NEOMEDIA TECHNOLOGIES INC
Form S-4/A
September 13, 2005

As filed with the Securities and Exchange Commission on August 18, 2005

SEC Registration No. 333-123848

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
AMENDMENT NO. 3 TO
FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

DELAWARE	NEOMEDIA TECHNOLOGIES, INC.	36-3680347
(State or other jurisdiction of incorporation or organization)	(Name of issuer in its charter)	(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)	CHARLES T. JENSEN 2201 SECOND STREET, SUITE 6 FORT MYERS, FLORIDA 33901-3 (239) 337-3434 TELECOPIER NO.: (239) 337-3 (Name, address, and telephone of agent for service)

With copies to:

Clayton E. Parker, Esq. Kirkpatrick & Lockhart LLP 201 S. Biscayne Blvd., Suite 2000 Miami, FL 33131 Telephone No.: (305) 539-3305 Telecopier No.: (305) 358-7095	Christopher J. DeLise, Esq Kirkpatrick & Lockhart LL 201 S. Biscayne Blvd., Suite Miami, FL 33131 Telephone No.: (305) 539-3 Telecopier No.: (305) 358-7

Approximate date of commencement of proposed sale to the public: Upon consummation of the merger described herein.

If any of the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. |_|

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. |_|

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (2)	PLUS ESTIMATED CASH CONSIDERATION (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)
Common Stock, par value $0.01 per share	20,000,000	$0.227	$5.00	$4,530,005

(1) Represents the maximum number of NeoMedia shares issuable in the merger, assuming no adjustment to the exchange ratio of 1.00 share of BSD common stock exchanged for NeoMedia common stock equivalent to .07 divided by the volume-weighted average price of NeoMedia stock for the five business days preceding the effective date of the merger.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f)(1), based on 20,000,000 shares of NeoMedia common stock being exchanged for 100% of BSD's common shares, using the average of the closing bid and ask prices of NeoMedia's common stock of $0.227 per share as reported in the Over-the-Counter Bulletin Board on April 1, 2005,. Cash consideration is estimated at $0.05 per shareholder, times an estimated 100 shareholders.

(3) Registration fee was paid previously.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION 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 REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION OR AMENDMENT.
DATED __________, 2005

20,000,000 SHARES

NEOMEDIA TECHNOLOGIES, INC.

EXCHANGE OF COMMON STOCK

20,000,000 SHARES OF COMMON STOCK OF NEOMEDIA TECHNOLOGIES, INC. ARE BEING EXCHANGED FOR ALL OF THE OUTSTANDING COMMON STOCK OF BSD SOFTWARE, INC.

The common stock of NeoMedia Technologies, Inc. ("NeoMedia") is traded on the Over-the-Counter Bulletin Board under the symbol "NEOM". The common stock of BSD Software, Inc. ("BSD") is quoted on the Over-the-Counter Bulletin Board under the symbol "BSDS". After consummation of the merger described in this information statement/prospectus, shares of NeoMedia will continue to be traded on the Over-the-Counter Bulletin Board; however, shares of BSD's common stock will no longer be traded or listed on any exchange.

As of August 8, 2005, based on 32,560,897 shares of BSD common stock outstanding, a volume-weighted 5-day average closing price of NeoMedia stock of $0.399, and the share exchange rate outlined in the merger agreement, BSD shareholders would receive 0.1755 shares of NeoMedia stock for each share of BSD common stock that they currently hold. This calculation is given for reference only. It is important to note that BSD shareholders will not know the actual number of shares they will receive until the effective date of the merger. BSD shareholders who wish to inquire about the number of shares they will receive in the merger can call toll-free (877) 813-2419.

BSD shareholders wishing to exercise their dissenters' rights must deliver to BSD within 20 days after receiving notice from BSD that such appraisal rights are available, a written notice of intent to demand payment. A dissenting shareholder then cannot vote in favor of the proposed action.

We currently have an additional offering outstanding in which we are registering the shares underlying 54,000,000 warrants granted in connection with our $100 million Standby Equity Sistribution Agreement with Cornell Capital Partners. On May 25, 2005, we filed a registration statement on Form S-3 (Registration No. 333-125239, as amended on July 18, 2005) to register the shares underlying such warrants.

PLEASE PAY CAREFUL ATTENTION TO ALL OF THE INFORMATION IN THIS INFORMATION STATEMENT/PROSPECTUS. IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE DISCUSSION IN THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 8 OF THIS INFORMATION STATEMENT/PROSPECTUS.

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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 INFORMATION STATEMENT /PROSPECTUS OR DETERMINED IF THIS INFORMATION STATEMENT/PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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This prospectus is dated ________, 2005, and is first being mailed to stockholders of NeoMedia and BSD on or about _____, 2005.

The information in this information statement/prospectus 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 information statement/prospectus 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.

This information statement/prospectus incorporates important business information about NeoMedia and BSD that is not included in or delivered with the information statement/prospectus. NeoMedia will provide you with copies of this information statement/prospectus, as well as exhibits filed with the information statement/prospectus, upon written or oral request to:

IF A NEOMEDIA STOCKHOLDER:	IF A BSD SHAREHOLDER:
NeoMedia Technologies, Inc. 2201 Second Street, Suite 600 Ft. Myers, Florida 33901 (239) 337-3434	BSD Software, Inc. 5824 Second Street SW, Suite 300 Calgary, Alberta, Canada, T2H-0H2 (403) 257-7090

IF YOU WOULD LIKE TO REQUEST ANY DOCUMENTS FROM NEOMEDIA, PLEASE DO SO BY _______, 2005.

NEOMEDIA TECHNOLOGIES, INC.
2201 SECOND STREET, SUITE 600
FORT MYERS, FLORIDA 33901

_____________, 2005

Dear BSD Shareholders:

As you may be aware, BSD Software, Inc. has entered into an agreement and plan of merger with NeoMedia Technologies, Inc. which provides for NeoMedia to acquire from you and the other BSD shareholders 100% of BSD's common stock. When the merger is completed, BSD will become a wholly-owned subsidiary of NeoMedia.

Upon completion of the merger, BSD's shareholders will receive, for each share of BSD stock owned, NeoMedia stock equivalent to .07 divided by the volume-weighted average price of NeoMedia stock for the five days prior to the effective time of the merger. NeoMedia common stock is publicly traded on the Over-the-Counter Bulletin Board exchange under the symbol "NEOM". On August 8, 2005, the closing price of NeoMedia common stock was $0.402. In 2004, NeoMedia's common stock traded between a low of $0.05 and a high of $0.299. Since April 5, 2005, the approximate date that NeoMedia filed its initial information statement/prospectus relative to its acquisition of and merger with BSD, NeoMedia's stock has been subject to dramatic price volatility. Between April 5, 2005 and August 8, 2005, NeoMedia's stock has traded as low as $0.21 per share and as high as $0.72 per share. BSD shareholders who wish to inquire about the number of shares they will receive in the merger can call toll-free (877) 813-2419.

Following the merger, based on 32,560,897 outstanding shares of BSD common stock and 457,144,000 outstanding shares of NeoMedia common stock as of August 8, 2004, and assuming a NeoMedia stock price of $0.399 (the volume-weighted average stock price for the five days preceding August 8, 2005), BSD shareholders would hold approximately 1% of the outstanding shares of NeoMedia and existing NeoMedia shareholders would hold the remaining 99% of NeoMedia's outstanding shares. The actual exchange ratio will vary due to changes in NeoMedia's stock price and any additional issuances of common stock by BSD prior to the effective time of the merger, and will not be known until such effective time of the merger.

Shareholders holding approximately 62.7% of the outstanding shares of BSD common stock have each entered into an agreement with NeoMedia to vote to approve and adopt the Merger Agreement and the merger. BSD's Board of Directors has also approved the Merger Agreement.

On behalf of the BSD Board of Directors, I thank you for your support.

Sincerely,

/s/ Guy Fietz
President
BSD SOFTWARE, INC.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

THE FOLLOWING ARE SOME QUESTIONS THAT YOU, AS A STOCKHOLDER OF BSD OR NEOMEDIA, MAY HAVE REGARDING THE MERGER. BSD AND NEOMEDIA URGE YOU TO READ CAREFULLY THE REMAINDER OF THIS INFORMATION STATEMENT/PROSPECTUS BECAUSE THE INFORMATION IN THIS SECTION DOES NOT PROVIDE ALL OF THE INFORMATION THAT MIGHT BE IMPORTANT TO YOU WITH RESPECT TO THE MERGER. ADDITIONALLY, IMPORTANT INFORMATION IS ALSO CONTAINED IN THE ANNEXES TO, AND THE DOCUMENTS INCORPORATED BY REFERENCE INTO, THIS INFORMATION STATEMENT/PROSPECTUS.

Q: WHAT IS THE PROPOSED TRANSACTION?

A: The Board of Directors of BSD, as well as a majority of BSD shareholders, have voted to adopt an agreement and plan of merger among NeoMedia Technologies, Inc., NeoMedia Telecom Services, Inc., and BSD Software, Inc., and the merger contemplated thereby. In this information statement/prospectus, we refer to the agreement and plan of merger as the "Merger Agreement." In the merger, BSD will be merged into NeoMedia Telecom Services, Inc., a newly formed, wholly-owned subsidiary of NeoMedia Technologies. After the merger, NeoMedia Telecom Services will be the "Surviving Corporation" and will remain a wholly-owned subsidiary of NeoMedia Technologies.

Q: WHY ARE NEOMEDIA AND BSD PROPOSING TO MERGE?

A: NeoMedia and BSD are merging because they believe the resulting combination will create a stronger, more competitive company capable of achieving greater financial strength, administrative efficiencies, growth potential, and shareholder value than either company would have on its own.

Q: WHAT WILL I RECEIVE IN EXCHANGE FOR MY BSD STOCK IN THE MERGER?

A: In the merger, each share of your BSD common stock will be exchanged for NeoMedia stock equivalent to .07 divided by the volume-weighted average price of NeoMedia stock for the five days prior to the effective time of the merger. In this prospectus, we refer to the ratio of NeoMedia common stock to be issued for each share of BSD common stock as the "exchange ratio." The ratio of .07 divided by the volume-weighted average price of NeoMedia stock for the five days prior to the effective time of the merger that you will receive for each BSD share will not change. However, the number of NeoMedia shares you will receive at closing will change depending on NeoMedia's stock price at the time of closing. NeoMedia's shares will be valued using a 5-day volume-weighted average closing price for the five days prior to closing. You will not receive any fractional shares of NeoMedia common stock. Instead of any fractional shares, you will be paid cash for such fraction at a rate of $0.07 per share. The following table illustrates how many shares of NeoMedia you would receive at different price levels of NeoMedia stock at the time of closing:

Shares of BSD owned	1,000	1,000	1,000	1,000
NeoMedia volume-weighted average prices	$0.07	$0.20	$0.30	$0.50
NEOMEDIA SHARES ISSUED IN MERGER	1,000	350	233	140
ADDITIONAL CASH CONSIDERATION RECEIVED IN LIEU OF RECEIPT OF FRACTIONAL SHARES	$0.00	$0.00	$0.02	$0.00

It is important to note that BSD shareholders will not know the actual number of shares they will receive until the effective date of the merger. BSD SHAREHOLDERS WHO WISH TO INQUIRE ABOUT THE NUMBER OF SHARES THEY WILL RECEIVE IN THE MERGER CAN CALL TOLL-FREE (877) 813-2419.

Q: What will be the effect of the merger on the stockholders of NeoMedia and BSD?

A: Based on the number of NeoMedia and BSD shares outstanding as of August 8, 2005, and the volume-weighted average closing stock price of NeoMedia stock of $0.399 for the five days preceding August 8, 2005, upon completion of the merger the current stockholders of NeoMedia would own approximately 99% of NeoMedia and the former stockholders of BSD would own approximately 1% of NeoMedia. Actual ownership percentages could change between the date of this information statements/prospectus and closing due to any additional issuances of shares by NeoMedia and/or BSD, or fluctuations in the price of NeoMedia stock. NeoMedia and BSD currently estimate that they each will incur costs of approximately $50,000 ($100,000 in total) related to the merger.

Q: WHAT ARE THE FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO BSD SHAREHOLDERS?

A: Assuming that the merger is completed as currently contemplated, (i) you will not recognize any gain or loss for United States federal income tax purposes except to the extent you receive cash in exchange for your BSD common stock (including any cash received in lieu of a fractional share of Neomedia common stock) and (ii) you will not recognize and gain or loss for Canadian federal income tax purposes. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you.

Q: AM I ENTITLED TO DISSENTERS' RIGHTS?

A: Under Florida law, holders of BSD common stock outstanding immediately prior to the effective time of the merger who have not voted in favor of the merger have the right to exercise their dissenters' rights and obtain payment in cash for the fair value of their shares of common stock, rather than receive shares of NeoMedia common stock as described in this information statement/prospectus and the attached Merger Agreement. To exercise dissenters' rights, BSD stockholders must strictly follow the procedures described under Section 607.1301 et seq. of the Florida Business Corporation Act. These procedures are summarized under the section of this information statement/prospectus entitled "The Merger-Dissenters' Rights" beginning on page 29. In addition, the text of the applicable provisions of Florida Business Corporation Act, together with BSD's initial notice to potential dissenters, and a Dissenters' Demand Notice Form is attached as Annex A to this information statement/prospectus.

Q: WHEN DO YOU EXPECT THE MERGER TO BE COMPLETED?

A: We expect to complete the merger promptly after we receive all necessary regulatory approvals. We currently expect this to occur during the third quarter of 2005. Satisfying some of the conditions to closing the merger, such as receiving certain governmental clearances or approvals, is not entirely within our control. If all the conditions to completion of the merger are not satisfied during the first-half of 2005, we expect to complete the merger as soon as practicable once the conditions are satisfied.

Q: WILL I BE ABLE TO SELL THE SHARES OF NEOMEDIA COMMON STOCK I RECEIVE IN

THE MERGER?

A: Yes. All of the shares of NeoMedia common stock received by BSD stockholders in connection with the merger will be freely transferable unless the holder is considered an affiliate of either BSD or NeoMedia under the Securities Act of 1933, as amended. Shares of NeoMedia acquired in the merger by BSD affiliates may only be sold pursuant to a registration statement or an exemption from the registration requirements of the Securities Act. The price at which the NeoMedia common stock will trade after the merger is unknown.

Q: WHAT DO I NEED TO DO NOW?

A: After the merger is completed, you will receive written instructions for exchanging your stock certificates.

Q: WILL BSD CONTINUE AS A PUBLIC COMPANY?

A: No. If the merger occurs, BSD will no longer be publicly owned.

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you have any questions about the merger, or need additional copies of this prospectus, you should contact BSD Software, Inc. at (403) 257-7090, if you are a stockholder of BSD; or NeoMedia at (239) 337-3434 if you are stockholder of NeoMedia. BSD shareholders who wish to inquire about the number of shares they will receive in the merger can call toll-free (877) 813-2419.

SUMMARY OF INFORMATION STATEMENT/PROSPECTUS

The following is a summary that highlights certain information contained in this information statement/prospectus. This summary may not contain all of the information that may be important to you. For a more complete description of the MERGER AGREEMENT and the merger contemplated by the MERGER AGREEMENT, we encourage you to read carefully this entire information statement/prospectus, including the attached exhibits and annexes hereto. In addition, we encourage you to ready the information incorporated by reference into this information statement/prospectus, which includes important business and financial information about BSD and NeoMedia that has been filed with the United States Securities and Exchange Commission. You may obtain the information incorporated by reference into this information statement/prospectus by following the instructions in the section of this information statement/prospectus entitled "Additional Information Where You Can Find More Information" beginning on page 105.

The Companies

NEOMEDIA TECHNOLOGIES, INC.
2201 Second Street, Suite 600
Ft. Myers, FL 33901
(239) 337-3434

NeoMedia develops proprietary technologies that link physical information and objects to the Internet marketed under its PaperClickTM brand name.

NeoMedia is structured as three business units: NeoMedia Internet Software

Service ("NISS"), NeoMedia Consulting and Integration Services ("NCIS"), and NeoMedia Micro Paint Repair ("NMPR").

NISS is the core business and is based in the United States, with development and operating facilities in Fort Myers, Florida. NISS develops and supports our physical world to Internet core technology, including our linking "switch" and NeoMedia's application platforms. NISS also manages our intellectual property portfolio, including the identification and execution of licensing opportunities surrounding the patents.

NCIS is the original business line upon which NeoMedia was organized. This unit resells client-server equipment and related software, and general and specialized consulting services. Systems integration services also identifies prospects for custom applications based on our products and services. These operations are based in Lisle, Illinois.

NMPR is the business unit encompassing the recently-acquired CSI International chemical line. NMPR is attempting to commercialize its micro-paint repair offerings and solutions.

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NEOMEDIA TELECOM SERVICES, INC.
2201 Second Street, Suite 600
Ft. Myers, FL 33901
(239) 337-3434

NeoMedia Telecom Services, Inc. is a Nevada corporation and a wholly-owned subsidiary of NeoMedia Technologies. NeoMedia Telecom Services was incorporated during October 2004 solely for the purposes of effecting the merger with BSD. It has not carried on any activities other than in connection with the Merger Agreement. Following the merger, NeoMedia Telecom Services, Inc. will continue the business of BSD.

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BSD SOFTWARE, INC.
5824 Second Street SW, Suite 300
Calgary, Alberta, Canada, T2H-0H2
(403) 257-7090

BSD was incorporated in Florida on February 7, 1989 under the name "Park Avenue Marketing, Inc." On February 2, 1998, as a result of its acquisition of 100% of the common stock of two commonly controlled entities, Respiratory Care Services, Inc. ("RCS") and RCS Subacute, Inc. ("RCSS"), that were engaged in the healthcare industry, the name was changed from "Park Avenue Marketing, Inc." to "BSD Healthcare Industries, Inc." Prior to these acquisitions, BSD did not conduct any operations.

