AMERISTAR CASINOS INC
Form 424B4
December 12, 2001

PROSPECTUS

THIS FILING IS MADE PURSUANT TO RULE 424(b)(4) UNDER THE SECURITIES ACT OF 1933 IN CONNECTION WITH REGISTRATION NO. 333-73178

6,000,000 SHARES

[AMERISTAR LOGO]

COMMON STOCK

We are offering 4,000,000 shares of our common stock and the selling stockholder is offering 2,000,000 shares of our common stock. We will not receive any proceeds from the shares of common stock sold by the selling stockholder.

Our common stock is traded on the Nasdaq National Market under the symbol "ASCA". The last reported sale price for our common stock on the Nasdaq National Market on December 11, 2001 was $21.45 per share.

FOR A DISCUSSION OF RISKS THAT SHOULD BE CONSIDERED BY INVESTORS IN DECIDING WHETHER TO BUY OUR COMMON STOCK SEE "RISK FACTORS" BEGINNING ON PAGE 8.

	PER SHARE	TOTAL
Public offering price	$20.500	$123,000,000
Underwriting discounts	$1.076	$6,457,500
Proceeds, before expenses, to Ameristar Casinos, Inc.	$19.424	$77,695,000
Proceeds, before expenses, to selling stockholder	$19.424	$38,847,500

We have granted the underwriters a 30-day option from the date of this prospectus to purchase from us up to an additional 900,000 shares of common stock at the public offering price, less the underwriting discount, to cover any over-allotments.

None of the Securities and Exchange Commission, the Missouri Gaming Commission, the Iowa Racing and Gaming Commission, the Mississippi Gaming Commission, the Nevada Gaming Commission, the Nevada State Gaming Control Board nor any state securities commission or other gaming authority, has passed upon the adequacy or accuracy of this prospectus or the investment merits of the shares offered hereby. Any representation to the contrary is a criminal offense.

The underwriters are severally underwriting the shares being offered. The underwriters expect to deliver the shares on December 17, 2001.

Joint Book-Running Managers

BEAR, STEARNS & CO. INC. MERRILL LYNCH & CO.

CIBC WORLD MARKETS

The date of this prospectus is December 11, 2001.

[INSIDE FRONT COVER OF PROSPECTUS]

[Photographs of Ameristar Council Bluffs Property:

Buffet
Waterfront Grill Restaurant
Porte Cochere and Hotel
Riverboat and Hotel
Pavilion at Front Entrance.]

[Photographs of Ameristar Kansas City Property:
Streetscape
Bugatti's Little Italy Cafe
Buffet
Porte Cochere
Interior of Casino.]

[Photographs and Artist's Renderings of Ameristar St. Charles Property:
Photograph of Porte Cochere
Rendering of Casual Dining Restaurant
Two Renderings of Steakhouse
Rendering of Oyster Bar
Rendering of Streetscape.]

You should rely only on the information contained or incorporated by reference in this prospectus. Neither we nor any underwriter has authorized any person to provide you with any information or represent anything not contained in this prospectus, and if given or made, any such information or representation should not be relied upon. This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any jurisdiction where such offer or sale is not permitted. The information contained in this prospectus is correct only as of the date of this prospectus, regardless of the time of the delivery of this prospectus or any sale of these securities.

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PROSPECTUS SUMMARY

This is only a summary of the prospectus. You should read the entire prospectus, including "Risk Factors" and our consolidated financial statements and related notes, as well as the documents incorporated by reference in this prospectus, before making an investment decision. Unless the context indicates otherwise, all references to "Ameristar," "we," "our," "ours" and "us" refer to Ameristar Casinos, Inc. and its consolidated subsidiaries. Except as otherwise noted, all information in this prospectus assumes that the underwriters' over-allotment option is not exercised.

AMERISTAR CASINOS, INC.

We are a leading multi-jurisdictional developer, owner and operator of casinos and related hotel and entertainment facilities in local markets. We own six properties in five markets located in Missouri, Iowa, Mississippi and Nevada catering to customers primarily residing within a 100-mile radius of our properties. Our properties enjoy leading positions in markets with significant barriers to entry, and we believe all of our properties are high-quality assets. We intend to grow our revenues, cash flow and earnings through internal growth initiatives, including the expansion of our existing properties, targeted marketing programs, and the strategic acquisition or development of properties in attractive local gaming markets.

Consistent with this growth strategy, we began to transform our company in late 2000 through a series of strategic transactions and capital improvement programs. In December 2000, we acquired gaming and entertainment properties in Kansas City and St. Charles, Missouri for $488.9 million. Separately, in January 2001 we sold The Reserve Hotel and Casino located in suburban Las Vegas for $71.8 million. Recent capital improvement programs include major renovation and enhancement projects at our Council Bluffs and Vicksburg properties completed during the first and second quarters of 2001, respectively, and the consolidation of contiguous but separate casinos into a single casino at our Kansas City property completed in August 2001. Ongoing capital improvement programs include the construction of a new casino and entertainment complex at our St. Charles property and the construction of a parking garage and the reconfiguration of the casino floor at our Kansas City property.

The implementation of our strategy has contributed substantially to our recent growth. For the nine months ended September 30, 2001, our revenues and EBITDA (as defined below) were $466.7 million and $116.5 million, respectively, representing increases of approximately 89% and 150%, respectively, over the same period in 2000.

We expect further growth from the completion of our ongoing capital improvement projects, the most significant of which is the new complex at St. Charles. This project will significantly expand the size and scope of our operations in the growing St. Louis market, which experienced an 11% increase in gaming revenues during the first nine months of 2001 compared to the first nine months of 2000. The former owner of our St. Charles property invested approximately $169 million in a new casino and entertainment complex before

suspending construction in 1997. We have partially redesigned the project, and in May 2001 we commenced a $170 million capital spending plan on the construction of the new casino and entertainment complex. Upon its expected completion in mid-2002, we believe Ameristar St. Charles will be the premier gaming facility in the St. Louis area and will be well-positioned to take advantage of growth in this market.

OUR PROPERTIES

Except as otherwise indicated, the following table presents summary data concerning each of our properties as of November 21, 2001.

LOCATION	FACILITY TYPE	YEAR OPENED	CASINO SQUARE FOOTAGE	SLOT MACHINES	TABLE GAMES	HOTEL ROOMS	PA SP
Kansas City, Missouri.........	Dockside	1997	115,000	2,940	105	184	4
St. Charles, Missouri.........	Dockside	1994	45,000	1,900	35	--	4
Council Bluffs, Iowa..........	Riverboat	1996	38,500	1,510	46	444(1)	3
Vicksburg, Mississippi........	Dockside	1994	42,000	1,248	41	150	1
Jackpot, Nevada(2)............	Land-based	1956	28,500	1,019	30	420	1
Total................			269,000	8,617	257	1,198	14

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(1) Includes 284 rooms owned and operated by affiliates of Kinseth Hospitality Corporation located on land owned by us and leased to affiliates of Kinseth.
(2) Includes the operations of Cactus Petes Resort Casino and The Horseshu Hotel & Casino.
(3) Represents total property-level EBITDA before corporate overhead of $15.6 million. The results of operations for the nine months ended September 30, 2001 are not necessarily indicative of results for the full year.

Our properties include:

AMERISTAR KANSAS CITY. Ameristar Kansas City is a fully integrated gaming, dining, lodging and entertainment complex located seven miles from downtown Kansas City, adjacent to Interstate 435. Ameristar Kansas City was named the number one attraction in Kansas City for 2001 by The Business Journal serving metropolitan Kansas City. In 2000, Ameristar Kansas City was named the top tourist attraction in Missouri by Ingram's magazine. Due to recent favorable regulatory changes in Missouri, in August 2001 we consolidated two contiguous but separate casinos into a single casino at minimal cost with the objectives of increasing revenues, improving operating efficiencies and generating higher customer satisfaction. In connection with the consolidation, we are reconfiguring the casino floor, which we expect to complete in December 2001. We also have commenced construction on a 2,660-space parking garage which we expect to complete in

July 2002 at a cost of approximately $20 million.

AMERISTAR ST. CHARLES. Ameristar St. Charles is located on the Missouri River in the St. Louis metropolitan area, adjacent to Interstate 70, and has been in operation since 1994. The new casino and entertainment complex, currently under construction, will include a 115,000 square-foot casino with approximately 3,000 slot machines and 104 table games, including a 12-table poker room and a VIP players lounge, and a land-based entertainment center featuring six dining and entertainment venues and other amenities. We believe our new casino and entertainment complex at Ameristar St. Charles will be the premier property in the St. Louis area and will be well-positioned to benefit from growth in this market.

AMERISTAR COUNCIL BLUFFS. Ameristar Council Bluffs is located in Iowa across the Missouri River from Omaha, Nebraska, adjacent to Interstate 29. Ameristar Council Bluffs is the only riverboat casino property in the United States with a Four Diamond rating from the AAA. In the first quarter of 2001, we completed an approximately $7 million renovation and enhancement project at the property, including renovating two casino floors, installing new generation slot machines and remodeling and adding other amenities.

AMERISTAR VICKSBURG. Ameristar Vicksburg is located in Vicksburg, Mississippi, one quarter mile north of Interstate 20, primarily serving the Jackson, Mississippi market. In July 2001 we completed an approximately $10 million capital improvement project at the property, including renovating and expanding the casino, installing new generation slot machines and renovating the property's entertainment venue. Ameristar Vicksburg has a Three Diamond rating from the AAA.

JACKPOT PROPERTIES. Our Jackpot properties, Cactus Petes Resort Casino and The Horseshu Hotel & Casino, are both located in Jackpot, Nevada at the Idaho border. The Jackpot properties have been operating since 1956 and serve customers from Idaho, Oregon, Washington, Montana,

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northern California and southwestern Canada. Cactus Petes and Horseshu have Four Diamond and Three Diamond ratings, respectively, from the AAA, and Cactus Petes has been named "Best Hotel/ Resort" in rural Nevada for the last two years by Nevada Magazine.

OUR STRATEGY AND COMPETITIVE STRENGTHS

Our strategy is to pursue the growth and development of our existing properties and to selectively acquire or develop new properties in attractive, local gaming markets. In implementing our strategy, we emphasize a total entertainment experience through high-quality gaming, dining, lodging and other non-gaming amenities to complement and enhance our gaming operations. We seek to promote customer retention through targeted marketing and value-added loyalty programs and by delivering superior customer service. We use players clubs at each property to identify and retain preferred players and utilize a number of promotions designed primarily to increase the frequency of customer visits.

We believe the following strengths will enable us in the execution of our strategy:

- High Quality Properties. We believe the quality of our casino properties is demonstrated by such factors as size, design, ambiance and the breadth and superior nature of amenities offered. Several of our properties have won awards and been featured by recognized travel organizations and

publications. We are committed to maintaining market leading properties by upholding the quality of our properties through capital spending programs designed to add amenities, continually update our gaming machines, expand capacity and upgrade our entertainment offerings.

- Well-Located Properties in Protected Markets. All of our properties are easily accessible from well-traveled roadways and are strategically located in gaming markets with significant barriers to entry, such as development restrictions and/or the unavailability of new licenses.

- Strong Presence in Attractive Gaming Markets. Our properties enjoy leading market positions. Our four Midwestern properties serve markets with populations ranging from 1.5 million to 3.7 million within a 100-mile radius. Furthermore, the markets in which our Midwestern properties are located have historically generated strong year-over-year growth in gaming revenues. For the three-year reporting periods ended September 2001, aggregate gaming revenues for these markets grew at a compounded annual growth rate of 8.6%.

- Well-Positioned to Expand into New Jurisdictions. As an experienced multi-jurisdictional gaming operator, we believe we are well-positioned to enter into and successfully compete in new markets that may be created by the expansion of legalized gaming. We have demonstrated our ability to enter into new jurisdictions as we have been granted new licenses by four gaming commissions over the last eight years.

- Experienced Management Team with Proven Track Record. Our executive and property level management teams are experienced industry veterans. Our executive management has an average tenure in the gaming industry of more than 20 years. Our management team has developed a track record of success in the operation, acquisition and development of hotels and casinos, as demonstrated over the last eight years by its development of three casino properties, acquisition and integration of two casino properties and completion of numerous expansion projects.

THE OFFERING

Common stock offered by Ameristar....................	4,000,000 shares
Common stock offered by the selling stockholder..........	2,000,000 shares
Total common stock offered....	6,000,000 shares
Common stock to be outstanding after this offering..........	24,921,879 shares
Use of proceeds..............	We intend to use the proceeds from this offering to repay debt under our senior credit facilities. We will not receive any proceeds from the sale of the shares by the selling stockholder. See "Use of Proceeds."
Nasdaq National Market symbol......................	"ASCA"
Risk factors.................	See "Risk Factors" beginning on page 8 and other information included in this prospectus

for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

The table set forth above is based on 20,921,879 shares of our common stock outstanding as of December 10, 2001. This table excludes options to purchase 2,659,906 shares of our common stock held by participants in our 1999 Stock Incentive Plan and prior stock option plans as of December 10, 2001. Of this amount, 350,553 options were vested and exercisable as of December 10, 2001.

CORPORATE INFORMATION

We were incorporated in Nevada on August 30, 1993. Our executive offices are located at 3773 Howard Hughes Parkway, Suite 490 South, Las Vegas, Nevada 89109. Our telephone number is (702) 567-7000. Our website address is www.ameristarcasinos.com. Information contained in our web site does not constitute part of this prospectus.

Ameristar Casinos(R), the Ameristar Casino and Ameristar Casino Hotel logos and Cactus Petes(R) are our registered trademarks and servicemarks. This prospectus also includes other trademarks of Ameristar and other companies.

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SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

We have derived the following summary historical financial data for the three year period ended December 31, 2000 from our audited consolidated financial statements. We have derived the summary historical financial data for the nine months ended September 30, 2000 and 2001 from our unaudited condensed consolidated financial statements, which include all adjustments, consisting of normal recurring adjustments, which are, in our opinion, necessary for a fair presentation of our results of operations for such periods. The results of operations for the nine months ended September 30, 2000 and 2001 are not necessarily indicative of the results for the full year. The summary historical and financial data below should be read in conjunction with "Selected Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements included in this prospectus.

The pro forma financial data for the year ended December 31, 2000 and the nine months ended September 30, 2001 give effect to (1) the acquisition of our Missouri properties on December 20, 2000 and the related financing transactions and (2) the sale of The Reserve Hotel and Casino on January 29, 2001, assuming these transactions occurred on January 1, 2000. We derived this information from our historical financial statements as well as the historical financial statements of Station Casinos, Inc. Missouri Operations included elsewhere in this prospectus. You should read this summary unaudited pro forma financial and other data in conjunction with "Unaudited Pro Forma Condensed Financial Statements," which includes the detailed adjustments and assumptions used to prepare this summary information, as well as the historical financial statements included in this prospectus.

While this pro forma information is based on adjustments we deem appropriate and which are factually supported based on currently available data, the pro forma information may not be indicative of what actual results would have been, nor does this information purport to present our financial results for future periods. As used in this prospectus, the terms "EBITDA" and "pro forma EBITDA" have the meanings set forth below in footnotes 2 and 3, respectively.

	ACTUAL RESULTS FOR THE YEARS ENDED DECEMBER 31,			ACTUAL RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30,		PRO F RESULTS YEAR E DECEMBE
	1998	1999	2000	2000	2001	200
			(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS			
STATEMENT OF OPERATIONS DATA:						
Net revenues................	$259,331	$293,315	$334,135	$246,343	$466,689	$582,
Impairment loss(1)..........	--	--	57,153	57,153	--	
Income (loss) from operations................	3,338	25,545	(22,631)	(32,262)	88,189	95,
Income (loss) before extraordinary item and cumulative effect of change in accounting principle.................	(12,715)	205	(33,747)	(34,563)	24,136	16,
Net income (loss)...........	(12,715)	205	(40,307)	(34,563)	24,001	
Diluted earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle.................	$ (0.62)	$ 0.01	$ (1.65)	$ (1.70)	$ 1.08	$ 0
Diluted earnings (loss) per share.....................	(0.62)	0.01	(1.98)	(1.70)	1.07	
OTHER FINANCIAL DATA:						
EBITDA(2)...................	$ 38,140	$ 50,005	$ 62,306	$ 46,564	$116,481	$142,
Capital expenditures........	32,312	57,590	33,357	27,676	65,139	41,

	AS OF SEPTEMBER 30, 2001
BALANCE SHEET DATA:	
Cash and cash equivalents..............................	$ 41,931
Total assets...	863,190
Total long-term debt and capital leases................	721,817
Total stockholders' equity.............................	50,998

See footnotes on following page.

(1) Impairment loss related to the sale of The Reserve for the year ended December 31, 2000.

(2) EBITDA consists of income (loss) from operations plus depreciation, amortization, preopening costs and impairment losses. EBITDA information is presented solely as a supplemental disclosure because management believes that it is a widely used measure of operating performance in the gaming

industry and for companies with a significant amount of depreciation and amortization. EBITDA should not be construed as an alternative to income from operations (as determined in accordance with generally accepted accounting principles) as an indicator of our operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. We have significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments that are not reflected in EBITDA. Other gaming companies that report EBITDA information may not calculate EBITDA in the same manner as us.

(3) Pro forma EBITDA for these periods consists of EBITDA plus $1.0 million in costs for Missouri investigations and fines incurred by the former owner of the Missouri properties in 2000 and $1.9 million of development costs associated with our unsuccessful bid for a gaming license in Lemay, Missouri incurred throughout 2000.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical or current facts included in this prospectus or incorporated by reference herein, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations ("cautionary statements") are disclosed under "Risk Factors" and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus.

We urge you to review carefully the section "Risk Factors" beginning on page 8 in this prospectus for a more complete discussion of the risks of purchasing our common stock. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

RISK FACTORS

Before making any decision to invest in our common stock, you should carefully consider the following factors in addition to the other information contained in this prospectus and incorporated by reference in this prospectus. If any of the following risks actually occur, our business, financial condition and results of operations may suffer. As a result, the trading price of our common stock could decline, and you could lose part or all of your investment.

THE GAMING INDUSTRY IS VERY COMPETITIVE AND INCREASED COMPETITION COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FUTURE OPERATIONS.

The gaming industry is very competitive and we face competitive pressures in a variety of areas. Our operating properties are located in jurisdictions that restrict gaming to certain areas and/or are adjacent to states that

prohibit or restrict gaming operations. These restrictions and prohibitions provide substantial benefits to our business and our ability to attract and retain customers. The legalization or expanded legalization or authorization of gaming within or near a market area of one of our properties could have a material adverse effect on our business, financial condition and results of operations. Economic difficulties faced by state governments could lead to intensified political pressures for the legalization of gaming.

From time to time, legislation and ballot measures have been unsuccessfully proposed in Kansas and Nebraska for the legalization of gaming, and we expect similar proposals will be made in the future and may be adopted. In such a case, our properties in Kansas City and Council Bluffs could face additional competition from adjacent states. In addition, the Missouri Gaming Commission is currently considering whether to accept applications for an additional gaming license in the St. Louis area. If an additional gaming license is granted, Ameristar St. Charles would face additional competition. Also, litigation is currently pending before the Mississippi Supreme Court relating to the site of a proposed new casino close to Jackson, Mississippi, which is the principal market for our Vicksburg property.

In addition, the entry into our current markets of additional competitors could have a material adverse effect on our business, financial condition and results of operations, particularly if a competitor were to obtain a license to operate a gaming facility in a superior location. Native American gaming facilities in some instances operate under regulatory requirements that are less stringent than those imposed on state-licensed casinos, which could provide them with a competitive advantage and lead to increased competition in our markets. Furthermore, increases in the popularity of, and competition from, internet and other account wagering gaming services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home, could have a material adverse effect on our business, financial condition, operating results and prospects.

MANY FACTORS, SOME OF WHICH ARE BEYOND OUR CONTROL, COULD ADVERSELY AFFECT OUR ABILITY TO SUCCESSFULLY COMPLETE OUR CONSTRUCTION AND DEVELOPMENT PROJECTS AS PLANNED.

General Construction Risks -- Delays and Cost Overruns. Construction and expansion projects for our properties entail significant risks. These risks include: (1) shortages of materials (including slot machines or other gaming equipment); (2) shortages of skilled labor or work stoppages; (3) unforeseen construction scheduling, engineering, environmental or geological problems; (4) weather interference, floods, fires or other casualty losses; (5) unanticipated cost increases; and (6) construction period disruption to existing operations.

Our anticipated costs and construction periods for construction projects are based upon budgets, conceptual design documents and construction schedule estimates prepared by us in consultation with our architects, consultants and contractors. The cost of any construction project undertaken by us may vary significantly from initial expectations, and we may have a limited amount of capital resources to fund cost overruns on any project. If we cannot finance cost overruns on a timely basis, the completion of one or more projects may be delayed until adequate cash flow from operations or other financing is available. The completion date of any of our construction projects could also differ significantly from initial expectations for construction-related or other reasons. We cannot assure you that any project will be completed on time,

if at all, or within established budgets. Significant delays or cost overruns on our construction projects could have a material adverse effect on our business,

financial condition and results of operations.

We employ "fast-track" design and construction methods in some of our construction and development projects. This involves the design of future stages of construction while earlier stages of construction are underway. Although we believe that the use of fast-track design and construction methods can reduce the overall construction time, these methods may not always result in such reductions, may involve additional construction costs than otherwise would be incurred and may increase the risk of disputes with contractors, all of which could have a material adverse effect on our business, financial condition and results of operations.

Construction Dependent upon Available Financing and Cash Flows from Operations. The availability of funds under our senior credit facilities at any time will be dependent upon, among other factors, the amount of our consolidated EBITDA (as defined in the credit agreement) during the preceding four full fiscal quarters. Our future operating performance will be subject to financial, economic, business, competitive, regulatory and other factors, many of which are beyond our control. Accordingly, we cannot assure you that our future consolidated EBITDA and the resulting availability of operating cash flow or borrowing capacity will be sufficient to allow us to undertake or complete current or future construction projects.

As a result of operating risks, including those described in this section, and other risks associated with a new venture, we cannot assure you that, once completed, any development project will increase our operating profits or operating cash flow.

THE COSTS OF OUR DEVELOPMENT AND CONSTRUCTION OF THE NEW CASINO AND ENTERTAINMENT FACILITY AT AMERISTAR ST. CHARLES MAY EXCEED OUR CURRENT ESTIMATES.

Construction is underway on our new casino and entertainment facility at Ameristar St. Charles. Our estimated cost of completing the St. Charles project is based on construction contracts we have signed, contract bids and estimates prepared by us. Due to typical construction uncertainties associated with any project, we cannot be sure that our construction costs will not be higher than the estimated cost of completion. Furthermore, the existing plans for the new casino and entertainment complex at Ameristar St. Charles may change, and the scope of the project may vary significantly from what is currently anticipated. We also cannot be sure that we will not exceed the budgeted costs of the project or that the project will commence operations within the contemplated time frame, if at all.

OUR ABILITY TO COMPLETE THE CONSTRUCTION OF THE NEW CASINO AND ENTERTAINMENT COMPLEX AT AMERISTAR ST. CHARLES AS CURRENTLY CONTEMPLATED DEPENDS ON OUR OPERATING PERFORMANCE AND RECEIPT OF A WAIVER FROM OUR LENDERS.

We intend to fund the construction of the new casino and entertainment complex at Ameristar St. Charles with a portion of our cash flow from operations and borrowings under our senior credit facilities. Since the amount of our available cash from operations and our ability to draw funds under our senior credit facilities are both determined by our operating performance, a failure to achieve certain performance levels during the construction period could result in the delay or suspension of construction. In addition, under the terms of our senior credit facilities and the indenture governing our senior subordinated notes, we may not be able to incur additional debt to fund the St. Charles project if cash from operations and available borrowings under our senior credit facilities are not sufficient to fund the construction.

Our senior credit facilities currently limit the amount that we can spend on the project to $110 million plus otherwise allowable capital expenditures,

but we expect the cost of the project to exceed this amount. While we are not currently in violation of any of the provisions of our senior credit facilities, we will need to obtain a waiver of this limit from our lenders. We expect to request a waiver from the lenders under our senior credit facilities during the first half of 2002, but we cannot be sure that our

lenders will grant our request. If we do not receive the waiver, our completion of the project will be significantly delayed.

CRAIG H. NEILSEN OWNS A MAJORITY OF OUR COMMON STOCK AND CONTROLS OUR AFFAIRS.

Mr. Neilsen is our President, Chief Executive Officer and Chairman of our board of directors and owns approximately 85% of our outstanding common stock. Upon completion of the offering, Mr. Neilsen will own approximately 63% of our outstanding common stock. Accordingly, Mr. Neilsen has and will continue to have the ability to control our operations and affairs, including the election of the board of directors and, except as otherwise provided by law, other matters submitted to a vote of the stockholders, including a merger, consolidation or sale of the stock of the company. In addition, Mr. Neilsen's substantial ownership affects the liquidity in the market for our common stock.

A CHANGE IN CONTROL COULD RESULT IN THE ACCELERATION OF OUR DEBT OBLIGATIONS.

