions, including budgeting, are subjective in many respects and periodic revisions must be made to reflect actual conditions and business developments, the impact of which may cause us to alter marketing, capital investment and other expenditures, which may also materially adversely affect our results of operations. In light of significant uncertainties inherent in the forward-looking information included in this Prospectus, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

Some of the information in this prospectus contains forward-looking statements that involve substantial risks and uncertainties. Any statement in this prospectus and in the documents incorporated by reference into this prospectus that is not a statement of an historical fact constitutes a "forward-looking statement" Further, when we use the words " may", "expect", "anticipate", "plan", "believe", "seek", "estimate", "internal", and similar words, we intend to identify statem expressions that may be forward-looking statements. We believe it is important to communicate certain of our expectations to our investors. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions that could cause our future results to differ materially from those expressed in any forward-looking statements. Many factors are beyond our ability to control or predict. You are accordingly cautioned not to place undue reliance on such forward-looking statements. Important factors that may cause our actual results to differ from such forward-looking statements include, but are not limited to, the risk factors discussed below. Before you invest in our common stock, you should be aware that the occurrence of any of the events described under "Risk Factors" below or elsewhere in this Prospectus could have a material adverse effect on our business, financial condition and results of operation. In such a case, the trading price of our common stock could decline and you could lose all or part of your investment.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of shares of common stock by the selling security holders. We will, however, receive proceeds from the exercise of the warrants held by the selling security holders.

For illustrative purposes, we have set forth the potential proceeds to be received from the exercise of warrants being registered hereunder. The table assumes estimated offering expenses of $50,000.

Holder	Number of Warrants	Exercise Price	Proceeds All Warrants	Proceeds In-the-money Warrants (1)
William E. Fritz	2,500,000	$ 0.010	$ 25,000	$ 25,000
Charles W. Fritz	10,000	$ 0.030	300	—
William E. Fritz	40,000	$ 0.030	1,200	—
Cornell Capital Partners	96,000,000	$ 0.020	1,920,000	—
David Kaminer	100,000	$ 0.102	10,200	—
Thornhill Capital	3,500,000	$ 0.048	168,000	—
Thornhill Capital	2,500,000	$ 0.110	275,000	—
Thornhill Capital	2,000,000	$ 0.227	454,000	—
Thornhill Capital	2,000,000	$ 0.328	656,000	—
Gross proceeds			$ 3,509,700	$ 25,000
Less: estimated offering expenses			(50,000)	(50,000)
Net Proceeds			**$ 3,459,700**	**$** —

(1) A significant portion of the potential proceeds relate to warrants that were not in-the-money based on a stock price of $0.02, which was the last sale price on September 20, 2007. As a result, for informational purposes we have shown the total proceeds from warrants that were in-the-money as of September 20, 2007.

On February 17, 2006, in connection with the Series C Convertible Preferred Stock sale, we issued “A” warrants, “B” warrants and “C” warrants to purchase 20,000,000, 25,000,000, and 30,000,000 shares of our common stock, respectively, exercisable in three separate traunches at a price of $0.50, $0.40 and $0.35, respectively, per share. The warrants have a five-year contractual life. As an inducement to enter into subsequent financing arrangements, the warrants were repriced on August 24, 2007 to $0.02 per share, subject to all the original terms and conditions of the respective warrant agreements. NeoMedia can force exercise of the warrants if the closing bid price of NeoMedia stock is more than $0.10 greater than the exercise price of any of the warrants for 15 consecutive trading days. All 75,000,000 of the shares underlying these warrants are being registered for resale hereunder.

On August 24, 2006, in connection with the $5 million Secured Convertible Debenture, Cornell Capital Partners also received “A” warrants, “B” warrants, “C” warrants and “D” warrants to purchase 25,000,000, 50,000,000, 50,000,000, and 50,000,000 shares of common stock, respectively, exercisable in four separate traunches at a price of $0.15, $0.05, $0.20, and $0.25, respectively, per share. As an inducement to enter into subsequent financing arrangements, 125,000,000 of the warrants priced above $0.05 per share were repriced on August 24, 2007 to $0.02 per share, subject to all the original terms and conditions of the respective warrant agreements. NeoMedia can force exercise of the warrants if the closing bid price of NeoMedia stock is more than $0.10 greater than the exercise price of any of the warrants for 15 consecutive trading days. Of the shares underlying these warrants, 21,000,000 underlying the warrants with an initial exercise price of $0.05 are being registered for resale hereunder.