BSD acquired RCS and RCSS because BSD perceived increasing demand for respiratory care services in long-term healthcare facilities. On July 1, 1999, principally as a result of a change in Medicare reimbursement rates for respiratory services, BSD sold RCS and RCSS. On December 17, 2001 BSD changed its name to "BSD Software, Inc."

As a result of the sale of RCS and RCSS, BSD had no operations until its acquisition of 90% of Triton Global Business Services Inc. ("TGBSI") on November

4, 2002. TGBSI is the 100% owner of Triton Global Communications Inc. ("Triton") through which it conducts its business operations. The details of the acquisition are contained in Note 4 to the attached Financial Statements.

Triton was incorporated in April 1998 as a next generation Internet protocol ("IP") enabled provider of live and automated operator calling services, e-business support, billing and clearinghouse functions and information management services to telecommunications, Internet and e-business service providers.

Triton focuses on helping its clients improve profitability by enabling them to quickly deploy new services, streamline operations and make quicker, more informed business decisions. Triton is a customer service oriented organization providing service to direct customers and service providers, both within North America and internationally.

Triton was the first fully implemented alternate billing agent within the Local Exchange Carriers ("LECs") billing system in Canada. Triton's vision is to continue expanding its live and automated operator service capability focusing on making emerging web-based information and transaction services easier to access and pay for.

BSD's management and staff are trained to assist and provide clients with solutions for their business. Triton is currently operating with eight employees.

THE MERGER

The Board of Directors of BSD, as well as a majority of BSD shareholders, have voted to adopt an agreement and plan of merger among NeoMedia Technologies, Inc., NeoMedia Telecom Services, Inc., and BSD Software, Inc., and the merger contemplated thereby. In the merger, BSD will be merged into NeoMedia Telecom Services, Inc., a newly formed, wholly-owned subsidiary of NeoMedia Technologies. After the merger, NeoMedia Telecom Services will be the "Surviving Corporation" and will remain a wholly-owned subsidiary of NeoMedia Technologies.

NeoMedia and BSD are merging because they believe the resulting combination will create a stronger, more competitive company capable of achieving greater financial strength, administrative efficiencies, growth potential, and shareholder value than either company would have on its own.

WHAT YOU WILL RECEIVE IN THE MERGER; MERGER CONSIDERATION; FRACTIONAL SHARES

In the merger, each share of BSD common stock will be exchanged for NeoMedia stock equivalent to .07 divided by the volume-weighted average price of NeoMedia stock for the five days prior to the effective time of the merger. You will not receive any fractional shares of NeoMedia common stock. Instead of any fractional shares, you will be paid cash for such fraction at a rate of $0.07 per share. It is important to note that BSD shareholders will not know the actual number of shares they will receive until the effective date of the merger. BSD SHAREHOLDERS WHO WISH TO INQUIRE ABOUT THE NUMBER OF SHARES THEY WILL RECEIVE IN THE MERGER CAN CALL TOLL-FREE (877) 813-2419.

NEOMEDIA'S BOARD OF DIRECTORS AFTER THE MERGER

NeoMedia's Board of Directors will not change due to the acquisition of BSD.

BSD Approval Of The Merger

BSD's Board of Directors approved the merger by written consent on November 29, 2004. In addition, holders of 62.7% of BSD's outstanding shares approved the merger by signing a Voting Rights Agreement on or before signing the Merger Agreement.

BSD's Reasons for the Merger; Recommendation of BSD's Board of Directors

BSD's Board of Directors, as well as holders of 62.7% of BSD's outstanding shares, has approved the Merger Agreement. BSD's board and the approving majority shareholders believe that the Merger Agreement is advisable, fair to and in the best interest of BSD and its shareholders. In reaching its decision, the BSD board and majority shareholders considered a number of factors, which are described in more detail in the section of this information/registration statement entitled "BSD's Reasons for the Merger." The BSD Board of Directors and majority shareholders did not assign relative weights to the factors described in that section or the other factors considered by it. In addition, the BSD board and majority shareholders did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. BSD's board and majority shareholders may have given different weight to different factors.

NeoMedia's Reasons for the Merger; Recommendation of NeoMedia's Board of Directors

The Board of Directors of NeoMedia approved the merger on August 18, 2004, after NeoMedia's senior management discussed with them the business, assets, liabilities, actual and projected results of operations and financial performance of BSD, the complementary nature of certain of BSD's products and capabilities and the products of NeoMedia, the expectation that BSD could be readily integrated with NeoMedia, and the potential benefits that could be realized as a result of such integration.

Conditions to the Merger

The obligations of NeoMedia and BSD to complete the merger are conditioned upon the other party's representations and warranties being true and correct, except as has not had or would not reasonably be expected to have a material adverse effect, and the other party having complied in all material respects with such party's covenants. In addition, NeoMedia's and BSD's obligations are further conditioned on:

- the absence of any statute, rule, order, decree, regulation or injunction of any United States or Canadian court, United States or Canadian governmental authority or any governmental authority pursuant to foreign antitrust laws that precludes, prohibits, restrains or enjoins the consummation of the merger or makes the consummation of the merger illegal;

- the termination or expiration of the waiting periods or receipt of approvals pursuant to the Hart-Scott-Rodino Antitrust Improvements Act; and

- the continuing effectiveness of the registration statement of which this information statement/prospectus forms a part, and the material compliance with all other applicable material state securities laws.

Restrictions on Solicitation

Subject to certain exceptions, the Merger Agreement precludes BSD, its subsidiaries, officers, directors, employees, investment bankers, attorneys, accountants and other representatives from directly or indirectly soliciting, knowingly encouraging, participating in any discussions regarding, furnishing any non-public information with respect to, or assisting or facilitating any proposal for any third party to acquire more than 20% ownership of BSD, its subsidiaries, or its assets.

Termination

The Merger Agreement may be terminated by the mutual consent of NeoMedia and BSD. Additionally, either NeoMedia or BSD may terminate the Merger Agreement if:

- both companies' boards of directors mutually agree to terminate;
- the party seeking termination is not in material breach of the Merger Agreement and the other party has materially breached a representation, warranty, covenant or agreement of that party contained in the Merger Agreement and such breach is either not capable of being cured or, with respect to a covenant or agreement that is capable of being cured, has not been cured or satisfied within 30 days of notice of the breach; and
- the merger has not closed by July 31, 2005, which date may be extended by mutual consent of NeoMedia and BSD.

The Merger Agreement may be terminated by NeoMedia if, at the time of closing, BSD has:

- less than $850,000 in assets;
- more than $5,000,000 in liabilities, or
- more than 35,000,000 shares of common stock outstanding (increased to 38,000,000 in June 6, 2005).

The merger may be terminated by BSD if the holders of more than 5% of BSD's outstanding shares dissent to the merger.

Fees

Each side will bear its own fees in connection with the proposed merger.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

IF THE MERGER IS COMPLETED AS CURRENTLY CONTEMPLATED, THEN, IN GENERAL, A SHAREHOLDER WHO EXCHANGES SHARES OF BSD COMMON STOCK FOR SHARES OF NEOMEDIA COMMON STOCK WILL NOT RECOGNIZE ANY GAIN OR LOSS EXCEPT WITH TO THE EXTENT CASH IS RECEIVED (INCLUDING ANY CASH RECEIVED IN LIEU OF A FRACTIONAL SHARE OF NEOMEDIA COMMON STOCK.)

Certain exceptions and/or other considerations may apply to the foregoing statement. See the section of this information statement/prospectus entitled "The Merger--Material Federal Income Tax Consequences."

Comparison of Rights of NeoMedia Shareholders and BSD Shareholders

After the merger, BSD shareholders who receive NeoMedia common stock in the merger will become NeoMedia shareholders and their rights as shareholders will be governed by the Certificate of Incorporation and bylaws of NeoMedia and

Delaware General Corporation Law ("DGCL"). There are a number of differences between the Certificate of Incorporation and bylaws of NeoMedia and the DGCL, and the Articles of Incorporation and bylaws of BSD and the Florida Business Corporations Act (the "FBCA") by which BSD is governed. These differences are summarized under the section of this information statement/prospectus entitled "Comparative Rights of NeoMedia and BSD Shareholders."

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Comparative Market Price Information

Shares of NeoMedia common stock are listed under the Symbol "NEOM" on the Over-the-Counter Bulletin Board, and shares of BSD common stock are listed under the trading symbol "BSDS" on the Over-the-Counter Bulletin Board. On December 20, 2004, the last full trading day prior to the public announcement of the Merger Agreement, the last sales price of BSD common stock was $0.15 per share and the last sales price of NeoMedia common stock was $0.18 per share. On August 8, 2005, the most recent practicable date prior to the printing of this information statement/prospectus, the last sales price of BSD common stock was $0.05 per share and the last sales price of NeoMedia common stock was $0.402 per share. Since April 5, 2005, the approximate date that NeoMedia filed its initial information statement/prospectus relative to its acquisition of and merger with BSD, NeoMedia's stock has been subject to dramatic price volatility. Between April 5, 2005 and August 8, 2005, NeoMedia's stock has traded as low as $0.21 per share and as high as $0.72 per share. You are urged to obtain current market quotations.

Listing and Trading of NeoMedia Common Stock

Shares of NeoMedia common stock received by BSD shareholders in the merger will be listed on the Over-the-Counter Bulletin Board. After completion of the merger, shares of NeoMedia common stock will continue to be traded on the Over-the-Counter Bulletin Board, but shares of BSD common stock will no longer be listed or traded.

Interest of Directors and Officers of BSD in the Merger

As of August 8, 2005, the directors and officers of BSD, in the aggregate, owned approximately 27.3% of the outstanding common stock of BSD.

Interest of Directors and Officers of NeoMedia in the Merger

As of August 8, 2005, the directors and officers of NeoMedia, in the aggregate, owned approximately 21.3% of the outstanding common stock of NeoMedia.

Risks Related to the Merger

You should refer to the section of this information statement/prospectus entitled "Risk Factors" beginning on page 8 for a detailed discussions of the risks associated with the merger, the offering described hereunder, and the businesses of NeoMedia and BSD.

Dissenters' Rights

In order to exercise appraisal rights, dissenting shareholders must strictly comply with the statutory procedures of the Florida Business Corporation Act (the "FBCA"). If a proposed corporation action requiring appraisal rights under the FCBA is submitted to a vote at a shareholders' meeting, or is submitted to a shareholder pursuant to a consent to vote, a dissenting shareholder who wishes to exercise appraisal rights, must deliver to the corporation before the vote is taken, or within 20 days after receiving notice from the corporation that such appraisal rights are available, a written notice of intent to demand payment. A dissenting shareholder then cannot vote in favor of the proposed action. If the proposed action becomes effective, the corporation must deliver a written appraisal notice and form to all dissenting shareholders who provided a notice of intent to demand payment within the statutorily prescribed time limits. The corporation must send the appraisal notice and form within 10 days after the corporate action became effective. The corporation may offer to a dissenting shareholder a payment based on the corporation's estimate of the fair value of the shareholder's shares. The fair value of the shares is determined immediately before the effectuation of the corporate action to which the shareholder objects and using customary and current valuation concepts and techniques generally employed for similar business in the context of the transaction requiring appraisal, excluding any appreciation or depreciation in anticipation of the corporate action, unless such exclusion would be inequitable. A dissenting shareholder who is dissatisfied with the corporation's offer, must notify the corporation on the form provided to the dissenting shareholder by the corporation of that dissenting shareholder's estimate of the fair value of the shares and demand

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payment of that estimate plus interest. If a dissenting shareholder fails to notify the corporation in writing of the demand to be paid the shareholder's stated estimate of the fair value plus interest within the timeframe requested be the corporation, which shall be no less than 40 or more than 60 days after the appraisal notice and form are sent, the shareholder is entitled only to the payment offered by the corporation.. Due to the fact that the actual exchange rate of BSD shares for NeoMedia shares will not be known until the effective time of the merger, a dissenting shareholder may not know the actual exchange rate at the time the notice of dissent is submitted.

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RISK FACTORS

In addition to the other information included in this information statement/prospectus, including the matters addressed in "Cautionary Statement Concerning Forward-Looking Statements," you should carefully consider the following risks before deciding whether to assert your right to dissent to the proposed merger. In the case of BSD stockholders, if you do not exercise your dissenters' rights as discussed on page 29, you will become a stockholder of NeoMedia. In addition, you should read and consider the risks associated with the business of NeoMedia because these will affect the combined entity.

RISKS RELATED TO THE MERGER

THE VALUE OF SHARES OF NEOMEDIA COMMON STOCK TO BE RECEIVED BY BSD STOCKHOLDERS IN THE MERGER IS FIXED AND WILL NOT BE ADJUSTED FOR CHANGES IN THE PRICE OF BSD OR NEOMEDIA COMMON STOCK.

BSD's shareholders will receive, for each share of BSD stock owned, NeoMedia stock equivalent to .07 divided by the volume-weighted average price of NeoMedia stock for the five days prior to the effective time of the merger. The number of shares each BSD shareholder will receive will change based on the number of shares of both BSD and NeoMedia common shares outstanding and the price of NeoMedia common stock at the effective time of the merger. It is important to note that BSD shareholders will not know the actual number of shares they will receive until the effective date of the merger. The ratio of .07 to the price of NeoMedia common stock will not be adjusted for changes in the market price of BSD or NeoMedia common stock, meaning an increase in NeoMedia's stock price prior to the effective time of the merger would result in fewer shares of NeoMedia stock being exchanged for each share of BSD stock. The price at which the NeoMedia common stock will trade after the merger is unknown.

The market price of NeoMedia common stock at the effective time of the merger will likely be different from the current market price of NeoMedia common stock for a variety of reasons, including market reactions to the merger. For example, between January 1, 2004 and December 31, 2004, the market price of the NeoMedia common stock ranged from a low of $0.05 per share to a high of $0.299 per share. Additionally, since April 5, 2005, the approximate date that NeoMedia filed its initial information statement/prospectus relative to its acquisition of and merger with BSD, NeoMedia's stock has been subject to dramatic price volatility. Between April 5, 2005 and August 8, 2005, NeoMedia's stock has traded as low as $0.21 per share and as high as $0.72 per share. Stockholders of NeoMedia and BSD are urged to obtain current market quotations for the NeoMedia common stock.

THE MARKET PRICE AND TRADING VOLUME OF THE NEOMEDIA COMMON STOCK MAY BE VOLATILE AND THE HOLDERS OF BSD COMMON STOCK MAY NOT BE ABLE TO SELL THEIR SHARES AT OR ABOVE THE INITIAL MARKET PRICE OF THE NEOMEDIA COMMON STOCK FOLLOWING THE MERGER.

The market price of the NeoMedia common stock could fluctuate significantly for many reasons, including in response to the risk factors listed in this prospectus or for reasons unrelated to NeoMedia's performance, such as reports by industry analysts, investor perceptions, or announcements by NeoMedia's customers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, to the extent that other companies within NeoMedia's industry experience declines in their stock price, NeoMedia's stock price may decline as well.

NEOMEDIA COMMON STOCK HAS BEEN SUBJECT TO DRAMATIC PRICE VOLATILITY SINCE THE FILING OF THE INFORMATION STATEMENT/PROSPECTUS RELATING TO THE MERGER WITH BSD

Since April 5, 2005, the approximate date that NeoMedia filed its initial information statement/prospectus relative to its acquisition of and merger with BSD, NeoMedia's stock has been subject to dramatic price volatility. Between April 5, 2005 and August 8, 2005, NeoMedia's stock has traded as low as $0.21 per share and as high as $0.72 per share.

NEOMEDIA MAY FACE SIGNIFICANT CHALLENGES IN INTEGRATING NEOMEDIA AND BSD AND, AS A RESULT, MAY NOT REALIZE THE EXPECTED BENEFITS OF THE MERGER.

The merger involves the integration of two companies that have previously operated independently. Combining the operations of NeoMedia and BSD will be a complex process that will require, among other things, integration of various functional areas, such as finance, human resources and sales and marketing groups, and coordination of development efforts. NeoMedia cannot be certain that the integration will be completed in a timely manner, if at all, or that it will be able to achieve the anticipated benefits of the merger. For example, the companies may experience difficulties in harmonizing employee benefit policies, the relocation of certain job functions may result in the loss of personnel with critical corporate knowledge and upgrading financial reporting systems to operate as a single system may lead to interruptions in tracking financial or sales information. Failure to adequately manage the integration process and to coordinate the joint efforts of the two companies may have a material adverse effect on the business of the combined company. There can be no assurance that the employees of BSD will be willing to continue their employment with NeoMedia after the merger. There is no assurance that after the merger NeoMedia will be able to maintain all of the existing commercial relationships of BSD or NeoMedia.

NEOMEDIA AND BSD MAY SUFFER NEGATIVE CONSEQUENCES IF THE MERGER IS NOT COMPLETED.