Certain changes in control could result in the acceleration of our senior credit facilities and our senior subordinated notes. This acceleration could be triggered in the event Mr. Neilsen sells a significant portion of his stock or upon his death if his estate, heirs and devisees must sell a substantial number of shares of our common stock to obtain funds to pay inheritance tax liabilities. We cannot assure you that we would be able to repay any indebtedness that is accelerated as a result of a change in control, and this would likely materially adversely affect our financial condition.

LEVERAGE MAY IMPAIR OUR FINANCIAL CONDITION AND RESTRICT OUR OPERATIONS AND WE MAY INCUR SIGNIFICANT ADDITIONAL DEBT.

We are highly leveraged and have substantial fixed debt service in addition to our operating expenses. The degree to which we are leveraged could have important adverse consequences to our business, including:

- Increasing our vulnerability to general adverse economic and industry conditions;

- Limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions and other general corporate requirements;

- Requiring a substantial portion of our cash flow from operations for the payment of interest on our debt and reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions and general corporate requirements;

- Limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

- Placing us at a competitive disadvantage to less leveraged competitors.

The terms of our senior credit facilities and the indenture governing our senior subordinated notes contain covenants that may restrict our ability to, among other things, borrow money, pay dividends and effect a consolidation,

merger or disposal of substantially all of our assets. Although the covenants in our senior credit facilities and the indenture are subject to various exceptions that are intended to allow us to operate without undue restraint in certain anticipated circumstances, we cannot assure you that these covenants will not adversely affect our ability to finance future operations or capital needs or to engage in other activities that may be in our best interest. In addition, our long-term debt requires us to maintain specified financial ratios and satisfy certain financial condition tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. A breach of any of these covenants would result in a default under our senior credit facilities and the indenture. If an event of default under our senior credit facilities occurs, the lenders could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. In addition, our senior credit facilities are secured by first priority security interests on substantially all of our real and personal

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property, including the capital stock of our subsidiaries. If we are unable to pay all amounts declared due and payable in the event of a default, the lenders could foreclose on these assets.

IF OUR KEY PERSONNEL LEAVES US, OUR BUSINESS WILL BE SIGNIFICANTLY ADVERSELY AFFECTED.

We depend on the continued performance of Craig H. Neilsen, our President, Chief Executive Officer and Chairman, and his management team. Thomas M. Steinbauer, Ameristar's Senior Vice President of Finance, has announced his intention to leave us sometime after mid-2002, and we are currently seeking a replacement for Mr. Steinbauer. If we lose the services of Mr. Neilsen, any of our other executive officers or our senior property management personnel, and cannot replace such persons in a timely manner, it could have a material adverse effect on our business.

THE MARKET FOR QUALIFIED PROPERTY AND CORPORATE MANAGEMENT PERSONNEL IS SUBJECT TO INTENSE COMPETITION.

We have experienced and expect to continue to experience strong competition in hiring and retaining qualified property and corporate management personnel. Recruiting and retaining qualified management personnel is particularly difficult at Ameristar Vicksburg and the Jackpot properties due to local market conditions. If we are unable to successfully recruit and retain qualified management personnel at our properties and at our corporate level, our results of operations could be materially adversely affected.

ADVERSE WEATHER CONDITIONS IN THE AREAS IN WHICH WE OPERATE COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Adverse weather conditions, particularly flooding, heavy snowfall and other extreme weather conditions, can deter our customers from traveling or make it difficult for them to frequent our properties. If any of our properties were to experience prolonged adverse weather conditions, or if our Midwestern properties were to simultaneously experience adverse weather conditions, our results of operations and financial condition could be materially adversely affected.

OUR BUSINESS IS SUBJECT TO RESTRICTIONS AND LIMITATIONS IMPOSED BY GAMING REGULATORY AUTHORITIES THAT COULD ADVERSELY AFFECT US.

The ownership and operation of casino gaming facilities are subject to extensive state and local regulation. The States of Missouri, Iowa, Mississippi and Nevada and the applicable local authorities require various licenses,

findings of suitability, registrations, permits and approvals to be held by us and our subsidiaries. The Missouri Gaming Commission, the Iowa Racing and Gaming Commission, the Mississippi Gaming Commission and the Nevada Gaming Commission may, among other things, limit, condition, suspend, revoke or not renew a license or approval to own the stock of any of our Missouri, Iowa, Mississippi or Nevada subsidiaries, respectively, for any cause deemed reasonable by such licensing authority. Our licenses in Missouri will need to be renewed in December 2002 and every two years thereafter. Our gaming license in Iowa must be renewed or continued every year, and our gaming license in Mississippi must be renewed every three years. If we violate gaming laws or regulations, substantial fines could be levied against us, our subsidiaries and the persons involved, and we could be forced to forfeit portions of our assets. The suspension, revocation or non-renewal of any of our licenses or the levy on us of substantial fines or forfeiture of assets would have a material adverse effect on our business, financial condition and results of operations. We are also subject to substantial gaming taxes and fees imposed by various governmental authorities, which are subject to increase.

To date, we have obtained all governmental licenses, findings of suitability, registrations, permits and approvals necessary for the operation of our currently operating gaming activities. However, gaming licenses and related approvals are deemed to be privileges under Missouri, Iowa, Mississippi and Nevada law. We cannot assure you that our existing licenses, permits and approvals will be maintained or extended. We also cannot assure you that any new licenses, permits and approvals that may be required in the future will be granted to us.

IF THE JURISDICTIONS IN WHICH WE OPERATE INCREASE GAMING TAXES AND FEES, OUR RESULTS COULD BE ADVERSELY AFFECTED.

State and local authorities raise a significant amount of revenue through taxes and fees on gaming activities. From time to time, legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, worsening economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes. If the jurisdictions in which we operate were to increase gaming taxes and fees, our results from operations could be adversely affected.

WORSENING ECONOMIC CONDITIONS MAY ADVERSELY AFFECT OUR BUSINESS.

Our business may be adversely affected by economic downturns and instability as we are dependent on discretionary spending by our customers. Any worsening of current economic conditions, including as a result of the events of September 11, 2001, could cause fewer people to spend money at our properties and could adversely affect our revenues.

FAILURE OF LOCAL REAUTHORIZATION OF GAMING ACTIVITIES IN IOWA COULD HAVE A MATERIAL ADVERSE EFFECT ON US.

Under Iowa law, a license to conduct gambling games may be issued in a county only if the county electorate has approved such gambling games. Although the electorate of Pottawattamie County, which has a population of approximately 88,000 and includes the City of Council Bluffs, approved by referendum the gambling games conducted at Ameristar Council Bluffs, a reauthorization referendum must be submitted to the county electorate in the general election to be held in November 2002 and each eight years thereafter. Each such referendum requires the vote of a majority of the persons voting. If any such reauthorization referendum is defeated, Iowa law provides that any previously

issued gaming license will remain valid and subject to periodic renewal for a total of nine years from the original issue unless otherwise terminated by the Iowa Racing and Gaming Commission. The original issue date for our Iowa gaming license was January 27, 1995. We cannot assure you that gaming operations of the type we conduct at Ameristar Council Bluffs will continue to be authorized in Pottawattamie County. Any failure of Pottawattamie County to reauthorize gaming operations of the type we conduct at Ameristar Council Bluffs would have a material adverse effect on our business, financial condition and results of operations.

THE NATIONAL GAMBLING IMPACT STUDY COMMISSION'S RECOMMENDATIONS MAY ADVERSELY AFFECT THE GAMING INDUSTRY AND OUR OPERATIONS.

The National Gambling Impact Study Commission (the "National Commission") was established by the U.S. Congress to conduct a comprehensive study of the social and economic impact of gaming in the United States. On April 28, 1999, the National Commission voted to recommend that the expansion of gaming be curtailed. In June 1999, the National Commission issued a final report of its findings and conclusions, together with recommendations for legislative and administrative actions. Highlights of some of those recommendations include: (1) legal gaming should be restricted to those at least 21 years of age; (2) betting on college and amateur sports should be banned; (3) the introduction of casino-style gaming at pari-mutuel racing facilities for the primary purpose of saving pari-mutuel facilities that otherwise may not be financially viable for the purpose of competing with other forms of gaming should be prohibited; (4) internet gaming should be banned in the United States; (5) the types of gaming activities allowed by Native American tribes within a given state should be consistent with the gaming activities allowed to other persons in that state; and (6) state, local and tribal governments should recognize that casino gaming provides economic development, particularly for economically depressed areas and casino gaming as opposed to stand-alone slot machines (e.g., in convenience stores), internet gaming and lotteries do not provide the same economic development. Any regulation of the gaming industry which may result from the National Commission's report may have an adverse effect on the gaming industry and on our financial condition and results of operations.

ANY LOSS FROM SERVICE OF OUR RIVERBOAT AND DOCKSIDE FACILITIES FOR ANY REASON COULD MATERIALLY ADVERSELY AFFECT US.

Our riverboat and dockside facilities in Missouri, Iowa and Mississippi could be lost from service due to casualty, mechanical failure, extended or extraordinary maintenance, floods or other severe weather conditions. Cruises of the Council Bluffs casino are subject to risks generally incident to the movement of vessels on inland waterways, including risks of casualty due to river turbulence and severe weather conditions. In addition, U.S. Coast Guard regulations set limits on the operation of vessels and require that vessels be operated by a minimum complement of licensed personnel.

The U.S. Coast Guard also requires all United States flagged passenger vessels operating exclusively in fresh water to conduct a thorough dry-dock inspection of underwater machinery, valves and hull every five years. Less stringent inspection requirements apply to permanently moored dockside vessels like those at Ameristar Kansas City, Ameristar St. Charles and Ameristar Vicksburg. The Ameristar Council Bluffs riverboat was due for its dry-dock inspection in November 2000, but we have been accepted into a U.S. Coast Guard program that has extended the dry-dock requirement to May 2003 by undergoing a thorough underwater inspection. Upon the formal adoption of regulations relating to this program by the U.S. Coast Guard, we may be able to extend the dry-dock requirement further, to November 2005. If we are unable to continue to extend

the dry-dock requirement by performing thorough underwater hull inspections, the Council Bluffs casino would be out of service for a substantial period of time for its dry-dock inspection. This could have a material adverse effect on Ameristar Council Bluffs and on our business, financial condition and results of operations. We cannot assure you that we will actually obtain any further extension of the dry-dock requirement or that similar extensions will be obtained in the future.

The Ameristar Vicksburg site has experienced some instability that requires periodic maintenance and improvements. Although in 1999 we reinforced the cofferdam basin in which the vessel floats, further reinforcements may be necessary. We are also monitoring the site to evaluate what further steps, if any, may be necessary to stabilize the site to permit operations to continue. A site failure would require Ameristar Vicksburg to limit or cease operations.

The loss of a riverboat or dockside facility from service for any period of time likely would adversely affect our operating results and borrowing capacity under our long-term debt facilities. It could also result in the occurrence of an event of a default under one or more of our credit facilities or contracts.

WE COULD FACE SEVERE PENALTIES AND MATERIAL REMEDIATION COSTS IF WE FAIL TO COMPLY WITH APPLICABLE ENVIRONMENTAL REGULATIONS.

As is the case with any owner or operator of real property, we are subject to a variety of federal, state and local governmental regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. Failure to comply with environmental laws could result in the imposition of severe penalties or restrictions on operations by government agencies or courts of law, which could adversely affect operations. We do not have environmental liability insurance to cover most such events, and the environmental liability insurance coverage we maintain to cover certain events includes significant limitations and exclusions. In addition, if we discover any significant environmental contamination affecting any of our properties, we could face material remediation costs or additional development costs for future expansion activities.

USE OF PROCEEDS

The net proceeds from the sale of the 6,000,000 shares of common stock offered hereby will be approximately $76.8 million to us and $38.8 million to the selling stockholder, based upon an offering price per share of $20.50, after deducting the underwriting discounts and commissions and the estimated offering expenses payable by us. We will not receive any proceeds from the sale of the shares of our common stock being offered by the selling stockholder.

We intend to use the net proceeds we receive from this offering to repay our term loans under our senior credit facilities on a pro rata basis as required. As of September 30, 2001, the weighted average interest rate on the principal amount outstanding under our senior credit facilities was 6.4%, with the interest rates on the term loans A, B and C being 5.9%, 6.4% and 6.6%, respectively. The term loans A, B and C mature on December 20, 2005, 2006 and 2007, respectively.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain all earnings to fund our working capital, debt service and capital expenditures and for general corporate purposes. The ability to declare

dividends is in the discretion of our board of directors, but our senior credit facilities and the indenture governing our senior subordinated notes contain restrictions on our ability to pay dividends or make other payments or distributions to our stockholders.

PRICE RANGE OF OUR COMMON STOCK

Our common stock is quoted on the Nasdaq National Market under the symbol "ASCA." The following table reflects the range of high and low sale prices as reported on the Nasdaq National Market for the quarters identified below:

	HIGH	LOW
Year ended December 31, 1999		
First Quarter	$ 3.63	$ 2.13
Second Quarter	3.88	2.31
Third Quarter	4.44	3.00
Fourth Quarter	4.31	3.25
Year ended December 31, 2000		
First Quarter	$ 4.19	$ 3.63
Second Quarter	4.34	3.00
Third Quarter	6.00	4.19
Fourth Quarter	6.63	4.59
Year ending December 31, 2001		
First Quarter	$ 6.75	$ 4.50
Second Quarter	18.75	6.53
Third Quarter	21.90	9.41
Fourth Quarter (through December 11, 2001)	25.51	12.00

On December 11, 2001, the last reported sale price of our common stock on the Nasdaq National Market was $21.45 per share. As of December 10, 2001, there were 202 holders of record of our common stock.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2001 (1) on an actual basis and (2) on an adjusted basis, to reflect the sale of 4,000,000 shares of common stock offered by us in this offering at an offering price of $20.50 per share, less the estimated underwriting discount and offering expenses. You should read the following table along with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and consolidated financial statements and notes included in this prospectus.

	AS OF SEPTEMBER 30, 2001	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Cash and cash equivalents	$ 41,931	$ 41,931
Long-term debt (including current maturities):		

Senior credit facilities	$330,063	$253,268
10 3/4% senior subordinated notes due 2009, net of original issue discount	375,389	375,389
Capitalized leases and other	16,365	16,365
Total long-term debt	721,817	645,022
Stockholders' equity		
Preferred stock ($0.01 par value, 30,000,000 shares authorized, no shares issued and outstanding)	--	--
Common stock ($0.01 par value, 30,000,000 shares authorized; 20,870,045 shares issued and outstanding, actual; 24,870,045 shares issued and outstanding, as adjusted)	209	249
Additional paid-in capital	44,563	121,318
Accumulated other comprehensive loss	(2,350)	(2,350)
Retained earnings	8,576	8,576
Total stockholders' equity	50,998	127,793
Total capitalization	$772,815	$772,815

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UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma condensed financial statements are based on our historical financial statements and the historical financial statements of Station Casinos, Inc. Missouri Operations and should be read in conjunction with the historical financial statements included in this prospectus.

The pro forma financial statements reflect (1) the acquisition of our Missouri properties on December 20, 2000 and the related financing transactions and (2) the sale of The Reserve Hotel and Casino on January 29, 2001, assuming such transactions occurred on January 1, 2000.

Pro forma adjustments to historical financial statements include adjustments which we deem appropriate, reflecting items of recurring significance and which are factually supported based on currently available information. The pro forma financial statements may not be indicative of what actual results would have been, nor do the pro forma financial statements purport to present our condensed financial results for future periods.

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UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	AMERISTAR HISTORICAL (INCLUDING THE MISSOURI PROPERTIES)	PRO FORMA ADJUSTMENTS FOR THE ACQUISITIONS AND RELATED FINANCINGS	PRO FORMA ADJUSTMENTS FOR THE SALE OF THE RESERVE	PRO FO ACQUI RE FINA AND THE

Revenues:				
Casino	$409,651		$(3,649)(7)	$40
Food and beverage	52,351		(1,311)(7)	5
Rooms	17,908		(278)(7)	1
Other	13,698		(498)(7)	1
	493,608	--	(5,736)	48
Less: Promotional allowances	26,919		(603)(8)	2
Net revenues	466,689	--	(5,133)	46
Operating Expenses:				
Casino	203,397		(2,536)(7)	20
Food and beverage	34,066		(976)(7)	3
Rooms	6,053		(91)(7)	
Other	9,136		(66)(7)	
Selling, general and administrative	97,556		(1,396)(7)	9
Depreciation and amortization	28,292			2
Total operating expenses	378,500	--	(5,065)	37
Income (loss) from operations	88,189	--	(68)	8
Other Income (Expense):				
Interest income	475			
Interest expense	(50,839)	$(165)(4)	2(7)	
			310(8)	(5
Other	(143)			
	(50,507)	(165)	312	(5
Income (loss) before income tax provision (benefit), extraordinary item and cumulative effect of change in accounting principle	37,682	(165)	244	3
Income tax provision (benefit)	13,546	(58)(9)	(23)(7)	
			109(9)	1
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	$ 24,136	$(107)	$ 158	$ 2
Earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle:				
Basic	$ 1.17			$
Diluted	$ 1.08			$
Basic shares outstanding	20,655			2
Diluted shares outstanding	22,349			2

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	AMERISTAR HISTORICAL	MISSOURI PROPERTIES HISTORICAL (TO DECEMBER 20, 2000)	PRO FORMA ADJUSTMENTS FOR THE ACQUISITIONS AND RELATED FINANCINGS	PRO FO ADJUSTM FOR T SALE THE RES
Revenues:				
Casino	$278,567	$275,534		$(47,1
Food and beverage	53,653	30,565		(15,7
Rooms	18,121	8,794		(4,0
Other	12,018	6,827		(1,5
	362,359	321,720	--	(68,5
Less: Promotional allowances	28,224	11,330		(6,4
Net revenues	334,135	310,390	--	(62,0
Operating Expenses:				
Casino	127,077	146,189		(25,6
Food and beverage	35,135	27,349		(12,4
Rooms	6,944	2,904		(1,6
Other	12,257	3,047		(1,1
Selling, general and administrative	90,416	48,746	$ (1,366)(1)	(15,0
Depreciation and amortization	27,784	17,923	(859)(2) 5,160(3)	(6,2
Impairment loss on assets held for sale	57,153	--		(57,1
Total operating expenses	356,766	246,158	2,935	(119,3
Income (loss) from operations	(22,631)	64,232	(2,935)	57,2
Other Income (Expense):				
Interest income	161			
Interest expense	(28,316)	(40,742)	(74,743)(4) 25,319(5) 40,742(6)	4 3,6
Other	(942)	1,294		4
	(29,097)	(39,448)	(8,682)	4,5
Income (loss) before income tax provision (benefit)and extraordinary item	(51,728)	24,784	(11,617)	61,8
Income tax provision (benefit)	(17,981)	6,875	(4,066)(9)	21,0 6
Income (loss) before extraordinary item	$(33,747)	$ 17,909	$ (7,551)	$ 40,1
Earnings (loss) per share before extraordinary item:				
Basic	$ (1.65)			
Diluted	$ (1.65)			
Basic shares outstanding	20,401			

Diluted shares outstanding..............	20,401
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NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

The following pro forma adjustments have been made to the unaudited pro forma condensed statements of operations for the nine months ended September 30, 2001 and the year ended December 31, 2000:

(1) Reflects the reduction to rent expense associated with land purchased at our Kansas City property as part of the acquisitions.

(2) Reflects adjustments to depreciation expense as a result of changes in the carrying value of the Missouri properties' property and equipment and leasehold improvements.

(3) Reflects the amortization of excess of purchase price over fair market value of net assets acquired on a straight-line basis over an estimated useful life of 40 years and the amortization of identified intangible assets (primarily customer lists) on a straight-line basis over an estimated useful life of two years. The excess purchase price over fair market value of net assets acquired is deductible for tax purposes and is amortized over a 15 year period.

(4) Reflects interest expense from the senior credit facilities, senior subordinated credit facility and senior subordinated notes, including amortization of debt issuance costs.

(5) Reflects the reduction in interest expense from repaying and terminating the $115 million revolving credit facility, repurchasing the 10.5% senior subordinated notes and repaying other existing indebtedness, including amortization of debt issuance costs.

(6) Reflects the reduction of the Missouri properties' historical interest expense related to debt not being assumed in the acquisitions.

(7) Reflects the historical results of The Reserve Hotel and Casino.

(8) Reflects the reduction in interest expense related to the permanent reduction of certain borrowings under the senior credit facilities.

(9) Reflects the tax effect of the pro forma adjustments using the 35% statutory tax rate, excluding the actual tax effects of the historical results of The Reserve Hotel and Casino referred to in Note 7.

SELECTED FINANCIAL AND OTHER DATA

The selected consolidated financial and other data presented below as of and for each of the five years ended December 31, 2000 have been derived from our audited consolidated financial statements. We have derived the selected historical financial data for the nine months ended September 30, 2000 and 2001 from our unaudited condensed consolidated financial statements, which include all adjustments, consisting of normal recurring adjustments, which are, in our opinion, necessary for a fair presentation of our results of operations for such periods. The results of operations for the nine months ended September 30, 2001

are not necessarily indicative of the results for the full year. The selected consolidated financial and other data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, and notes thereto, included elsewhere in this prospectus (except for the consolidated financial statements as of and for the years ended December 31, 1996 and 1997, which are not included in this prospectus).

	FOR THE YEARS ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DAT				
STATEMENT OF OPERATIONS(1):					
Revenues:					
Casino	$158,431	$169,241	$210,968	$240,445	$278,567
Food and beverage	24,250	30,672	45,853	49,142	53,653
Rooms	7,641	9,685	14,201	17,257	18,121
Other	7,760	8,275	10,401	11,089	12,018
	198,082	217,873	281,423	317,933	362,359
Less: Promotional allowances	12,524	15,530	22,092	24,618	28,224
Net revenues	185,558	202,343	259,331	293,315	334,135
Operating Expenses:					
Casino	72,778	74,897	98,036	107,386	127,077
Food and beverage	16,773	19,784	31,698	33,207	35,135
Rooms	2,368	3,130	5,809	6,372	6,944
Other	7,054	7,546	10,044	10,203	12,257
Selling, general and administrative	47,758	51,958	75,604	86,142	90,416
Depreciation and amortization	14,135	16,358	24,191	24,460	27,784
Impairment loss on assets held for sale	--	646	--	--	57,153
Preopening costs	7,379	--	10,611	--	--
Total operating expenses	168,245	174,319	255,993	267,770	356,766
Income (loss) from operations	17,313	28,024	3,338	25,545	(22,631)
Other Income (Expense):					
Interest income	354	445	296	300	161
Interest expense	(8,303)	(12,107)	(22,699)	(24,449)	(28,316)
Other	(77)	(35)	(13)	(851)	(942)
Income (loss) before income tax provision (benefit)	9,287	16,327	(19,078)	545	(51,728)
Income tax provision (benefit)	3,390	5,959	(6,363)	340	(17,981)
Income (loss) before extraordinary loss and cumulative Effect of change in accounting principle	5,897	10,368	(12,715)	205	(33,747)
Extraordinary loss on early retirement of debt, net of Income taxes	--	(673)	--	--	(6,560)
Cumulative effect of change in accounting principle, net of income taxes	--	--	--	--	--
Net income (loss)	$ 5,897	$ 9,695	$(12,715)	$ 205	$(40,307)

Diluted earnings (loss) per share:					
Income (loss) before extraordinary loss and cumulative	$ 0.29	$ 0.51	$ (0.62)	$ 0.01	$ (1.65)
Effect of change in accounting principle Net income (loss)	0.29	0.48	(0.62)	0.01	(1.98)

See footnotes on following page.

	FOR THE YEARS ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DAT				
OTHER FINANCIAL DATA:					
EBITDA(2)	$ 38,827	$ 45,028	$ 38,140	$ 50,005	$ 62,306
Cash flows from operating activities	33,177	33,641	23,123	34,287	38,836
Cash flows from investing activities	(53,746)	(63,417)	(53,863)	(50,048)	(521,206)
Cash flows from financing activities	16,506	32,083	35,918	13,083	503,084
Capital expenditures	43,087	72,932	32,312	57,590	33,357
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 10,724	$ 13,031	$ 18,209	$ 15,531	$ 36,245
Total assets	270,052	336,186	351,773	378,645	890,921
Total long-term debt and capital leases	164,139	199,623	242,721	250,288	791,433
Stockholders' equity	70,944	80,639	67,924	68,169	28,044

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(1) The casino at Ameristar Council Bluffs opened in January 1996, portions of the land-based facilities opened in June 1996 and the 160-room hotel opened in November 1996. The remaining land-based facilities opened in February and March 1997. The expanded casino opened in November 1999. The Reserve Hotel and Casino opened in February 1998. The Ameristar Vicksburg hotel opened in June 1998. The expanded casino opened in December 1999. Results for the year ended December 31, 2000 include 11 days of operations at Ameristar Kansas City and Ameristar St. Charles, which were acquired on December 20, 2000. Results for the nine months ended September 30, 2001 include the operations of The Reserve until January 29, 2001, when it was sold.

Certain reclassifications, having no effect on net income, have been made to the prior period's condensed consolidated financial statements to conform to the current period's presentation. We previously recorded our customers' progress toward players club points as a casino department expense. However, under the Emerging Issues Task Force ("EITF") Issue 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future" ("EITF 00-22"), this progress must now be recorded as a reduction of revenue.