On December 29, 2006, in connection with the $2.5 million Secured Convertible Debenture, we issued to Cornell Capital Partners a warrant to purchase 42,000,000 shares of our common stock, exercisable at a price of $0.06 per share. The warrant has a five-year contractual life. As an inducement to enter into subsequent financing arrangements, the warrant was repriced on August 24, 2007 to $0.02 per share, subject to all the original terms and conditions of the respective warrant agreements. NeoMedia can force exercise of the warrants if the closing bid price of NeoMedia stock is more than $0.10 greater than the exercise price of any of the warrants for 10 consecutive trading days. None of the shares underlying these warrants are being registered for resale hereunder.

On March 27, 2007, in connection with the $7.5 million Secured Convertible Debenture, we issued to Cornell Capital Partners a warrant to purchase 125,000,000 shares of our common stock, exercisable at a price of $0.04 per share. The warrant has a five-year contractual life. As an inducement to enter into subsequent financing arrangements, the warrant was repriced on August 24, 2007 to $0.02 per share, subject to all the original terms and conditions of the respective warrant agreements. The warrant does not contain a forced exercise clause. None of the shares underlying these warrants are being registered for resale hereunder.

On August 24, 2007, in connection with the $1.8 million Secured Convertible Debenture, we issued to YA Global Investments (formerly Cornell Capital Partners) a warrant to purchase 75,000,000 shares of our common stock, exercisable at a price of $0.02 per share. The warrant has a five-year contractual life. The warrant does not contain a forced exercise clause. None of the shares underlying these warrants are being registered for resale hereunder.

It is important to note that the warrants held by Cornell Capital Partners contain a provision that, if NeoMedia is in default of the warrant agreement, the holder can perform a “cashless” exercise of the warrants and in lieu of making payment of the exercise price in cash, elect instead to withhold shares as consideration for the exercise price. In the event of such a “cashless” exercise, NeoMedia would not receive any cash proceeds upon the exercise of such warrants. NeoMedia is currently in default of the Investor Registration Rights Agreement entered into on February 17, 2006 (as amended by a Master Amendment Agreement entered into on March 27, 2007 in connection with the March 2007 convertible debenture), which called for a registration statement containing the shares underlying the secured convertible debentures to be filed by June 1, 2006; and the Investor Registration Rights Agreement entered into on August 24, 2006 in connection with the secured convertible debentures, which called for the shares underlying the secured convertible debentures to be registered by November 22, 2006. Such a default of the Investor Registration Rights Agreements constitutes an event of default under all of the warrant agreements. As a result, Cornell Capital Partners currently has the right to exercise on a cashless basis 502,000,000 of the warrants they hold.

NeoMedia expects to use any proceeds from warrant exercises for general working capital purposes.

DILUTION

NeoMedia's net tangible book value as of June 30, 2007 (including tangible assets and liabilities held for sale in connection with the sale of our 12Snap, Micro Paint Repair, and Telecom Services businesses) was $(46,477,000) (unaudited) or $(0.0516) per share of common stock. Net tangible book value per share is determined by dividing our tangible book value (total tangible assets less total liabilities) by the number of outstanding shares of our common stock. Our net tangible book value will be impacted by the common stock to be issued upon conversion of the secured convertible debentures, as well as upon conversion of certain warrants for which the underlying shares are being registered hereunder. Because the secured convertible debentures convert at a discount to the market price of NeoMedia stock at the time of conversion, the amount of dilution will depend on NeoMedia's share price at the time that the secured convertible debentures are converted. In addition, we expect that certain warrants being registered hereunder will not be exercised if the market price of our common stock is less than the exercise price of the warrants. The following example shows the dilution to new investors at an offering price of $0.02 per share (net of applicable discount to Cornell Capital Partners at conversion).

If we assume (i) Cornell Capital Partners converted its secured convertible debentures into the maximum number of common shares being registered hereunder (100,000,000 shares) at an assumed offering price of $0.02 per share (net of applicable discounts), and (ii) all in-the-money warrants being registered hereunder were converted, then net of offering expenses of $50,000, our net tangible book value as of June 30, 2007 would have been ($44,702,000) or ($0.0446) per share. Such an offering would represent an immediate increase in net tangible book value to existing stockholders of $0.0070 per share and an immediate dilution to new stockholders of $0.0646 per share. The following table illustrates the per share dilution:

Assumed public offering price per share			$	0.0200
Net tangible book value per share before this offering	$	(0.0516)		
Increase attributable to new investors	$	0.0070		
Net tangible book value per share after this offering			$	(0.0446)
Dilution per share to new stockholders			$	0.0646