If the merger is not completed for any reason, NeoMedia and BSD will be subject to a number of material risks, including:

- the market price of NeoMedia and BSD common stock may decline to the extent that the current market price of such shares reflects a market assumption that the merger will be completed;

- costs related to the merger, such as legal and accounting fees, must be paid even if the merger is not completed;

- the diversion of management attention from the day-to-day business of the companies and the unavoidable disruption to their employees during the period before the completion of the merger may make it difficult for NeoMedia and BSD to regain their financial position if the merger does not occur; and

- if the merger is terminated and BSD's Board of Directors seeks another merger or business combination, BSD's stockholders cannot be certain that BSD will be able to find a partner willing to pay an equivalent or more attractive price than the price to be paid by NeoMedia in the merger

RISKS RELATED TO NEOMEDIA'S BUSINESS

NEOMEDIA HAS HISTORICALLY LOST MONEY AND LOSSES MAY CONTINUE

NeoMedia has incurred substantial losses since our inception, and anticipates continuing to incur substantial losses for the foreseeable future. NeoMedia incurred a loss of $3,519,000 and $4,053,000 in the six-month periods ended June 30, 2005 and 2004, respectively, and a loss of $7,230,000 in the year ended December 31, 2004 and $5,382,000 in the year ended December 31, 2003. NeoMedia's accumulated losses were approximately $86,896,000 and $83,377,000 as of June 30, 2005 and December 31, 2004, respectively. As of June 30, 2005 and December 31, 2004 and 2003, NeoMedia had a working capital (deficit) of approximately ($3,418,000), ($2,597,000) and ($6,526,000), respectively. NeoMedia had stockholders' equity (deficit) of $5,169,000, $4,392,000 and

($3,203,000) at June 30, 2005, and December 31, 2004 and 2003, respectively. NeoMedia generated revenues of $1,285,000, $798,000, $1,700,000 and $2,400,000 for the six-month periods ended June 30, 2005 and 2004, and the years ended December 31, 2004 and 2003, respectively. In addition, during the six-month periods ended June 30, 2005 and 2004, and the years ended December 31, 2004 and 2003, NeoMedia recorded negative cash flows from operations of $3,455,000, $2,261,000, $4,650,000 and $2,979,000, 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, with respect to NeoMedia's consolidated financial statements and the related notes for the years ended December 31, 2004 and 2003, 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.

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 sold its physical-world-to-Internet products to only 12 companies. 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.

NEOMEDIA IS UNCERTAIN OF THE SUCCESS OF ITS INTERNET SWITCHING SOFTWARE 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 Internet. NeoMedia can provide no assurance that:

- this Internet Switching Software 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 Internet Switching Software 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, 2005, and December 31, 2004 and 2003, approximately 37%, 49% and 65%, respectively, of NeoMedia's total assets were intangible assets, consisting primarily of rights related to NeoMedia's patents, other intellectual property, and excess of purchase price over fair market value paid for CSI International, Inc. (now NeoMedia Micro Paint Repair). 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'S PHYSICAL-WORLD-TO-INTERNET MARKETING STRATEGY HAS NOT BEEN TESTED AND MAY NOT RESULT IN SUCCESS

To date, NeoMedia has conducted limited marketing efforts directly relating to NeoMedia's NISS business unit. All of NeoMedia's marketing efforts have been largely untested in the marketplace, and may not result in sales of NeoMedia's products and services. To penetrate the markets in which it competes, NeoMedia will have to exert significant efforts to create awareness of, and demand for, its products and services. With respect to NeoMedia's marketing efforts conducted directly, NeoMedia intends to expand its sales staff upon the receipt of sufficient operating capital. NeoMedia's failure to further develop NeoMedia's marketing capabilities and successfully market NeoMedia's products and services would have a material adverse effect on NeoMedia's 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 Charles T. Jensen, NeoMedia's President, Chief Executive Officer and Chief Operating Officer, and Charles W. Fritz, NeoMedia's founder and Chairman of the Board of Directors. The loss of the services of Messrs. Jensen or Fritz 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 Messrs. Jensen or Mr. Fritz.

NEOMEDIA MAY BE UNSUCCESSFUL IN INTEGRATING ITS MICRO PAINT REPAIR BUSINESS WITH ITS CURRENT BUSINESS

The success of NeoMedia's Micro Paint Repair business unit could depend on the ability of NeoMedia's executive management to integrate the business plan with the business plan of NeoMedia's NCSI and NISS business units. The NMPR business unit operates in a separate industry from NeoMedia's other two business units.

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 and the value-added systems integration markets 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. NeoMedia has six patents for its physical-world-to-Internet technology, and an additional six patents acquired with the purchase of Secure Source Technologies related to document security. NeoMedia also has several trademarks relating to its proprietary products. 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 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. NeoMedia has no present plans for the issuance of any preferred stock. However, 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 thereby preserving control by the current stockholders.

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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, cellular telephones, and other online services as an effective medium of information and commerce. If use of the Internet and other online services does not continue to grow or grows more slowly than expected, or if the infrastructure for the Internet and other online services does not effectively support the growth that may occur, or if the Internet and other online services do 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, the World Wide Web (the "Web"), and online services is a recent phenomenon, and may not continue on a lasting basis. In addition, customers may not adopt, and continue to use, the Internet, the Web and other online services as a medium of information retrieval or commerce. Demand and market acceptance for recently introduced services and products over the 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 Internet, the Web and other online services 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 the Internet, the Web and other online networks continue to experience significant growth in the number of users, their frequency of use, or in their bandwidth requirements, the infrastructure for the Internet, the Web, and online networks may be unable to support the demands placed upon them. In addition, the Internet, the Web or other online networks could lose their viability due to delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity, or due to increased governmental regulation. Significant issues concerning the commercial and informational use of the Internet, the Web, 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, EQUIPMENT RESALES AND SYSTEMS INTEGRATIONS MARKETS, AND CUSTOMER DEMANDS CONTINUE TO EVOLVE

NeoMedia may not be able to adapt as the Internet, physical-world-to-Internet, equipment resales and systems integration 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 Internet, physical-world-to-Internet, equipment resales, and systems integration 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'S COMPETITORS IN THE MICRO PAINT REPAIR INDUSTRY COULD DUPLICATE NEOMEDIA'S PROPRIETARY PROCESSES

NeoMedia's success in the micro paint repair industry depends upon proprietary chemical products and processes. There is no guarantee that NeoMedia's competitors will not duplicate NeoMedia's proprietary processes.

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 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.

In addition, the equipment resales and systems integration markets are increasingly competitive. NeoMedia competes in these industries on the basis of a number of factors, including the attractiveness of the services offered, the breadth and quality of these services, creative design and systems engineering expertise, pricing, technological innovation, and understanding clients' needs. A number of these factors are beyond NeoMedia's control. Existing or future competitors may develop or offer products or services that provide significant technological, creative, performance, price, or other advantages over the products and services offered by NeoMedia.

Many 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. Based on total assets and annual revenues, NeoMedia is significantly smaller than its two largest competitors in the physical-world-to-Internet industry, the primary focus of NeoMedia's business. Similarly, NeoMedia competes against significantly larger and better-financed companies in the systems integration and equipment resale businesses, including the manufacturers of the equipment and technologies that NeoMedia integrates and resells. If NeoMedia competes with its primary competitors for the same geographical or institutional markets, their financial strength could prevent NeoMedia from capturing those markets. NeoMedia may not successfully compete in any market in which it conducts or may conduct operations. In addition, based on the increasing consolidation, price competition and participation of equipment manufacturers in the systems integration and equipment resales markets, NeoMedia believes that it may no longer be able to compete effectively in these markets in the future. It is for this reason, that NeoMedia has increasingly focused its business plan on competing in the emerging market for physical-world-to-Internet products.

Many of NeoMedia's competitors in the Micro Paint Repair business have access to more financial resources as well. NeoMedia may not be able to penetrate markets or market its products as effectively as NeoMedia's better-funded competitors.

IN THE FUTURE THERE COULD BE GOVERNMENT REGULATIONS AND LEGAL UNCERTAINTIES WHICH COULD HARM NEOMEDIA'S BUSINESS

NeoMedia is not currently subject to direct regulation by any government agency other than laws or regulations applicable generally to electronic commerce. 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.

Certain of NeoMedia's micro paint solutions could be subject to environmental regulations.

RISKS SPECIFIC TO THIS OFFERING

As of August 8, 2005, NeoMedia had 457,144,000 shares of common stock outstanding, and options and warrants to purchase up to an aggregate 150,876,721 shares of common stock. NeoMedia will also issue additional shares of common stock in connection with the acquisition of BSD described herein, and up to an additional 75,445,552 previously registered shares of common stock may be issued under NeoMedia's Standby Equity Distribution Agreement with Cornell Capital Partners, LP. On March 30, 2005, NeoMedia and Cornell entered into a new Standby Equity Distribution Agreement under which Cornell agreed to purchase up to $100 million of NeoMedia's common stock over a two-year period, with the timing and amount of the purchase at NeoMedia's discretion. Also on March 30, 2005, NeoMedia borrowed from Cornell the principal amount of $10,000,000 (less $68,000 of discounts and fees paid to Cornell) in the form of a secured promissory note.

CURRENT BSD STOCKHOLDERS MAY SELL THEIR SHARES OF NEOMEDIA COMMON STOCK TO BE RECEIVED IN THE MERGER IN THE PUBLIC MARKET, WHICH SALES MAY CAUSE NEOMEDIA'S STOCK PRICE TO DECLINE

BSD's shareholders will receive, for each share of BSD stock owned, NeoMedia stock equivalent to .07 divided by the volume-weighted average price of NeoMedia stock for the five days prior to the effective time of the merger. Such holders may sell the shares of common stock being registered in this offering in the public market, which may cause NeoMedia's stock price to decline.

THE MARKET PRICE OF NEOMEDIA'S SECURITIES MAY BE VOLATILE

As a result of the emerging and evolving nature of the markets in which NeoMedia competes, as well as the current nature of the public markets and NeoMedia's current financial condition, NeoMedia's operating results may fluctuate materially, as a result of which quarter-to-quarter comparisons of NeoMedia's results of operations may not be meaningful. If in some future quarter, whether as a result of such a fluctuation or otherwise, NeoMedia's results of operations fall below the expectations of securities analysts and investors, the trading price of NeoMedia's common stock would likely be materially and adversely affected. An investor should not rely on NeoMedia's results of any interim period as an indication of NeoMedia's future performance. Additionally, NeoMedia's quarterly results of operations may fluctuate significantly in the future as a result of a variety of factors, many of which are outside NeoMedia's control. Factors that may cause NeoMedia's 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 NeoMedia's 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 NeoMedia competes;
- the pricing of hardware and software that we resell or integrate into NeoMedia's products;
- the level of use of the Internet and online services, as well as the rate of market acceptance of physical-world-to-Internet marketing;
- the ability to upgrade and develop NeoMedia's 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 NeoMedia's 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.

NeoMedia's common stock traded as low as $0.01 and as high as $0.299 between January 1, 2003 and December 31, 2004. Since April 5, 2005, the approximate date that NeoMedia filed its initial information statement/prospectus relative to its acquisition of and merger with BSD, NeoMedia's stock has been subject to dramatic price volatility. Between April 5, 2005 and August 8, 2005, NeoMedia's stock has traded as low as $0.21 per share and as high as $0.72 per share. From time to time after this offering, the market price of NeoMedia's common stock may experience significant volatility. NeoMedia's quarterly results, failure to meet analysts' expectations, announcements by us or NeoMedia's 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 August 8, 2005, NeoMedia had outstanding stock options and warrants to purchase 150,876,721 shares of common stock, some of which have exercise prices at or below the price of NeoMedia's 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.

YOU MAY SUFFER SIGNIFICANT DILUTION AS A RESULT OF NEOMEDIA'S STANDBY EQUITY DISTRIBUTION AGREEMENT WITH CORNELL CAPITAL PARTNER, LP

During the years ended December 31, 2004 and 2003, NeoMedia sold 112,743,417 and 98,933,244 shares, respectively, under its Standby Equity Distribution Agreement (and the predecessor of the Standby Equity Distribution Agreement called an Equity Line of Credit) with Cornell Capital Partners, LP. To the extent that cash generated from operations does not meet NeoMedia's cash needs, NeoMedia could continue to sell additional shares under the Standby Equity Distribution Agreement.

On March 30, 2005, NeoMedia and Cornell entered into a new Standby Equity Distribution Agreement under which Cornell agreed to purchase up to $100 million of NeoMedia's common stock over a two-year period, with the timing and amount of the purchase at NeoMedia's discretion. Also on March 30, 2005, NeoMedia borrowed from Cornell the principal amount of $10,000,000 (less discounts and fees of $68,000 paid to Cornell) in the form of a secured promissory note.

FUTURE SALES OF COMMON STOCK BY NEOMEDIA'S STOCKHOLDERS COULD ADVERSELY AFFECT NEOMEDIA'S STOCK PRICE AND NEOMEDIA'S ABILITY TO RAISE FUNDS IN NEW STOCK OFFERINGS

The market price of NeoMedia's common stock could decline as a result of sales of a large number of shares of NeoMedia's 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. Following the acquisition of BSD (assuming a NeoMedia stock price at the effective time of the merger of $0.399, which was the volume-weighted average price of NeoMedia's stock for the five days preceding August 8, 2005), if NeoMedia sold to Cornell Capital Partners, LP the remainder of the 200,000,000 shares previously registered under its Standby Equity Distribution Agreement, and if all options and warrants were exercised, NeoMedia would have up to 689,179,232 shares outstanding.

Sales of NeoMedia's common stock in the public market following this offering could lower the market price of NeoMedia's 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 NeoMedia's management deems acceptable or at all. All 457,144,000 shares of common stock outstanding as of August 8, 2005, are, or upon effectiveness of this registration statement will be, freely tradable without restriction, unless held by NeoMedia's "affiliates."

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This information statement/prospectus contains or incorporates by reference certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are subject to risks and uncertainties, including those described under the section of this information statement/prospectus entitled "Risk Factors," many of which are beyond NeoMedia's control. Accordingly, actual results may differ materially from those expressed or implied in any such forward-looking statements. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend" and similar expressions may identify forward-looking statements.

All forward-looking statements are qualified by the risks described under the section of this information statement/prospectus entitled "Risk Factors" which, if they develop into actual events, could have a material adverse effect on the merger or on NeoMedia's and/or BSD's business, financial condition or results of operations. In addition, investors should consider the other information contained in or incorporated by reference into this information statement/ prospectus.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ from those contemplated by the forward-looking statements include, among others, the following possibilities:

- inability to protect intellectual property or license third party patents;

- a significant increase in competitive pressures in the industries in which NeoMedia and BSD compete;

- less favorable than expected general economic or business conditions, both domestic and foreign, resulting in, among other things, lower than expected revenues;

- greater than expected costs or difficulties related to the integration of the businesses of NeoMedia and BSD;

- the impact of competitive products and pricing;

- the success of operating initiatives;

- availability of qualified personnel;

- changes in, or the failure to comply with, government regulations; and

- adverse changes in the securities markets.

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements. Stockholders are cautioned not to place undue reliance on these statements, which speak only as of the date of this information statement/ prospectus or, in the case of documents incorporated by reference, the date of such documents.

NeoMedia and BSD undertake no obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this information statement/prospectus to reflect circumstances existing after the date of this information statement/prospectus or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized, except as may be required by securities law.

SELECTED HISTORICAL FINANCIAL DATA OF NEOMEDIA

The following selected financial data the three and six month periods ended June 30, 2005 and 2004 have been derived from NeoMedia's unaudited consolidated financial statements which include, in management's opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations and financial position of NeoMedia for the periods and dates presented. The following selected financial data for each of the five years in the period ended December 31, 2004 have been derived from NeoMedia's audited consolidated financial statements which include, in management's opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations and financial position of NeoMedia for the periods and dates presented. This data should be read in conjunction with the respective audited consolidated financial statements of NeoMedia, including the notes thereto, incorporated herein by reference and with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" of NeoMedia contained in, or incorporated in, the Annual Reports and other information that NeoMedia has filed with the United States Securities and Exchange Commission. See the section of this information statement/prospectus entitled "Where You Can Find More Information."

	Six Months Ended June 30,		Years Ended De		
	2005	2004	2004	2003	2002
Total net sales	$ 1,285	$ 798	$ 1,700	$ 2,400	$ 9,3
Net loss	($ 3,519)	($ 4,053)	($ 7,230)	($ 5,382)	($ 7,4
Net loss per share	($ 0.01)	($ 0.01)	($ 0.02)	($ 0.04)	($ 0.
Weighted average shares outstanding during the period (thousands)	443,301	287,733	329,362	125,030	22,3
Total assets	$ 16,993	$ 7,340	$ 10,406	$ 3,876	$ 4,3
Long-term debt	--	$ 24	--	--	$ 2

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SELECTED HISTORICAL FINANCIAL DATA OF BSD

The following selected financial data for each of the five years in the period ended July 31, 2003 have been derived from BSD's audited consolidated financial statements. The financial data as of April 30, 2005 and 2004, and for each of the nine-month periods then ended, have been derived from BSD's unaudited condensed consolidated financial statements which include, in management's opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations and financial position of BSD for the periods and dates presented. This data should be read in conjunction with the respective audited and unaudited consolidated financial statements of BSD, including the notes thereto, incorporated herein by reference and with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" of BSD contained in, or incorporated in, the Annual

Reports and other information that NeoMedia has filed with the United States Securities and Exchange Commission. See the section of this information statement/prospectus entitled "Where You Can Find More Information."

	NINE MONTHS ENDED APRIL 30,		YEAR ENDED JULY 3		
	2005	2004	2004(A)	2003(A)	2002(B)
	(unaudited)		(IN THOUSANDS, EXCEPT FOR PER SHARE DAT		
Total net sales	$5,161	$4,695	$6,091	$2,911	$5,382
Net income (loss)	201	321	$45	($4,860)	$193
Net income (loss) per share	$ 0.01	$ 0.01	$0.00	($0.19)	$193.00 (
Weighted average shares outstanding during the period (fully diluted shares in (thousands)	32,760	32,430	31,494	25,494	1 (
Total assets	$1,222	$1,737	$1,158	$886	$1,269

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(A) On November 2, 2002, BSD changed its fiscal year end from December 31 to July 31. BSD was not required to file a transition report because it adopted the fiscal year end of Triton Global Business Services, Inc., the company it acquired on or about that date. Accordingly, financial statements were not audited for the fiscal year ended July 31, 2002.

(B) BSD acquired Triton Global Business Services and Triton Global Communications during November 2002. These business units represent 100% of BSD's revenue since that date. Prior to the acquisition, BSD was an inactive publicly traded "shell" corporation with little or no revenue. As a result, the financial information shown above for the years ended July 31, 2002, 2001, and 2000, is the financial information of Triton Global Communications, which is considered the acquirer of BSD for accounting purposes.