(2) EBITDA consists of income (loss) from operations plus depreciation, amortization, preopening costs and impairment losses. EBITDA information is presented solely as a supplemental disclosure because management believes that it is a widely used measure of operating performance in the gaming industry and for companies with a significant amount of depreciation and amortization. EBITDA should not be construed as an alternative to income from operations (as determined in accordance with generally accepted accounting principles) as an indicator of our operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. We have significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments that are not reflected in EBITDA. Gaming companies that report EBITDA information may not calculate EBITDA in the same manner as us.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the section "Selected Financial and Other Data" and the consolidated financial statements and related notes included elsewhere in this prospectus.

OVERVIEW

We develop, own and operate casinos and related hotel, food and beverage, entertainment and other facilities, with six properties in operation in Missouri, Iowa, Mississippi and Nevada. Our properties consist of Ameristar Casino Hotel Kansas City, located in Kansas City, Missouri; Ameristar Casino St. Charles, located in St. Charles, Missouri serving the St. Louis metropolitan area; Ameristar Casino Hotel Council Bluffs, located in Council Bluffs, Iowa serving the Omaha, Nebraska/Council Bluffs metropolitan area; Ameristar Casino Hotel Vicksburg, located in Vicksburg, Mississippi; and Cactus Petes Resort Casino and The Horseshu Hotel & Casino located in Jackpot, Nevada at the Idaho border. We acquired the Missouri properties in December 2000. We sold The Reserve Hotel and Casino in Henderson, Nevada in late January 2001.

We recently completed or are in the process of completing several major enhancement projects at our properties. These projects include the following:

- Renovation and Enhancement Project at Ameristar Council Bluffs. In the first quarter of 2001, we completed an approximately $7 million renovation and enhancement of the first two levels of the casino at the Council Bluffs property, featuring the installation of multimedia, high-definition plasma screens throughout the casino along with new slot product and EZ-Pay, a cashless ticket system designed to improve guest satisfaction.

- Renovation and Enhancement Project at Ameristar Vicksburg. In the second quarter of 2001, we substantially completed an approximately $10 million renovation and enhancement project at Ameristar Vicksburg, including a completely renovated casino with the latest slot machine technology; a new VIP players lounge; the Bottleneck Blues Bar, an intricately-themed, delta-style, blues club environment with live entertainment, dining and gaming; and new high-definition plasma screens for special event viewing.

- New Casino and Entertainment Facility at Ameristar St. Charles. We continue to make progress on the new casino and entertainment facility

under construction at Ameristar St. Charles without interruption to the property's ongoing operations. Construction is on schedule and the new facility is expected to open in mid-2002. The estimated construction cost to complete this project is approximately $170 million, of which $14.8 million had been incurred as of September 30, 2001.

- Single Boat Consolidation at Ameristar Kansas City. In August 2001, we completed the consolidation of two contiguous but separate casinos at Ameristar Kansas City into a single casino. Ongoing modifications to the casino floor resulting from the consolidation include redesigning the casino floor layout to take advantage of the single casino configuration and enhance customer satisfaction; relocating and expanding the high-limit area, including the addition of six high-limit table games; moving the poker room from the second level of the casino to the first; and combining the two casino delicatessens into a single, expanded delicatessen. We expect to complete these improvements in December 2001.

- New Parking Garage at Ameristar Kansas City. In the third quarter of 2001, Ameristar Kansas City began site work at the property in preparation for the construction of a new $20 million, 2,660-space parking garage. Construction of the parking garage commenced early in the fourth quarter of 2001 and is expected to be completed in July 2002.

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Certain of our operations are seasonal in nature. To date, our operations in Missouri, Iowa and Nevada have experienced some seasonality, with the winter months being the slower periods. Operations at Ameristar Vicksburg have not experienced any material seasonality. Since our customers primarily reside within a 100-mile radius of our properties, we believe our revenues have only been marginally affected by the slowdown in air travel resulting from the events of September 11, 2001.

Our quarterly and annual operating results may be affected by competitive pressures, the commencement of new gaming operations, the amount of preopening costs, charges associated with debt refinancing and/or property acquisition and disposition transactions, construction at existing facilities and general weather conditions. Consequently, our operating results for any quarter or year are not necessarily comparable and may not be indicative of future periods results.

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RESULTS OF OPERATIONS

The following table highlights the consolidated cash flow information and results of operations of Ameristar's operating subsidiaries for its principal properties:

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1998(1)	1999(1)	2000(1)	2000(1)	2001
	(AMOUNTS IN THOUSANDS)				
CONSOLIDATED CASH FLOW INFORMATION:					
Cash flows provided by operating					

activities	$ 23,123	$ 34,287	$ 38,836	$ 21,771	$ 76,992
Cash flows provided by (used in) investing activities	(53,863)	(50,048)	(521,206)	(30,087)	10,022
Cash flows provided by (used in) financing activities	35,918	13,083	503,084	8,851	(81,328)
NET REVENUES:					
Ameristar Kansas City(2)	$ --	$ --	$ 7,845	$ --	$158,323
Ameristar St. Charles(2)	--	--	4,289	--	106,675
Ameristar Council Bluffs	95,652	109,678	120,868	93,466	94,454
Ameristar Vicksburg	66,399	74,365	79,600	60,887	58,306
Jackpot properties	53,676	57,120	59,339	46,100	43,885
The Reserve(3)	43,381	51,969	62,082	45,778	5,046
Corporate and other	223	183	112	112	--
Consolidated net revenues	$259,331	$293,315	$ 334,135	$246,343	$466,689
OPERATING INCOME (LOSS):					
Ameristar Kansas City(2)	$ --	$ --	$ 1,168	$ --	$ 35,166
Ameristar St. Charles(2)	--	--	597	--	30,828
Ameristar Council Bluffs	17,230	20,714	22,060	18,239	19,501
Ameristar Vicksburg	13,562	15,392	16,041	12,603	10,810
Jackpot properties	9,638	10,619	10,595	8,570	8,039
The Reserve(3)	(26,703)	(7,089)	(57,321)	(58,980)	67
Corporate and other	(10,389)	(14,091)	(15,771)	(12,694)	(16,222)
Consolidated operating income (loss)	$ 3,338	$ 25,545	$ (22,631)	$(32,262)	$ 88,189
EBITDA(4):					
Ameristar Kansas City(2)	$ --	$ --	$ 1,459	$ --	$ 44,345
Ameristar St. Charles(2)	--	--	715	--	33,313
Ameristar Council Bluffs	24,322	28,430	32,053	25,551	26,502
Ameristar Vicksburg	20,231	21,092	22,945	17,626	16,877
Jackpot properties	13,163	13,743	14,215	11,242	11,039
The Reserve(3)	(9,519)	426	6,146	4,491	67
Corporate and other	(10,057)	(13,686)	(15,227)	(12,346)	(15,662)
Consolidated EBITDA	$ 38,140	$ 50,005	$ 62,306	$ 46,564	$116,481
OPERATING INCOME (LOSS) MARGINS:					
Ameristar Kansas City(2)	--	--	14.9%	--	22.2%
Ameristar St. Charles(2)	--	--	13.9%	--	28.9%
Ameristar Council Bluffs	18.0%	18.9%	18.3%	19.5%	20.6%
Ameristar Vicksburg	20.4%	20.7%	20.2%	20.7%	18.5%
Jackpot properties	18.0%	18.6%	17.9%	18.6%	18.3%
The Reserve(3)	(61.6)%	(13.6)%	(92.3)%	(128.8)%	1.3%
Consolidated operating income (loss) margin	1.3%	8.7%	(6.8)%	(13.1)%	18.9%
EBITDA MARGINS(4):					
Ameristar Kansas City	--	--	18.6%	--	28.0%
Ameristar St. Charles	--	--	16.7%	--	31.2%
Ameristar Council Bluffs	25.4%	25.9%	26.5%	27.3%	28.1%
Ameristar Vicksburg	30.5%	28.4%	28.8%	28.9%	28.9%
Jackpot properties	24.5%	24.1%	24.0%	24.4%	25.2%
The Reserve(3)	(21.9)%	0.8%	9.9%	9.8%	1.3%
Consolidated EBITDA margin	14.7%	17.0%	18.6%	18.9%	25.0%

See footnotes on following page.

(1) Certain reclassifications, having no effect on net income, have been made to prior periods' financial information to conform to the current period's presentation, including the implementation of EITF 00-22.

(2) The Missouri properties were acquired on December 20, 2000.

(3) The Reserve was sold on January 29, 2001. Operating results for the nine-month period ending September 30, 2000 include an impairment loss of $57.2 million related to assets held for sale.

(4) EBITDA consists of income (loss) from operations plus depreciation, amortization and impairment losses. EBITDA margin is EBITDA as a percentage of net revenues. EBITDA information is presented solely as a supplemental disclosure because management believes that it is a widely used measure of operating performance in the gaming industry. EBITDA should not be construed as an alternative to income from operations (as determined in accordance with generally accepted accounting principles) as an indicator of our operating performance, or as an alternative to cash flow from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. We have significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in EBITDA. It should also be noted that not all gaming companies that report EBITDA information calculate EBITDA in the same manner as us.

NINE MONTHS ENDED SEPTEMBER 30, 2001 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 2000

Net Revenues

Consolidated net revenues for the nine months ended September 30, 2001 increased to $466.7 million from $246.3 million during the same period in 2000, an increase of 89.5 percent. The growth in revenues is primarily attributable to contributions from the Kansas City and St. Charles properties, which were acquired on December 20, 2000 and contributed net revenues of $265.0 million in the first nine months of 2001. The Missouri properties' contributions were partially offset by the absence of revenues from The Reserve, which was sold in late January 2001.

Ameristar Kansas City's net revenues of $158.3 million for the first nine months of 2001 were adversely impacted by a market-wide decline in table games revenues and construction disruption associated with the one-boat consolidation, casino floor reconfiguration and parking garage site work. Net revenues in the latter portion of the period were also adversely impacted by enhanced competition from another property following the June 2001 opening of its newly renovated facility. Ameristar Kansas City's market share in the first three quarters of 2001 was 32.5%, 33.5% and 32.6%, respectively.

Net revenues of $106.7 million at Ameristar St. Charles for the first nine months of 2001 were positively impacted by strong overall market growth and market share increases driven by aggressive marketing and promotional programs and the introduction of new slot product. Ameristar St. Charles' market share in the first three quarters of 2001 was 17.6%, 18.5% and 19.0%, respectively.

Net revenues at Ameristar Council Bluffs for the nine months ended September 30, 2001 were $94.5 million, an increase of $1.0 million, or 1.1 percent, over the corresponding period in 2000. Net revenues during the

beginning of the nine-month period were adversely affected by construction disruption associated with the property's renovation and enhancement project as well as adverse winter weather conditions. However, Ameristar Council Bluffs began to see improved results from the renovation project in the third quarter of 2001. Third quarter 2001 net revenues increased approximately 10 percent over the corresponding period in 2000. The property's market share also improved after completion of the renovation project, growing from 32.1% in the third quarter of 2000 to 34.4% for the third quarter of 2001, which culminated with a market-leading 34.9% market share in September 2001, marking the first time we have surpassed both the land-based property and the other riverboat property in this market.

Ameristar Vicksburg's net revenues for the nine months ended September 30, 2001 declined 4.2 percent to $58.3 million compared to the same period in 2000, primarily due to construction disruption associated with the renovation and enhancement project completed in the second quarter 2001 and a slight decline in the overall Vicksburg market. Like Ameristar Council Bluffs, net revenues at Ameristar Vicksburg began to improve once construction was completed, leading to a slight increase in net revenues in the third quarter of 2001 compared to the same period in 2000. Ameristar Vicksburg's third quarter 2001 market share improved to 34.6% from 33.4% during the same period in 2000.

During the nine months ended September 30, 2001, the Jackpot properties generated $43.9 million of net revenues, a decline of 4.8 percent compared to the same period in 2000, primarily as the result of slow economic conditions in the southern Idaho market. The Jackpot properties' net revenues began to rebound in the third quarter of 2001, posting a slight increase to $16.3 million from $16.2 million in the third quarter of 2000.

Income (Loss) from Operations

Our consolidated income from operations for the nine months ended September 30, 2001 was $88.2 million compared to $24.9 million (excluding a $57.2 million impairment loss associated with the sale of The Reserve) in the same period in 2000. This increase is primarily due to contributions made by the Missouri properties, which contributed $66.0 million to income from operations during the first nine months of 2001, partially offset by an increase in corporate and other expenses of $3.5 million resulting from our increased size and scope following the acquisitions of the Missouri properties.

Income from operations at Ameristar Kansas City of $35.2 million for the nine-month period ended September 30, 2001 was adversely impacted by the factors that affected revenues described above. In addition, while various new marketing and promotional programs implemented by Ameristar Kansas City in the latter portion of the period contributed to stronger slot revenues, a larger increase in marketing expenses and promotional allowances adversely affected the property's income from operations.

Ameristar St. Charles generated $30.8 million of income from operations during the first nine months of 2001. Operating efficiencies resulting from the property's strong revenues during the period led to a 28.9% operating income margin for the nine months ended September 30, 2001.

Ameristar Council Bluffs' income from operations during the nine months ended September 30, 2001 was $19.5 million, an increase of $1.3 million, or 6.9 percent, over the first nine months of 2000. The increase was primarily due to increased revenues and improved operating efficiencies, particularly in the latter portion of the period after the completion of the property's renovation and enhancement project, as well as a continued emphasis on controlling costs.

Ameristar Vicksburg posted income from operations of $10.8 million, representing a 14.2 percent decline from the first nine months of 2000, primarily due to reduced revenues as described above. Once Ameristar Vicksburg's renovation project was completed in the second quarter of 2001 and revenues began to improve, income from operations also improved, with Ameristar Vicksburg posting a 4.6 percent increase from the third quarter of 2000 to $3.6 million in the third quarter of 2001.

The Jackpot properties' income from operations for the nine months ended September 30, 2001 was $8.0 million, down 6.2 percent from $8.6 million for the same period in 2000. This decline was also due to reduced revenues primarily during the early portion of the period.

Interest Expense

Consolidated interest expense was $50.8 million for the nine months ended September 30, 2001 compared to $20.0 million for the same period in 2000. The increased interest expense reflects our additional debt incurred in connection with the acquisition of the Missouri properties. We recorded a $3.5 million non-recurring charge to interest expense for the write-off of unamortized interim credit facility costs in the first quarter of 2001. A charge to interest expense of $1.1 million was also incurred during the first nine months of 2001 due to changes in the fair value of our interest rate collar agreement covering $50 million principal amount of indebtedness under our senior credit facilities.

Net Income (Loss)

For the nine months ended September 30, 2001, net income was $24.0 million, or $1.16 basic earnings per share and $1.07 diluted earnings per share, compared to a loss of $34.6 million for the same period in 2000, or $1.70 basic and diluted loss per share. Net income for the nine months ended September 30, 2001 includes a one-time charge to interest expense of $2.3 million (net of tax) relating to the write-off of the unamortized loan fee on our interim credit facility that was refinanced with the proceeds of our senior subordinated notes and a prepayment premium on retired senior debt, which reduced basic earnings per share by $0.11 per share and diluted earnings per share by $0.10 per share. Net income for the nine months ended September 30, 2001 also includes $1.2 million in additional interest expense (net of tax) related to our interest rate collar agreement, which reduced basic and diluted earnings per share by $0.06 and $0.05 per share, respectively. Net loss for the nine months ended September 30, 2000 includes a $57.2 million impairment loss associated with the sale of The Reserve which reduced basic and diluted earnings per share for such period by $1.82.

YEAR ENDED DECEMBER 31, 2000 VERSUS YEAR ENDED DECEMBER 31, 1999

Significant Events

We experienced an overall growth in net revenues and operating cash flow for the twelve months ended December 31, 2000 compared to 1999. The results of operations for the year ended December 31, 2000 were significantly impacted by the following events:

- We completed acquisitions of the Kansas City and St. Charles properties in late December of 2000. The inclusion of 11 days of operations at the two new Missouri properties resulted in an increase to net revenues of $12.1 million for the year-ended December 31, 2000.

- We also completed significant casino and parking expansions at the Iowa and Mississippi properties in late 1999 and early 2000. In addition, a number of new generation multi-coin slot machines were installed throughout our properties and the strategic implementation of enhanced marketing programs were introduced, aimed at increasing revenues and profitability. Our philosophy of reinvesting in our properties continued with ongoing renovation and enhancement projects at Ameristar Council Bluffs and Ameristar Vicksburg.

- We agreed on October 17, 2000 to sell substantially all of the assets of The Reserve Hotel and Casino for approximately $71.8 million. The sale of The Reserve closed in late January 2001. The sale resulted in an impairment loss of $57.2 million, which reduced operating income for the year-ended December 31, 2000. As a result, we reported a $22.6 million loss from operations for the year-ended December 31, 2000, as compared to a $25.5 million income from operations for 1999, despite increases in revenue and cash flows from operations.

Consolidated Results

Net revenues for the year ended December 31, 2000 were $334.1 million compared to $293.3 million for 1999, an increase of $40.8 million, or 13.9 percent. This growth resulted from casino and parking expansions at our Iowa and Mississippi properties, the introduction of new generation multi-coin slot machines throughout our properties, the strategic implementation of enhanced marketing programs and the additional revenues provided by the two new Missouri properties. A significant amount of the increase in net revenues was due to the acquisition of the Kansas City and St. Charles properties on December 20, 2000, though each of our properties experienced an increase in revenues.

Loss from operations (including the impairment loss) for the twelve months ended December 31, 2000 was $22.6 million compared to income from operations of $25.5 million for 1999. Excluding the impairment loss, operations produced an increase in operating income of $9.0 million, or 35.3 percent for the twelve months ended December 31, 2000, as compared to the prior year. These increases in operating income prior to the impairment loss resulted primarily from increased revenues at all the properties, partially offset by operating expense increases at the properties (particularly marketing costs) and development costs related to our unsuccessful bid for a gaming license in South St. Louis County, Missouri.

We incurred an extraordinary loss of $10.0 million ($6.6 million net of tax) for the retirement of our $100 million subordinated notes in December 2000. These notes were retired in connection with the refinancing for the purchase of the Missouri properties.

We incurred a net loss of $40.3 million for the year-ended December 31, 2000, compared to net income of $0.2 million in 1999. The net loss was a result of the $57.2 million impairment of assets ($37.1 million net of tax) and the $10.0 million ($6.6 million net of tax) extraordinary loss on the retirement of debt. Net income in 2000, prior to these unusual and non-recurring transactions, was $3.4 million, compared to net income of $0.2 million in 1999. Earnings per share, prior to these unusual and non-recurring transactions, was $0.17 for 2000, compared to $0.01 for 1999.

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Property Revenues

Ameristar Council Bluffs had total net revenues of $120.9 million for the year ended December 31, 2000, compared to $109.7 million in 1999, an increase of

$11.2 million, or 10.2 percent. The increase was primarily driven by increased slot revenues, offset slightly by lower table games revenues. The slot increase of $13.9 million was attributable to the addition of the third deck of the boat in late 1999 (which increased the number of gaming positions by approximately 349), the largest number of new generation multi-coin slot machines in the market, an aggressive new cash-back program and overall continued growth in the Iowa gaming market. The decrease in table win of $1.4 million from 1999 to 2000 was the result of a 1.6 percentage point decline in table games hold percentage, which more than offset the increase in table drop of $0.9 million.

Net revenues at Ameristar Vicksburg for the year ended December 31, 2000 were $79.6 million compared to $74.4 million in 1999, an increase of $5.2 million, or 7.0 percent. The property experienced an increase in slot revenue of $5.5 million or 9.8 percent. The increase in net revenues was largely due to the casino expansion in the fall of 1999, the installation of new generation multi-coin slot machines, an increase in slot machine count and improved marketing strategies.

The Jackpot properties produced net revenues of $59.3 million for the year ended December 31, 2000 compared to $57.1 million in 1999, an increase of $2.2 million, or 3.9 percent. The increased revenues were primarily attributable to slot machine upgrades and improved marketing programs. Increased slot revenues of $1.9 million over the prior year were attributable to enhanced slot product, timely slot conversions and effective marketing programs.

The Reserve had net revenues for the year ended December 31, 2000 of $62.1 million, an improvement of $10.1 million, or 19.4 percent over the 1999 net revenues of $52.0 million. Slot revenue was the primary component of net revenues, comprising nearly 70 percent of the net revenues for the year. Slot revenue of $43.1 million exceeded the prior year by $7.2 million, or 20.0 percent. This improvement was primarily attributable to the implementation of various strategies to drive revenues and gain market share.

Operating Expenses

The company-wide operating expense ratio for 2000 improved to 89.7 percent of net revenues (before the asset impairment loss of $57.2 million in connection with the sale of The Reserve), compared to 91.3 percent of net revenues in 1999. The improvement in this ratio was primarily the result of increased revenues, partially offset by operating expense increases at the properties and corporate office and $1.9 million in development costs related to our unsuccessful bid for a gaming license in South St. Louis County, Missouri.

Casino costs and expenses for the year ended December 31, 2000 increased $19.7 million, or 18.3 percent, from $107.4 million in 1999 to $127.1 million in 2000. As a percentage of casino revenues, casino expenses increased to 45.6 percent in 2000, compared to 44.7 percent in 1999. The increase in casino expenses as a percentage of casino revenues was due to an increase in cash back to players and an aggressive marketing strategy implemented in the second quarter of 2000. This cost increase was partially offset by other efficiencies in casino operations.

Food and beverage costs and expenses increased by $1.9 million to $35.1 million in 2000, from $33.2 million in 1999. The food and beverage expense-to-revenue ratio decreased to 65.5 percent in 2000, compared to 67.6 percent in 1999. This improvement was primarily related to improved operational efficiencies experienced during 2000.

Rooms expenses increased $0.5 million to $6.9 million in 2000, from $6.4 million in 1999. The room expense-to-revenue ratio increased to 38.3 percent in 2000, compared to 37.0 percent in 1999. The increase was primarily related to increases in payroll and benefits and the addition of the Kansas City property

with a 184-room hotel for part of December.

Selling, general and administrative costs and expenses (including utilities and maintenance and business development costs) increased $4.3 million, or 5.0 percent, from the prior year. The increase was due primarily to $1.9 million in development costs related to our unsuccessful bid for a gaming license in South St. Louis County, Missouri, increases in marketing costs associated with the implementation of an aggressive marketing strategy in the second quarter of 2000, increases in corporate overhead related to increased corporate staffing levels and increases in employee compensation at Ameristar Council Bluffs, Ameristar Vicksburg and the Jackpot properties, partially offset by a decrease in such costs at The Reserve.

Depreciation expense of $27.8 million for 2000 represented an increase of $3.3 million over 1999. The increase was due to the addition of the Missouri properties along with the new third deck and parking garage at Council Bluffs and improvements at the Vicksburg facilities.

Interest Expense

Interest expense, net of capitalized interest of $1.4 million in 2000 and $0.6 million in 1999, was $28.3 million for the year ended December 31, 2000, compared to $24.4 million in 1999, an increase of $3.9 million, or 15.8 percent. The increased interest expense related primarily to increased debt incurred to finance construction of the third deck and parking garage at Ameristar Council Bluffs, the casino expansion at Ameristar Vicksburg and the purchase of the Kansas City and St. Charles properties in December. In addition, our average borrowing rate was 10.6% in 2000, compared to 9.8% in 1999, reflective of higher interest rates in the general economy throughout much of 2000. Interest was capitalized on borrowings for construction related to Ameristar Vicksburg, Ameristar Council Bluffs and Ameristar St. Charles after the December 20, 2000 acquisition.

Income Tax Expense

Our effective tax benefit on losses was 34.8% in 2000 and the effective tax rate on income was 62.4% in 1999 (versus the federal statutory rate of 35%). The differences from the statutory rates were due to the effects of certain expenses incurred by us, which were not deductible for federal income tax purposes.

YEAR ENDED DECEMBER 31, 1999 VERSUS YEAR ENDED DECEMBER 31, 1998

Property Revenues

Ameristar Council Bluffs had total net revenues of $109.7 million for the year ended December 31, 1999, compared to $95.7 million in 1998, an increase of 14.6 percent. The increase was due to the popularity of, and the resulting increased revenues from, the enhanced slot product placed in service during the fourth quarter of 1998 and the first quarter of 1999, the completion of the third level casino expansion in the fourth quarter of 1999, which increased the number of gaming positions by approximately 400, as well as continued growth in the gaming market.

Net revenues for Ameristar Vicksburg were $74.4 million for the year ended December 31, 1999, compared with $66.4 million for the prior year, an increase of 12.0 percent. This increase in revenues in 1999 compared to 1998 was due primarily to an increase in slot revenue and an increase in hotel revenue from a full year of operating the new hotel facility. The hotel contributed $2.8 million in net revenues for 1999 compared to $1.3 million for 1998 when it was

opened for a partial year beginning in June 1998.

The Jackpot properties produced net revenues of $57.1 million for the year ended December 31, 1999, compared to $53.7 million in the prior year, an increase of 6.3 percent. The improvement was due primarily to an increase in casino revenues resulting from a higher hold percentage on table games and upgrades to the slot product.