The offering price of our common stock is based on the market price at the time of conversion. In order to give prospective investors an idea of the dilution per share they may experience, we have prepared the following table showing the dilution per share at various assumed offering prices:

Assumed Offering Price	No. of Shares to Be Issued (1)		Dilution per Share to New Investors
$0.25	128,872,222	$	0.2876
$0.10	157,605,556	$	0.1373
$0.05	202,050,000	$	0.0861
$0.02	102,500,000	$	0.0646

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(1) Represents the number of shares of common stock that would be issued at the given market price, assuming (i) Cornell Capital Partners converted its secured convertible debentures into the maximum number of common shares being registered hereunder (100,000,000 shares), and (ii) all in-the-money warrants being registered hereunder were converted at their respective exercise price.

SELLING STOCKHOLDERS

The following table presents information regarding the selling stockholders. The table identifies the selling stockholders. None of the selling stockholders have held a position or office, or had any other material relationship, with us, except as described below.

- As of September 20, 2007, Cornell Capital Partners, LP was the holder of: (i) 20,877 shares of Series C Convertible Preferred Stock that are convertible into shares of common stock, (ii) a $5,000,000 Secured Convertible Debenture, (iii) a $2,500,000 Secured Convertible Debenture, (iv) a $7,458,651 Secured Convertible Debenture, (v) a $1,775,000 Secured Convertible Debenture, (vi) warrants to purchase 502,000,000 shares of our common stock at $0.02 per share, and (vii) 15,000,000 shares of NeoMedia common stock. Mark Angelo, the portfolio manager of Cornell Capital Partners, LP, is the natural person who exercises voting and/or dispositive powers over the shares held by Cornell Capital Partners, LP. Cornell Capital Partners, LP recently changed its name to YA Global Investments, LP.

- Ralph Schraven and Christian Steinborn were shareholders of Gavitec AG, and as such are currently the holders of shares issued as stock consideration in connection with our acquisition of Gavitec. Mr. Steinborn was employed by Gavitec AG, a wholly owned subsidiary of NeoMedia, as of the date of this filing, and Mr. Schraven works for NeoMedia on a consulting basis.

- Thornhill Capital LLC has provided strategic advisment and evaluation services relating to mergers, acquisitions and financing opportunities to NeoMedia. The shares of common stock being registered in the accompanying registration statement have been granted from time to time as compensation to Thornhill Capital LLC for the securing of financing on behalf of NeoMedia. Martha Refkin, the President of Thornhill Capital LLC, is the natural person who exercises voting and/or dispositive powers over the shares held by Thornhill Capital LLC.

- Shares being registered hereunder in the name of Wayside Solutions, Inc. were issued by NeoMedia as repayment of debt owed to Wayside by BSD Software, Inc., which was acquired by NeoMedia in March 2006. Blair McInnes, the managing member Wayside Solutions, is the natural person who exercises voting and/or dispositive powers over the shares held by Wayside Solutions. During portions of 2004 and 2005, Blair McInnes was an outside sales consultant to NeoMedia. He is not currently affiliated with NeoMedia. Mr. McInnes is also the natural person who holds dispositive control over 28,854,685 shares of NeoMedia common stock held by Tesscourt Capital Ltd., which are not being registered hereunder.

- Charles W. Fritz is a founder and served as Chairman of the Board of Directors of NeoMedia from its inception until October 2007. The shares being registered underly warrants held by Mr. Fritz granted during 2003.

- William E. Fritz is a founder and a former member of the Board of Directors of NeoMedia. Mr. Fritz resigned from NeoMedia’s board in December 2006, and is not currently affiliated with the Company. The shares being registered underly warrants held by Mr. Fritz granted during 2003.

- David Kaminer previously performed contracted public relations and investor relations services for us. The shares being registered underly warrants held by Mr. Kaminer granted during 2004 as payment of professional services rendered to NeoMedia.

Absent registration under the Securities Act, the shares of common stock offered herein are subject to certain limitations on resale. The Registration Statement of which this Prospectus forms a part has been filed in satisfaction of certain registration rights we granted to the entities listed below. The following table assumes that the entities listed below will sell all of the common stock offered herein set forth opposite their respective names.

The table follows:

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Percentage of Outstanding Shares Beneficially Owned before Offering (1)	Shares to Be Sold in the Offering	Shares Beneficially Owned after Offering (1)	Percentage of Outstanding Shares Beneficially Owned after Offering (1)
Cornell Capital Partners, LP					