(C) Prior to the business combination with BSD and Triton Global Business Services, Triton Global Communications was a privately held company with one share outstanding.

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COMPARATIVE PER SHARE DATA

The following tables present historical per share data of BSD and NeoMedia as of and for the 12 months ended July 31, 2004 and December 31, 2004, respectively. The data presented below should be read in conjunction with the historical financial statements of NeoMedia and BSD incorporated by reference in this information statement/prospectus. Because the number of shares of NeoMedia common stock to be issued in the merger will not be known until the completion of the merger, pro forma per share data is presented below using the closing sale price of a share of NeoMedia common stock on December 31, 2004 which was $0.265.

	YEAR ENDED JULY 31, 2004	YEAR ENDED DECEMBER 31, 2004
BSD HISTORICAL		
Earnings per share	$0.00	---
Book value per share (as of end of period)(1)	($0.10)	---
NEOMEDIA HISTORICAL		
Loss per share	---	($0.02)
Book value per share (as of end of period)(1)	---	$0.01
PRO FORMA COMBINED		
Loss per combined company share(2)	---	($0.02)
Book value per combined company share (as of end of period)(3)	---	$0.02

(1) The historical net book value per share of NeoMedia and BSD common stock is computed by dividing common stockholders' equity at period end by the number of shares of common stock outstanding at the period end.

(2) The pro forma combined net loss per share of the combined company's common stock is computed by dividing the pro forma combined net loss by the pro forma weighted number of shares of common stock outstanding at the period end, assuming the merger had been completed on January 1, 2004.

(3) The pro forma combined net book value per share of the combined company's common stock is computed by dividing the pro forma common stockholders' equity (deficit) by the pro forma number of shares of common stock outstanding at the period end, assuming the merger had been completed on January 1, 2004.

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COMPARATIVE STOCK PRICE DATA

NeoMedia common stock is listed and traded on the Over-the-Counter Bulletin Board under the symbol "NEOM". BSD common stock and is listed and traded on the Over-the-Counter Bulletin Board under the symbol "BSDS". The following table sets forth, for the periods indicated, the high and low sales prices per share of NeoMedia common stock and BSD common stock as reported on the respective markets in which they are traded. Neither NeoMedia nor BSD has paid dividends with respect to its common stock.

	NEOMEDIA COMMON STOCK		BSD COMMON STOCK	
	HIGH	LOW	HIGH	LOW
2001				
January 1 - March 31	$6.00	$5.69	$0.25	$0.25
April 1 - June 30	$4.50	$5.00	$0.25	$0.001
July 1 - September 30	$1.85	$4.12	$0.001	$0.001
October 1 - December 31	$0.24	$1.94	$7.25	$1.10
2002				
January 1 - March 31	$0.41	$0.14	$7.05	$5.25
April 1 - June 30	$0.17	$0.05	$8.52	$6.00
July 1 - September 30	$0.10	$0.02	$8.52	$1.25

October 1 - December 31	$0.05	$0.01	$4.75	$0.33
2003				
January 1 - March 31	$0.06	$0.01	$1.85	$0.64
April 1 - June 30	$0.04	$0.01	$1.28	$0.30
July 1 - September 30	$0.29	$0.01	$0.51	$0.22
October 1 - December 31	$0.23	$0.10	$0.44	$0.16
2004				
January 1 - March 31	$0.16	$0.14	$0.25	$0.09
April 1 - June 30	$0.11	$0.05	$0.51	$0.09
July 1 - September 30	$0.12	$0.06	$0.85	$0.22
October 1 - December 31	$0.30	$0.06	$0.34	$0.12
2005				
January 1 - March 31	$0.29	$0.22	$0.24	$0.07
April 1 - June 27	$0.72	$0.19	$0.17	$0.06
July 1 - August 8	$0.46	$0.38	$0.07	$0.05

On December 20, 2004, the last trading day prior to the public announcement of the execution of the Merger Agreement, the closing price of BSD common stock was $0.15 per share and the closing price of NeoMedia common stock was $0.18 per share. On August 8, 2005, the most recent practicable trading day prior to the printing of this information statement/prospectus, the closing price of BSD common stock was $0.05 per share and the closing price of NeoMedia common stock was $0.402 per share. The market prices of shares of BSD common stock and NeoMedia common stock are subject to fluctuation. As a result, BSD shareholders are urged to obtain current market quotations. Since April 5, 2005, the approximate date that NeoMedia filed its initial information statement/prospectus relative to its acquisition of and merger with BSD, NeoMedia's stock has been subject to dramatic price volatility. Between April 5, 2005 and August 8, 2005, NeoMedia's stock has traded as low as $0.21 per share and as high as $0.72 per share. On August 8, 2005, there were 32,560,897 shares of BSD common stock outstanding and 457,144,000 shares of NeoMedia common stock outstanding.

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THE MERGER

On December 20, 2004, NeoMedia and BSD signed a definitive Merger Agreement, the form of which is attached hereto as Exhibit 10.55.

BSD's Reasons for the Merger

On November 29, 2004, BSD's Board of Directors approved the Merger Agreement, which provides for the acquisition by NeoMedia of BSD through a merger of BSD with and into NeoMedia Telecom Services, a newly formed and wholly-owned subsidiary of NeoMedia. In addition, holders of 62.7% of BSD's outstanding shares approved the merger by signing a Voting Rights Agreement.

In reaching their decision to approve the merger and the other transactions contemplated by the Merger Agreement, the BSD Board of Directors and majority shareholders consulted with BSD's management and its legal and financial advisors. BSD's board and majority shareholders considered a number of factors and potential benefits of the merger including, without limitation, the following:

- the enhanced potential for earnings and revenue growth that could be attained through a combination of NeoMedia's PaperClickTM technology with BSD's technology and telecommunications industry expertise (in addition, both companies expect cost savings may be attained by eliminating overlap of expenses);

- the significantly larger public float and trading volume of NeoMedia common shares compared to the public float and trading volume of shares of BSD common stock, which should provide BSD shareholders who receive NeoMedia shares in the merger the opportunity to gain greater liquidity in their investment;

- the results of the business and accounting due diligence review conducted by BSD's management and directors;

- the potential benefits to BSD employees from a combination with NeoMedia;

- BSD's business, current financial condition and results of operation and future prospects and the belief of the board and majority shareholders, based on its familiarity with these matters, that the consideration to be received by BSD's shareholders in the transaction fairly reflects BSD's intrinsic value, including its prospects for future growth in line with historical growth rates;

- the recent evaluation by BSD's management of BSD's strategic plan and projections and the risks related to achieving those projections and the goals of that plan, compared to the risks and benefits of the merger; and

- THE ABILITY OF BSD'S SHAREHOLDERS TO RECEIVE THE MERGER CONSIDERATION ON A TAX-ADVANTAGED BASIS.

The BSD Board of Directors and majority shareholders also considered and balanced against the potential benefits of the merger a number of potentially adverse factors concerning the merger including, without limitation, the following:

- the fact that the final number of NeoMedia shares to be issued in exchange for each share of BSD is dependent upon the trading price of NeoMedia's common stock at the time of closing, and that an increase in NeoMedia's share price between the date of this prospectus and closing will result in BSD shareholders receiving fewer shares of NeoMedia common stock in the merger;

- the opportunities for growth and the potential for increased shareholder value if BSD were to stay independent and realize its strategic plan, financial projections and expected technological advances over the next five years;

- the risk that the merger might not be completed in a timely manner or at all;

- the risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger; and

- o the possibility of management and employee disruption associated with the merger.

After taking into account all of the factors set forth above, as well as others, the BSD Board of Directors and majority shareholders agreed that the benefits of the merger outweigh the risks and that the Merger Agreement and the merger are advisable and fair and in the best interests of BSD and its shareholders.

The BSD Board of Directors and majority shareholders did not assign relative weights to the above factors or the other factors considered by it. In addition, the BSD board and majority shareholders did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of the BSD board may have given different weight to different factors.

NeoMedia's Reasons for the Merger

The Board of Directors of NeoMedia approved the Merger Agreement on August 18, 2004 after NeoMedia's senior management discussed with the Board of Directors the business, assets, liabilities, results of operations and financial performance of BSD, the complementary nature of certain of BSD's products and capabilities and the products of NeoMedia, the expectation that BSD could be integrated with NeoMedia, and the potential benefits that could be realized as a result of such integration.

Interests of Certain Persons in the Merger; Conflicts of Interest

BSD shareholders should be aware that some of BSD's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of BSD shareholders generally. The Board of Directors of BSD was aware of these interests and considered them in approving the merger and the Merger Agreement.

Equity Plans. Upon the completion of the merger, BSD employees, including senior management, will be eligible to participate in NeoMedia's stock option plans and stock incentive plans. Any issuances of stock or stock options under NeoMedia's various plans must be approved by either the Stock Option Committee of NeoMedia's board, or the Board of Directors as a whole.

Insiders Who Are Debtholders of BSD. Two of BSD's majority shareholders who approved the merger are also debtholders of BSD. The debt owed to these individuals will become debt of NeoMedia Telecom Services upon completion of the merger.

Anticipated Accounting Treatment

The total merger consideration paid by NeoMedia, together with the direct costs of the merger, will be allocated to BSD's tangible and intangible assets and liabilities based on their fair market values. The assets, liabilities and results of operations of BSD will be consolidated into the assets, liabilities and results of operations of NeoMedia after the merger.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following discussion sets forth the material United States federal income tax consequences of the merger to BSD Stockholders (as defined below). This discussion does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. This discussion is based upon the Internal Revenue Code of 1986, as amended, (the "Code"), the regulations of the U.S. Treasury Department and court and administrative rulings and decisions in effect on the date of this registration statement. These laws may change, possibly retroactively, and any change could affect the continuing validity of this discussion.

For purposes of this discussion, the term "BSD Stockholder" refers to a holder of BSD common stock that is:

- A citizen or resident of the United States;

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- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any of its political subdivisions;

- a trust if it (i) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person; or

- an estate that is subject to U.S. federal income tax on its income regardless of its source.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds BSD common stock, the tax treatment of a partner will generally depend on the status of the partners and the activities of the partnership. A partner of a partnership holding BSD common stock should consult his own tax advisor.

This discussion assumes that BSD common stock is held as a capital asset within the meaning of Section 1221 of the Code. Further, this discussion does not address all aspects of U.S. federal income taxation that may be relevant to BSD Stockholder under the stockholder's particular circumstances or that may be applicable to a BSD Stockholder if the stockholder is subject to special treatment under the U.S. federal income tax laws, including if a BSD Stockholder is:

- a financial institution;

- a tax-exempt organization;

- an S corporation or other pass-through entity;

- an insurance company;

- a mutual fund;

- a dealer in securities or foreign currencies;

- a trader in securities who elects the mark-to-market method of accounting for the securities;

- subject to the alternative minimum tax provisions of the Code;

- a BSD Stockholder who received BSD common stock through the exercise of employee stock options or through a tax-qualified retirement plan;

- a person that has a functional currency other than the U.S. dollar;

- a holder of options granted under any BSD benefit plan;

- a BSD Stockholder who holds BSD common stock as part of a hedge, straddle or a constructive sale or conversion transaction; or

- certain United States expatriates.

THE MERGER. NeoMedia and BSD have structured the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. NeoMedia will receive a legal opinion that the merger so qualifies. In addition, based on representations and covenants contained in a tax opinion certificate provided by NeoMedia and NeoMedia Telecom Services, Inc. and on customary factual assumptions, all of which must continue to be true and accurate in all material respects as of the effective time of the merger, and subject to the qualifications and limitations set forth in the opinion, it is the opinion of Kirkpatrick & Lockhart Nicholson Graham LLP, counsel to NeoMedia, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. Accordingly, the material U.S. federal income tax consequences of the merger are as follows:

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- BSD Stockholders will not recognize gain or loss upon the exchange of BSD common stock for NeoMedia common stock except to the extent of any cash received instead of a fractional share of NeoMedia common stock. This gain or loss will be capital gain or loss equal to the difference between the amount of cash received and the tax basis allocated to such fractional share. The capital gain or loss recognized will constitute long-term capital gain or loss if the BSD Stockholder's holding period in BSD common stock surrendered in the merger is greater than one year as of the date of the merger.

- the aggregate tax basis in the NeoMedia common stock that a BSD Stockholder receives in the merger (including any fractional share interest deemed to be received and exchanged for cash) will equal the BSD Stockholder's aggregate tax basis in the BSD common stock that the stockholder surrenders less the amount of cash, if any, the BSD Stockholder receives, plus the amount of any gain the BSD Stockholder recognizes as a result of receiving the cash, if any; and

- the holding period for the NeoMedia common stock that a BSD Stockholder receives in the merger (including any fractional share interest deemed to be received and exchanged for cash) will include the BSD Stockholder's holding period for the shares of BSD common stock that the stockholder surrenders in the exchange.

If a BSD Stockholder acquired different blocks of BSD common stock at different times and at different prices, the stockholder's tax basis and holding period in his NeoMedia common stock may be determined with reference to each block of BSD common stock.

BACKUP WITHHOLDING. A non-corporate BSD Stockholder may be subject to information reporting and backup withholding on any cash received instead of a fractional share interest in NeoMedia common stock. A BSD Stockholder will not be subject to backup withholding, however, if the stockholder:

- furnishes a correct taxpayer identification number and certifies that the BSD Stockholder is not subject to backup withholding on the

Form W-9 or successor form; or

o is otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against your U.S. federal income tax liability, provided you furnish the required information to the Internal Revenue Service.

REPORTING REQUIREMENTS. A BSD Stockholder that receives NeoMedia common stock as a result of the merger will be required to retain records pertaining to the merger and will be required to file with the stockholder's United States federal income tax return for the year in which the merger takes place a statement setting forth facts relating to the merger.

THIS DISCUSSION DOES NOT ADDRESS TAX CONSEQUENCES THAT MAY VARY WITH, OR ARE CONTINGENT ON, INDIVIDUAL CIRCUMSTANCES. MOREOVER, IT DOES NOT ADDRESS ANY NON-INCOME TAX OR ANY FOREIGN, STATE OR LOCAL TAX CONSEQUENCES OF THE MERGER. TAX MATTERS ARE VERY COMPLICATED, AND THE TAX CONSEQUENCES OF THE MERGER TO AN INDIVIDUAL BSD STOCKHOLDER WILL DEPEND UPON THE FACTS OF THE STOCKHOLDER'S PARTICULAR SITUATION. ACCORDINGLY, BSD STOCKHOLDERS ARE STRONGLY ENCOURAGED TO CONSULT WITH A TAX ADVISOR TO DETERMINE THE PARTICULAR FEDERAL, STATE, LOCAL OR FOREIGN INCOME OR OTHER TAX CONSEQUENCES TO THEM OF THE MERGER.

MATERIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following is a summary of the principal Canadian federal income tax considerations generally applicable to BSD Stockholders who are resident in Canada. This summary, which does not constitute a legal opinion, is restricted in its scope to BSD Stockholders who are individuals (that is, taxpayers who are persons and not corporations, trusts or other entities) resident in Canada for the purposes of the Income Tax Act Canada (the "Tax Act") and who hold their shares as capital property. This commentary assumes that the BSD Stockholder and any person deemed to deal with him not at arm's-length for the purposes of the Tax Act, will not after the exchange hold or have rights to acquire more than one-half of the shares entitled to vote to elect directors in NeoMedia nor have shares with a fair market value of more than 50% of all issued shares in NeoMedia.

This summary is based upon NeoMedia's understanding of the Tax Act, the regulations to it (the "Regulations") and the current administrative practices of the Canada Revenue Agency ("CRA"). This summary also takes into account proposals for specific amendments to the Tax Act publicly announced in writing by the Minister of Finance of Canada as of the date of this information statement/prospectus (the "Proposed Amendments"). There is no assurance that the Proposed Amendments will be enacted into law in the manner proposed, or at all. This summary does not take into account or anticipate any possible changes in the law, whether by legislative, governmental or judicial action.

No advance income tax ruling has been applied for from CRA in connection with the transactions contemplated by filing nor will one be sought.

This summary is not exhaustive of all possible federal income tax considerations and does not deal with provincial or foreign income tax considerations. This summary does not constitute, and should not be construed to constitute, legal or tax advice to any particular person. BSD STOCKHOLDERS RESIDENT IN CANADA ARE THEREFORE ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THEIR PARTICULAR CIRCUMSTANCES.

A BSD Stockholder who exchanges his/her or her shares for NeoMedia stock will have a disposition of those shares for the purposes of the Tax Act. That BSD Stockholder will be deemed to have disposed of BSD shares for an amount equal to their cost base immediately prior to the exchange (thus realizing no gain or loss) and will be deemed to have acquired the NeoMedia shares for that same amount.

However, a Canadian resident BSD Stockholder can elect in his/her return of income of the taxation year in which the exchange occurs to treat the disposition not as a "rollover" or non-recognition transaction but as one which may generate a capital gain (or loss). In that case, proceeds of disposition of shares by the BSD Stockholder equal to the fair market value of the NeoMedia shares received on the exchange will be deemed to have realized. To the extent that the proceeds of disposition received or deemed to have been received in respect of the BSD shares exceed the aggregate of the BSD Stockholder's adjusted cost base and costs of disposition, the BSD Stockholder will realize a capital gain for income tax purposes. A capital loss will generally be realized to the extent that proceeds of disposition are exceeded by the BSD Stockholder's adjusted cost base of the BSD shares and costs of disposition.

A Canadian resident must include one-half of the amount of any capital gain realized into income which would then be taxed at ordinary marginal rates. One-half of a capital loss, referred to in the Tax Act as an allowable capital loss, may be utilized to offset taxable capital gains realized by the individual in the current year. To the extent that allowable capital losses realized in the year are not utilized to offset taxable capital gains for that year, such allowable capital losses can be used to offset net taxable capital gains in future years or in the three preceding years.

The cost base of the NeoMedia shares to that Canadian resident BSD Stockholder will be their fair market value on the date of the transaction if that BSD Stockholder elects out of the "rollover" treatment.