The Reserve produced net revenues of $52.0 million for the year ended December 31, 1999, compared to revenues of $43.4 million in the 325 days in 1998 following its opening, an increase of 19.8 percent. In addition to the additional days open in 1999, the increase in revenue was attributable to increased direct-

mail marketing and other marketing programs. As a result of these programs, The Reserve generated improved play from both slot machines and table games and increased its hotel occupancy rate.

Operating Expenses

The company-wide operating expense ratio for 1999 improved to 91.3 percent of net revenues, compared to 98.7 percent of net revenues in 1998 (94.6 percent before The Reserve preopening costs). The improvement in this ratio was primarily the result of the improved operating performance at The Reserve, partially offset by an increase in corporate overhead related to increased corporate staffing levels and development costs, and the greater centralization of certain management functions.

Casino costs and expenses for the year ended December 31, 1999 increased by $9.4 million, or 9.6 percent, to $107.4 million from $98.0 million in 1998. As a percentage of casino revenues, casino expenses decreased to 44.7 percent in 1999, compared to 46.5 percent in 1998. The decrease was due primarily to the improved performance of The Reserve casino operations compared to the startup operational inefficiencies experienced in the prior year, partially offset by a slight increase in casino expenses at Ameristar Council Bluffs relating to increases in employee compensation and benefits.

Food and beverage costs and expenses increased $1.5 million to $33.2 million in 1999, compared to $31.7 million in 1998 primarily due to increased revenue. The food and beverage expense-to-revenue ratio decreased to 67.5 percent in 1999, compared to 69.1 percent in 1998. This improvement was primarily related to the improved operational efficiencies experienced during 1999 at The Reserve.

Rooms expenses increased by $0.6 million to $6.4 million in 1999 from $5.8 million in 1998. The increase was primarily due to increases in costs resulting from a full year of operations of the hotels in Vicksburg and at The Reserve, compared to a partial year of operations at both properties in 1998.

Selling, general and administrative costs and expenses (including utilities and maintenance and business development costs) increased $10.5 million, or 13.9 percent, from 1998 to 1999. The increase was due primarily to an increase in corporate overhead related to increased corporate staffing levels and future business development costs and increases in marketing costs and employee compensation at Ameristar Council Bluffs, Ameristar Vicksburg and the Jackpot properties, partially offset by a decrease in such costs at The Reserve.

Depreciation expense increased $0.3 million, or 1.1 percent, from 1998 to 1999, as our depreciable base increased by including The Reserve and the

Ameristar Vicksburg hotel for the entire year, partially offset by certain five-year assets in Vicksburg that are now fully depreciated and were no longer included in depreciation expense in 1999.

Interest Expense

Interest expense, net of capitalized interest of $1.4 million in 1998 and $0.6 million in 1999, increased $1.8 million, or 7.7 percent, from 1998 to 1999. This increase primarily reflected the additional debt incurred to finance our various expansion projects (such as adding a third level to the casino at Ameristar Council Bluffs, completing restaurant and meeting room enhancements at The Reserve, and the completion of an expansion to the casino, the remodeling of restaurants and the completion of other site improvements at Ameristar Vicksburg) and higher interest rates on those borrowings. With the opening of The Reserve in February 1998 and the Ameristar Vicksburg Hotel in June 1998, the capitalization of interest on funds borrowed to construct these projects was discontinued. Interest was capitalized on borrowings for construction related to Ameristar Vicksburg and Ameristar Council Bluffs improvements during 1999. Our average borrowing rate was 9.8% in 1999 compared to 10.3% in 1998. The borrowing rate decreased due to the favorable effect of lower interest rates during the first half of 1999.

Income Tax Expense

Our effective tax rate on income was 62.4% in 1999 and the tax benefit on losses was 33.4% in 1998 versus the federal statutory rate of 34% and 35%, respectively. The differences from the statutory rates

were due to the effects of certain expenses incurred by us that are not deductible for federal income tax purposes. The total of these expenses did not vary significantly between periods, however the lower absolute level of income before taxes in 1999 caused a greater impact to the effective tax rate for 1999.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operating activities were $77.0 million for the nine months ended September 30, 2001 compared to $21.8 million for the same period in 2000. This increase is primarily due to the contribution of operating income by the recently acquired Missouri properties as discussed in "Results of Operations" above. Cash flows provided by operating activities were $38.8 million, $34.3 million and $23.1 million for the years ended December 31, 2000, 1999 and 1998, respectively. The increases in 2000 and 1999 were due primarily to the increase in operating income from improved operations at all of our properties.

Cash flows provided by investing activities were $10.0 million during the first nine months of 2001, largely resulting from the sale of The Reserve in January 2001 for a total consideration of approximately $71.6 million. This was partially offset by payments on construction contracts payable and an increase in capital expenditures primarily relating to our construction projects described in "Overview" above. Cash flows used in investing activities were $521.2 million, $50.0 million and $53.9 million for the years ended December 31, 2000, 1999 and 1998, respectively. The acquisitions of AmeristarLEFT: 0pt; TEXT-INDENT: 0pt; LINE

RISK FACTORS

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

Risks Related to NeoMedia's Business

NeoMedia Has Historically Lost Money And Losses May Continue

NeoMedia has incurred substantial operating losses since inception, and could continue to incur substantial losses for the foreseeable future. NeoMedia reported net losses of $11,499,000, $1,317,000, $67,438,000, $9,147,000 and $7,230,000 for the three months ended March 31, 2007 and 2006, and the years ended December 31, 2006, 2005 and 2004, respectively. NeoMedia's accumulated losses were $171,461,000, $159,962,000 and $92,524,000 as of March 31, 2007 and December 31, 2006 and 2005, respectively. As of March 31, 2007 and December 31, 2006 and 2005, NeoMedia had a working capital deficit of $66,452,000, $69,450,000 and $2,065,000, respectively. NeoMedia had stockholders' equity/(deficit) of $(51,912,000), $(54,534,000) and $4,227,000 as of March 31, 2007 and December 31, 2006 and 2005, respectively. NeoMedia generated revenues from continuing operations of $399,000, $199,000, $10,309,000, $877,000, and $973,000 for the three months ended March 31, 2007 and 2006, and the years ended December 31, 2006, 2005 and 2004, respectively. In addition, during the three months ended March 31, 2007 and 2006, and the years ended December 31, 2006, 2005 and 2004, NeoMedia recorded negative cash flows from continuing operations of $3,634,000, $1,957,000, $9,958,000, $4,883,000, and $3,937,000, respectively. To succeed, NeoMedia must develop new client and customer relationships and substantially increase its revenue derived from improved products and additional value-added services. NeoMedia has expended, and to the extent it has available financing, NeoMedia intends to continue to expend, substantial resources to develop and improve its products, increase its value-added services and to market its products and services. These development and marketing expenses must be incurred well in advance of the recognition of revenue. As a result, NeoMedia may not be able to achieve or sustain profitability.

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

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

NeoMedia Will Need to Raise Additional Funds to Continue Its Operations

NeoMedia had cash balances in continuing operations of $2,295,000 and $2,813,000 as of March 31, 2007 and December 31, 2006, respectively. Additionally, during March 2007 NeoMedia sold convertible debentures resulting in net funding to the Company of $5,000,000. NeoMedia could receive additional cash at future dates from the following sources: (i) sale of its non-core business units NeoMedia Micro Paint Repair and NeoMedia Telecom Services, (ii) from the exercise of stock options, to the extent that the exercise price of such stock options is less than the market price of NeoMedia's common stock, and (iii) from the exercise of stock warrants, to the extent that the warrants become registered for resale and the exercise price of such stock warrants is less than the market price of NeoMedia's

common stock at the time of exercise, and to the extent that the holder of such warrants does not elect to perform a "cashless" exercise, in which case NeoMedia would not receive any cash proceeds from the exercise. However, none of these events is contractually obligated. In order to satisfy its obligations that are currently due and that will come due, and maintain its operations in the absence of a material increase in revenues, NeoMedia will need to either generate from the sale of its non-core businesses, or raise additional cash from outside sources. The most likely source of cash in the short term is from the sale of the Micro Paint Repair and/or Telecom Services business unit.

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In the event that (i) NeoMedia is unsuccessful in divesting of its remaining non-core business units in a timely fashion, (ii) NeoMedia's stock price does not increase to levels where it can force exercise of enough of its outstanding warrants to generate material operating capital, (iii) the market for NeoMedia's stock will not support the sale of shares underlying such warrants or other funding sources, or (iv) NeoMedia does not realize a material increase in revenue during the next 12 months, NeoMedia will have to seek additional cash sources. There can be no assurances that such funding sources will be available. If necessary funds are not available, NeoMedia's business and operations would be materially adversely affected and in such event, NeoMedia would be forced to attempt to reduce costs and adjust its business plan, and could be forced to sell certain of its assets.

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

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

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

Pursuant to the terms of the original purchase agreement, in the event that NeoMedia's stock price at the time the consideration shares are saleable (either upon effectiveness of a registration statement containing the shares, or under Rule 144) was less than $0.3956, NeoMedia was obligated to compensate 12Snap shareholders in cash for the difference between the price at the time the shares become saleable and $0.3956. On February 22, 2007, the shares became eligible for resale under Rule 144. The actual calculated purchase price obligation to NeoMedia based on the volume weighted average closing price of NeoMedia stock for the ten days up to and including February 22, 2007 was $16,233,000. Because the amount of the purchase price guarantee became measurable and highly probable of occurrence beyond a reasonable doubt, as of December 31, 2006, NeoMedia reduced the fair value of the initial stock consideration by the amount of the contingency. During the three months ended March 31, 2007, NeoMedia issued 197,620,948 shares of its common stock in satisfaction of a portion of the purchase price obligation totaling $9,427,000, and made cash payments against the liability totaling $259,000. The balance on the purchase price obligation as of March 31, 2007 was $6,806,000. NeoMedia does not currently have sufficient cash resources to meet this obligation.

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

Pursuant to secured convertible debentures, dated as of March 27, 2007, August 24, 2006 and December 29, 2006, in the principal amount of $7,459,000, $5,000,000 and $2,500,000, respectively, issued to Cornell Capital Partners, LP, the Company was required to secure such secured convertible debentures' repayment with substantially all of its

assets. In the event the Company is unable to repay the secured convertible debentures, it could lose all of its assets and be forced to cease its operations. If the Company is found to be in default under the debentures, the full principal amount of the debentures, together with interest and other amounts owing, may become immediately due and payable. As of March 31, 2007, the Company was in default of a covenant contained in the financing agreements due to the Company's pending registration statement to register the underlying shares of the convertible instruments not becoming effective by the specified date. NeoMedia is also in default of Series C convertible preferred stock with a face value of $22,000,000. As a result of the default, the holder of the securities could redeem the convertible debentures and preferred stock for cash at their discretion. Additionally, as a result of the default, Cornell Capital Partners currently has the right to exercise on a cashless basis 335,000,000 of the warrants they hold, and NeoMedia may not receive any cash proceeds from such exercises.

There Is Limited Information Upon Which Investors Can Evaluate NeoMedia's Business Because The Physical-World-To-Internet Market Has Existed For Only A Short Period Of Time

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

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

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

NeoMedia's Future Success Depends On The Timely Introduction Of New Products And The Acceptance Of These New Products In The Marketplace.

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

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

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

- with a price of less than $5.00 per share;

- that are not traded on a “recognized” national exchange;
- whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ listed stock must still have a price of not less than $5.00 per share); or
- in issuers with net tangible assets less than $2 million (if the issuer has been in continuous operation for at least three years) or $10 million (if in continuous operation for less than three years), or with average revenues of less than $6 million for the last three years.

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

Existing Shareholders Will Experience Significant Dilution When Certain Investors Convert Their Preferred Stock to Common Stock, Convert Outstanding Convertible Debentures, Or When the Investors Exercise Their Warrants and Receive Common Stock Shares Under The Investment Agreement With The Investors

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

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

During the three months ended March 31, 2007 and 2006, and the year ended December 31, 2006, NeoMedia recognized (expense) income in the amount of $726,000, $4,768,000, and $13,645,000, respectively, resulting from adjustments recorded to reflect the change in fair value from revaluation of warrants and embedded conversion features in connection with its Series C convertible preferred shares and its convertible debentures. NeoMedia will adjust the carrying value of its derivative instruments to market at each balance sheet date. As a result, NeoMedia could experience significant fluctuations in its net income (loss) in future periods from such charges based on corresponding movement in NeoMedia's share price.

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

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

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

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

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

At March 31, 2007 and December 31, 2006 and 2005, approximately 29%, 27% and 39%, respectively, of NeoMedia's total assets were intangible assets and goodwill used in continuing operations, consisting primarily of rights related to

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

NeoMedia reviews its amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. NeoMedia may be required to record a significant charge to earnings in its financial statements during the period in which any impairment of NeoMedia's goodwill or amortizable intangible assets is determined, resulting in an impact on results of operations.

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

To date, NeoMedia has conducted limited marketing efforts directly relating to its emerging technology products, consisting primarily of the qode® suite of products, and certain products of recent acquisition of Gavitec. Many of NeoMedia's marketing efforts with respect to these emerging technologies have been largely untested in the marketplace, and may not result in materially increased sales of these emerging products and services. To penetrate the emerging markets in which it competes, NeoMedia expects that it will have to exert significant efforts to create awareness of, and demand for, its emerging products and services. To the extent funding is available, NeoMedia intends to continue to expand its sales and marketing resources as the market continues to mature. NeoMedia's failure to further develop its sales and marketing capabilities and successfully market its emerging products and services would have a material adverse effect on its business, prospects, financial condition, and results of operations.

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

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

NeoMedia Could Fail To Attract Or Retain Key Personnel

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

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

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

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

The success of the acquisition of Gavitec could depend on the ability of NeoMedia's executive management to integrate the business plan of Gavitec with NeoMedia's overall business plan. Failure to properly integrate the business could have a material adverse effect on the expected revenue and operations of the acquisition, as well as the expected return on investment for NeoMedia. During the first quarter of 2006, NeoMedia acquired three businesses, 12Snap, Mobot and Sponge, each of which was has been sold as of the date of this filing. In addition, during February 2007 NeoMedia decided to attempt to sell its wholly owned subsidiary NeoMedia Telecom Services, which was acquired during the first quarter of 2006.

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

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

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

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

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

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

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

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

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

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

Some of the provisions of NeoMedia's Certificate of Incorporation and bylaws could make it more difficult for a third party to acquire NeoMedia, even if doing so might be beneficial to NeoMedia's stockholders by providing them with the opportunity to sell their shares at a premium to the then-current market price. On December 10, 1999, NeoMedia's Board of Directors adopted a stockholders rights plan and declared a non-taxable dividend of one right to acquire Series A Preferred Stock of NeoMedia, par value $0.01 per share, on each outstanding share of NeoMedia's common stock to stockholders of record on December 10, 1999 and each share of common stock issued thereafter until a pre-defined hostile takeover date. The stockholder rights plan was adopted as an anti-takeover measure, commonly

referred to as a “poison pill.” The stockholder rights plan was designed to enable all stockholders not engaged in a hostile takeover attempt to receive fair and equal treatment in any proposed takeover of NeoMedia and to guard against partial or two-tiered tender offers, open market accumulations, and other hostile tactics to gain control of NeoMedia. The stockholders rights plan was not adopted in response to any effort to acquire control of NeoMedia at the time of adoption. This stockholders rights plan may have the effect of rendering more difficult, delaying, discouraging, preventing, or rendering more costly an acquisition of NeoMedia or a change in control of NeoMedia. Certain of NeoMedia's directors, officers and principal stockholders, Charles W. Fritz, William E. Fritz and The Fritz Family Limited Partnership and their holdings were exempted from the triggering provisions of NeoMedia's “poison pill” plan, as a result of the fact that, as of the plan's adoption, their holdings might have otherwise triggered the “poison pill”.

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

NeoMedia is authorized to issue a total of 25,000,000 shares of Preferred Stock, par value $0.01 per share. The issuance of any preferred stock could have a material adverse effect on the rights of holders of NeoMedia's common stock, and, therefore, could reduce the value of shares of NeoMedia's common stock. In addition, specific rights granted to future holders of preferred stock could be used to restrict NeoMedia's ability to merge with, or sell NeoMedia's assets to, a third party. The ability of the Board of Directors to issue preferred stock could have the effect of rendering more difficult, delaying, discouraging, preventing, or rendering more costly an acquisition of NeoMedia or a change in NeoMedia's control.

Risks Relating To NeoMedia's Industry

The Security Of The Internet Poses Risks To The Success Of NeoMedia's Entire Business

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

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

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

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

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

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

- rapid technological change;

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

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

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

NeoMedia May Not Be Able To Compete Effectively In Markets Where Its Competitors Have More Resources

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

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

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

Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to NeoMedia's business, or the application of existing laws and regulations to the Internet and other online services, could have a material adverse effect on NeoMedia's business, prospects, financial condition, and results of operations. Due to the increasing popularity and use of the Internet, the Web and other online services, federal, state, and local governments may adopt laws and regulations, or amend existing laws and regulations, with respect to the Internet or other online services covering issues such as taxation, user privacy, pricing, content, copyrights, distribution, and characteristics and quality of products and services. The growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws to impose additional burdens on companies conducting business online. The adoption of any additional laws or regulations may decrease the growth of the Internet, the Web or other online services, which could, in turn, decrease the demand for NeoMedia's services and increase NeoMedia's cost of doing business, or otherwise have a material adverse effect on NeoMedia's business, prospects, financial condition, and results of operations. Moreover, the relevant governmental authorities have not resolved the applicability to the Internet, the Web and other online services of existing laws in various jurisdictions governing issues such as property ownership and personal privacy and it may take time to resolve these issues definitively.

Certain of NeoMedia's proprietary technology allows for the storage of demographic data from NeoMedia's users. In 2000, the European Union adopted a directive addressing data privacy that may limit the collection and use of certain information regarding Internet users. This directive may limit NeoMedia's ability to collect and use information

collected by NeoMedia's technology in certain European countries. In addition, the Federal Trade Commission and several state governments have investigated the use by certain Internet companies of personal information. NeoMedia could incur significant additional expenses if new regulations regarding the use of personal information are introduced or if NeoMedia's privacy practices are investigated.

Risks Specific To This Offering

As of May 29, 2007, we had 891,400,239 shares of common stock outstanding, and options and warrants to purchase up to an aggregate 543,195,165 shares of common stock. We currently have Series C Convertible preferred stock with a face value of $21,622,000, and convertible debentures with a face value of $14,959,000 outstanding. These instruments are convertible into shares of our common stock at discounts as high as 10% of the lowest closing bid price of the common stock for the 30 trading days immediately preceding the conversion date. Up to 200,000,000 common shares underlying the Series C Convertible Preferred Stock and an additional 63,000,000 common shares underlying the convertible debentures are being registered hereunder.

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

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

The Market Price Of Our Securities May Be Volatile

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

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

- the level of use of the mobile Internet and online services, as well as the rate of market acceptance of physical-world-to-Internet marketing;
- the ability to upgrade and develop our systems and infrastructure in a timely and effective manner;

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

Our common stock has traded as low as $0.01 and as high as $0.722 between January 1, 2003 and May 29, 2007. Since February 9, 2006, NeoMedia's stock has been subject to dramatic price volatility. Between February 9, 2006 and May 29, 2007, NeoMedia's stock has traded as low as $0.05 per share and as high as $0.42 per share. From time to time after this offering, the market price of our common stock may experience significant volatility. Our quarterly results, failure to meet analysts' expectations, announcements by us or our competitors regarding acquisitions or dispositions, loss of existing clients, new procedures or technology, changes in general conditions in the economy, and general market conditions could cause the market price of the common stock to fluctuate substantially. In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the trading prices of equity securities of many technology companies. These price and volume fluctuations often have been unrelated to the operating performance of the affected companies.

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

As of May 29, 2007, we had outstanding stock options and warrants to purchase 441,325,000 shares of common stock, some of which have exercise prices at or below the price of our common shares on the public market. To the extent such options or warrants are exercised, there will be further dilution. In addition, in the event that any future financing should be in the form of, be convertible into, or exchangeable for, equity securities, and upon the exercise of options and warrants, investors may experience additional dilution.

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

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market as a result of this offering, or the perception that these sales could occur. These sales also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. The potential aggregate dilutive effect on stockholders of financing and acquisition arrangements in place as of May 29, 2007, assuming various stock prices at the time of the transactions, are as follows:

	Assumed NeoMedia Stock Price (4)			
	$0.05	**$0.10**	**$0.25**	**$0.50**
Shares of common stock outstanding as of May 29, 2007	891,400,239	891,400,239	891,400,239	891,400,239
Plus pro forma common shares issued upon:				
Conversion of outstanding options and warrants (1)	543,195,165	543,195,165	543,195,165	543,195,165
Conversion of convertible preferred shares (2)	497,909,091	248,954,546	99,581,818	49,790,909
Conversion of convertible debentures (3)	171,517,213	99,870,999	76,857,471	76,857,471
Pro forma shares outstanding after all transactions	2,104,021,708	1,783,420,949	1,611,034,693	1,561,243,784

(1) Outstanding warrants include 427,000,000 warrants held by Cornell Capital Partners with exercise prices ranging from $0.04 - $0.06 that were issued in connection with the Series C convertible preferred stock and convertible debentures. These warrants are not included in the pro forma share calculation for conversion of convertible preferred shares or the convertible debenture shares.

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

(3) Convertible debenture shares convert into common shares at 90% of the lowest closing bid price for the 30-day period prior to conversion.

(4) This table reflects the number of shares that would be issued to satisfy current financing and acquisition transactions to which we are a party at different prices of our common stock at the time the transaction is effected. The last sale price of our common stock on May 29, 2007, 2007 was $0.039. Amounts are shown for pro forma informational purposes only.

Sales of our common stock in the public market following this offering could lower the market price of our common stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. Of the 891,400,239 shares of common stock outstanding as of May 29, 2007, 632,779,291 are, or upon effectiveness of this registration statement will be, freely tradable without restriction, unless held by our “affiliates.”

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

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

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

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USE OF PROCEEDS

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

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

			Proceeds	
Holder	Number of Warrants	Exercise Price	All Warrants	In-the-money Warrants (1)
William Fritz	2,500,000	$ 0.010	$ 25,000	$ 25,000
Chas Fritz	10,000	$ 0.030	300	300
William Fritz	40,000	$ 0.030	1,200	1,200
Chas Fritz	1,500,000	$ 0.050	75,000	—
David Kaminer	100,000	$ 0.102	10,200	—
Thornhill Capital	4,000,000	$ 0.110	440,000	—
Thornhill Capital	4,000,000	$ 0.227	908,000	—
Thornhill Capital	2,000,000	$ 0.328	656,000	—
Gross proceeds			$ 2,115,700	$ 26,500
Less: estimated offering expenses			(50,000)	(50,000)
Net Proceeds			**$ 2,065,700**	**$ —**

(1) A significant portion of the potential proceeds relate to warrants that were not in-the-money based on a stock price of $0.039, which was the last sale price on May 29, 2007. As a result, for informational purposes we have shown the total proceeds from warrants that were in-the-money as of May 29, 2007.

On February 17, 2006, in connection with the Series C Convertible Preferred Stock sale, we issued “A” warrants, “B” warrants and “C” warrants to purchase 20,000,000, 25,000,000, and 30,000,000 shares of our common stock, respectively, exercisable in three separate traunches at a price of $0.50, $0.40 and $0.35, respectively, per share. The warrants have a five-year contractual life. As an inducement to enter into subsequent financing arrangements related to Cornell Debentures, the warrants were repriced on December 29, 2006 to $0.04 per share, subject to all the original terms and conditions of the respective warrant agreements. NeoMedia can force exercise of the warrants if the closing bid price of NeoMedia stock is more than $0.10 greater than the exercise price of any of the warrants for 15 consecutive trading days. None of the shares underlying these warrants are being registered for resale hereunder.

On August 24, 2006, in connection with the $5 million Secured Convertible Debenture, Cornell Capital Partners also received “A” warrants, “B” warrants, “C” warrants and “D” warrants to purchase 25,000,000, 50,000,000, 50,000,000, and 50,000,000 shares of common stock, respectively, exercisable in four separate traunches at a price of $0.15, $0.05, $0.20, and $0.25, respectively, per share. As an inducement to enter into subsequent financing arrangements related to Cornell Debentures, 125,000,000 of the warrants priced above $0.05 per share were repriced on December 29, 2006 to $0.04 per share, subject to all the original terms and conditions of the respective warrant agreements. NeoMedia can force exercise of the warrants if the closing bid price of NeoMedia stock is more than $0.10 greater than the exercise price of any of the warrants for 15 consecutive trading days. None of the shares underlying these warrants are being registered for resale hereunder.

On December 29, 2006, in connection with the $2.5 million Secured Convertible Debenture, we issued to Cornell Capital Partners issued a warrant to purchase 42,000,000 shares of our common stock, exercisable at a price of $0.06 per share. The warrant has a five-year contractual life. NeoMedia can force exercise of the warrants if the closing bid

price of NeoMedia stock is more than $0.10 greater than the exercise price of any of the warrants for 10 consecutive trading days. None of the shares underlying these warrants are being registered for resale hereunder.

On March 27, 2007, in connection with the $7.5 million Secured Convertible Debenture, we issued to Cornell Capital Partners issued a warrant to purchase 125,000,000 shares of our common stock, exercisable at a price of $0.04 per share. The warrant has a five-year contractual life. The warrant does not contain a forced exercise clause. None of the shares underlying these warrants are being registered for resale hereunder.