Dissenters' Rights

Under Florida law, holders of BSD common stock outstanding immediately prior to the effective date of the merger who have not voted in favor of the merger have the right to exercise their dissenters' rights and obtain payment in cash for the fair value of their shares of common stock, rather than receive shares of NeoMedia common stock as described in this information statement/prospectus and the attached Merger Agreement. To exercise dissenters' rights, BSD stockholders must strictly follow the procedures described under Section 607.1301 et seq. of the Florida Business Corporation Act (the "FBCA"). The text of the applicable provisions of Florida Business Corporation Act, together with BSD's initial notice to dissenters as required under the FBCA and a Dissenter's Demand Notice Form, is attached as Annex A to this information statement/prospectus. Instruction as to how to exercise dissenters' rights in connection with the merger are included in Annex A. A BSD shareholder desiring to exercise his/her dissenters' rights under the FBCA must execute and return to BSD the Dissenter's Demand Notice Letter in Annex A.

In order to exercise appraisal rights, dissenting shareholders must strictly comply with the statutory procedures of the FBCA. If a proposed corporation action requiring appraisal rights under the FCBA is submitted to a vote at a shareholders' meeting, or is submitted to a shareholder pursuant to a consent to vote, a dissenting shareholder who wishes to exercise appraisal rights, must deliver to the corporation before the vote is taken, or within 20 days after receiving notice from the corporation that such appraisal rights are available, a written notice of intent to demand payment. A dissenting shareholder then cannot vote in favor of the proposed action. If the proposed action becomes effective, the corporation must deliver a written appraisal notice and form to all dissenting shareholders who provided a notice of intent to demand payment within the statutorily prescribed time limits. The corporation must send the appraisal notice and form within 10 days after the corporate action became effective. The corporation may offer to a dissenting shareholder a payment based on the corporation's estimate of the fair value of the shareholder's shares. The fair value of the shares is determined immediately before the effectuation of the corporate action to which the shareholder objects and using customary and current valuation concepts and techniques generally employed for similar business in the context of the transaction requiring appraisal, excluding any appreciation or depreciation in anticipation of the corporate action, unless such exclusion would be inequitable. A dissenting shareholder who is dissatisfied with the corporation's offer, must notify the corporation on the form provided to the dissenting shareholder by the corporation of that dissenting shareholder's estimate of the fair value of the shares and demand payment of that estimate plus interest. If a dissenting shareholder fails to notify the corporation in writing of the demand to be paid the shareholder's stated estimate of the fair value plus interest within the timeframe requested be the corporation, which shall be no less than 40 or more than 60 days after the appraisal notice and form are sent, the shareholder is entitled only to the payment offered by the corporation. Due to the fact that the actual exchange rate of BSD shares for NeoMedia shares will not be known until the effective time of the merger, a dissenting shareholder may not know the actual exchange rate at the time the notice of dissent is submitted.

Section 607.1302 of the FBCA provides in pertinent part that a shareholder is entitled to appraisal (i.e., dissenters') rights, and to obtain payment of the fair value of that shareholder's shares in the event of, among other things, consummation of a merger to which the corporation is a party if shareholder approval is required for the merger under Section 607.1103 of the FBCA, and the shareholder is entitled to vote on the merger or exchange of shares in such merger; provided that the shareholder has not voted in favor of the merger or share exchange.

A shareholder may assert his/her/her dissenters' rights to all or fewer than all shares he/she/she held as of the record date.

Under Section 607.1320, the corporation is required to provide the stockholder with an initial notice of the corporate action giving rise to dissenters' rights (e.g., a merger or share exchange) at the same time the corporation provides notice of the meeting on which the proposed merger will be put to a vote, or if no such meeting is to occur, on the date on which the corporation first solicits consents for the proposed merger or share exchange from any stockholder (the "Initial Notice"). The Initial Notice must also inform the stockholder that the corporation has concluded that a stockholder may be, is, or is not entitled to assert their dissenters' rights under the FBCA.

Within 20 days of receipt of the Initial Notice (or before a vote is taken on the proposed merger), a stockholder who has not voted to approve the merger and who wished to exercise his/her dissenters' rights, must so notify the corporation in writing.

If the proposed merger is approved by the stockholders, then the corporation must, within 10 days of the date on which the merger became effective, send a second notice to the stockholders who previously provided notice to the corporation of their intention to assert their dissenters' rights informing such persons that the merger was approved and soliciting from them certain information to be supplied on an enclosed form and returned to the corporation, such as name, number of shares held, affirmative representation that they did not vote for the merger, the corporation's estimate of the fair value of the shares held by such person, a copy of the corporation's current financial statements, and a copy of Sections 607.1301 through 607.1333 of the FBCA (the "Second Notice"). "Fair value" is defined under the FBCA as the value of the corporation's shares immediately prior to the proposed merger using customary and current valuation concepts and techniques generally employed for similar businesses in the context of the transaction requiring appraisals.

A stockholder wishing to exercise his/her dissenters' rights must then execute the form enclosed in the Second Notice and return it to the corporation within 20 days, and, if his shares are represented by certificates, deposit such certificates in accordance with the terms contained in the Second Notice. Once the shareholder has done the foregoing, he/she loses all rights as a shareholder unless he/she withdraws his/her election to exercise his/her dissenters' rights. If the shareholder states on such form that he/she accepts the corporation's offer, then the corporation must tender payment to shareholder within 90 days. However, if the shareholder indicates on such form that he/she does not accept the corporation's offer, then he/she must provide his/her determination of the fair value and note same on the form before returning it to the corporation.

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The corporation then has 60 days in which to (a) accept the shareholders' counter-offer/determination of fair value and thereafter pay such amount within said 60-day period, or (b) negotiate with the shareholder toward a compromise value and thereafter pay such amount within said 60-day period, or (c) reject the shareholder's counter-offer/determination of fair value and thereafter within said 60-day period commence a proceeding in the appropriate court in the county in which the corporation's principal office is located for a judicial determination of fair value. The corporation must tender payment of the fair value determined by the court within 10 days of a final determination.

Under the FBCA, court costs, including costs of any third party appraisals ordered by the court, are paid by the corporation. Additionally, if the court finds that the corporation did not substantially comply with the FBCA with regard to dissenters' rights, it can assess fees for the shareholder's counsel against the corporation as well. However, if the court finds that the shareholder acted arbitrarily or vexatiously, it can assess the corporation's legal fees against the shareholder.

FEDERAL OR STATE REGULATORY REQUIREMENTS AND APPROVALS

NeoMedia has consulted with its legal counsel and believes that it is not required to obtain the consent of, or furnish prior notice to, any federal or state governmental authority in connection with the consummation of the merger, including any notice required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 United States, Section 18a (Section 7A of the Clayton Act).

DESCRIPTION OF NEOMEDIA'S AND BSD'S SECURITIES

A description of NeoMedia's and BSD's securities is provided on page 77 and page 102 of this information statement/prospectus, respectively.

MATERIAL DIFFERENCES BETWEEN RIGHTS OF HOLDERS OF NEOMEDIA COMMON STOCK COMPARED TO BSD COMMON STOCK

A description of the material differences between rights of holders of

NeoMedia common stock compared to BSD common stock is provided on page 40 of this information statement/prospectus.

THE MERGER AGREEMENT

This section of the information statement/ prospectus describes the Merger Agreement. While NeoMedia and BSD believe that the description covers the material terms of the Merger Agreement, this summary may not contain all of the information that is important to you. The Merger Agreement is attached to this prospectus as Exhibit 10.55. This document is incorporated herein by reference, and NeoMedia and BSD urge you to read it carefully.

General; Structure of Transaction; Distribution of Common Stock

Following satisfaction or waiver of all of the conditions to the merger, BSD will merge into NeoMedia Telecom Services, a wholly-owned subsidiary of NeoMedia which is sometimes referred to as the "merger subsidiary." NeoMedia Telecom Services will survive the merger as a wholly-owned subsidiary of NeoMedia. If all conditions to the merger are satisfied or waived, the merger will become effective at the time of the filing by the surviving corporation of a duly executed certificate of merger with the Nevada Secretary of State.

The Exchange Ratio and Treatment of BSD Common Stock. BSD's shareholders will receive, for each share of BSD stock owned, NeoMedia stock equivalent to .07 divided by the volume-weighted average price of NeoMedia stock for the five days prior to the effective time of the merger. The number of NeoMedia shares each BSD shareholder will receive at closing will change depending on NeoMedia's stock price at the time of closing. NeoMedia stock to be issued in the exchange will be valued using a 5-day volume-weighted average closing price for the five days prior to closing. No fractional shares will be issued. BSD common stockholders that otherwise would receive fractional shares will instead receive the nearest whole number of shares rounded down and an amount of cash (without interest) equal to the product of such fraction multiplied by the volume-weighted average closing price for the five days prior to closing of one share of NeoMedia common stock as reported on the Over-the-Counter Bulletin Board. IT IS IMPORTANT TO NOTE THAT BSD SHAREHOLDERS WILL NOT KNOW THE ACTUAL NUMBER OF SHARES THEY WILL RECEIVE UNTIL THE EFFECTIVE DATE OF THE MERGER. BSD SHAREHOLDERS WHO WISH TO INQUIRE ABOUT THE NUMBER OF SHARES THEY WILL RECEIVE IN THE MERGER CAN CALL TOLL-FREE (877) 813-2419.

Treatment of BSD Stock Options and Warrants. NeoMedia will not assume any outstanding stock options or warrants issued by BSD. All options and warrants to purchase BSD stock will be converted or cancelled prior to the effective date.

Exchange of Certificates. After the effective date of the merger, BSD's transfer agent, Florida Atlantic Stock Transfer, will mail to each record holder of BSD common stock a letter of transmittal and instructions for surrendering their certificates. Only those holders who properly surrender their certificates in accordance with the instructions will receive a certificate or certificates representing that number of whole shares of NeoMedia common stock, cash in lieu of any fractional shares of NeoMedia common stock and any dividends or distributions to which they are entitled. The surrendered certificates representing shares of BSD common stock will be cancelled. After the effective time of the merger, each certificate representing shares of BSD common stock that has not been surrendered will only represent the right to receive common stock of NeoMedia, cash in lieu of any fractional shares of NeoMedia common stock and any dividends or distributions to which they are entitled. Following the effective date of the merger, BSD will not register any transfers of BSD common stock on its stock transfer books.

No dividends or other distributions declared or made with respect to NeoMedia common stock with a record date after the closing date of the merger will be paid to the holder of any unsurrendered BSD certificate until the holder surrenders its BSD certificate in accordance with the letter of transmittal. Upon surrender, the transfer agent will deliver to the record holder of the certificate, without interest, any dividends or distributions with respect to the NeoMedia common stock to which the holder is entitled which have a record date after the closing date of the merger.

If any BSD common stock certificate is lost, stolen or destroyed, a BSD stockholder must provide an appropriate affidavit of that fact. NeoMedia may require a BSD stockholder to deliver a bond or indemnity agreement as security against any claim that may be made against NeoMedia, the surviving corporation or the transfer agent with respect to any lost, stolen or destroyed certificate.

Representations and Warranties

NeoMedia and BSD each made a number of representations and warranties in the Merger Agreement regarding aspects of their respective businesses, financial condition, structure and other facts pertinent to the merger.

BSD's representations and warranties include representations as to:

- Organization of BSD;
- Capitalization of BSD;
- Stockholders' Agreements, etc;
- Authorization;
- Officers and Directors;
- Bank Accounts;
- Subsidiaries;
- Real Property;
- Personal Property;
- Environmental Matters;
- Contracts;
- No Conflict or Violation;
- Consents;
- Permits;
- SEC Reports;
- Financial Statements;
- Books and Records;
- Absence of Certain Changes or Events;
- Liabilities;
- Litigation;
- Labor Matters;
- Employee Benefit Plans;
- Transactions with Related Parties;
- Compliance with Law;
- Intellectual Property;
- Tax Matters;
- Insurance;
- Brokers;
- Transaction Costs;
- No Other Agreements to Sell NeoMedia or its Assets;
- Accounts Receivable;
- Inventory;

- Product Warranty;
- Board Recommendation; and
- Material Misstatements or Omissions.

NeoMedia's representations and warranties include representations as to:

- Organization;
- Capitalization of NeoMedia and Merger Subsidiary;
- Authorization;
- SEC Reports;
- Financial Statements;
- Books and Records;
- No Conflicts;
- Approvals;
- Merger Consideration;
- Brokers' and Finders' Fees;
- Board Approval; and
- No Stockholder Approval Required.

The representations and warranties in the Merger Agreement are complicated and not easily summarized. You are urged to carefully read the portions of the Merger Agreement entitled "Representations and Warranties of NeoMedia and major stockholders" relating to BSD and "Representations and Warranties of Buyer and Merger Sub" relating to NeoMedia and the Merger Subsidiary.

Conduct of Business Prior to the Effective Time of the Merger

BSD and NeoMedia have agreed that, until the earlier of the completion of the merger or termination of the Merger Agreement, except as contemplated by the Merger Agreement or agreed to in writing, they will, and will cause their respective subsidiaries to, operate their respective businesses solely in the ordinary course of business and in accordance with past practice.

BSD and NeoMedia have also agreed that until the earlier of the completion of the merger or termination of the Merger Agreement, BSD will not, and will not permit any of its respective subsidiaries to, do any of the following without NeoMedia's prior written consent, unless expressly contemplated by the Merger Agreement and subject to certain exceptions:

- incur any indebtedness for borrowed money, or assume, guarantee, endorse, or otherwise become responsible for obligations of any other person;

- issue or commit to issue any shares of its capital stock or any other securities or any securities convertible into shares of its capital stock or any other securities;

- declare, pay or incur any obligation to pay any dividend or distribution on its capital stock or declare, make or incur any obligation to make any distribution or redemption with respect to capital stock;

- make any changes to its Articles of Incorporation or bylaws or other charter documents;

- mortgage, pledge or otherwise encumber any assets or sell, transfer, license or otherwise dispose of any assets except for the sale or disposition of inventory to customers in the ordinary course of business and consistent with past practice;

- cancel, release or assign any indebtedness owed to it or any claims or rights held by it;

- make any investment or commitment of a capital nature either by purchase of stock or securities, contributions to capital, property transfer or otherwise, or by the purchase of any property or assets of any other person;

- terminate any contracts or make any change in any contract;

- enter into or modify any employment contract;

- pay any compensation to or for any employee, officer or director other than in the ordinary course of business and pursuant to employment arrangements existing as of the date of the Merger Agreement;

- pay or agree to pay any bonus, incentive compensation, service award, severance, "stay bonus" or other like benefit;

- enter into or modify any other material employee plan;

- enter into or modify any contract or other arrangement with a related party;

- make any change in any method of accounting or accounting practice;

- fail to comply with all material laws applicable to the assets of BSD or BSD's subsidiaries and business consistent with past practices;

- fail to use its commercially reasonable efforts to (i) maintain its business, (ii) maintain existing relationships with material suppliers and customers of BSD and others having business dealings with BSD, and (iii) otherwise preserve the goodwill of its business so that such relationships and goodwill will be preserved on and after the closing date;

- make or change any election in respect of taxes, adopt or change any material accounting method in respect of taxes, enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement, settle or compromise any claim, notice, audit report or assessment in respect of taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of taxes; or

- commence any legal action or proceeding.

The agreements related to the conduct of business in the Merger Agreement are complicated and not easily summarized. You are urged to carefully read the section of the Merger Agreement entitled "Conduct Prior to the Effective Time."

No Solicitation

Until the merger is completed or the Merger Agreement is terminated, BSD has agreed not to, and agreed to direct their respective officers, directors, employees, representatives and other agents not to:

- take any action to solicit, initiate or encourage the making of, any acquisition proposal, or

- subject to the discussion below, engage in any negotiations with, or provide any nonpublic information or data to, or afford any access to its properties, books or records any person relating to any acquisition proposal.

BSD may, without breaching the Merger Agreement, respond to an unsolicited acquisition proposal by discussing the proposal with, and furnishing information to the party making the proposal, if the board determines in good faith with advice from its financial advisor that the potential acquirer submitting such acquisition proposal is reasonably capable of consummating the acquisition, and the board determines in good faith after receiving advice from its financial advisor, that such acquisition proposal is reasonably likely to lead to a superior proposal.

BSD has agreed to promptly notify NeoMedia of any acquisition proposal, or any request for information or access to properties, books or records by any person who has advised that it may be considering making, or that has made, an acquisition proposal.

Additional Covenants

BSD has also agreed to the following covenants:

- The major stockholders shall have entered into voting agreements with NeoMedia with respect to the voting of their BSD common stock and which voting agreements prohibit the major stockholders from selling or transferring their BSD common stock prior to the effective time of the merger;

- BSD will give NeoMedia and its officers, employees, accountants, counsel, financing sources and other agents and representatives reasonable access to all buildings, offices, and other facilities and to all books and records of BSD and all BSD subsidiaries, whether located on the premises of BSD or at another location;

- BSD will permit NeoMedia to make such inspections as it may reasonably require;

- BSD will cause its officers to furnish NeoMedia such financial, operating, technical and product data and other information with respect to the business and assets of BSD as NeoMedia from time to time may request, including without limitation, financial statements and schedules;

- BSD will allow NeoMedia the opportunity to interview such employees and other personnel and affiliates of BSD as NeoMedia may reasonably request;

- BSD will assist and cooperate with NeoMedia in the development of integration plans for implementation by NeoMedia and the Surviving Corporation following the effective date of the merger;

- BSD will exercise any rights that mature between the date hereof and the effective date of the merger to repurchase any outstanding shares of BSD common stock at the price at which such shares were issued;

- BSD will make reasonable efforts to maintain its proprietary rights; and

- BSD will deliver to NeoMedia all SEC filings it makes prior to the closing date.

BSD and NeoMedia have mutually agreed to the following covenants:

- BSD and NeoMedia will keep the information or knowledge obtained pursuant to the negotiation and execution of the Merger Agreement or the effectuation of the merger transaction confidential;

- Both sides will bear their own expenses relating to the merger;

- Except as required by law (including federal and state securities laws), or as may be reasonably necessary to complete the merger, neither BSD nor NeoMedia will disclose the existence of, or any subject matter of, or the terms and conditions of, the Merger Agreement to any third party without the prior written consent of the other;

- BSD and NeoMedia will use commercially reasonable efforts to take, or cause to be taken, all actions under the Merger Agreement;

- BSD and NeoMedia will notify one another of (a) the occurrence of any event, the occurrence of which is likely to cause any representation or warranty of BSD or NeoMedia to be untrue or inaccurate at or prior to the closing date, and (b) any failure of the BSD or NeoMedia to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under the Merger Agreement;

- BSD will be responsible for all tax returns and related liabilities until the closing date, and NeoMedia will be responsible for all tax returns and related liabilities after the closing date;

- BSD and NeoMedia agree that in connection with any third party or derivative litigation which may be brought against BSD relating to the merger, BSD will keep NeoMedia informed of the course of such litigation, and BSD agrees that it will consult with NeoMedia prior to entering into settlement or compromise of any such litigation; and

- The Certificate of Incorporation and bylaws of the Surviving Corporation shall contain the provisions with respect to indemnification set forth in the Certificate of Incorporation and bylaws of BSD as of the date of the Merger Agreement.

Conditions to Completion of the Merger

The obligations of NeoMedia and BSD to complete the merger and the other transactions contemplated by the Merger Agreement are subject to the satisfaction or waiver, to the extent legally permissible, of each of the following conditions before completion of the merger:

- the registration statement on Form S-4 of which this information statement/prospectus is a part shall have been declared effective by the United States Securities and Exchange Commission (the "SEC") and shall not be the subject of any stop order or proceeding by the SEC seeking a stop order, and no similar proceeding shall have been initiated in respect of the information statement/prospectus;

- no temporary restraining order or injunction, law, regulation, order or proceeding by a governmental entity, that could prevent the merger or make the merger illegal, has been entered or begun; and

- each of BSD, NeoMedia and the Surviving Corporation shall have timely obtained from each governmental entity all necessary approvals, waivers or consents.

BSD's obligations to complete the merger and the other transactions contemplated by the Merger Agreement are subject to the satisfaction or waiver in writing of each of the following additional conditions before completion of the merger:

- The representations and warranties of NeoMedia contained in the Merger Agreement shall have been accurate in all respects as of the date of the Merger Agreement and shall be accurate in all respects as of the closing date as if made on and as of the closing date;

- NeoMedia shall have performed and complied with in all material respects of each agreement, covenant and obligation required by the Merger Agreement to be so performed or complied with by NeoMedia at or before the closing date; and

- NeoMedia shall have delivered to BSD a buyer certificate, dated the closing date and executed by an authorized officer of NeoMedia.

BSD's representations and warranties must be true and correct as of the date the merger is to be completed as if made at and as of such time except:

- The representations and warranties of BSD contained in the Merger Agreement shall have been accurate in all respects as of the date of the Merger Agreement and shall be accurate in all respects as of the closing date as if made on and as of the closing date;

- BSD shall have performed and complied with in all material respects each agreement, covenant and obligation required by the Merger Agreement to be so performed or complied with by BSD on or before the closing date;

- BSD shall have delivered to NeoMedia a seller certificate, dated the closing date and executed by the President and Chief Executive Officer of BSD;

- The adoption of the Merger Agreement by the requisite holders of the outstanding shares of BSD common stock shall have been obtained by BSD at a special meeting or by written consent as permitted by law;

- BSD shall not have liabilities in an amount greater than $5 million as of July 31, 2004, and as of the closing date;

- BSD shall have assets in an amount equal to or greater than $850,000 as of July 31, 2004, and as of the closing date;

- BSD shall not have in excess of 35 million shares of common stock issued and outstanding as of the closing date increased to 38 million on June 6, 2005;

- BSD shall have terminated prior to the closing date any and all employment agreements, severance agreements, "golden parachute" provisions of any agreements, and/or any other agreements that would entitle any person compensation or payment pursuant to the termination of such person's employment or a change of control in BSD;

- All required consents, approvals, notifications, disclosures, filings and registrations shall have been obtained or made;

- No action shall be pending or threatened relating in any way to the Merger Agreement or the transactions contemplated in the Merger Agreement;

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- The holders of not more than 5% of the issued and outstanding shares of BSD common stock shall have dissented to the merger;

- Each of the key employees defined in the Merger Agreement shall remain continuously employed by BSD on substantially the same terms and with substantially the same responsibilities as on the date of the Merger Agreement and BSD shall have no knowledge that any of the key employees has any intention to terminate their employment with the Surviving Corporation;

- Each required employee shall have executed and delivered to NeoMedia an employment agreement;

- All BSD stock option and warrant agreements shall be converted or cancelled prior to the effective time of the merger;

- BSD, BSD Stockholders and any person who is a "disqualified individual" (as defined in Section 280G(c) of the United States Internal Revenue Code, as amended (the "Code") and the proposed Treasury Regulations promulgated thereunder) with respect to BSD shall have taken any and all actions necessary to provide that no payment or acceleration of any right to benefits or payment pursuant to the Merger Agreement, any employee plan, contract or any other plan or arrangement shall constitute an "excess parachute payment" within the meaning of Code Section 280G(b)(1) (NeoMedia and BSD each acknowledge and agree that such actions may include, but are not necessarily limited to, the approval by BSD stockholders of the right to receive or retain such payments or benefits, which approval satisfies the requirements of Code Section 280G(b)(5)(B) of and the proposed Treasury Regulations promulgated thereunder); and

- NeoMedia shall have no actual knowledge and shall not have received a notice pursuant to Treasury Regulations Section 1.445-4 that the statement delivered by BSD pursuant to Code Section 6.11(g) is false.

Termination of the Merger Agreement

The Merger Agreement may be terminated and the merger may be abandoned any time prior to the effective time by either NeoMedia or BSD, if:

- the merger shall not have been consummated on or before July 31, 2005, which date may be extended by mutual consent of NeoMedia and BSD;

- any law shall have been enacted, entered or promulgated prohibiting the consummation of the Merger substantially on the terms contemplated in the Merger Agreement; or

- a court of competent jurisdiction or other government entity shall have issued an order, decree, ruling or injunction, or taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the merger substantially on the terms contemplated hereby, and such order, decree, ruling, injunction or other action shall have become final.

The Merger Agreement may be terminated and the merger may be abandoned any time prior to the effective time by NeoMedia, if:

- BSD shall have failed to comply in any material respect with any of the covenants or agreements contained in the Merger Agreement;

- there exists a breach or breaches of any representation or warranty of BSD contained in the Merger Agreement; or

- (i) the Board of Directors of BSD fails to adopt the Merger Agreement, or withdraws, amends or modifies in a manner adverse to NeoMedia its adoption of the Merger Agreement, (ii) a tender offer (to which Rule 14e-2(a) under the Securities Exchange Act of 1934, as amended (the "1934 Act") applies) for any of the outstanding shares of capital stock of BSD is commenced prior to BSD the closing date, and within the time required by Rule 14e-2(a) under the Exchange Act the Board of Directors of BSD fails to recommend

against acceptance of such tender offer, or takes no position with respect to such tender offer, or states its inability to take a position with respect to such tender offer, (iii) BSD or its Board of Directors takes any position (including making no recommendation or stating an inability to make a recommendation) with respect to any acquisition proposal other than a recommendation to reject such acquisition proposal, (iv) the Board of Directors of BSD resolves to accept, accepts or recommends to the stockholders of BSD a superior proposal, or (v) the Board of Directors of BSD resolves to take any of the foregoing actions.

The Merger Agreement may be terminated and the merger may be abandoned any time prior to the effective time by BSD, if:

- NeoMedia or the Surviving Corporation shall have failed to comply in any material respect with any of the covenants or agreements contained in any section of the merger;

- there exists a breach or breaches of any representation or warranty of NeoMedia or the Surviving Corporation contained in the Merger Agreement; or

- the Board of Directors of BSD accepts or recommends to the stockholders of BSD a superior proposal or resolves to do so, provided that BSD has given written notice of such superior proposal and NeoMedia has not made a proposal which is reasonably equivalent from the perspective of the stockholders of BSD within 72 hours of such written notice.

Expenses and Termination Fees

Each side shall pay their own expenses relating to the merger. Neither party is subject to a termination fee in the event the merger is not completed.

Amendment; Extension and Waiver of the Merger Agreement

Amendment. The Merger Agreement may be amended by the mutual written agreement of NeoMedia and BSD at any time prior to the closing of the merger.

Extension and Waiver. At any time prior to the effective time of the merger any party may, to the extent legally allowed:

- extend the time for the performance of any of the obligations or other acts of the other parties under the Merger Agreement;
- waive any inaccuracies in the representations and warranties made to such party contained in the Merger Agreement or in any document delivered pursuant to the Merger Agreement; or
- waive compliance with any of the agreements or conditions for the benefit of such party contained in the Merger Agreement.

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COMPARATIVE RIGHTS OF NEOMEDIA AND BSD SHAREHOLDERS

NeoMedia is incorporated under the laws of the State of Delaware, whereas BSD is incorporated under the laws of the State of Florida. BSD shareholders' rights are currently governed by the Florida Business Corporation Act ("FBCA"), the Articles of Incorporation of BSD and the bylaws of BSD; however, if the merger is completed, BSD shareholders who receive shares of NeoMedia common stock in the merger will become shareholders of NeoMedia, and their rights as such will be governed by the Delaware General Corporation Law ("DGCL"), NeoMedia's Certificate of Incorporation and bylaws. The material differences between the rights of holders of BSD common stock and the rights of holders of NeoMedia common stock, resulting from the differences in their governing documents, are summarized below.

The following summary does not purport to be a complete statement of the rights of holders of NeoMedia common stock or the rights of the holders of BSD common stock. This summary contains a list of the material differences but is not meant to be relied upon as an exhaustive list or a detailed description of the provisions discussed and is qualified in its entirety by reference to the DGCL, the FBCA, and the governing corporate documents of NeoMedia and BSD, to which the holders of BSD common stock are referred. Copies of such governing corporate documents of NeoMedia and BSD are available, without charge, to any person, including any beneficial owner to whom this information statement/prospectus is delivered, by following the instructions listed under "Where You Can Find More Information."

	BSD SOFTWARE, INC.	NEOMEDIA

AUTHORIZED CAPITAL STOCK	BSD's authorized capital stock consists of 5,000,000 shares of preferred stock, $0.001 par value per share, and 50,000,000 shares of common stock, $0.001 par value per share.	NeoMedia's authorized capital stock consists of 25,000,000 shares of preferred stock, par value $0.01 per share; and 1,000,000,000 shares of common stock, par value $0.01 per sha
PAYMENT OF DIVIDENDS	The Board of Directors of BSD may, from time to time, declare and the corporation may pay dividends on its shares in cash, property or its own shares, except when the corporation is insolvent or when the payment thereof would render the corporation insolvent subject to the provisions of the Florida Statutes. BSD has never paid a dividend.	Under the DGCL, NeoMedia may declare and pay cash dividends of its surplus or, if it has n surplus, out of any net profit for the current or preceding fiscal year, provided that the payment will not reduce the capital of the corporation bel the aggregate liquidation preference of the corporation' stock having a preference upon distribution of assets. NeoMed never paid a cash dividend.
ELECTION AND SIZE OF BOARD OF DIRECTORS	Elected annually with a minimum of one and no more than seven. BSD currently has one director.	The number of directors which shall constitute the whole boa shall be not less than one nor more than nine. NeoMedia currently has five board membe who are elected annually.

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	BSD SOFTWARE, INC.	NEOMEDIA
REMOVAL OF DIRECTORS	A director may resign at any time or may be removed at a meeting of shareholders called expressly for that purpose. Any director or the entire Board of Directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of directors.	A director may resign at any t upon written notice to the Boa of Directors. A director may removed with or without cause, a majority of stockholders if notice of the meeting names th director or directors to be removed at said meeting.
VACANCIES ON THE BOARD	Any vacancy occurring in the Board of Directors, including any vacancy created by reason of an increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall hold office only until the next election of directors by the	Any vacancy on the Board of Directors may be filled by election at the next annual or special meeting of stockholder A majority of the Board of Directors may fill any vacancy prior to such annual or specia meeting of stockholders.

	shareholders.	
VOTE ON EXTRAORDINARY CORPORATE TRANSACTIONS	Shareholders: Special meetings of the shareholders shall be held when directed by the president or the Board of Directors, or when requested in writing by the holders of no less than 10% of all the shares entitled to vote at the meeting. A meeting requested by shareholders shall be called for a date not less than 3 nor more than 30 days after the request is made, unless the shareholders requesting the meeting designate a later date. The call for the meeting shall be issued by the secretary, unless the president, the Board of Directors, or the shareholders requesting the meeting shall designate another person to do so. Directors: Written notice of the time and place of special meetings of the Board of Directors shall be given to each director by either personal delivery, telegram, or cablegram at least three days before the meeting or by notice mailed to the director at least 3 days before the meeting. Members of the Board of Directors may participate in a meeting of such board by means of a conference telephone or	Stockholders: Special meetings the stockholders may be called either by the chairman, presid or secretary at the request, i writing of a majority of the B of Directors or at the request writing of stockholders owning shares of capital stock equal 50% of the entire capital stoc the corporation issued and outstanding and entitled to vo Directors: The authority of th Board of Directors may be exercised without a meeting if consent in writing, setting fo the action taken, is signed by of the directors entitled to v

	BSD SOFTWARE, INC.	NEOMEDIA
	similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence in person at the meeting.	
AMENDMENT OF CERTIFICATE OR ARTICLES OF INCORPORATION	May be amended by the affirmative vote of a majority of the Board of Directors and by the affirmative vote of the holders of not less than two-thirds of the then outstanding stock of the	NeoMedia reserves the right to amend, alter, change or repeal provision contained in the Certificate of Incorporation, the manner now or hereafter prescribed by statute, and all

	corporation.	rights conferred upon the stockholders herein are grante subject to this right.
AMENDMENT OF BYLAWS	bylaws may be altered, amended, or repealed, and new bylaws may be adopted by the majority vote of directors of the corporation.	In furtherance and not in limitation of the powers confe by statute, the Board of Direc is expressly authorized to mak alter or repeal the bylaws of NeoMedia.
INDEMNIFICATION	The corporation may indemnify the officers and directors against any contingency or peril and in conjunction therewith to procure, at the corporation's expense, policies of insurance.	NeoMedia's Certificate of Incorporation and bylaws limit eliminate the liability of directors to the fullest exten permitted by Delaware law and require indemnification to the maximum extent permitted by Delaware law.
APPRAISAL RIGHTS	Under Florida law, a shareholder is entitled to appraisal (i.e. dissenters') rights, and to obtain payment of the fair value of that shareholder's shares in the event of, among other things, consummation of a merger to which the corporation is a party if shareholder approval is required for the merger, and the shareholder is entitled to vote on the merger or the exchange of shares in such merger, provided that the shareholder has not voted in favor of the merger or share exchange. A shareholder may assert his/her dissenters' rights to all or fewer than all shares he/she held as of the record date. For a more detailed description of the timing and procedures to be associated with a BSD's shareholder's exercise of his/her dissenter's rights, please refer to page 29 of this Statement entitled "Dissenters' Rights."	Under Delaware law, no apprais rights are available for the stockholders of the surviving corporation if no vote of the surviving corporation is requi to approve the merger

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	BSD SOFTWARE, INC.	NEOMEDIA
PREEMPTIVE RIGHTS	Under Florida law, the shareholders of a corporation do not have a preemptive right to acquire the	Under Delaware law, absent exp provision in a corporation's Certificate of Incorporation,

	corporation's unissued shares or the corporation's treasury shares, except in each case to the extent that the corporation's Articles of Incorporation so provide. BSD's Articles of Incorporation do not provide for its shareholders to have any preemptive rights with respect to any shares of its capital stock.	stockholder does not, by opera of law, possess preemptive rig to subscribe to additional issuances of the corporation's stock. NeoMedia's Certificate Incorporation does not provide its stockholders to have any preemptive rights with respect any shares of its capital stoc
MEETINGS OF SHAREHOLDERS	An annual meeting of the shareholders at such time and place as designated by the Board of Directors. Business transacted at the annual meeting shall include the election of directors of the corporation.	An annual meeting of the stockholders shall be held at time as the Board of Directors designate for the purpose of electing directors and for the transaction of such other busi as may properly come before th meeting.

	BSD SOFTWARE, INC.	NEOMEDIA
CONSENT OF SHAREHOLDERS IN LIEU OF MEETING	Any action required to be taken at an annual or special meeting of shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize such action at a meeting at which all shares entitled to vote thereon were present and voted. A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders unless otherwise provided by law.	Any action required to be take a meeting of the stockholders, any other action which may be taken at a meeting of the stockholders, may be taken wit a meeting and without a vote, consent in writing, setting fo the action so taken shall be signed (a) if five days prior notice of the proposed action given in writing to all of the stockholders entitled to vote respect to the subject matter, hereof, by the holders of outstanding shares having not than the minimum number of vot that would be necessary to authorize or take such action meeting at which all shares entitled to vote thereon were present and voting; or (b) by of the stockholders entitled t vote with respect to the subje matter thereof. Prompt notice the taking of the corporate a without a meeting by less unanimous written consent sha given in writing to stockholders who have not cons in writing. In the event tha

action which is consented to such as would have required filing of a certificate unde section of the DGCL if such a had been voted on by stockholders at a meeting the the certificate filed under section shall state, in lieu o statement required by such se concerning any vote stockholders, that written co has been given in accordance the DGCL and that written n has been given as provided i DGCL.