It is important to note that the warrants held by Cornell Capital Partners contain a provision that, if NeoMedia is in default of the warrant agreement, the holder can perform a “cashless” exercise of the warrants and in lieu of making payment of the exercise price in cash, elect instead to withhold shares as consideration for the exercise price. In the event of such a “cashless” exercise, NeoMedia would not receive any cash proceeds upon the exercise of such warrants. NeoMedia is currently in default of: the Investor Registration Rights Agreement entered into on February 17, 2006, in connection with the Series C convertible preferred stock, which called for a registration statement containing the shares underlying the secured convertible debentures to be filed by June 1, 2006; and the Investor Registration Rights Agreement entered into on August 24, 2006 in connection with the secured convertible debentures, which called for the shares underlying the secured convertible debentures to be registered by November 22, 2006. Such a default of the Investor Registration Rights Agreements constitutes an event of default under all of the warrant agreements. As a result, Cornell Capital Partners currently has the right to exercise on a cashless basis 417,000,000 of the warrants they hold.

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

DILUTION

NeoMedia's net tangible book value as of March 31, 2007 (including tangible assets and liabilities held for sale in connection with the sale of our 12Snap, Micro Paint Repair, and Telecom Services businesses) was $(46,167,000) (unaudited) or $(0.0515) per share of common stock. Net tangible book value per share is determined by dividing our tangible book value (total tangible assets less total liabilities) by the number of outstanding shares of our common stock. Our net tangible book value will be impacted by the common stock to be issued upon conversion of the Series C Convertible Preferred Stock and secured convertible debentures, as well as upon conversion of certain warrants for which the underlying shares are being registered hereunder. Because the Series C Convertible Preferred Stock and secured convertible debentures convert at a discount to the market price of NeoMedia stock at the time of conversion, the amount of dilution will depend on NeoMedia's share price at the time that the Series C Convertible Preferred Stock or secured convertible debentures are converted. In addition, we expect that certain warrants being registered hereunder will not be exercised if the market price of our common stock is less than the exercise price of the warrants. The following example shows the dilution to new investors at an offering price of $0.05 per share (net of applicable discount to Cornell Capital Partners at conversion).

If we assume (i) Cornell Capital Partners converted the Series C Convertible Preferred shares into the maximum number of common shares being registered hereunder (200,000,000 shares) at an assumed offering price of $0.05 per share (net of applicable discounts), (ii) Cornell Capital Partners converted its secured convertible debentures into the maximum number of common shares being registered hereunder (63,000,000 shares) at an assumed offering price of $0.05 per share (net of applicable discounts), and (iii) all in-the-money warrants being registered hereunder were converted, then net of offering expenses of $50,000, our net tangible book value as of March 31, 2007 would have been ($33,656,000) or ($0.0289) per share. Such an offering would represent an immediate increase in net tangible book value to existing stockholders of $0.0225 per share and an immediate dilution to new stockholders of $0.0789 per share. The following table illustrates the per share dilution:

Assumed public offering price per share			$	0.0500
Net tangible book value per share before this offering		($0.0515)		
Increase attributable to new investors	$	0.0225		
Net tangible book value per share after this offering				($0.0289)
Dilution per share to new stockholders			$	0.0789

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

Assumed Offering Price	**No. of Shares to Be Issued (1)**		**Dilution per Share to** New Investors
$0.25	123,679,439	$	0.2677
$0.10	259,605,556	$	0.1188
$0.05	265,550,000	$	0.0788
$0.02	265,500,000	$	0.0554

(1) Represents the number of shares of common stock that would be issued at the given market price, assuming (i) the entire $21,657,000 Series C Convertible Preferred Stock outstanding is converted at a price equal to 97% of the assumed market price, (ii) the face value of outstanding convertible debentures in the amount of $14,959,000 is converted at a price equal to 90% of the assumed market price, and (iii) all in-the-money warrants being registered hereunder are converted at their respective exercise price.

SELLING STOCKHOLDERS

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

- Cornell Capital Partners, LP is the holder of: (i) 21,622 shares of Series C Convertible Preferred Stock that is convertible into shares of common stock, (ii) a $5,000,000 Secured Convertible Debenture, (iii) a $2,500,000 Secured Convertible Debenture, and (iv) a $7,458,651 Secured Convertible Debenture, (v) warrants to purchase 427,000,000 shares of our common stock. Mark Angelo, the portfolio manager of Cornell Capital Partners, LP, is the natural person who exercises voting and/or dispositive powers over the shares held by Cornell Capital Partners, LP.

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

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

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

- Charles W. Fritz is a founder, Chairman of the Board of Directors, and the interim Chief Executive Officer of NeoMedia. The shares being registered underly warrants held by Mr. Fritz granted during 2002 and 2003.

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

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

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

The table follows:

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Percentage of Outstanding Shares Beneficially Owned Before Offering (1)	Shares to be Sold in the Offering	Percentage of Shares Beneficially Owned after Offering (1)
Cornell Capital Partners, LP	44,480,872 (2)	4.99%	263,000,000	4.99%
GZ Paul Partners BV	35,447,517 (3)(4)	3.98%	6,175,745	—
Jülicher Kapital Beteiligungsgesellschaft mbH	3,980,382 (3)(5)	*	728,284	—
Jörg Küchen	18,151,446(3)	2.04%	3,480,864	—
Richard Rolf Reuter	5,473,305 (3)	*	1,049,604	—
Ralph Schraven	4,698,471 (3)	*	870,332	*
Franz-Josef Titz	4,583,344 (3)	*	878,939	—
Christian Steinborn	4,153,697 (3)	*	336,302	*
Laurens Nunnink	732,349 (3)	*	140,441	—
Apax Europe IV - A L.P.	87,994,468 (6)(7)	9.87%	10,597,166	—
Argo II, L.P.	83,937,527 (6)(8)	9.42%	10,108,589	—
ARGO II The Wireless Internet Fund (Europe) L.P.	2,995,136 (6)(8)	*	360,704	—
ARGC IV, L.P.	878,112 (6)(8)	*	105,751	—
Nokia Ventures, L.P.	48,873,780 (6)(9)	5.48%	5,885,865	—
Sirios Capital Partners, L.P.	191,552 (6)(10)	*	191,552	—
Sirios Capital Partners II, L.P.	1,083,443 (6)(10)	*	1,083,443	—
Sirios Overseas Fund Ltd.	1,686,862 (6)(10)	*	1,686,862	—
Sirios/QP Partners L.P.	4,440,671 (6)(10)	*	4,440,671	—
BCAP AG	2,115,008 (6)(11)	*	2,115,008	—
CDB Web Tech International L.P.	2,115,008 (6)(12)	*	2,115,008	—
Cyriac Roeding	742,981 (6)	*	742,981	—
Alexander Brand	362,126 (6)	*	362,126	—
Andreas Müller	362,126 (6)	*	362,126	—
Moritz Winter	1,385,872 (6)	*	1,385,872	—
Thornhill Capital LLC	10,724,000 (13)	1.19%	10,000,000	*
Guy Fietz	8,554,195 (14)	*	1,512,093	*
Wayside Solutions	3,721,698 (15)	*	3,721,698	—
Charles W. Fritz	31,150,766 (16)	3.41%	1,510,000	2.49%
William E. Fritz	53,150,944 (17)	5.92%	2,540,000	4.32%
David Kaminer	100,000 (18)	*	100,000	—
TOTAL	468,267,658	52.39%	337,588,026	12.68%

* Indicates less than 1%.

(1) Applicable percentage of ownership is based on 891,400,239 shares of common stock outstanding as of May 29, 2007, together with securities exercisable or convertible into shares of common stock within 60 days of May 29, 2007, for each stockholder. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of May 29, 2007, are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The common stock is the only outstanding class of equity securities of NeoMedia.

(2) Cornell Capital Partners, LP holds (i) 21,622 shares of Series C convertible preferred stock that is convertible into shares of NeoMedia common stock at the lesser of 97% of the lowest closing bid price for the 30 trading days immediately prior to conversion, or $0.50; (ii) $5,00,000 face value secured convertible debenture that is convertible into shares of NeoMedia common stock at the lesser of 90% of the lowest closing bid price for the 30 trading days immediately prior to conversion, or $0.15; (iii) $2,500,000 face value secured convertible debenture that is convertible into shares of NeoMedia common stock at the lesser of 90% of the lowest closing bid price for the 30 trading days immediately prior to conversion, or $0.06; (iv) $7,458,651 face value secured convertible debenture that is convertible into shares of NeoMedia common stock at the lesser of 90% of the lowest closing bid price for the 30 trading days immediately prior to conversion, or $0.05, (v) warrants to purchase up to 335,000,000 shares of NeoMedia common stock at an exercise price of $0.04 per share; (vi) warrants to purchase up to 50,000,000 shares of NeoMedia common stock at an exercise price of $0.05 per share; and (vii) warrants to purchase up to 42,000,000 shares of NeoMedia common stock at an exercise price of $0.06 per share. The Series C convertible preferred stock, the secured convertible debentures, and certain of the warrant agreements contain provisions whereby Cornell Capital Partners may not own more than 4.99% of the outstanding shares of NeoMedia, and beneficial ownership is therefore limited to 4.99% of NeoMedia's outstanding shares. Shares being registered hereunder include 200,000,000 shares underlying the Series C convertible preferred stock and 63,000,000 shares underlying secured convertible debentures.

(3) Shares owned before offering consist of (i) 13,660,511 shares issued in connection with the acquisition of Gavitec AG in February 2006, which are being registered hereunder; (ii) 61,000,000 shares issued to satisfy the purchase price guarantee obligation payable to the former shareholders of Gavitec, which are not being registered hereunder; and (iii) 2,560,000 shares underlying options exercisable within 60 days of May 29, 2007, held by former Gavitec shareholders who are currently employees of NeoMedia, which are not being registered hereunder.

(4) Dispositive control over the shares held by GZ Paul Partners BV rests with Florus Mouthaan and Helmut A. Krueger in their respective capacities with GZ Paul.

(5) Dispositive control over the shares held by Jülicher Kapital Beteiligungsgesellschaft mbH rests with Dr. Michael Gramm.

(6) Shares owned before offering consist of (i) 41,543,724 shares issued in connection with the acquisition of 12Snap AG in February 2006, which are being registered hereunder; and (ii) 197,620,948 shares issued to satisfy the purchase price guarantee obligation payable to certain shareholders of 12Snap which are not being registered hereunder.

(7) Dispositive control of the shares rests with Connie Helyar, Denise Fallaize, Jeremy Arnold, Andrew Barrett, and Stephen Tilton, in their capacities as directors of Apax Europe IV GP Co. Ltd., general partner to Apax Europe IV - A L.P.

(8) Dispositive control of the shares rests with Henry Haight in his capacity as President and CEO of Argo Global Capital, and Nancy Baron in her capacity as VP Finance of Argo Global Capital.

(9) Nokia Ventures, L.P. is a Delaware limited partnership managed by its general partner, N.V. I, L.L.C. Nokia Ventures, L.P. was formed to invest in the securities of early-stage, privately-held companies in the Internet, software, communications and related sectors. The limited partner of Nokia Ventures, L.P. is a corporation that has no decision-making authority over the management of the partnership. N.V. I, L.L.C. is a Delaware limited liability company, which is managed by John A. Malloy, John E. Gardner, W. Peter Buhl, Jonathan R. Ebinger and Tantti Oy, a Finnish corporation owned and controlled by Antti S. Kokkinen, under its operating agreement. The address of Nokia Ventures, L.P. is 545 Middlefield Road, Suite 210, Menlo Park, CA 94025.

(10) Dispositive control of the shares rests with John F. Brennan, Jr. in his capacity as CFO of Sirios Capital Management.

(11) Dispositive control of the shares rests with Andreas Meyer, Bruno Reihl, and Dieter Spaelti in their capacities as members of the board of directors of BCAP AG.

(12) Dispositive control of the shares rests with Mr. Douglas Paterson in his capacity as Chairman and Miss Charlotte Westley in her capacity as Company Secretary.

(13) Shares owned before offering consist of (i) 10,000,000 shares underlying warrants to purchase shares of common stock granted between 2004 and 2006, all of which are being registered hereunder, and (ii) 724,000 shares held in the name of Thornhill Capital which are not being registered hereunder. The warrants being registered hereunder are subject to a repricing plan that allows the exercise price to be repriced to $0.048 upon achievement of certain milestones by Thornhill Capital on behalf of NeoMedia.

(14) Shares owned before offering consist of (i) 1,512,093 shares issued to satisfy debt to Mr. Fietz, which are being registered hereunder, (ii) 4,500,000 currently exercisable options held by Mr. Fietz as an employee of NeoMedia, which are not being registered hereunder, and (ii) 2,542,102 previously registered shares issued in connection

with the acquisition of BSD Software by NeoMedia in March 2006 and through NeoMedia's 2003 Stock Incentive Plan, which are not being registered hereunder.

(15) Shares owned before offering consist of 3,721,698 shares issued to satisfy debt to Wayside Solutions, which are being registered hereunder.

(16) Charles W. Fritz is NeoMedia's founder and the Chairman of the Board of Directors. Shares beneficially owned before the offering include (i) 100 shares owned by each of Mr. Fritz's four children for an aggregate of 400 shares; (ii) 20,000,000 shares (18,000,000 of which are tradable within 60 days of May 29, 2007) of common stock issuable upon exercise of stock options held by Mr. Fritz; (iii) 1,510,000 shares issuable upon exercise of stock warrants; (iv) 8,097,397 shares of common stock owned by Mr. Charles W. Fritz directly; and (v) 1,542,969 shares of common stock held by the CW/LA II Family Limited Partnership, a family limited partnership for the benefit of Mr. Fritz's family. Shares being registered hereunder include only the 1,510,000 shares issuable upon exercise of stock warrants.

(17) Shares owned before offering consist of (i) 1,511,742 shares held in the Fritz Family Partnership, of which Mr. Fritz and his wife, Edna Fritz, are the general partner; (ii) 58,489 shares held in the Chandler R. Fritz 1994 Trust, of which Mr. Fritz is trustee; (iii) 58,489 shares held in the Charles W. Fritz 1994 Trust, of which Mr. Fritz is trustee; (iv) 48,489 shares held in the Debra F. Schiafone 1994 Trust, of which Mr. Fritz is trustee; (v) 45,433,735 shares held directly by Mr. Fritz or his spouse; (vi) 2,540,000 shares to be issued upon the exercise of warrants held by Mr. Fritz or his spouse; and (vii) 3,500,000 shares (all exercisable) to be issued upon the exercise of options held by Mr. Fritz or his spouse. Shares being registered hereunder include only the 2,540,000 shares issuable upon exercise of stock warrants.

(18) Shares owned before offering consist of 100,000 shares underlying warrants issued in exchange for professional services rendered to NeoMedia, all of which are being registered hereunder.

Material Transactions With Selling Stockholders

Cornell Capital Partners

Securities Purchase Agreement - Series C Convertible Preferred Stock - February 2006

We entered into a Securities Purchase Agreement, dated February 17, 2006 (the “Series C Agreement”) with Cornell Capital Partners LP, an accredited investor (the “Purchasers”). Pursuant to the Series C Agreement, the Purchasers agreed to purchase 8% cumulative Series C convertible preferred stock to be fully converted three (3) years from the date of issuance in the aggregate amount of $22,000,000, consisting of cash of $14,066,000, marketable securities with a purchase value of $2,000,000, commitment and structuring fees paid to the Purchaser in the amount of $2,725,000, and the extinguishment of $3,209,000 of preexisting indebtedness owed by us to the Purchasers. The marketable securities received consisted of 20,000,000 shares of common stock of Pickups Plus, Inc. (“PUPS”) and various promissory notes payable by PUPS to the holder with a face value of $1,365,000. The aggregate fair value of the PUPS common shares and notes was determined to be $579,000 as of February 17, 2006. NeoMedia was previously party to a non-binding letter of intent to acquire a subsidiary of PUPS for a combination of cash and stock. NeoMedia’s Micro Paint Repair business unit (currently subject to a pending sale) also acts as a distributor for certain of PUPS’ products in China.

The Series C Agreement also provided for the issuance to the Purchasers, at no additional cost to the purchasers, warrants to purchase shares of our common stock. The Series C Agreement also called for the purchasers to acquire an additional $5,000,000 of Series C convertible preferred stock on the date a registration statement filed by us was declared effective by the SEC. The requirement to fund this additional $5,000,000 was subsequently waived in connection with a secured convertible debenture entered into between us and the purchaser in August 2006.

In connection with the Series C Agreement, we also entered into a registration rights agreement with the Purchasers that requires us to (i) file a registration statement with the SEC registering the resale of the shares of common stock issuable upon conversion of the preferred stock and the exercise of the warrants, (ii) achieve effectiveness by December 1, 2006, and (iii) maintain effectiveness of the registration statement. Failure to meet these requirements will require us to incur liquidated damages amounting to 1% of the outstanding amount of Series C preferred stock per month, but in no event shall consideration paid as liquidated damages exceed $1,200,000. On March 27, 2007, we paid $882,000 of liquidated damages from the proceeds of a secured convertible debenture entered into on that date. We expect to accrue additional liquidated damages relating to the Series C Agreement of up to $318,000.

On February 17, 2006, we issued the Purchasers $22,000,000 in aggregate amount of such 8% cumulative Series C convertible preferred stock. At any time from the closing date until February 17, 2009, the Purchasers have the right to convert the preferred stock, in whole or in part, into our common stock at the then effective conversion price, which varies relative to our trading stock price, as follows: $0.50 per share, or 97% of the lowest closing bid price (as reported by Bloomberg) of the common stock for the 30 trading days immediately preceding the conversion date. The conversions are limited such that the holder cannot exceed 4.99% ownership, unless the holders waive their right to such limitation. The limitation will terminate under any event of default.

The Series C convertible preferred stock, at the option of the holder, affords the Purchasers anti-dilution protection should, at any time while the Series C preferred stock instruments are outstanding, we offer, sell or grant any option to purchase or offer, sell or grant any right to re-price its securities, or otherwise dispose of or issue any common stock or common stock equivalents, entitle any person to acquire shares of common stock at an effective price per share less than the then effective conversion price (excluding employee stock options), as calculated by the formula described above; then, in such instance, the conversion price for the convertible preferred stock shares shall be reduced to the lower price. In case of any such adjustment in the effective conversion price for the convertible preferred shares, this could significantly dilute existing investors.

Under the Series C Agreement, the Purchasers also received “A” warrants, “B” warrants and “C” warrants to purchase 20,000,000, 25,000,000, and 30,000,000 shares of our common stock, respectively, exercisable in three separate traunches at a price of $0.50, $0.40 and $0.35, respectively, per share, subject to adjustment, included under anti-dilution protection similar to that described above. As an inducement to enter into subsequent financing arrangements related to Cornell Debentures, the warrants were repriced on December 29, 2006 to $0.04 per share, subject to all the original terms and conditions of the respective warrant agreements. The warrants have a five-year contractual life. NeoMedia can force exercise of the warrants if the closing bid price of NeoMedia stock is more than $0.10 greater than the exercise price of any of the warrants for 15 consecutive trading days. All 75,000,000 of these warrants are being registered for resale hereunder. It is important to note that the warrants held by Cornell Capital Partners contain a provision that, if at the time of exercise, NeoMedia is in default of the warrant agreement, the holder can perform a “cashless” exercise of the warrants and in lieu of making payment of the exercise price in cash, elect instead to withhold shares as consideration for the exercise price. In the event of such a “cashless” exercise, NeoMedia would not receive any cash proceeds upon the exercise of such warrants. NeoMedia is currently in default of the Investor Registration Rights Agreement entered into on February 17, 2006, 2006 in connection with the Series C convertible preferred stock, which called for a registration statement containing the shares underlying the secured convertible debentures to be filed by June 1, 2006. Such a default of the Investor Registration Rights Agreement constitutes an event of default under the warrant agreements issued in connection with the Series C convertible preferred stock. As a result, Cornell Capital Partners currently has the right to exercise on a cashless basis the 75,000,000 warrants that were issued in connection with the Series C convertible preferred stock.

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

On November 29, 2006, the Purchaser exercised the conversion of 378 shares of the Series C convertible preferred stock for 6,631,579 shares of NeoMedia's common stock, leaving a balance of 21,622 shares of Series C convertible preferred stock outstanding.

The 8% cumulative Series C convertible preferred stock contains consequences in case of an event of default. Events of default which could subject the Company to penalties and liabilities as specified in the Series C Agreement include:

- Any case or action of bankruptcy or insolvency commenced by us or any subsidiary, against us or adjudicated by a court against us for the benefit of creditors;
- Any default in our obligations under a mortgage or debt in excess of $100,000;
- Any cessation in the eligibility of our stock to be quoted on a trading market;
- Failure to timely file the registration statement covering the shares related to the conversion option, or failure to make the registration statement effective timely.
- Any lapse in the effectiveness of the registration statement covering the shares related to the conversion option, the warrants as described and transacted in the Series C Agreement and accompanying documents;
- Any failure to deliver certificates within the specified time; and
- Any failure by us to pay in full the amount of cash due pursuant to a buy-in or failure to pay any amounts owed on account on account of an event of default within 10 days of the date due.

Other provisions included in the Series C Agreement include the following:

- The 8% cumulative Series C convertible preferred stock is convertible into common stock, at the option of the Purchaser, at any time after the effective date.
- Conversions can be made in increments and from time to time.
- The 8% cumulative Series C convertible preferred stock has voting rights on an "as converted" basis, meaning the Purchaser is entitled to vote the number of shares of common stock into which the 8% cumulative Series C convertible preferred stock was convertible as of the record date for a meeting of shareholders
- As promptly as practicable after any conversion date, the Company shall cause its transfer agent to deliver a certificate representing the converted shares, free of any legends and trading restrictions for the number of shares converted;
- We will reserve and keep available authorized and unissued registered shares available to be issued upon conversion;

- Purchaser will not be responsible for any transfer taxes relative to issuance of shares;
- If we offer, sell or grant stock at an effective per share price less than the then Conversion Price, then the Conversion Price shall be reduced to equal the effective conversion, exchange or purchase price for such common stock or common stock equivalents;

Due to the current default status, the Purchaser has certain material additional rights in this financing arrangement that did not exist prior to default. Specifically,

- The full fair value of the Series C convertible preferred stock is now callable in the amount of $21,657,000;
- The warrants can be exercised on a cashless basis as described above;
- The requirement for the Purchaser to maintain an ownership interest in NeoMedia of less than 5% is waived;
- NeoMedia is responsible for liquidated damages as described above.

We filed the registration statement covering the shares related to the conversion option beyond the date stipulated in the investor registration rights agreement. As such, we incurred liquidated damages relating to the Series C convertible stock through March 27, 2007 of $821,000. This amount was paid from the proceeds of the secured convertible debenture on March 27, 2007.

$5 Million Secured Convertible Debenture - August 2006

We entered into an additional Securities Purchase Agreement, dated August 24, 2006, (the "August Debenture Agreement") with the Purchasers. Pursuant to the August Debenture Agreement, the Purchasers agreed to purchase 10% secured convertible debentures maturing two years from the date of issuance in the aggregate amount of $5,000,000. The August Debenture Agreement also provided for the issuance to the Purchasers, at no additional cost to the purchasers, warrants to purchase shares of our common stock. In connection with the August Debenture Agreement, we also entered into a registration rights agreement with the Purchasers that requires us to (i) file a registration statement with the SEC registering the resale of the shares of common stock issuable upon conversion of the convertible debenture and the exercise of the warrants, (ii) achieve effectiveness within a stated period and (iii) maintain effectiveness of the registration statement. Failure to meet these requirements will require us to incur liquidated damages amounting to 2% of the principal per month, but in no event shall consideration paid as liquidated damages exceed $1,000,000. NeoMedia has accrued $999,000 as the expected fair value of liquidated damages relating to the secured convertible debenture as of March 31, 2007, and paid $490,000 of the accrued liquidated damages on March 27, 2007, from the proceeds of a secured convertible debenture entered into on that date. The debentures are secured by substantially all of our assets.

On August 24, 2006, we issued the Purchasers $5,000,000 in aggregate principal amount of such convertible debentures. At any time from the closing date until August 24, 2008, the Purchasers have the right to convert the convertible debenture into our common stock at the then effective conversion price, which varies relative to our trading stock price, as follows: $0.15 per share, or 90% of the lowest closing bid price (as reported by Bloomberg) of the common stock for the 30 trading days immediately preceding the conversion date. The conversion is limited such that the holder cannot exceed 4.99% ownership, unless the holders waive their right to such limitation. The limitation will terminate under any event of default.

The convertible debenture, at the option of the holder, affords the Purchasers anti-dilution protection should, at any time while the convertible debenture is outstanding, we offer, sell or grant any option to purchase or offer, sell or grant any right to re-price its securities, or otherwise dispose of or issue any common stock or common stock equivalents,

entitle any person to acquire shares of common stock at an effective price per share less than the then effective conversion price (excluding employee stock options), as calculated by the formula described above; then, in such instance, the conversion price for the convertible debenture shall be reduced to the lower price. In case of any such adjustment in the effective conversion price for the convertible debenture, this could significantly dilute existing investors.

Under the August Debenture Agreement, the Purchasers also received “A” warrants, “B” warrants, “C” warrants and “D” warrants to purchase an aggregate of up to 175,000,000 shares of common stock. The warrants are exercisable in four separate traunches at a price of $0.15, $0.25, $0.20 and $0.05 respectively per share, subject to adjustment, included under anti-dilution protection similar to that described above. The warrants have a five-year contractual life. NeoMedia can force exercise of the warrants if the closing bid price of NeoMedia stock is more than $0.10 greater than the exercise price of any of the warrants for 15 consecutive trading days. All 175,000,000 of these warrants are being registered for resale hereunder. It is important to note that the warrants held by Cornell Capital Partners contain a provision that, if at the time of exercise, NeoMedia is in default of the warrant agreement, the holder can perform a “cashless” exercise of the warrants and in lieu of making payment of the exercise price in cash, elect instead to withhold shares as consideration for the exercise price. In the event of such a “cashless” exercise, NeoMedia would not receive any cash proceeds upon the exercise of such warrants. NeoMedia is currently in default of: the Investor Registration Rights Agreement entered into on August 24, 2006 in connection with the secured convertible debentures, which called for the shares underlying the secured convertible debentures to be registered by November 22, 2006. Such a default of the Investor Registration Rights Agreement constitutes an event of default under the warrant agreements. As a result, Cornell Capital Partners currently has the right to exercise on a cashless basis 175,000,000 of the warrants they hold that were issued in connection with the secured convertible debenture.

Additionally, effective as of September 8, 2006, NeoMedia and Cornell Capital Partners entered into an agreement pursuant to which the parties agreed to terminate all further obligations of Cornell Capital Partners to fund an additional $5,000,000 in the form of Series C Convertible Preferred Stock, as contemplated by the Series C Agreement dated February 17, 2006.

The convertible debenture contains consequences in case of default. Events of default which could subject the Company to penalties, liabilities, and foreclosure upon the assets of the Company as specified in the Agreement include:

- Any case or action of bankruptcy or insolvency commenced by the Company or any subsidiary, against the Company or adjudicated by a court against the Company for the benefit of creditors;
- Any default in its obligations under a mortgage or debt in excess of $100,000;
- Any cessation in the eligibility of the Company's stock to be quoted on a trading market;
- Failure to timely file the registration statement covering the shares related to the conversion option, or failure to make the registration statement effective timely (NeoMedia is in default of this provision);
- Any lapse in the effectiveness of the registration statement covering the shares related to the conversion option, the warrants as described and transacted in the securities purchase agreement and accompanying documents;
- Any failure to deliver certificates within the specified time; and
- Any failure, by the Company, to pay in full the amount of cash due pursuant to a buy-in or failure to pay any amounts owed on account on account of an event of default within 3 days of the date due.

Other provisions included in the Agreement include the following:

- The convertible debenture is convertible into common stock, at the option of the Purchaser, at any time after the effective date;
- As promptly as practicable after any conversion date, and subject to an effective registration statement or an exemption from registration the Company shall cause its transfer agent to deliver a certificate representing the converted shares, free of any legends and trading restrictions for the number of shares converted;
- The Company will reserve and keep available authorized and unissued registered shares available to be issued upon conversion;
- Purchaser will not be responsible for any transfer taxes relative to issuance of shares;
- If the Company offers, sells or grants stock at an effective per share price less than the then Conversion Price, then the Conversion Price shall be reduced to equal the effective conversion, exchange or purchase price for such common stock or common stock equivalents;
- Pursuant to the terms of the convertible debenture agreement between NeoMedia and Cornell signed in connection with the convertible debenture sale, without Cornell's consent NeoMedia cannot

- issue or sell any shares of Common Stock or preferred stock without consideration or for consideration per share less than the closing bid price immediately prior to its issuance,

– issue or sell any preferred stock, warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire common stock for consideration per share less than the closing bid price immediately prior to its issuance,

– enter into any security instrument granting the holder a security interest in any of its assets of, or

– file any registration statements on Form S-8.

- Pursuant to a security agreement between NeoMedia and the Purchaser signed in connection with the convertible debenture, the Purchaser has a security interest in all of NeoMedia's assets.

NeoMedia is currently in default of the Investor Registration Rights Agreement entered into on August 24, 2006, in connection with the secured convertible debenture, because the registration statement to register the shares underlying the secured convertible debenture was not declared effective by the specified date. Due to the current default status, the Purchaser has certain material additional rights in this financing arrangement that did not previously exist. Specifically,

- The full fair value of the secured convertible debenture is now callable in the amount of $5,000,000;

- The warrants can be exercised on a cashless basis as described above;

- NeoMedia is responsible for liquidated damages; NeoMedia has accrued $999,000 as the expected fair value of liquidated damages relating to the secured convertible debenture as of March 31, 2007, and paid $490,000 of the accrued liquidated damages as of March 31, 2007;

- The requirement for the Purchaser to maintain an ownership interest in NeoMedia of less than 5% is terminated;

$2.5 Million Secured Convertible Debenture - December 2006

We entered into an additional Securities Purchase Agreement, dated December 29, 2006, (the "December Debenture Agreement") with the Purchasers. Pursuant to the December Debenture Agreement, the Purchasers agreed to purchase 10% secured convertible debentures maturing two years from the date of issuance in the aggregate amount of $2,500,000. The December Debenture Agreement also provided for the issuance to the Purchasers, at no additional cost to the purchasers, warrants to purchase shares of our common stock. In connection with the December Debenture Agreement, we also entered into a registration rights agreement with the Purchasers that requires us to (i) file a registration statement with the SEC registering the resale of the shares of common stock issuable upon conversion of the convertible debenture and the exercise of the warrants, (ii) achieve effectiveness within a stated period and (iii) maintain effectiveness of the registration statement. Failure to meet these requirements will require us to incur liquidated damages amounting to 2% of the principal per month, but in no event shall consideration paid as liquidated damages exceed $500,000. The debentures are secured by substantially all of our assets.

On December 29, 2006, we issued the Purchasers $2,500,000 in aggregate principal amount of such convertible debentures. At any time from the closing date until December 29, 2008, the Purchasers have the right to convert the convertible debenture into our common stock at the then effective conversion price, which varies relative to our trading stock price, as follows: $0.06 per share, or 90% of the lowest closing bid price (as reported by Bloomberg) of the common stock for the 30 trading days immediately preceding the conversion date. The conversion is limited such that the holder cannot exceed 4.99% ownership, unless the holders waive their right to such limitation. The limitation

will terminate under any event of default.

The convertible debenture, at the option of the holder, affords the Purchasers anti-dilution protection should, at any time while the convertible debenture is outstanding, we offer, sell or grant any option to purchase or offer, sell or grant any right to re-price its securities, or otherwise dispose of or issue any common stock or common stock equivalents, entitle any person to acquire shares of common stock at an effective price per share less than the then effective conversion price (excluding employee stock options), as calculated by the formula described above; then, in such instance, the conversion price for the convertible debenture shall be reduced to the lower price. In case of any such adjustment in the effective conversion price for the convertible debenture, this could significantly dilute existing investors.

Under the December Debenture Agreement, the Purchasers also received a warrant to purchase up to 42,000,000 shares of common stock at an exercise price of $0.06 per share, subject to adjustment, included under anti-dilution protection similar to that described above. The warrants have a five-year contractual life. NeoMedia can force exercise of the warrants if the closing bid price of NeoMedia stock is more than $0.16 for ten consecutive trading days. No shares underlying the December Debenture Agreement or the 42,000,000 warrants issued in connection with the December Debenture Agreement are being registered for resale hereunder.

The convertible debenture contains consequences in case of default. Events of default which could subject the Company to penalties, liabilities, and foreclosure upon the assets of the Company as specified in the Agreement include:

- Any case or action of bankruptcy or insolvency commenced by the Company or any subsidiary, against the Company or adjudicated by a court against the Company for the benefit of creditors;
- Any default in its obligations under a mortgage or debt in excess of $100,000;
- Any cessation in the eligibility of the Company's stock to be quoted on a trading market;
- Failure to timely file the registration statement covering the shares related to the conversion option, or failure to make the registration statement effective timely;
- Any lapse in the effectiveness of the registration statement covering the shares related to the conversion option, the warrants as described and transacted in the securities purchase agreement and accompanying documents;
- Any failure to deliver certificates within the specified time; and
- Any failure, by the Company, to pay in full the amount of cash due pursuant to a buy-in or failure to pay any amounts owed on account on account of an event of default within 3 days of the date due.

Other provisions included in the Agreement include the following:

- The convertible debenture is convertible into common stock, at the option of the Purchaser, at any time after the effective date;
- As promptly as practicable after any conversion date, and subject to an effective registration statement or an exemption from registration the Company shall cause its transfer agent to deliver a certificate representing the converted shares, free of any legends and trading restrictions for the number of shares converted;
- The Company will reserve and keep available authorized and unissued registered shares available to be issued upon conversion;
- Purchaser will not be responsible for any transfer taxes relative to issuance of shares;
- If the Company offers, sells or grants stock at an effective per share price less than the then Conversion Price, then the Conversion Price shall be reduced to equal the effective conversion, exchange or purchase price for such common stock or common stock equivalents;
- Pursuant to the terms of the convertible debenture agreement between NeoMedia and Cornell signed in connection with the convertible debenture sale, without Cornell's consent NeoMedia cannot

- issue or sell any shares of Common Stock or preferred stock without consideration or for consideration per share less than the closing bid price immediately prior to its issuance,

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- – issue or sell any preferred stock, warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire common stock for consideration per share less than the closing bid price immediately prior to its issuance,
- – enter into any security instrument granting the holder a security interest in any of its assets of, or
- – file any registration statements on Form S-8.

- In addition, pursuant to a security agreement between NeoMedia and the Purchaser signed in connection with the convertible debenture, the Purchaser has a security interest in all of NeoMedia's assets.

NeoMedia is currently in default of the Investor Registration Rights Agreement entered into on December 29, 2006, in connection with the secured convertible debenture, because the registration statement to register the shares underlying the secured convertible debenture issued on August 24, 2006 was not declared effective by the specified date. Due to the current default status, the Purchaser has certain material additional rights in this financing arrangement that did not previously exist. Specifically,

- The full fair value of the secured convertible debenture is now callable in the amount of $2,500,000;
- The warrants can be exercised on a cashless basis as described above;
- NeoMedia is responsible for liquidated damages of 2% of the principal up to a maximum of $500,000;
- The requirement for the Purchaser to maintain an ownership interest in NeoMedia of less than 5% is terminated;

As an inducement to enter into the December Debenture Agreement, on December 29, 2006 NeoMedia repriced 210,000,000 warrants held by Cornell Capital Partners to $0.04 per share, subject to all the original terms and conditions of the respective warrant agreements. The warrant amendments each contain a stipulation whereby, for a period of six months, NeoMedia shall have the right to redeem the warrants on a cashless basis at an effective price of $0.12 per share.

$7.5 Million Secured Convertible Debenture - March 2007

We entered into an additional Securities Purchase Agreement, dated March 27, 2007, (the "March Debenture Agreement") with the Purchasers. Pursuant to the March Debenture Agreement, the Purchaser agreed to purchase 13% secured convertible debentures maturing two years from the date of issuance in the aggregate amount of $7,459,000. NeoMedia received cash proceeds from the transaction of $5,000,000, net of $781,000 fees paid to the Purchaser, and $1,678,000 payment of accrued interest and liquidated damages related to previous financings with Purchaser. The Agreement also provided for the issuance to the Purchaser, at no additional cost to the Purchaser, warrants to purchase shares of the Company's common stock. In connection with the March Debenture Agreement, the Company also entered into a registration rights agreement with the Purchaser that requires the Company to (i) file a registration statement with the SEC registering the resale of the shares of common stock issuable upon conversion of the convertible debenture and the exercise of the warrants within 30 days of receipt of a request for filing from the Purchaser, (ii) achieve effectiveness within 120 days of receipt of a request for filing from the Purchaser, and (iii) maintain effectiveness of the registration statement. Failure to meet these requirements will require the Company to incur liquidated damages amounting to 2% of the principal per month, but in no event shall consideration paid as liquidated damages exceed $1,790,000.

The Debentures are secured according to the terms of a pledge and security agreement dated August 24, 2006 and entered into in connection with a previous $5 million secured convertible debenture with the Purchaser, pursuant to

which the Company agreed to provide to Purchaser a security interest in its assets to secure the Company's obligations under the financing transaction. The Debentures are additionally secured by a patent security agreement entered into on March 27, 2007.

At any time from the closing date until March 27, 2009, the Purchaser has the right to convert the convertible debenture into common stock of the Company at the then effective conversion price, which varies relative to the Company's trading stock price, as follows: $0.05 per share, or 90% of the lowest closing bid price (as reported by Bloomberg) of the common stock for the 30 trading days immediately preceding the conversion date. The conversion is limited such that the holder cannot exceed 4.99% ownership, unless the holders waive their right to such limitation. The limitation will terminate under any event of default.

The convertible debenture, at the option of the holder, affords the Purchaser anti-dilution protection should, at any time while the convertible debenture is outstanding, the Company offer, sell or grant any option to purchase or offer, sell or grant any right to re-price its securities, or otherwise dispose of or issue any common stock or common stock equivalents, entitle any person to acquire shares of common stock at an effective price per share less than the then effective conversion price (excluding employee stock options), as calculated by the formula described above; then, in such instance, the conversion price for the convertible debenture shall be reduced to the lower price.

Under the terms of the agreement, the Purchaser also received warrants to purchase an aggregate of up to 125,000,000 shares of common stock. The warrants are exercisable at a price of $0.04 per share, subject to adjustment, included under anti-dilution protection similar to that described above. The warrants have a five-year contractual life. The warrants do not contain a forced exercise attribute similar to previously issued warrants. It is important to note that the warrants contain a provision that, if at the time of exercise, NeoMedia is in default of the warrant agreement, the holder can perform a “cashless” exercise of the warrants and in lieu of making payment of the exercise price in cash, elect instead to withhold shares as consideration for the exercise price. In the event of such a “cashless” exercise, NeoMedia would not receive any cash proceeds upon the exercise of such warrants. NeoMedia is currently in default of the Investor Registration Rights Agreement entered into on March 27, 2007, due to a pre-existing default on its previous financing arrangements with the Buyer. Such a default of the Investor Registration Rights Agreement constitutes an event of default under the warrant agreements issued in connection with the secured convertible debenture. As a result, Cornell Capital Partners currently has the right to exercise on a cashless basis the 125,000,000 of warrants they hold that were issued in connection with the secured convertible debenture.

The convertible debenture contains consequences in case of default. Events of default which could subject us to penalties, liabilities, and foreclosure upon our assets as specified in the Agreement include:

- Any case or action of bankruptcy or insolvency commenced by us or any subsidiary, against us or adjudicated by a court against us for the benefit of creditors;
- Any default in its obligations under a mortgage or debt in excess of $100,000;
- Any cessation in the eligibility of our stock to be quoted on a trading market;
- Failure to timely file the registration statement covering the shares related to the conversion option, or failure to make the registration statement effective timely;
- Any lapse in the effectiveness of the registration statement covering the shares related to the conversion option, the warrants as described and transacted in the securities purchase agreement and accompanying documents;
- Any failure to deliver certificates within the specified time; and
- Any failure by us to pay in full the amount of cash due pursuant to a buy-in or failure to pay any amounts owed on account on account of an event of default within 3 days of the date due.

Other provisions included in the Agreement include the following:

- The convertible debenture is convertible into common stock, at the option of the Purchaser, at any time after the effective date;
- As promptly as practicable after any conversion date, and subject to an effective registration statement or an exemption from registration we shall cause its transfer agent to deliver a certificate representing the converted shares, free of any legends and trading restrictions for the number of shares converted;

- We will reserve and keep available authorized and unissued registered shares available to be issued upon conversion;

- Purchaser will not be responsible for any transfer taxes relative to issuance of shares;

- If we offer, sell or grant stock at an effective per share price less than the then Conversion Price, then the Conversion Price shall be reduced to equal the effective conversion, exchange or purchase price for such common stock or common stock equivalents;

- Pursuant to the terms of the convertible debenture agreement between us and Cornell signed in connection with the convertible debenture sale, without Cornell's consent we cannot

  - issue or sell any shares of common stock or preferred stock without consideration or for consideration per share less than the closing bid price immediately prior to its issuance,

  - issue or sell any preferred stock, warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire common stock for consideration per share less than the closing bid price immediately prior to its issuance,

  - enter into any security instrument granting the holder a security interest in any of its assets of, or

  - file any registration statements on Form S-8.

- In addition, pursuant to a security agreement between us and the Purchaser signed in connection with the convertible debenture, the Purchaser has a security interest in all of NeoMedia's assets.

We are currently in default of the Investor Registration Rights Agreement entered into on March 27, 2007, in connection with the secured convertible debenture, because the registration statement to register the shares underlying the secured convertible debenture issued on August 24, 2006 was not declared effective by the specified date. Due to the current default status, the Purchaser has certain material additional rights in this financing arrangement that did not previously exist. Specifically,

- The full fair value of the secured convertible debenture is now callable in the amount of $7,459,000;

- The warrants can be exercised on a cashless basis as described above;

- We are responsible for liquidated damages of 2% of the principal per month up to a maximum of $1,790,000; and

- The requirement for the Purchaser to maintain an ownership interest in NeoMedia of less than 5% is terminated.

Standby Equity Distribution Agreements

On February 11, 2003, NeoMedia and Cornell Capital Partners entered into an Equity Line of Credit Agreement under which Cornell Capital Partners agreed to purchase up to $10 million of NeoMedia's common stock over a two-year period, with the timing and amount of the purchase at the Company's discretion. The maximum amount of each purchase was $150,000 with a minimum of seven days between purchases. The shares were valued at 98% of the lowest closing bid price during the five-day period following the delivery of a notice of purchase by NeoMedia. The Company paid 5% of the gross proceeds of each purchase to Cornell Capital Partners.

On October 27, 2003, NeoMedia and Cornell Capital Partners entered into a $20 million Standby Equity Distribution Agreement (the "2003 SEDA"). The agreement provides for a maximum "draw" of $280,000 per week, not to exceed $840,000 in any 30-day period, and Cornell Capital Partners will purchase up to $20 million of our common stock over a two-year period. The SEDA became effective during January 2004, and expired after a two-year term in January 2006. The following table summarizes shares issued to, and funding received from, Cornell Capital Partners during the three months ended March 31, 2007 and 2006, and the years ended December 31, 2005, 2004, and 2003:

	(unaudited) **Three Months Ended March 31,**		**Years Ended December 31,**		
	2007	**2006**	**2006**	**2005**	**2004**
Number of shares sold	—	751,880	751,880	26,435,512	112,743,417
Gross Proceeds from sale of shares	$ —	$ 234,000	$ 234,000	$ 9,527,000	$ 10,123,000
Less: discounts and fees*	—	(24,000)	(24,000)	(1,022,000)	(1,967,000)
Net Proceeds from sale of shares	$ —	$ 210,000	$ 210,000	$ 8,505,000	$ 8,156,000

* Pursuant to the terms of the 2003 SEDA , stock is valued at 98% of the lowest closing bid price during the week it was sold.

On March 30, 2005, NeoMedia and Cornell Capital Partners entered into a Standby Equity Distribution Agreement (the "2005 SEDA") under which Cornell Capital Partners agreed to purchase up to $100 million of NeoMedia 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 Capital Partners. Based on NeoMedia's current market capitalization and other outstanding securities, NeoMedia does not believe that the 2005 SEDA is currently a viable source of financing.

As a commitment fee for Cornell Capital Partners to enter into the 2005 SEDA, NeoMedia issued 50 million warrants to Cornell Capital Partners with an exercise price of $0.20 per share for a term of three (3) years, and also paid a cash commitment fee of $1 million. During 2006, Cornell Capital Partners exercised 40,000,000 of the warrants, generating cash proceeds of $8,000,000 to NeoMedia. During December 2006, in connection with a convertible debenture, NeoMedia repriced the remaining 10,000,000 warrants to an exercise price of $0.04 per share. NeoMedia also issued 4 million warrants with an exercise price of $0.227 to a consultant as a fee in connection with the 2005 SEDA, which have not been exercised. NeoMedia recorded the $13,256,000 fair value of the warrants to "Deferred equity financing costs" at inception. This amount was written off during the third quarter of 2006 because the Company believes that it can no longer consider the 2005 SEDA a viable financing source due to the utilization of the preferred stock financing and the debenture financing.

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Promissory Notes Payable to Cornell Capital Partners

On May 27, 2003, we borrowed from Cornell Capital Partners the gross amount of $245,000 before discounts and fees. The note was repaid in full during 2003.

On June 24, 2003, we borrowed from Cornell Capital Partners the gross amount of $400,000 before discounts and fees. The note was repaid in full during 2003.

On July 21, 2003, we borrowed from Cornell Capital Partners the gross amount of $200,000 before discounts and fees. The note was repaid in full during 2003.

On August 1, 2003, we borrowed from Cornell Capital Partners the gross amount of $200,000 before discounts and fees. The note was repaid in full during 2003.

On September 2, 2003, we borrowed from Cornell Capital Partners the gross amount of $200,000 before discounts and fees. The note was repaid in full during 2003.

On September 11, 2003, we received funding in the form of a promissory note from Cornell Capital Partners in the gross amount of $500,000 before discounts and fees. The note was repaid in full during 2003.

On January 20, 2004, we borrowed from Cornell Capital Partners the gross amount of $4,000,000 before discounts and fees. Of the $4,000,000 funding, $2,500,000 was used to fund the acquisition of CSI International, Inc. during February 2004. Cornell Capital Partners withheld a $315,000 retention fee related to the issuance of stock to pay off the debt in the future. We paid this note in full during 2004.

We also granted to Cornell Capital Partners 40,000,000 warrants to purchase shares of our stock with an exercise price of $0.05 per share during January 2004. In April 2004, we filed a Form SB-2 to register 40 million shares underlying warrants granted to Cornell Capital Partners (and subsequently transferred by Cornell Capital Partners to Stone Street Asset Management LLC) in connection with a promissory note issued by the Company to Cornell Capital Partners. In May 2004, the Form SB-2 was declared effective by the Securities and Exchange Commission. The fair value of the warrants using the Black-Scholes pricing model was $5,000,000. In accordance with APB 14, “Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants”, we have compared the relative fair values of the warrants and the face value of the notes, and has allocated a value of $2.5 million to the warrants. Of the $2.5 million, $2 million was allocated to the $4 million note issued in January 2004 and $0.5 million against the $1 million note in April 2004. The $2.5 million was recorded as a discount against the carrying value of the note. The $2.5 million that was allocated to the notes is considered a discount on the promissory notes, and therefore was amortized over the life of the notes using the effective interest method, in accordance with Staff Accounting Bulletin No. 77, Topic 2.A.6, “Debt Issue Costs” of SFAS 141, “Business Combinations”. Accordingly, we recorded an amortization of discount of $2,500,000 related to the warrants during the year ended December31, 2004. Stone Street Asset Management LLC exercised the warrants during November 2004, resulting in net funds to us of $2 million.

On April 8, 2004, we borrowed from Cornell Capital Partners the gross amount of $1,000,000 before discounts and fees. Cornell Capital Partners withheld a $76,000 retention fee related to the issuance of stock to pay off the debt in the future. We paid this note in full during 2004.

On July 2, 2004, we borrowed from Cornell Capital Partners the gross amount of $1,000,000 before discounts and fees. Cornell Capital Partners withheld a $76,000 retention fee related to the issuance of stock to pay off the debt in the future. We paid this note in full during 2004.

On August 6, 2004, we borrowed from Cornell Capital Partners the gross amount of $2,000,000 before discounts and fees. Cornell Capital Partners withheld a retention fee of $153,000 related to the issuance of stock to pay off the debt in the future. We paid this note in full during 2004.

On October 18, 2004, we borrowed from Cornell Capital Partners the gross amount of $1,085,000 before discounts and fees. Cornell Capital Partners withheld a retention fee of $85,000 related to the issuance of stock to pay off the debt in the future. We paid this note in full during the first quarter of 2005. We invested the proceeds from the note in iPoint-media pursuant to the investment agreement between us and I-Point Media Ltd.

On March 30, 2005, we borrowed from Cornell Capital Partners the principal amount of $10,000,000 before discounts and fees in the form of a secured promissory note. Cornell Capital Partners withheld structuring and escrow fees of $68,000 related to the note. The note accrued interest at 8% per annum on any unpaid principal and was secured by all of our assets other than patents and patent application. We paid this note in full during the first quarter of 2006.

Thornhill Capital, LLP

On September 3, 2003, we issued 10 million warrants with an exercise price of $0.01 to Thornhill Capital LLP as a fee for negotiating and structuring the 2003 SEDA, of which 1 million were exercised in 2004 and 9 million during 2006. As of January 9, 2007, Thornhill Capital held 800,000 shares resulting from this warrant exercise.

On January 29, 2004, we entered into a consulting agreement with Thornhill Capital LLP that pays Thornhill Capital LLP $15,000 per month for assistance in connection with potential acquisitions transactions, and corporate strategy planning. The contract has a term of two years and automatically renews for successive one-year periods if not cancelled by either party. On July 22, 2005, the agreement was amended to pay Thornhill $19,500 per month and the term was extended until July 22, 2007.