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NEOMEDIA'S BUSINESS

Company History

NeoMedia Technology, Inc. ("NeoMedia") was incorporated under the laws of the State of Delaware on July 29, 1996, to acquire by tax-free merger Dev-Tech Associates, Inc., NeoMedia's predecessor, which was organized in Illinois in December 1989. In March 1996, Dev-Tech's common stock was split, with an aggregate of 2,551,120 shares of common stock being issued in exchange for the 164 then-issued and outstanding shares of common stock. On August 5, 1996, NeoMedia acquired all of the shares of Dev-Tech in exchange for the issuance of shares of NeoMedia's common stock to Dev-Tech's stockholders.

NeoMedia also has the following wholly-owned subsidiaries: NeoMedia Micro Paint Repair, Inc., incorporated in Nevada; NeoMedia Migration, Inc., incorporated in Delaware; Distribuidora Vallarta, S.A., incorporated in Guatemala; NeoMedia Technologies of Canada, Inc., incorporated in Canada; NeoMedia Tech, Inc., incorporated in Delaware; NeoMedia EDV GMBH, incorporated in Austria; NeoMedia Technologies Holding Company B.V., incorporated in the Netherlands; NeoMedia Technologies de Mexico S.A. de C.V., incorporated in Mexico; NeoMedia Migration de Mexico S.A. de C.V., incorporated in Mexico; NeoMedia Technologies do Brazil Ltd., incorporated in Brazil; and NeoMedia Technologies UK Limited, incorporated in the United Kingdom. In October 2004, NeoMedia established NeoMedia Telecom Services, Inc. in Nevada for the purpose of acquiring BSD Software, Inc. of Calgary, Alberta, Canada ("BSD").

RECENT DEVELOPMENTS

Mobot, Inc. ("Mobot")

On July 27, 2005, NeoMedia signed a non-binding Letter of Intent to acquire Mobot (www.mobot.com), of Lexington, Massachusetts, a pioneer and leader in mobile visual search technologies. Mobot was founded in 2003 by its CEO Russell Gocht to pursue the application of advances in image processing on of camera phones in the consumer marketplace. The Letter of Intent calls for NeoMedia to acquire all of the outstanding shares of Mobot in exchange for $3,500,000 cash and $6,500,000 in shares of NeoMedia common stock. The LOI is subject to due diligence by both parties.

On July 28, 2005, NeoMedia lent Mobot the principal amount of $600,000 in the form of an unsecured promissory note. The Note accrues interest at a rate of 6% per annum. The Note will be forgiven upon signing of a definitive purchase agreement for the acquisition of all of the outstanding shares of Mobot by NeoMedia, as contemplated by the Letter of Intent. In the event the acquisition is not consummated, the Note will become due 90 days after written notice of cancellation of the Letter of Intent. In the event the Letter of Intent is terminated and the Note is note repaid within 90 days of such cancellation, the note will convert into shares of Mobot common stock with a value equal to the unpaid principal and accrued interest on the Note.

In the event a definitive purchase agreement is not executed by the parties, or the Letter of Intent is not terminated, by September 26, 2005, Mobot has the right to demand an additional $200,000 loan from NeoMedia. In the event a definitive purchase agreement is not executed by the parties, or the Letter of Intent is not terminated, by October 26, 2005, Mobot has the right to demand an additional $200,000 loan from NeoMedia. Both of the additional loans would be in the form of a unsecured promissory notes subject to the same terms as the Note.

$100 MILLION STANDBY EQUITY DISTRIBUTION AGREEMENT WITH CORNELL CAPITAL PARTNERS LP

On March 30, 2005, NeoMedia and Cornell entered into a Standby Equity Distribution Agreement under which Cornell agreed to purchase up to $100 million of NeoMedia's common stock over a two-year period, with the timing and amount of the purchase at NeoMedia's discretion. The maximum amount of each purchase would be $2,000,000 with a minimum of five business days between advances. The shares would be valued at 98% of the lowest closing bid price during the five-day period following the delivery of a notice of purchase by NeoMedia, and NeoMedia would pay 5% of the gross proceeds of each purchase to Cornell. As a commitment fee for Cornell to enter into the agreement, NeoMedia issued 50 million warrants to Cornell with an exercise price of $0.20 per share, and a term of three years, and also paid a cash commitment fee of $1 million. NeoMedia also issued 4 million warrants with an exercise price of $0.229 to an independent third party as a fee for negotiating and structuring the Standby Equity Distribution Agreement. NeoMedia expects to file a registration statement with the US Securities and Exchange Commission during 2005 to register the shares underlying the $100 million Standby Equity Distribution Agreement. The new Standby Equity Distribution Agreement would become active at the time the SEC declares effective a registration statement containing such shares.

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On May 25, 2005, NeoMedia filed a registration statement on Form S-3 (Registration No. 333-125239) to register 54,000,000 shares underlying the warrants granted in connection with the Standby Equity Distribution Agreement,

$10 MILLION SECURED PROMISSORY NOTE PAYABLE TO CORNELL CAPITAL PARTNERS LP

On March 30, 2005, NeoMedia borrowed from Cornell the principal amount of $10,000,000 before discounts and fees in the form of a secured promissory note. Cornell withheld structuring and escrow fees of $68,000 related to the note. The note was scheduled to be repaid at a rate of $1,120,000 per month commencing May 1, 2005 (subsequently changed to $840,000 per month starting on April 1, 2005) and continuing until principal and interest are paid in full. The note accrues interest at a rate of 8% per annum on any unpaid principal. NeoMedia has the option to prepay any remaining principal of the note in cash without penalty. In connection with the note, NeoMedia and Cornell entered into a security agreement under which the note is secured by all of NeoMedia's assets other than its patents and patent applications. NeoMedia also escrowed 25,000,000 shares of its common stock as security for the note. As of June 30, 2005, NeoMedia had made payments of $2,730,000 against the principal.

ACQUISITION OF CSI INTERNATIONAL, INC.

On February 6, 2004, NeoMedia acquired CSI International, Inc., of Calgary, Alberta, Canada, a private technology products company in the micro paint repair industry. NeoMedia issued 7,000,000 shares of NeoMedia's common stock, plus $2.5 million cash in exchange for all outstanding shares of CSI. NeoMedia have centralized the administrative functions in its Fort Myers, Florida headquarters, and maintain the sales and operations office in Calgary, Alberta, Canada.

PENDING ACQUISITION OF BSD SOFTWARE, INC.

On December 21, 2004, NeoMedia signed a Merger Agreement with BSD. Under the terms of the agreement, each share of BSD stock will be exchanged for NeoMedia stock equivalent to .07 divided by the volume-weighted average price of NeoMedia stock for the five days prior to the effective time of the merger. Closing will occur when all regulatory approvals have been granted, including effectiveness of a registration statement on Form S-4 whereby the NeoMedia shares to be granted in the transaction are registered. The number of NeoMedia shares to be granted in the exchange will change depending on NeoMedia's stock price at the time of closing. Because a majority of BSD shareholders have approved the merger prior to the signing of the Merger Agreement, BSD will not hold a shareholders meeting to vote on the merger.

ACQUISITION OF SECURE SOURCE TECHNOLOGIES, INC.

On October 8, 2003, NeoMedia acquired Secure Source Technologies, a provider of security solutions and covert security technology for the manufacturing and financial services industries, in exchange for 3.5 million shares of NeoMedia's common stock. With the purchase of SST, NeoMedia acquired additional patents that complement its existing intellectual property portfolio, as well as a security software platform, and computer equipment.

IPOINT-MEDIA LTD.

On September 7, 2004, NeoMedia and iPoint-media Ltd. ("iPoint-media") of Tel Aviv, Israel, entered into a business development agreement. In exchange for entering into the service agreement, NeoMedia received 7% ownership in iPoint-media, consisting of 28,492 shares of iPoint-media common stock. In addition to the business development agreement, NeoMedia acquired an additional 10% ownership of iPoint-media, consisting of 40,704 shares of common stock, for $1 million cash.

iPoint-media was founded in April 2001 as a spin-off from Imagine Visual Dialog LTD, whose shareholders include Israeli-based Nisko group, an Israeli holding company, Singapore-based Keppel T&T, and marketing and advertising group WPP. iPoint-media specializes in Customer Interaction Management and is the world's 1st developer of IP Video Call Centers for Deutsche Telecom. Muki Geller, the founder of Imagine Visual Dialog, is the founder, President & CEO of iPoint-media. iPoint-media is located in Tel Aviv, Israel, with a European customer support center in The Netherlands. iPoint-media's mission is to become the video access platform and application engine of choice for service providers.

On October 26, 2004, NeoMedia announced that it would issue its first-ever stock dividend with the distribution of common shares of iPoint-media Ltd. of Tel Aviv as a property dividend. NeoMedia will distribute 5% (or 20,435 shares) of iPoint-media's common stock to NeoMedia shareholders of record as of November 17, 2004. The date of the property dividend payment will be announced after the United States Securities and Exchange Commission declares iPoint-media's registration statement on Form SB-2 effective. iPoint-media filed their SB-2 (Registration No. 333-126342) on July 1, 2005.

PICKUPS PLUS / AUTOMOTIVE PRESERVATION, INC.

On February 25, 2005, NeoMedia invested $250,000 in exchange for 8,333,333 shares of Pickups Plus, Inc. ("PUPS")(OTCBB:PUPS) restricted common stock. PUPS is a retail operator and franchiser of retail automotive parts and accessories stores catering to the light truck market, and also provides new vehicle preparation, environmental protection packages, detailing and reconditioning products and services.

Also on February 25, 2005, NeoMedia signed two non-binding letters of intent (individually, an "LOI" and collectively the "LOIs") to acquire up to 100% of Automotive Preservation, Inc. ("AP"), a distributor of automotive paint and accessory products, from AP's parent company, PUPS. The first LOI calls for NeoMedia to initially acquire 30% of AP for $1,600,000, to be paid $600,000 in cash, $554,000 in shares of NeoMedia restricted common stock, and $446,000 through the assumption of AP debt by NeoMedia. Under the second LOI, upon completion of the acquisition of the initial 30% of AP by NeoMedia, NeoMedia would have the option to acquire an additional 30% of AP for $1,650,000, payable in shares of NeoMedia restricted common stock. The second LOI also gives NeoMedia the option to purchase the final 40% of AP for either: (i) $2,200,000, payable in shares of NeoMedia restricted common stock, if NeoMedia exercises this right within 12 months of acquiring the second 30% of AP, or (ii) a price equivalent to AP's previous quarter EBITDA multiplied by 8, payable in shares of NeoMedia restricted common stock. Both LOIs are non-binding and subject to due diligence by NeoMedia and AP.

MICRO PAINT REPAIR DEVELOPMENTS

On May 2, 2005, NeoMedia announced that it had signed a letter of intent with Jinche Yingang Automobile Co. of Beijing, China ("Jinche"), under which Jinche will act as a distributor of NeoMedia's micro paint repair products in China. Jinche is a Beijing PRC-registered company specializing in automobile sales, financing, insurance and repair.

On June 17, 2005, NeoMedia signed a Letter of Intent with the WI-THO AS ("WI-THO") of Oslo, Norway, which calls for WI-THO to become the exclusive master distributor of NeoMedia's micro paint repair products, systems and licenses to automotive service facilities throughout Denmark, Sweden and Norway. When finalized, the agreement calls for WI-THO AS to pay $500,000 for NeoMedia micro paint repair products and its exclusive distributor license.

PAPERCLICK(R) DEVELOPMENTS

On January 23, 2004, NeoMedia filed a patent infringement lawsuit against AirClic, Inc. During July 2005, NeoMedia and AirClic settled the case out of court, with AirClic agreeing to compensate NeoMedia for past and future activities. AirClic did not receive a license to use NeoMedia's patented PaperClick(R) technology.

On January 2, 2004, NeoMedia filed a patent infringement lawsuit against

Virgin(R) Entertainment Group, Inc., Virgin Megastore Online and Virgin Megastore (collectively, "Virgin"). During June 2005, NeoMedia and Virgin settled the case out of court, with Virgin agreeing to purchase a license to use NeoMedia's patented PaperClick(R) technology platform through 2016.

On May 13, 2005, the European Patent Office (EPO) issued a Notice of Allowance based on proceedings conducted during April 2005 in The Hague. Recognition by the EPO extends the patents for NeoMedia's core technology -- the use of bar cods and other unique identifiers to automatically link to content on the Internet -- to Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, the Netherlands, Sweden, Switzerland and the United Kingdom.

On April 18, 2005, NeoMedia announced that it named Martin N. Copus, a global and interactive marketing executive who has worked with many of the world's leading brands, as its COO and to the newly-created position of chief executive of its PaperClick wireless business unit. Prior to joining NeoMedia, Mr. Copus was Managing Director of 12Snap UK, an internationally-acclaimed, award-winning mobile marketing company focusing on wireless channels, where he led development and implementation of interactive marketing programs for major blue-chip companies including McDonald's(R), Kellogg(R), Procter & Gamble(R), Coca-Cola(R), Safeway(R), Budweiser(R), and 20th Century Fox(R). Prior to running the U.K. operations of 12Snap, Mr. Copus's background included assignments as executive director of Huntsworth PLC, a marketing services group listed on the main board of the London Stock Exchange; Worldwide Board Director of Interpublic Group's Ammirati Puris Lintas advertising unit; and senior vice president of Leo Burnett Company Inc., Chicago, responsible for its Marlboro(R) USA advertising and marketing services account. Mr. Copus holds a B.A. in marketing and an M.A. in modern languages, both from Oxford University.

On April 12, 2005, NeoMedia acquired four search-oriented patents issued in the U.S. and pending in Europe and Japan from LoyaltyPoint Inc. for $1.5 million cash and 10% royalties on all future sales for a period of ten years. The first patent (U.S. 6,430,554 B1) covers technology that uses uniquely-coded objects, such as consumer goods to automatically generate an online search for information related to those objects or goods from a computer, PDA, mobile phone or other device. The second patent (U.S. 6,651,053 B1) is an extension of the first, covering additional mechanisms for performing such searches using mobile devices. The third patent (U.S. 6,675,165 B1) covers uses of location-based technology to deliver content that is based both on a particular advertisement and the geographic location in which the advertisement is located. The fourth patent (U.S. 6,766,363 B1) covers techniques for providing information to end users based on objects, goods or other items depicted in external media, such as video, audio, film or printed matter.

On March 18, 2005, NeoMedia and Foote Cone & Belding ("FCB"), a division of FCB Worldwide LLC and part of the Interpublic Group of Companies, Inc. (NYSE: IPG), entered into a co-marketing agreement surrounding NeoMedia's PaperClick(R) technology platform. The agreement calls for FCB to work with NeoMedia to create and develop opportunities and programs utilizing PaperClick(R), to integrate PaperClick into marketing campaigns for new and existing clients, and to facilitate the introduction of NeoMedia and PaperClick in the mobile telecommunications industry. NeoMedia will provide technical and sales support for presentations and marketing programs co-developed for FCB clients, work with FCB to explore and create marketing opportunities and solutions, and introduce FCB to its business customers, including brand managers. FCB and NeoMedia will team for co-marketing and sales efforts in the U.S., as well as in Europe, the Middle East, Africa and Latin America.

On March 10, 2005, NeoMedia and Intactis Software, Inc., a provider of Check 21 software products and solutions for the small- to medium-sized financial institution market, entered into a business development agreement under which the two companies will develop a database lookup system for validating codes printed on negotiable instruments (checks). In addition, NeoMedia invested $250,000 in Intactis convertible preferred stock and warrants to own up to 25% of Intactis. Intactis also placed an order for an initial 100 copies of NeoMedia's PaperClick Print Encoder software.

During January 2005, NeoMedia signed a Letter of Intent to enter into a licensing agreement with Shelron Group, Inc. for PaperClick(R)'s family of mobile marketing products to be used with Shelron's ActivShopper comparison shopping toolbar (attached as Exhibit 10.56 hereto). The agreement will give Shelron Group, Inc. the worldwide rights to use PaperClick(R) on the new ActivShopper Mobile Edition for cell phones and PDA's. ActivShopper is a free software download designed to automatically scan, locate and compare prices for items a consumer selects at an e-commerce site.

On December 13, 2004, NeoMedia introduced PaperClick(R) Mobile Marketing Services, a tool that allows global marketers and advertising agencies to have one-on-one contact with consumers through cell phones and other mobile wireless devices. PaperClick(R) Mobile Marketing Services delivers real-time promotional content, which can be updated and changed by marketers, while giving consumers one-click e-commerce buying power. The latest addition to the Mobile Marketing Services suite lets users of a wide range of already-in-use camera phones "take pictures" of special created codes on packages and promotional items and connect in one-click to marketing information. First available for Nokia(R) Series 60 mobile phones, the new capability complements the launch of the PaperClick(R) Mobile Go-Window(TM) during 2004 and PaperClick(R) for Camera Cell Phones(TM) in 2003.

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On December 6, 2004, NeoMedia signed a non-binding Letter of Intent with Nextcode Corporation to form a strategic partnership, with joint marketing and sales efforts, involving use of NeoMedia's PaperClick(R) technology and Nextcode Corporation's barcode reading software. Nextcode, based in Concord, Massachusetts, provides barcode reading software and technology designed to enhance the usability of mobile phones and enable access to Internet-based content, services and commerce. When finalized, the one-year renewable agreement would give the companies mutual rights to resell PaperClick(R) Client Software, PaperClick(R) Code Activation, PaperClick(R) Server Software and PaperClick(R) Integration Services, as well as Nextcode's mobile barcode decoding applications and Nextcode's code creation and publishing systems.