On March 8, 2004, we issued 4 million warrants with an exercise price of $0.11 to Thornhill Capital LLP as a fee for negotiating and structuring a $7 million advance funding under the 2003 SEDA, none of which have been exercised.

On March 30, 2005, we issued 4 million warrants with an exercise price of $0.227 to Thornhill Capital LLP as a fee for negotiating and structuring the $100 million SEDA, none of which have been exercised.

On February 14, 2006, we issued 2 million warrants with an exercise price of $0.328 to Thornhill Capital LLP as a fee for negotiating and structuring the $27 million Series C Convertible Preferred Stock sale, none of which have been exercised.

On April 12, 2007, we entered into an agreement with Thornhill, pursuant to which we agreed to reprice up to 10,000,000 warrants held by Thornhill upon achievement of certain performance conditions. Upon signing of the agreement, which calls for the termination of any obligations due from NeoMedia to Thornhill under the terms of a previous consulting agreement between the parties and Thornhill's commitment to assist with the development of the China market for our technology products, 2,000,000 warrants were repriced from $0.227 to $0.048, 1,000,000 warrants were repriced from $0.11 to $0.048, and 500,000 warrants were repriced from $0.11 to $0.048. In addition, the following warrants could be subject to future repricing if certain milestones are met: (i) 2,000,000 warrants will be repriced from $0.227 to $0.048 upon execution of a contract outlining mutually agreed payment terms for amounts owed to NeoMedia by Automart, a customer of our Micro Paint Repair business unit, (ii) 3,500,000 warrants will be repriced from $0.328 to $0.048 upon receipt of payment by NeoMedia from Automart, (iii) 500,000 warrants will be repriced from $0.11 to $0.048 on October 12, 2007 if Thornhill is still assisting with the development of the China market, and (iv) 500,000 warrants will be repriced from $0.11 to $0.048 on April 12, 2008 if Thornhill is still assisting with the development of the China.

Former Shareholders of Gavitec AG

On February 17, 2006, NeoMedia and Gavitec signed a definitive sale and purchase agreement, subject to closing conditions, under which NeoMedia acquired all of the outstanding shares of Gavitec in exchange for $1,800,000 cash and $5,200,000 worth of common stock, represented by 13,660,511 shares of our common stock, which are being registered hereunder. On February 23, 2006, NeoMedia and Gavitec completed the closing requirements and the acquisition became effective.

The sale and purchase agreement contained a provision that, in the event that NeoMedia's stock price at the time the consideration shares are saleable is less than $0.389, NeoMedia is obligated to compensate Gavitec shareholders in cash for the difference between the price at the time the shares become saleable and $0.389. On January 23, 2007, we entered into an agreement with the former shareholders of Gavitec, whereby this purchase price obligation was satisfied through the payment by NeoMedia of $1,800,000 in cash, and 61,000,000 shares of NeoMedia common stock. We also agreed to pay interest accrued on the purchase price in the amount of $481,000 and reimburse $100,000 of costs related to the acquisition to the primary former shareholder of Gavitec. NeoMedia issued the shares and made cash payments of $2,113,000 during March 2007. The additional 61,000,000 shares issued to satisfy the purchase price guarantee obligation are not being registered hereunder.

Former Shareholders of 12Snap AG

On February 10, 2006, NeoMedia and 12Snap signed a definitive sale and purchase agreement, subject to closing conditions, under which NeoMedia acquired all of the outstanding shares of 12Snap in exchange for $2,500,000 cash and $19,500,000 worth of common stock, represented by 49,294,581 shares of our common stock, which are being registered hereunder. On February 28, 2006, NeoMedia and 12Snap completed the closing requirements and the acquisition became effective. Pursuant to the terms of the merger agreement, the number of shares of NeoMedia common stock to be issued as consideration was calculated using a share price of $0.3956. The sale and purchase agreement contained a provision that, in the event that NeoMedia's stock price at the time the consideration shares are saleable is less than $0.3956, NeoMedia is obligated to compensate 12Snap shareholders in cash for the difference between the price at the time the shares become saleable and $0.3956.

On February 22, 2007, the shares issued in connection with the acquisition of 12Snap became eligible for resale under Rule 144. The actual calculated purchase price obligation to NeoMedia based on the volume weighted average closing price of NeoMedia stock for the ten days up to and including February 22, 2007 was $16,233,000. During the three months ended March 31, 2007, NeoMedia issued 197,620,948 shares of its common stock in satisfaction of a portion of the purchase price obligation totaling $9,427,000, and made cash payments against the liability totaling $259,000. The balance on the purchase price obligation as of March 31, 2007 was $6,806,000. During April and May 2007, NeoMedia made additional cash payments of $75,000 and further reduced the balance through the forgiveness of $1,758,000 of obligation in connection with the sale of 12Snap.

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

- $1,100,000 was paid in cash at closing, of which $1,015,000 was applied toward amounts owed to silent partners of 12Snap
- $500,000 was placed into an escrow account for 90 days to secure warranty claims;
- The buyer waived his portion of the purchase price guarantee obligation in the amount of $880,000;
- The buyer returned to NeoMedia 2,525,818 NeoMedia shares previously issued to him;
- 12Snap management waived their portion of the purchase price guarantee obligation in the amount of $880,000;
- 12Snap management returned to NeoMedia 5,225,039 shares of NeoMedia common stock previously issued to 12Snap management;
- We retained a 10% ownership in 12Snap, subject to an option agreement pursuant to which we have the right to sell and the buyer has the right to acquire the remaining 10% stake held by NeoMedia for a purchase price of $750,000 after December 31, 2007; and
- We will execute a cooperation agreement pursuant to which 12snap will remain NeoMedia preferred partner and enjoy most favored prices, and 12snap will perform certain research and development functions for NeoMedia.

Former Debtholders of BSD Software, Inc.

On March 21, 2006, we acquired all of the outstanding shares of BSD Software, Inc. Subsequent to the acquisition, we retired debt owed by BSD to Guy Fietz, the former CEO of BSD and current Vice President and General Manager of

the NeoMedia Telecom Services business unit, and Wayside Solutions, a shareholder in BSD. During 2006, we retired the debt through issuance of 1,512,093 shares of common stock to Guy Fietz, being registered hereunder. Also during 2006, we issued 3,721,698 shares of common stock, being registered hereunder, as an initial payment against debt and accrued interest owed to Wayside. Prior to the acquisition, we reached an agreement with Wayside to pay the outstanding debt due to Wayside subsequent to completion of the acquisition. The shares contain a make whole provision that calls for additional shares to be issued in the event the value of the original shares at the time of registration is less than the value at the time they were issued.

PLAN OF DISTRIBUTION

The selling stockholders have advised us that the sale or distribution of our common stock owned by the selling stockholders may be effected directly to purchasers by the selling stockholders or by pledgees, transferees or other successors in interest, as principals or through one or more underwriters, brokers, dealers or agents from time to time in one or more transactions (which may involve crosses or block transactions) (i) on the OTC Bulletin Board or in any other market on which the price of our shares of common stock are quoted or (ii) in transactions otherwise than on the OTC Bulletin Board or in any other market on which the price of our shares of common stock are quoted. Any of such transactions may be effected at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale or at negotiated or fixed prices, in each case as determined by the selling stockholders or by agreement between the selling stockholders and underwriters, brokers, dealers or agents, or purchasers. If the selling stockholders effect such transactions by selling their shares of common stock to or through underwriters, brokers, dealers or agents, such underwriters, brokers, dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of common stock for whom they may act as agent (which discounts, concessions or commissions as to particular underwriters, brokers, dealers or agents may be in excess of those customary in the types of transactions involved). The selling stockholders and any brokers, dealers or agents that participate in the distribution of the common stock may be deemed to be underwriters, and any profit on the sale of common stock by them and any discounts, concessions or commissions received by any such underwriters, brokers, dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act.

Under the securities laws of certain states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. The selling stockholders are advised to ensure that any underwriters, brokers, dealers or agents effecting transactions on behalf of the selling stockholders are registered to sell securities in all fifty states. In addition, in certain states the shares of common stock may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

We will pay all the expenses incident to the registration, offering and sale of the shares of common stock to the public hereunder other than commissions, fees and discounts of underwriters, brokers, dealers and agents. We estimate that the expenses of the offering to be borne by us will be approximately $50,000. The offering expenses consist of: printing and engraving expenses of $5,000, accounting fees of $20,000, legal fees of $20,000 and miscellaneous expenses of $5,000. We will not receive any proceeds from the sale of any of the shares of common stock by the selling stockholders. We will, however, receive the exercise price upon exercise of warrants for which the underlying shares are being registered hereunder. If all warrants being registered hereunder were exercised, we would receive proceeds of $2,065,700 (net of registration fees). However, the exercise price of a significant number of the warrants is higher than the current stock price. If only in-the-money warrants were exercised, we would receive proceeds of $26,500, which are less than the registration fees.

The selling stockholders should be aware that the anti-manipulation provisions of Regulation M under the Exchange Act will apply to purchases and sales of shares of common stock by the selling stockholders, and that there are restrictions on market-making activities by persons engaged in the distribution of the shares. Under Regulation M, the selling stockholders or their agents may not bid for, purchase, or attempt to induce any person to bid for or purchase, shares of our common stock while such selling stockholders are distributing shares covered by this prospectus. The selling stockholders are advised that if a particular offer of common stock is to be made on terms constituting a material change from the information set forth above with respect to the Plan of Distribution, then, to the extent required, a post-effective amendment to the accompanying registration statement must be filed with the SEC.

DESCRIPTION OF SECURITIES

The following description of our capital stock and certain provisions of our Certificate of Incorporation and By-Laws is a summary. For additional information, please refer to our Certificate of Incorporation, as amended, and By-Laws.

Common Stock

On June 28, 2006, our shareholders voted to increase our number of shares of authorized common stock, par value $0.01 per share, from 1,000,000,000 to 5,000,000,000. As of May 29, 2007, 891,400,239 common shares were outstanding. Holders of common stock are entitled to one vote for each share held of record on each matter submitted to a vote of stockholders. Holders of the common stock do not have cumulative voting rights, which means that the holders of more than one half of our outstanding shares of common stock, subject to the rights of the holders of preferred stock, can elect all of our directors, if they choose to do so. In this event, the holders of the remaining shares of common stock would not be able to elect any directors. Subject to the prior rights of any class or series of preferred stock which may from time to time be outstanding, if any, holders of common stock are entitled to receive ratably, dividends when, as, and if declared by the Board of Directors out of funds legally available for that purpose and, upon our liquidation, dissolution, or winding up, are entitled to share ratably in all assets remaining after payment of liabilities and payment of accrued dividends and liquidation preferences on the preferred stock, if any. Holders of common stock have no preemptive rights and have no rights to convert their common stock into any other securities. The outstanding common stock is duly authorized and validly issued, fully paid, and nonassessable. In the event we were to elect to sell additional shares of common stock following this offering, investors in this offering would have no right to purchase additional shares. As a result, their percentage equity interest in us would be diluted.

Except as otherwise permitted by Delaware law, and subject to the rights of the holders of preferred stock, all stockholder action is taken by the vote of a majority of the outstanding shares of common stock voted as a single class present at a meeting of stockholders at which a quorum consisting of a majority of the outstanding shares of common stock is present in person or proxy.

Preferred Stock

NeoMedia is authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share. The Company may issue preferred stock in one or more series and having the rights, privileges, and limitations, including voting rights, conversion rights, liquidation preferences, dividend rights and preferences and redemption rights, as may, from time to time, be determined by the Board of Directors. Preferred stock may be issued in the future in connection with acquisitions, financings, or other matters, as the Board of Directors deems appropriate. In the event that the Company determines to issue any shares of preferred stock, a certificate of designation containing the rights, privileges, and limitations of this series of preferred stock shall be filed with the Secretary of State of the State of Delaware. The effect of this preferred stock designation power is that the Board of Directors alone, subject to Federal securities laws, applicable blue sky laws, and Delaware law, may be able to authorize the issuance of preferred stock which could have the effect of delaying, deferring, or preventing a change in control of NeoMedia without further action by its stockholders, and may adversely affect the voting and other rights of the holders of the Company's common stock. The issuance of preferred stock with voting and conversion rights may also adversely affect the voting power of the holders of the Company's common stock, including the loss of voting control to others.

Series A Preferred Stock. During December 1999, the Board of Directors approved a Certificate of Resolutions Designating Rights and Preferences of Preferred Stock, filed with the Secretary of State of the State of Delaware on December 20, 1999. By this approval and filing, 200,000 shares of Series A Preferred Stock were designated. Series A Preferred carries the following rights:

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The right to receive mandatory cash dividends equal to the greater of $0.001 per share or 100 times the amount of all dividends (cash or non-cash, other than dividends of shares of common stock) paid to holders of the common stock, which dividend is payable 30 days after the conclusion of each calendar quarter and immediately following the declaration of a dividend on common stock;

- One hundred votes per each share of Series A Preferred on each matter submitted to a vote of the Company's stockholders;

- The right to elect two directors at any meeting at which directors are to be elected, and to fill any vacancy on the Board of Directors previously filled by a director appointed by the Series A Preferred holders;

- The right to receive an amount, in preference to the holders of common stock, equal to the amount per share payable to holders of common stock, plus all accrued and unpaid dividends, and following payment of 1/100th of this liquidation preference to the holders of each share of common stock, an additional amount per share equal to 100 times the per share amount paid to the holders of common stock.

- The right to exchange each share of Series A Preferred for 100 times the consideration received per share of common stock in connection with any merger, consolidation, combination or other transaction in which shares of common stock are exchanged for or converted into cash, securities or other property.

- The right to be redeemed in accordance with the Company's stockholders rights plan.

While accrued mandatory dividends are unpaid, we may not declare or pay dividends or distributions on, or redeem, repurchase or reacquire, shares of any class or series of junior or parity stock.

The Series A Preferred was created in connection with the Company's stockholders rights plan. No shares of Series A Preferred have been issued or are currently outstanding.

Series A Convertible Preferred Stock. On June 19, 2001, the Board of Directors approved a Certificate of Designations to create 500,000 shares of a Class of Series A Convertible Preferred Stock for NeoMedia Technologies, Inc., filed with the Secretary of State of the State of Delaware on June 20, 2001. By this approval and filing, 47,511 shares are designated as Series A Convertible Preferred Stock and remain to be issued.. The Company's Series A Convertible Preferred Stock, par value $0.01 per share, has the following rights:

- Series A Convertible Preferred is convertible into shares of common stock at a one-to-one ratio, subject to proportional adjustments in the event of stock splits or combinations, and dividends or distributions of shares of common stock, at the option of the holder; shares are subject to automatic conversion as determined in each agreement relating to the purchase of shares of Series A Convertible Preferred;

- Each share of Series A Convertible Preferred is entitled to receive a liquidation preference equal to the original purchase price of such share in the event of liquidation, dissolution, or winding up;

- Upon merger or consolidation, or the sale, lease or other conveyance of all or substantially all of the Company's assets, shares of Series A Convertible Preferred are automatically convertible into the number of shares of stock or other securities or property (including cash) to which the common stock into which it is convertible would have been entitled;

- Shares of Series A Convertible Preferred are entitled to one vote per share, and vote together with holders of common stock.

In June 2001, 452,489 shares of Series A Convertible Preferred were issued to About.com, Inc. pursuant to a certain Agreement for Payment in Common Stock, in lieu of cash payment to About.com for online advertising services. On January 2, 2002, such shares were converted into 452,489 shares of common stock.

Series B Convertible Redeemable Preferred Stock. On January 16, 2002, the Board of Directors approved a Certificate of Designation, Preferences, Rights and Limitations of Series B 12% Convertible Redeemable Preferred Stock of NeoMedia Technologies, Inc., filed with the Secretary of State of the State of Delaware on February 28, 2002. By this approval and filing, 100,000 shares were designated as Series B 12% Convertible Redeemable Preferred

Stock. The Company's Series B 12% Convertible Redeemable Preferred Stock, par value $0.01 per share, has the following rights:

- Series B Preferred shares accrue dividends at a rate of 12% per annum, or $1.20 per share, between the date of issuance and the first anniversary of issuance;

- Series B Preferred is redeemed to the maximum extent permitted by law (based on funds legally available for redemption) at a price per share of $15.00, plus accrued dividends (a total of $16.20 per share) on the first anniversary of issuance;

- Series B Preferred receive proceeds of $12.00 per share upon the Company's liquidation, dissolution or winding up;

- To the extent, not redeemed on the first anniversary of issuance, Series B Preferred is automatically convertible into then existing general class of common stock on the first anniversary of issuance at a price equal to $16.20 divided by the greater of $0.20 and the lowest publicly-sold share price during the 90 day period preceding the conversion date, but in no event more than 19.9% of the Company's outstanding capital stock as of the date immediately prior to conversion.

- Upon merger or consolidation, or the sale, lease or other conveyance of all or substantially all of the Company's assets, shares of Series B Preferred are automatically convertible into the number of shares of stock or other securities or property (including cash) to which the common stock into which it is convertible would have been entitled; and

- Shares of Series B Preferred are entitled to one vote per share and vote with common stock, except where the proposed action would adversely affect the Series B Preferred or where the non-waivable provisions of applicable law mandate that the Series B Preferred vote separately, in which case Series B Preferred vote separately as a class, with one vote per share.

No shares of the Series B Convertible Redeemable Preferred Stock have been issued or are currently outstanding.

Series C Convertible Preferred Stock. On February 22, 2006, NeoMedia filed with the Secretary of State of the State of Delaware a Certificate of Designation of Series C Convertible Redeemable Preferred Stock of NeoMedia Technologies, Inc. By the approval and filing, 27,000 shares were designated as Series C Convertible Preferred Stock. The Company's Series C Convertible Preferred Stock, par value $0.01 per share, has the following rights:

- Series C Convertible Preferred shares accrue dividends at a rate of 8% per annum;

- Series C Convertible Preferred receive proceeds of $1,000 per share upon the Company's liquidation, dissolution or winding up;

- Each share of Series C Convertible Preferred shares shall be convertible, at the option of the holder, into shares of the Company's common stock at the lesser of (i) Fifty Cents ($0.50) or (ii) 97% of the lowest closing bid price of the Company's common stock for the thirty (30) trading days immediately preceding the date of conversion; and

- At the Option of the Holders, if there are outstanding Series C Convertible Preferred shares on February 17, 2009, each share of Series C Preferred stock shall convert into shares of common stock at the Conversion Price then in effect on February 17, 2009; and

- Series C Convertible Preferred shares shall have voting rights on an as converted basis.

As of May 29, 2007, 21,622 shares of Series Convertible Preferred Stock are issued and outstanding. We have no present agreements relating to or requiring the designation or issuance of additional shares of preferred stock.

Warrants And Options

As of May 29, 2007, we had outstanding options and warrants to purchase 101,870,165 and 441,325,000 shares of NeoMedia's common stock, respectively, with exercise prices ranging from $0.01 to $6.00. The number of shares issuable upon exercise and the exercise prices of the warrants are subject to adjustment in the event of certain events such as stock dividends, splits and combinations, capital reorganization and with respect to certain warrants, issuance of shares of common stock at prices below the then exercise price of the warrants.

Warrants. Cornell Capital Partners holds 427,000,000 of the warrants that we currently have outstanding, as outlined in the following table:

Original Issue Date	Shares Underlying Warrant	Original Exercise Price	Restated Exercise Price
March 30, 2005	10,000,000	$0.20	$0.04
February 17, 2006	20,000,000	$0.50	$0.04
February 17, 2006	25,000,000	$0.40	$0.04
February 17, 2006	30,000,000	$0.35	$0.04
August 24, 2006	25,000,000	$0.15	$0.04
August 24, 2006	50,000,000	$0.25	$0.04
August 24, 2006	50,000,000	$0.20	$0.04
August 24, 2006	50,000,000	$0.05	n/a
December 29, 2006	42,000,000	$0.06	n/a
March 27, 2007	125,000,000	$0.04	n/a
Total	**427,000,000**		

Stock Option Plans. On September 24, 2003, NeoMedia's shareholders approved the 2003 Stock Option Plan. Under this plan, NeoMedia is authorized to grant to employees, directors, and consultants up to 150,000,000 options to purchase shares of common stock. Since inception of the 2003 Stock Option Plan through May 29, 2007, approximately 28,000,000 options have been exercised, 33,000,000 have been forfeited and placed back into the pool of options available for grant, and 103,000,000 remained outstanding as of May 29, 2007.

On December 16, 2005, NeoMedia's shareholders approved the 2005 Stock Option Plan. Under this plan, NeoMedia is authorized to grant to employees, directors, and consultants up to 60,000,000 options to purchase shares of common stock. As of May 29, 2007, NeoMedia not had issued any options under the 2005 Stock Option Plan.

Anti-Takeover Effects Of Provisions Of The Certificate Of Incorporation

On December 10, 1999, the Board of Directors adopted a stockholders rights plan and declared a non-taxable dividend of one right on each outstanding share of the Company's common stock to stockholders of record on December 10, 1999 and each share of common stock issued prior to the rights plan trigger 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 to receive fair and equal treatment in any proposed takeover of the corporation and to guard against partial or two-tiered tender offers, open market accumulations and other hostile takeover tactics to gain control of NeoMedia. The stockholders rights plan, which is similar to plans adopted by many leading public companies, was not adopted in response to any effort to acquire control of NeoMedia at the time of adoption. Certain of the Company'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 the Company's "poison pill" plan, as a result of the fact that, as of the plans adoption, their holdings might have otherwise triggered the "poison pill".

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LEGAL MATTERS

The validity of the shares of common stock offered hereby as to their being fully paid, legally issued and non-assessable will be passed upon for NeoMedia by Kirkpatrick & Lockhart Preston Gates Ellis LLP.

EXPERTS

The consolidated financial statements of NeoMedia Technologies, Inc. and its subsidiaries for the years ended December 31, 2006, 2005 and 2004, appearing in Form 10-K filing dated April 3, 2007, have been audited by Stonefield Josephson, Inc., independent registered public accounting firm, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about NeoMedia's ability to continue as a going concern as described in Note 1 to the financial statements), to the extent and for the period indicated and included therein, and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such firm given upon their authority as experts in accounting and auditing.

The financial statements of 12Snap AG as of December 31, 2005 and 2004 and for the years then ended appearing in Amendment No.1 to Form 8-K filing dated May 8, 2006, have been audited by Ernst & Young AG, independent auditors, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about 12Snap AG's ability to continue as a going concern described in Note 2 to the financial statements), included therein and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such report given the authority of such firm as experts in accounting and auditing.

The financial statements of Gavitec AG as of December 31, 2005 and 2004 and for the years then ended appearing in Amendment No. 1 to Form 8-K filing dated May 9, 2006, have been audited by Ernst & Young AG, independent auditors, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about Gavitec AG’s ability to continue as a going concern as described in Note 1 to the financial statements), included therein and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of BSD Software, Inc. and its subsidiaries for the year ended July 31, 2005, appearing in Amendment No. 2 to Form 8-K filing dated June 8, 2007, have been audited by Stonefield Josephson, Inc., independent registered public accounting firm, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about BSD Software Inc's ability to continue as a going concern as described in Note 1 to the financial statements), to the extent and for the period indicated and included therein, and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such firm given upon their authority as experts in accounting and auditing.

The audited consolidated financial statements of BSD Software, Inc. and its subsidiaries for the year ended July 31, 2004 have been audited by KPMG LLP, chartered accountants, as indicated in their report with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing. Reference is made to said report, which includes explanatory paragraphs with respect to (a) the consolidated financial statements having been restated as described in notes 11 and 12, and (b) the uncertainty regarding BSD’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

MATERIAL CHANGES

The following material events have occurred since the end of our fiscal year ended December 31, 2006.

New CEO - June 2007

On June 3, 2007, NeoMedia entered into an employment agreement with William J. Hoffman, Jr., pursuant to which Mr. Hoffman, 45, was hired as NeoMedia's Chief Executive Officer with an effective date of June 18, 2007. Mr. Hoffman replaces Charles W. Fritz, who has been Interim Chief Executive Officer since December 8, 2006.

Sale of 12Snap - April 2007

On April 4, 2007, we entered into a material definitive agreement with Bernd M. Michael (the "Buyer"), a private investor and former shareholder of 12Snap prior to NeoMedia's acquisition of 12Snap, pursuant to which the Buyer purchased from NeoMedia 90% of the shares of 12Snap, subject to the following material terms and conditions:

- $1,100,000 was paid in cash at closing, of which $1,015,000 was applied toward amounts owed to silent partners of 12Snap
- $500,000 was placed into an escrow account for 90 days to secure warranty claims;
- The Buyer waived his portion of the purchase price guarantee obligation in the amount of $880,000;
- The Buyer returned to NeoMedia 2,525,818 NeoMedia shares previously issued to Buyer;
- 12Snap management waived their portion of the purchase price guarantee obligation in the amount of $880,000;
- 12Snap management returned to NeoMedia 5,225,039 shares of NeoMedia common stock previously issued to 12Snap management;
- NeoMedia will retain a 10% ownership in 12Snap, subject to an option agreement pursuant to which NeoMedia has the right to sell and Buyer has the right to acquire the remaining 10% stake held by NeoMedia for a purchase price of $750,000 after December 31, 2007; and
- 12Snap and NeoMedia will execute a cooperation agreement pursuant to which 12snap will remain NeoMedia preferred partner and enjoy most favored prices, and 12snap will perform certain research and development functions for NeoMedia.

12Snap Purchase Price Guarantee - March and April 2007

On February 28, 2006, we acquired all of the outstanding shares of 12Snap in exchange for $2,500,000 cash and $19,500,000 common stock, represented by 49,294,581 shares of NeoMedia common stock. Pursuant to the terms of the merger agreement, the number of shares of our common stock to be issued as consideration was calculated using a share price of $0.3956, which was the volume-weighted average closing price of our common stock for the ten days up to and including February 9, 2006. Pursuant to the terms of the sale and purchase agreement, in the event that our stock price at the time the consideration shares became saleable (either upon effectiveness of a registration statement containing the shares, or under Rule 144) was less than $0.3956, we were obligated to compensate 12Snap shareholders in cash for the difference between the price at the time the shares become saleable and $0.3956. On February 22, 2007, the shares became eligible for resale under Rule 144. The actual calculated purchase price obligation to NeoMedia based on the volume weighted average closing price of NeoMedia stock for the ten days up to

and including February 22, 2007 was $16,233,000.

During March 2007, we issued 197,620,948 shares of our common stock in satisfaction of a portion of the purchase price obligation totaling $9,427,000, and made cash payments against the liability totaling $259,000. The balance on the purchase price obligation as of March 31, 2007 was $6,806,000. During April 2007, we made additional cash payments of $75,000 and further reduced the balance through the forgiveness of $1,758,000 of obligation in connection with the sale of 12Snap.

Stock Option Repricing - February 2007

On February 1, 2007, we instituted a stock option repricing plan as a retention tool to align our employees with the new vision of NeoMedia. Under the Plan, we repriced 50,148,750 stock options held by current employees, contractors, and directors.

Options for employees of our ongoing operations were repriced as follows: (i) options that were vested as of February 1, 2007, were repriced to $0.045 per share, which was the last sale price on February 1, 2007, (ii) options that are scheduled to vest during the remainder of 2007 were repriced to $0.075, (iii) options that vest during 2008 were repriced to $0.125, and (iv) options that vest during 2009 were repriced to $0.175. Options will continue to vest on their regular schedule, which generally is 25% upon grant and 25% on each subsequent anniversary date.

We also repriced options for outside directors as follows: options with an exercise price below $0.24 were repriced to $0.045, and options with an exercise price $0.24 or higher were repriced to $0.075.

In addition, we repriced options held by employees of our held for sale Micro Paint repair and Telecom Services businesses, such that all vested options were repriced to $0.045 per share, and all unvested options will vest upon sale of the respective business unit at an exercise price of $0.075 per share, with a 12-month period to exercise.

Agreement with Former Shareholders of Gavitec AG - January 2007

On February 17, 2006, NeoMedia and Gavitec signed a definitive sale and purchase agreement, subject to closing conditions, under which NeoMedia acquired all of the outstanding shares of Gavitec in exchange for $1,800,000 cash and $5,200,000 worth of common stock, represented by 13,660,511 shares of our common stock, which are being registered hereunder. On February 23, 2006, NeoMedia and Gavitec completed the closing requirements and the acquisition became effective. The sale and purchase agreement contained a provision that, in the event that NeoMedia's stock price at the time the consideration shares are saleable is less than $0.389, NeoMedia is obligated to compensate Gavitec shareholders in cash for the difference between the price at the time the shares become saleable and $0.389.

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

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements, and other documents with the United States Securities and Exchange Commission (the "SEC"). You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You should call 1-800-SEC-0330 for more information on the operation of the Public Reference Room. The SEC maintains a website at www.sec.gov where certain information regarding issuers, including NeoMedia, may be found. Our website is www.neom.com.

We have filed with the Commission a registration statement, which contains this prospectus, on Form S-3 under the Securities Act of 1933. The registration statement relates to the common stock offered by the selling stockholders. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. Please refer to the registration statement and its exhibits and schedules for further information with respect to NeoMedia and the common stock. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete and, in each instance, we refer you to the copy of that contract or document filed as an exhibit to the registration statement. You may read and obtain a copy of the registration statement and its exhibits and schedules from the SEC, as described in the preceding paragraph.

As allowed by SEC rules, this registration statement does not contain all the information you can find in the registration statement on Form S-3 filed by NeoMedia and the exhibits to the registration statement. The SEC allows NeoMedia to "incorporate by reference" information into this registration statement, which means that NeoMedia can disclose important information to you by referring you to other documents filed separately with the SEC. The information incorporated by reference is deemed to be part of this registration statement, except for any information superseded by information in this registration statement. This registration statement incorporates by reference the documents set forth below that NeoMedia has previously filed with the SEC. These documents contain important information about the companies and their financial condition.

This registration statement incorporates important business and financial information about NeoMedia from documents that are not included in or delivered with this registration statement. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this registration statement by requesting them in writing, by telephone or by e-mail from the Company at the following address:

NeoMedia Technologies, Inc.
2201 Second Street, Suite 600
Ft. Myers, FL 33901
Attention: CFO
Telephone: (239) 337-3434
Telecopier: (239) 337-3668

INFORMATION WE INCORPORATE BY REFERENCE

Some of the important business and financial information that you may want to consider is not included in this prospectus, but rather is "incorporated by reference" to documents that have been filed by us with the Securities and Exchange Commission pursuant to the Exchange Act of 1934. The information that is incorporated by reference consists of:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2006;
- Quarterly Report on Form 10-Q for the three months ended March 31, 2007;
- Amended Quarterly Report on Form 10-Q for the three months ended March 31, 2006;
- Amended Quarterly Report on Form 10-Q for the three and six months ended June 30, 2006;
- Amended Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2006;
- Current Reports on Form 8-K as filed on:
  - May 8, 2006 (amended 8-K)
  - May 9, 2006 (amended 8-K)
  - January 8, 2007
  - January 9, 2007
  - January 29, 2007
  - February 6, 2007
  - March 22, 2007
  - April 3, 2007
  - April 6, 2007
  - April 10, 2007
  - June 6, 2007
  - June 8, 2007 (Amended 8-K)
- The description of our common stock contained in our Form 8-A filed with SEC on November 18, 1996 (File No. 000-21743).

All documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, after the date of the initial registration statement and prior to the effectiveness of the registration statement and subsequent to the date of this prospectus and prior to the termination of this offering, shall be deemed incorporated by reference in this prospectus and made a part hereof from the date of filing of those documents. Any statement contained in a document incorporated or deemed incorporated by reference in this prospectus shall be deemed modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document

which also is or is deemed incorporated by reference herein or in any prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide without charge to each person who is delivered a prospectus, on written or oral request, a copy of any or all of the documents incorporated by reference herein (other than exhibits to those documents unless those exhibits are specifically incorporated by reference into those documents). Requests for copies should be directed to Investor Relations, NeoMedia Technologies, Inc., 2201 Second Street, Suite 600, Ft. Myers, FL, 33901, Telephone: (239) 337-3434.

PART II - INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth estimated expenses expected to be incurred in connection with the issuance and distribution of the securities being registered. We will pay all expenses in connection with this offering.

Printing and Engraving Expenses	$	5,000
Accounting Fees and Expenses		20,000
Legal Fees and Expenses		20,000
Miscellaneous		5,000
TOTAL	**$**	**50,000**

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

As permitted by the Delaware General Corporation Law (the “DGCL”), we have included in our Certificate of Incorporation a provision to eliminate the personal liability of its directors for monetary damages for breach or alleged breach of their fiduciary duties as directors, except for liability (i) for any breach of the director’s duty of loyalty to NeoMedia or its stockholders, (ii) for acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases, as provided in Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. The effect of this provision is to eliminate the rights of NeoMedia and our stockholders (through stockholders’ derivative suits on behalf of NeoMedia) to recover monetary damages against a director for breach of the fiduciary duty of care as a director except in the situations described in clauses (i) through (iv) above. This provision does not limit nor eliminate the rights of NeoMedia or any stockholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director’s duty of care. These provisions will not alter the liability of directors under federal securities laws.

The Certificate of Incorporation and the bylaws of NeoMedia provide that it is required and permitted to indemnify our officers and directors, employees and agents under certain circumstances. In addition, if permitted by law, we are required to advance expenses to our officers and directors as incurred in connection with proceedings against them in their capacity as a director or officer for which they may be indemnified upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to indemnification. At present, we are not aware of any pending or threatened litigation or proceeding involving a director, officer, employee or agent of NeoMedia in which indemnification would be required or permitted.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the “1933 Act”) may be permitted to directors, officers or controlling persons of NeoMedia pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the United States Securities and Exchange Commission such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable.

ITEM 16. EXHIBITS

(a) The following exhibits are filed herewith or incorporated herein by reference:

Exhibit No.	Description	Location
3.1	Articles of Incorporation of Dev-Tech Associates, Inc. and amendment thereto	Incorporated by reference to Exhibit 3.1 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.2	Bylaws of DevSys, Inc.	Incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.3	Restated Certificate of Incorporation of DevSys, Inc.	Incorporated by reference to Exhibit 3.3 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.4	By-laws of DevSys, Inc.	Incorporated by reference to Exhibit 3.4 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.5	Articles of Merger and Agreement and Plan of Merger of DevSys, Inc and Dev-Tech Associates, Inc.	Incorporated by reference to Exhibit 3.5 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.6	Certificate of Merger of Dev-Tech Associates, Inc. into DevSys, Inc.	Incorporated by reference to Exhibit 3.6 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.7	Articles of Incorporation of Dev-Tech Migration, Inc. and amendment thereto	Incorporated by reference to Exhibit 3.7 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.8	By-laws of Dev-Tech Migration, Inc.	Incorporated by reference to Exhibit 3.8 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.9	Restated Certificate of Incorporation of DevSys Migration, Inc.	Incorporated by reference to Exhibit 3.9 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996

3.10	Form of By-laws of DevSys Migration, Inc.	Incorporated by reference to Exhibit 3.10 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.11	Form of Agreement and Plan of Merger of Dev-Tech Migration, Inc. into DevSys Migration, Inc.	Incorporated by reference to Exhibit 3.11 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.12	Form of Certificate of Merger of Dev-Tech Migration, Inc. into DevSys Migration, Inc.	Incorporated by reference to Exhibit 3.12 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996

Exhibit No.	Description	Location
3.13	Certificate of Amendment to Certificate of Incorporation of DevSys, Inc. changing its name to NeoMedia Technologies, Inc.	Incorporated by reference to Exhibit 3.13 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.14	Form of Certificate of Amendment to Certificate of Incorporation of NeoMedia Technologies, Inc. authorizing a reverse stock split	Incorporated by reference to Exhibit 3.14 to Registrant's Registration Statement No. 333-5534 as filed with the SEC on November 25, 1996
3.15	Form of Certificate of Amendment to Restated Certificate of Incorporation of NeoMedia Technologies, Inc. increasing authorized capital and creating preferred stock	Incorporated by reference to Exhibit 3.5 to Registrant's Annual Report as filed with the SEC on November 2, 2001
5.1	Opinion re: legality	Provided herewith
10.1	Consulting Agreement between NeoMedia and Thornhill Capital, dated December 5, 2001	Incorporated by reference to Exhibit 10. 1 to the Registrant's Form S-3/A as filed on January 30, 2006
10.2	First Agreement and Amendment to Consulting Agreement between NeoMedia and Thornhill Capital, dated January 29, 2004	Incorporated by reference to Exhibit 10. 2 to the Registrant's Form S-3/A as filed on January 30, 2006
10.3	Second Agreement and Amendment to Consulting Agreement between NeoMedia and Thornhill Capital, dated July 22, 2005	Incorporated by reference to Exhibit 10. 3 to the Registrant's Form S-3/A as filed on January 30, 2006
10.4	Standby Equity Distribution Agreement, dated October 27, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.91 to the Registrant's Form SB-2/A as filed on December 19, 2003
10.5	Form of Registration Rights Agreement, dated October 27, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.93 to the Registrant's Form SB-2/A as filed on December 19, 2003
10.6	Form of Escrow Agreement, dated October 27, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.94 to the Registrant's Form SB-2/A as filed on December 19, 2003
10.7	$4 million Promissory note payable to Cornell Capital Partners, dated January 15, 2004	Incorporated by reference to Exhibit 10.49 to the Registrant's Form 10-KSB as filed on March 9, 2004
10.8	Standby Equity Distribution Agreement, dated March 30, 2005, between NeoMedia	Incorporated by reference to Exhibit 16.1 to the Registrant's Form 8-K as

	and Cornell Capital Partners	filed on April 1, 2005
10.9	Placement Agent Agreement, dated March 30, 2005, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 16.2 to the Registrant's Form 8-K as filed on April 1, 2005
10.10	Escrow Agreement, dated March 30, 2005, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 16.3 to the Registrant's Form 8-K as filed on April 1, 2005
10.11	Registration Rights Agreement, dated March 30, 2005, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 16.4 to the Registrant's Form 8-K as filed on April 1, 2005

Exhibit No.	Description	Location
10.12	Promissory Note, dated March 30, 2005, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 16.5 to the Registrant's Form 8-K as filed on April 1, 2005
10.13	Security Agreement, dated March 30, 2005, between NeoMedia and Cornell	Incorporated by reference to Exhibit 16.6 to the Registrant's Form 8-K as filed on April 1, 2005
10.14	Warrant dated March 30, 2005, granted by NeoMedia to Thornhill Capital LLC	Incorporated by reference to Exhibit 10.12 to the Registrant's Amendment No. 1 to Form S-3 as filed on July 18, 2005
10.15	Warrant dated March 30, 2005, granted by NeoMedia to Cornell Capital Partners LP	Incorporated by reference to Exhibit 10.13 to the Registrant's Amendment No. 1 to Form S-3 as filed on July 18, 2005
10.16	Promissory Note, dated March 13, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.16 to the Registrant's Form S-3/A as filed on January 30, 2006
10.17	Promissory Note, dated May 27, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.17 to the Registrant's Form S-3/A as filed on January 30, 2006
10.18	Promissory Note, dated June 24, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.18 to the Registrant's Form S-3/A as filed on January 30, 2006
10.19	Promissory Note, dated July 21, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.19 to the Registrant's Form S-3/A as filed on January 30, 2006
10.20	Promissory Note, dated August 1, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.20 to the Registrant's Form S-3/A as filed on January 30, 2006
10.21	Promissory Note, dated September 2, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.21 to the Registrant's Form S-3/A as filed on January 30, 2006
10.22	Promissory Note, dated September 11, 2003, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.22 to the Registrant's Form S-3/A as filed on January 30, 2006
10.23	Promissory Note, dated April 8, 2004, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.23 to the Registrant's Form S-3/A as filed on January 30, 2006

10.24	Promissory Note, dated July 2, 2004, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.24 to the Registrant's Form S-3/A as filed on January 30, 2006
10.25	Promissory Note, dated August 6, 2004, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10 25 to the Registrant's Form S-3/A as filed on January 30, 2006

Exhibit No.	Description	Location
10.26	Definitive Merger Agreement between NeoMedia and Mobot	Incorporated by reference to Exhibit 16.1 to the Registrant's Form 8-K as filed on February 10, 2006
10.27	Definitive Sale and Purchase Agreement between NeoMedia and 12Snap	Incorporated by reference to Exhibit 16.1 to the Registrant's Form 8-K as filed on February 14, 2006
10.28	Definitive Sale and Purchase Agreement between NeoMedia and Gavitec	Incorporated by reference to Exhibit 16.1 to the Registrant's Form 8-K as filed on February 21, 2006
10.29	Definitive Sale and Purchase Agreement between NeoMedia and Sponge	Incorporated by reference to Exhibit 16.1 to the Registrant's Form 8-K as filed on February 22, 2006
10.30	Promissory Note, dated October 18, 2004, between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.26 to the Registrant's Form S-3/A as filed on January 30, 2006
10.31	Investment Agreement, dated February 17, 2006 by and between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on February 21, 2006
10.32	Investor Registration Rights Agreement, dated February 17, 2006 by and between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K as filed on February 21, 2006
10.33	Irrevocable Transfer Agent Instruction, dated February 17, 2006, by and among NeoMedia, Cornell Capital Partners and American Stock Transfer & Trust Co.	Incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K as filed on February 21, 2006
10.34	Warrant, dated February 17, 2006	Incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K as filed on February 21, 2006
10.35	Warrant, dated February 17, 2006	Incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K as filed on February 21, 2006
10.36	Warrant, dated February 17, 2006	Incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K as filed on February 21, 2006
10.37	Assignment Agreement, dated February 17, 2006 by NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K as filed on February 21, 2006

10.38	Assignment of Common Stock, dated February 17, 2006 by and between NeoMedia and Cornell Capital Partners	Incorporated by reference to Exhibit 10.8 to the Registrant's Form 8-K as filed on February 21, 2006

Exhibit No.	Description	Location
10.39	Securities Purchase Agreement, dated August 24, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on August 30, 2006
10.40	Investor Registration Rights Agreement, dated August 24, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K as filed on August 30, 2006
10.41	Pledge and Security Agreement, dated August 24, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K as filed on August 30, 2006
10.42	Secured Convertible Debenture, dated August 24, 2006, issued by the Company to Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K as filed on August 30, 2006
10.43	Irrevocable Transfer Agent Instructions, dated August 24, 2006, by and among the Company, Cornell Capital Partners, LP and American Stock Transfer & Trust Co.	Incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K as filed on August 30, 2006
10.44	A Warrant, dated August 24, 2006	Incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K as filed on August 30, 2006
10.45	B Warrant, dated August 24, 2006	Incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K as filed on August 30, 2006
10.46	C Warrant, dated August 24, 2006	Incorporated by reference to Exhibit 10.8 to the Registrant's Form 8-K as filed on August 30, 2006
10.47	D Warrant, dated August 24, 2006	Incorporated by reference to Exhibit 10.9 to the Registrant's Form 8-K as filed on August 30, 2006
10.48	Amendment to Warrant No. CCP-002, dated August 24, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.10 to the Registrant's Form 8-K as filed on August 30, 2006
10.49	Amendment to "A" Warrant No. CCP-001, dated August 24, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.11 to the Registrant's Form 8-K as filed on August 30, 2006
10.50	Amendment to "B" Warrant No. CCP-002, dated August 24, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.12 to the Registrant's Form 8-K as filed on August 30, 2006

10.51	Amendment to “C” Warrant No. CCP-003, dated August 24, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.13 to the Registrant’s Form 8-K as filed on August 30, 2006
10.52	Letter of intent amongst the Company, Global Emerging Markets, and Jose Sada	Incorporated by reference to Exhibit 16.1 to the Registrant’s Form 8-K as filed on August 31, 2006

Exhibit No.	Description	Location
10.53	Termination Agreement between NeoMedia Technologies, Inc, and Cornell Capital Partners, LP	Provided herewith
10.54	Definitive share purchase and settlement agreement between NeoMedia and Sponge, dated November 14, 2006	Incorporated by reference to Exhibit 16.1 to the Registrant's Form 8-K as filed on November 20, 2006
10.55	Agreement between NeoMedia and FMS	Incorporated by reference to Exhibit 16.1 to the Registrant's Form 8-K as filed on December 7, 2006
10.56	Escrow agreement amongst NeoMedia, Mobot, FMS, and Kirkpatrick and Lockhart Nicholson Graham	Incorporated by reference to Exhibit 16.2 to the Registrant's Form 8-K as filed on December 7, 2006
10.57	Description of Special Preference Stock	Incorporated by reference to Exhibit 16.3 to the Registrant's Form 8-K as filed on December 7, 2006
10.58	Promissory note payable from NeoMedia to FMS	Incorporated by reference to Exhibit 16.4 to the Registrant's Form 8-K as filed on December 7, 2006
10.59	License agreement between NeoMedia and Mobot	Incorporated by reference to Exhibit 16.5 to the Registrant's Form 8-K as filed on December 7, 2006
10.60	Securities Purchase Agreement, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on January 8, 2007
10.61	Investor Registration Rights Agreement, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K as filed on January 8, 2007
10.62	Secured Convertible Debenture, dated December 29, 2006, issued by the Company to Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K as filed on January 8, 2007
10.63	Irrevocable Transfer Agent Instructions, dated December 29, 2006, by and among the Company, Cornell Capital Partners, LP and American Stock Transfer & Trust Co.	Incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K as filed on January 8, 2007
10.64	A Warrant, dated December 29, 2006	Incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K as filed on January 8, 2007

10.65	Amendment to Warrant No. CCP-002, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K as filed on January 8, 2007
10.66	Amendment to "A" Warrant No. CCP-001, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K as filed on January 8, 2007

Exhibit No.	Description	Location
10.67	Amendment to "B" Warrant No. CCP-002, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.8 to the Registrant's Form 8-K as filed on January 8, 2007
10.68	Amendment to "C" Warrant No. CCP-003, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.9 to the Registrant's Form 8-K as filed on January 8, 2007
10.69	Amendment to "A" Warrant No. CCP-001, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.10 to the Registrant's Form 8-K as filed on January 8, 2007
10.70	Amendment to "B" Warrant No. CCP-001, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.11 to the Registrant's Form 8-K as filed on January 8, 2007
10.71	Amendment to "C" Warrant No. CCP-001, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.12 to the Registrant's Form 8-K as filed on January 8, 2007
10.72	Securities Purchase Agreement, dated December 29, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.13 to the Registrant's Form 8-K as filed on January 8, 2007
10.73	Amendment Agreement I to the Sale and Purchase Agreement between NeoMedia and Gavitec AG, dated January 23, 2007	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on January 29, 2007
10.74	Consulting Agreement between the Company and SKS Consulting of South Florida Corp.	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on February 6, 2007
10.75	Amendment Agreement III to the Sale and Purchase Agreement of 12Snap AG, dated March 16, 2007	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on March 22, 2007
10.76	Securities Purchase Agreement, dated March 27, 2007, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on April 3, 2007
10.77	Investor Registration Rights Agreement, dated March 27, 2007, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K as filed on April 3, 2007
10.78	Secured Convertible Debenture, dated March 27, 2007, issued by the Company to Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K as filed on April 3, 2007

10.79	Irrevocable Transfer Agent Instructions, dated March 27, 2007, by and among the Company, Cornell Capital Partners, LP and Worldwide Stock Transfer, LLC	Incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K as filed on April 3, 2007
10.80	Warrant, dated March 27, 2007, issued by the Company to Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K as filed on April 3, 2007

Exhibit No.	Description	Location
10.81	Master Amendment Agreement, dated March 27, 2007, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K as filed on April 3, 2007
10.82	Security Agreement, dated on or about August 24, 2006, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K as filed on April 3, 2007
10.83	Security Agreement, dated March 27, 2007, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.8 to the Registrant's Form 8-K as filed on April 3, 2007
10.84	Security Agreement (Patent), dated March 27, 2007, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.9 to the Registrant's Form 8-K as filed on April 3, 2007
10.85	Pledge Shares Escrow Agreement, dated March 27, 2007, by and between the Company and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.10 to the Registrant's Form 8-K as filed on April 3, 2007
10.86	Sale and Purchase Agreement between NeoMedia and Bernd M. Michael regarding sale of 12Snap AG	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on April 10, 2007
10.87	Employment Agreement between NeoMedia and William J. Hoffman, Jr.	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on June 6, 2007
23.1	Consent of Stonefield Josephson, Inc., independent Registered Public Accounting Firm of NeoMedia Technologies, Inc.	Provided herewith
23.2	Consent of Ernst & Young AG, independent auditors of Gavitec AG	Provided herewith
23.3	Consent of Ernst & Young AG, independent auditors of 12Snap AG	Provided herewith
23.4	Consent of Stonefield Josephson, Inc., independent Registered Public Accounting Firm of BSD Software, Inc.	Provided herewith
23.5	Consent of KPMG, LLP, independent auditors of BSD Software, Inc.	Provided herewith

ITEM 17. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement; *provided, however*, that paragraphs (i), (ii) and (iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of this Registration Statement.

(2) That, for the purposes of determining any liability under the Securities Act of 1933, each post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of a registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness and the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; *provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration

statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

(iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iv) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to trustees, directors, officers and controlling persons of the Registrant pursuant to the provision described under Item 15 of this registration statement, or otherwise (other than insurance), the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a trustee, director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it or them is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Ft. Myers, State of Florida, on June 8, 2007.

NEOMEDIA TECHNOLOGIES, INC.

By: *\/s/ Charles W. Fritz*

Charles W. Fritz
Interim Chief Executive Officer Chairman of the
Board of Directors, Principal Executive Officer

/s/ David A. Dodge

David A. Dodge
Vice-President, Chief Financial Officer, and
Principal Accounting Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates stated.

SIGNATURES	TITLE	DATE
/s/ Charles W. Fritz Charles W. Fritz	Interim Chief Executive Officer and Chairman of the Board of Directors	June 8, 2007
/s/ David A. Dodge David A. Dodge	Vice-President, Chief Financial Officer, and Principal Accounting Officer	June 8, 2007
/s/ Hayes Barclay Hayes Barclay	Director	June 8, 2007
/s/ James J. Keil	Director	June 8, 2007

James J. Keil

The/s/ George G. O’Leary	Director	June 8, 2007
George G. O’Leary		