During 2003, NeoMedia unveiled its PaperClick(R) for Camera Cell PhonesTM product, which reads and decodes UPC/EAN or other bar codes to link users to the Internet, providing information and enabling e-commerce on a compatible camera cell phone, such as the Nokia 3650 model. During the second quarter of 2004, NeoMedia introduced its PaperClick(R) Mobile Go-WindowTM, a horizontal bar on the screen of a wireless device where users can enter numeric strings from UPC or other bar codes to link directly to targeted online information via patented PaperClick(R) technology and software. The PaperClick(R) Mobile Go-WindowTM currently works with PalmTM Tungsten C PDA, the HandspringTM Treo 270 and 600 Smartphones, Pocket PC(R), Java MIDP 2.0 (Mobile Independent Device Profile) standard, Microsoft Windows Mobile(TM)-based Smartphones, Nokia(R) Series 60 phones, Sendo(R) X, Panasonic(R) X700, and Siemens(R) SX-1.

During 2003, NeoMedia unveiled the go-to-market strategy for its PaperClick(R) suite of products. Over the past several months, NeoMedia has signed contracts with several key partners outlined in the strategy, including agents and resellers Big Gig Strategies (United Kingdom), SRP Consulting (United States), AURA Digital Communications (Australia), Relyco (United States), E&I Marketing (Taiwan), Deusto Sistemas (Spain), Nextcode Corporation (United States), and Jorge Christen and Partners LLP (Mexico). NeoMedia has also teamed with European advertising agency 12Snap. In June 2004, NeoMedia entered into a collaborative agreement with Intel Corporation for NeoMedia's PaperClick(R) mobile connectivity platform to operate on the recently introduced Intel PXA27x processor family-based cellular phones.

AIRCLIC, INC. SCANBUY, INC., AND LSCAN TECHNOLOGIES, INC. LAWSUITS

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

During July 2005, NeoMedia and AirClic settled the case out of court, with AirClic agreeing to compensate NeoMedia for past and future activities. AirClic did not receive a license to use NeoMedia's patented PaperClick(R) technology.

NeoMedia voluntarily dismissed the suit against LScan in the Northern District of Illinois and re-filed the suit on May 26, 2004, in the Eastern District of Pennsylvania. After LScan failed to answer, NeoMedia filed and served its motion for default judgment on July 6, 2004. The Court entered default judgment on July 7, 2004.

On March 29, 2004, Scanbuy filed suit against NeoMedia in the Southern District of New York alleging that NeoMedia infringed Scanbuy's copyrights, violated the Lanham Act and committed deceptive trade practices and tortious interference. Scanbuy filed an amended complaint on June 23, 2004. NeoMedia filed its answer and affirmative defenses on July 23, 2004. On April 20, 2004, NeoMedia re-filed its suit against Scanbuy in the Southern District of New York alleging patent infringement. Scanbuy filed its answer on June 2, 2004. NeoMedia filed its answer and affirmative defenses on July 23, 2004. The parties are currently engaged in discovery in both of these actions.

VIRGIN ENTERTAINMENT GROUP LAWSUIT

On January 2, 2004, NeoMedia filed a patent infringement lawsuit against Virgin(R) Entertainment Group, Inc., Virgin Megastore Online and Virgin Megastore (collectively, "Virgin"). During June 2005, NeoMedia and Virgin settled the case out of court, with Virgin agreeing to purchase a license to use NeoMedia's patented PaperClick(R) technology platform through 2016.

INDUSTRY OVERVIEW

NEOMEDIA INTERNET SWITCHING SOFTWARE

The goal of NeoMedia's Internet Switching Software business segment is to promote mass adoption of NeoMedia's switch and background computer process to link physical world objects to the Internet. NeoMedia's switching platform is a state-of-the-art open and extensible cross-media publishing tool that applies to customers in a variety of industrial, commercial, and educational applications. This business segment is also responsible for licensing NeoMedia's intellectual property to others as a means of promoting this new market as well as providing a revenue and cash resource. NeoMedia has been developing its physical-world-to-Internet technology and offerings since 1996 and considers itself an innovator and pioneer in this industry. In the past several years, NeoMedia has seen similar technologies and concepts emerge in the marketplace, and sees these events as a positive validation of the physical world-to-internet concept.

NeoMedia believes the key to the adoption of physical-world-to-Internet technologies in the marketplace will be in the development of real world applications that provide the end user a valuable experience. NeoMedia believes that, with an estimated 1.5 billion mobile phone users worldwide, mobile devices such as cellular telephones and PDAs are a key device in the development of the physical world to Internet marketplace. To this end, during 2003, NeoMedia announced its PaperClick(R) for Camera Cell PhonesTM product, which reads and decodes UPC/EAN or other bar codes to link users to the Internet, providing information and enabling e-commerce on a compatible camera cell phone. During 2004, NeoMedia introduced PaperClick(R) Mobile Marketing Services, a mobile solution using PaperClick(R) for Camera Cell Phones that allows global marketers and advertising agencies to have one-on-one contact with consumers through cell phones and other mobile wireless devices. PaperClick(R) Mobile Marketing Services delivers real-time promotional content, which can be updated and changed by marketers, while giving consumers one-click e-commerce buying power. The latest addition to the Mobile Marketing Services suite lets users of a wide range of already-in-use camera phones "take pictures" of special created codes on packages and promotional items and connect in one-click to marketing information.

NEOMEDIA CONSULTING AND INTEGRATION SERVICES

NeoMedia believes that the technology and equipment resale business is becoming a commodity industry for products undifferentiated by value added proprietary elements and services. Resale operations are also being compressed as equipment manufacturers consolidate their distribution channels.

Proprietary products, such as NeoMedia encoders, offer a competitive value-add to NeoMedia's NCIS business. The NCIS division also sells migration products (tools designed to "migrate" software code from one platform to another platform) primarily to mid-sized to large corporations and government agencies. The products include proprietary products and software tools to migrate Wang, HP3000, Data General, DEC and IBM DOS/VSE platforms (legacy systems) to a Unix or NT open system platform.

NEOMEDIA MICRO PAINT REPAIR

NMPR serves the light collision and paint repair industry offering products and processes that are designed to increase customer productivity and profits. NMPR's products are positioned to augment traditional paint repair methods commonly used in body shops, as well as allowing non-body shop operations to expand their service offerings. The micro paint repair industry is a sub-segment of the aftermarket automotive coatings business.

STRATEGY

NEOMEDIA INTERNET SWITCHING SOFTWARE

NeoMedia has spent the past decade developing and patenting the now confirmed space of linking the physical and Internet environments, and developing and implementing five generations of continuously refined switch technology that bridge these environments. During the past year-and-half, NeoMedia has introduced PaperClick(R) for Camera Cell Phones and PaperClick(R) Mobile Marketing Services, shifting the focus of this dynamic unit to the rapidly emerging mobile marketing sector. NeoMedia is strategically pursuing potential licensees of the PaperClick(R) switching platform, as well as intellectual property licensing opportunities with organizations attempting to commercialize physical-world-to-Internet technology, such as Symbol Technologies, A.T. Cross Company and Brandkey Systems Corporation.

NEOMEDIA CONSULTING AND INTEGRATION SERVICES

The goal of the NCIS unit is to continue to provide customized technology infrastructure solutions, as well as act as the integration arm for the PaperClick(R) family of products.

NEOMEDIA MICRO PAINT REPAIR

NeoMedia's proprietary Micro Paint Repair system can dramatically reduce costs for current auto body repair facilities, or create a new profit center for auto-related businesses that do not currently offer paint repair. NeoMedia is attempting to market its Micro Paint Repair system to a myriad of automotive industry businesses, from auto dealers to body shops to glass repair shops, and more.

PRODUCTS/SERVICES

NEOMEDIA INTERNET SWITCHING SOFTWARE

PAPERCLICK(R) MOBILE MARKETING SERVICE

PaperClick(R) is a Mobile Marketing Service that enables brand managers and consumer product manufacturers to market directly to their target customers via their portable devices such as mobile phones, and PDAs. Using products, brand names, and marketing collateral, brand managers and consumer product manufacturers can interact directly with their customers.

By entering a word or phrase (e.g., brand name or tagline) into a mobile device, or by taking a picture of a barcode on your product or your marketing collateral, a consumer can retrieve tailored Web content in one click, even pages deep within a website. PaperClick(R) bypasses long URLs, search engines, or difficult-to-navigate phone menus. PaperClick(R) can directly link a word or code to mobile commerce, rebates, contests, coupons, registration, instructional videos, ad tracking, polling, customer profiling, and more.

PaperClick(R) links a unique identifier (e.g., barcode or word) to a specific URL (i.e., Webpage) using a simple 5-step process:

STEP 1: Activation - A barcode or word is activated by the product manufacturer;

STEP 2: A PaperClick(R)-enabled device retrieves the code or word;

STEP 3: The device's Web browser is automatically launched and connects to a designated server;

STEP 4: The server retrieves the specific URL based on the barcode or word; and

STEP 5: The URL is downloaded to the device's browser.

The PaperClick(R) solution consists of:

WORD ACTIVATION

1. Register brand names or taglines in the PaperClick(R) WordRegistryTM. The WordRegistryTM is the official repository for PaperClick(R) Words;

2. Bid on non-trademarked words. Non-trademarked words (e.g., cola, burger, car) will be auctioned to the highest bidder via the PaperClick(R) WordRegistryTM; and

3. Activate your brand names and taglines by linking them to mobile web content using Link Manager Software.

CREATED CODE ACTIVATION. NeoMedia can create custom PaperClick(R) codes to place on product packaging or literature, a subway poster, a direct mailer, or other marketing collateral. Consumers with a camera phone simply snap a picture of the code and link directly to Web content designated by the product's manufacturer.

EXISTING CODE ACTIVATION. As with created codes, PaperClick(R) can link already-existing product codes, such as UPC, EAN, JAN, and ISBN codes, to tailored Web content.

With activation, NeoMedia also provides the following word and code link management tools:

LINK MANAGER SOFTWARE. Software for a PC that allows a product owner to link words and codes to a specific URL;

HANDSET SOFTWARE. Device software required for a mobile device customers to read activated codes and words; and

BASIC REPORTING. Allows product owner to track the number of consumer "hits" by code, date and time.

NeoMedia also offers the following value-added services with word or code activation:

CLICK MANAGEMENT SERVICES

LINK MANAGER SERVICE. NeoMedia will manage the linking of all words and codes on behalf of a product owner; and

CODE VERIFICATION. NeoMedia will test each code to ensure that it is printed properly and that it links to the correct URL.

WEB CONTENT CREATION SERVICES. NeoMedia assists its customers in creating Web content for mobile devices in XHTML, WAP and other mobile formats.

MOBILE MARKETING CAMPAIGN SERVICES. NeoMedia helps its customers create mobile advertising campaigns using their products with PaperClick(R) technology.

CUSTOMIZED REPORTING. NeoMedia offers customized reporting and data mining that allows product owners to receive additional data about their marketing campaigns.

SERVER SOFTWARE. For product owners that are managing a large number of codes or words, NeoMedia offers Server Software that allows them to store the links within their organization's network.

INTELLECTUAL PROPERTY LICENSING.

NeoMedia currently holds six United States patents relating to the physical-world-to-Internet marketplace, and an additional six patents acquired in 2003 with the purchase of Secure Source Technologies related to document security. NeoMedia's core physical-world-to-Internet patent portfolio (Patent Nos. 5,933,829, 5,978,773, 6,108,656, 6,199,048, 6,434,561, and 6,542,933) is comprised of "system and method" patents that cover the use of machine-readable data for information retrieval. Among the identifiers that could be classified as machine-readable are PaperClick(R)-enabled 2D barcodes, 1D barcodes, UPC/EAN barcodes, magnetic stripes, OCR/ICR, RFID, smartcards, numbers, hot words, and

voice. NeoMedia intends to license this intellectual property portfolio to companies endeavoring to tap the potential of this emerging market. To date, NeoMedia has entered into such agreements with Digital:Convergence, A.T. Cross Company, Symbol Technologies, and Brandkey Systems Corporation. During 2002, NeoMedia entered into an agreement with Baniak Pine and Gannon, a law firm specializing in patent licensing and litigation, under which the firm will represent NeoMedia in seeking out potential licensees of NeoMedia's patent portfolio.

On May 13, 2005, the European Patent Office (EPO) issued a Notice of Allowance based on proceedings conducted during April 2005 in The Hague. Recognition by the EPO extends the patents for NeoMedia's core technology -- the use of bar cods and other unique identifiers to automatically link to content on the Internet -- to Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, the Netherlands, Sweden, Switzerland and the United Kingdom.

NEOMEDIA CONSULTING AND INTEGRATION SERVICES

NCIS is a group of highly skilled application developers thoroughly familiar with systems integration, storage networks, and other associated technologies who contract to develop custom applications for clients.

System integration project management and consulting services are offered through NeoMedia's NCIS business unit. These services fall into two broad categories:

A. FOR IMPLEMENTATION OF PAPERCLICK(R) MOBILE MARKETING SERVICE.

B. FOR DEVELOPMENT AND IMPLEMENTATION OF CUSTOMIZED APPLICATIONS.

1. SERVICES FOR IMPLEMENTATION OF PAPERCLICK(R) MOBILE MARKETING SERVICE.
   The NCIS business unit is comprised of the executive team, technical team, and project managers to establish and deploy a common set of processes and templates, presenting an organized, unified implementation from each project manager.

These reusable project management components enable fast, efficient PaperClick(R) project deployment. Key functions of the NCIS business unit are to:

- o Create PaperClick(R) Implementation Vision;
- o Develop methodology including updating and deployment of best practices;
- o Facilitate team communication through common processes, deliverables, and terminology;
- o Support a common repository so that prior project management deliverables can be candidates for reuse by similar projects;
- o Provide clients (and internal management) continual training to build core project management competencies, a common set of experiences, and an understanding of PaperClick(R) technical development; and
- o Track status of PaperClick(R) projects, and provide project visibility to management in a common and consistent manner.

Services complementary to a PaperClick(R) project implementation are also provided. They may consist of consulting or hardware services that are part of the project, such as additional servers, network configurations etc., or totally separate from the project due to a parallel need. Services may also include continuation and maintenance of completed projects. Post implementation change orders, training, and code alterations are handled through this division of the System Integration Business Unit.

2. SERVICES FOR DEVELOPMENT AND IMPLEMENTATION OF CUSTOMIZED APPLICATIONS. NeoMedia's NCIS business assists clients in developing and implementing their own customized PaperClick(R) applications.

Storage Area Networks ("SAN"). SAN is a Storage Management solutions and consultancy consisting of tools and services that insure data integrity, efficiency and accessibility, achieved through moving data backup, access and archival functions off of traditional local area networks ("LANs") and wide area networks ("WANs") that are added on to a highly reliable independent managed network.

Product Sales and Equipment Re-sales. NCIS markets and sells proprietary software products, including high-density symbology encoders (e.g., PDF417 and UPS Maxicode), and resells client-server hardware and related systems such as Sun Microsystems, IBM and others , as well as related applications software and services.

NEOMEDIA MICRO PAINT REPAIR

NMPR's system utilizes proprietary technology to repair cosmetic automobile damage such as chips, scratches, spots, blemishes, and oxidized paint. While competitive paint repair products utilize a mechanical fix, the NMPR system chemically alters the paint to make the repair invisible to the naked eye, even with the most lustrous metal flake and pearlized auto paints. Repairs can be completed in a fraction of the time of conventional methods, and all of NMPR's products are free of harmful icocyanates.

The products offered through NMPR include:

NMPR PAINT SYSTEM. NMPR offers a license to use its proprietary NMPR Paint System, along with a training program and ongoing technical support relating to the system.

NMPR PAINT SYSTEM PRODUCTS. NMPR supplies the products necessary for a paint system operator to implement an NMPR Paint System. Products include NMPR's proprietary chemicals, auto paint, and application hardware.

NMPR SPECIALTY PRODUCTS. NMPR offers a variety of non-paint related specialty products, including dent repair, interior cleaning, corrosion protection, windshield repair, and warranty programs.

NMPR PAINT REPAIR SERVICES. NMPR currently operates a paint repair facility in its Calgary office. The facility utilizes the NMPR Paint System to make cosmetic repairs to automobiles for dealerships, rental car companies, and consumers.

STRATEGIC RELATIONSHIPS

NEOMEDIA INTERNET SWITCHING SOFTWARE

During January 2002, NeoMedia engaged Baniak Pine and Gannon, a Chicago law firm specializing in intellectual property licensing and litigation. The firm assists NeoMedia in seeking out potential licensees of its intellectual property portfolio, including any resulting litigation. Baniak Pine and Gannon currently represents NeoMedia in its lawsuits against Scanbuy.

During May 2002, NeoMedia granted a personal, worldwide, non-exclusive, limited intellectual property licensing agreement to Brandkey Systems Corporation. Brandkey paid NeoMedia a $50,000 upfront licensing fee in 2002, a $25,000 royalty in 2003, a $50,000 royalty in 2004, and is obligated to pay 2.5% of all future royalty-based revenues earned by Brandkey, with minimum royalties of $50,000 in 2004, and $75,000 in 2005 and after.

On October 30, 2003, NeoMedia unveiled the go-to-market strategy for its PaperClick(R) suite of products. Since that time, NeoMedia has signed contracts with several key partners outlined in the strategy, including channel partners Big Gig Strategies, SRP Consulting, and Relyco, and European advertising agency 12Snap.

In June 2004, NeoMedia entered into a collaborative agreement with Intel Corporation for NeoMedia's PaperClick(R) mobile connectivity platform to operate on the recently introduced Intel PXA27x processor family-based cellular phones.

During 2003 and 2004, NeoMedia engaged key partners around the world to assist in the anticipated roll-out of the PaperClick(R) family of products. During this time, NeoMedia has partnered with distributors and resellers, such as Big Gig Strategies (United Kingdom), SRP Consulting (United States), AURA Digital Communications (Australia), Relyco (United States), E&I Marketing (Taiwan), Deusto Sistemas (Spain), and Jorge Christen and Partners LLP (Mexico).

NEOMEDIA CONSULTING AND INTEGRATION SERVICES

Through this segment, NeoMedia provides services and products to a spectrum of customers, ranging from closely held companies to large c