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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2010

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

For the transition period from _____________ to ___________
Commission file number 00-10039

NEUMEDIA, INC.
(Exact name of Registrant as Specified in Its Charter)

Delaware	**22-2267658**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2000 Avenue of the Stars, Suite 410, Los Angeles, CA	**90067**
(Address of Principal Executive Offices)	(Zip Code)

(310) 601-2500
(Registrant's Telephone Number, including area code)

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

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

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

Large Accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☒

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

On February 22, 2010, there were 36,174,225 shares of the Registrant's common stock, par value $0.0001 per share, issued and outstanding.

NEUMEDIA, INC.
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PART I - FINANCIAL INFORMATION

Item 1.Financial Statements.

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NeuMedia, Inc.

(formerly known as Mandalay Media, Inc.)

and Subsidiaries

Unaudited Consolidated Financial Statements

December 31, 2010

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NeuMedia, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share amounts)

	December 31, 2010 unaudited		March 31, 2010	
ASSETS				
Current assets				
Cash and cash equivalents	$	1,683	$	640
Accounts receivable, net of allowances of $201 and $403, respectively		2,593		4,711
Prepaid expenses and other current assets		225		477
Net current assets of discontinued operations		-		7,377
Total current assets		4,501		13,205
Property and equipment, net		443		603
Intangible assets, net		3,402		8,195
Goodwill		6,609		8,155
Net non-current assets of discontinued operations		-		16,623
TOTAL ASSETS	**$**	**14,955**	**$**	**46,781**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$	4,508	$	4,011
Accrued license fees		2,184		1,814
Accrued compensation		376		537
Current portion of long term debt		19		26,082
Other current liabilities		1,880		1,638
Net current liabilities of discontinued operations		-		4,625
Total currrent liabilities		8,967		38,707
Long term debt and convertible debt, net of discount of $2,062 and 0, respectively		4,255		-
Total liabilities	$	13,222	$	38,707
Commitments and contingencies (Note 15)				
Stockholders' equity				
Preferred stock				
Series A convertible preferred stock at $0.0001 par value; 100,000 shares authorized,issued and outstanding (liquidation preference of $1,000,000)		100		100
Common stock, $0.0001 par value: 100,000,000 shares authorized; 36,174,225 issued and outstanding at December 31, 2010; 39,776,597 issued and outstanding at March 31, 2010;		4		4
Additional paid-in capital		97,396		95,741
Accumulated other comprehensive loss		(285)		(419)
Accumulated deficit		(95,482)		(87,352)
Total stockholders' equity		1,733		8,074
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**14,955**	**$**	**46,781**

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

NeuMedia, Inc. and Subsidiaries
Consolidated Statement of Operations (Unaudited)

(In thousands, except per share amounts)

	3 Months Ended December 31, 2010	3 Months Ended December 31, 2009	9 Months Ended December 31, 2010	9 Months Ended December 31, 2009
Net revenues	$ 2,048	$ 4,029	$ 6,983	$ 11,327
Cost of revenues				
License fees	1,172	642	2,747	2,286
Other direct cost of revenues	86	102	259	279
Total cost of revenues	1,258	744	3,006	2,565
Gross profit	790	3,285	3,977	8,762
Operating expenses				
Product development	929	946	3,063	3,106
Sales and marketing	597	597	1,647	2,101
General and administrative	1,318	2,510	4,266	6,687
Amortization of intangible assets	18	137	54	410
Impairment of goodwill and intangible assets	6,028	-	6,028	-
			-	
Total operating expenses	8,890	4,190	15,058	12,304
Loss from operations	(8,100)	(905)	(11,081)	(3,542)
Interest and other income / (expense)				
Interest income	-	1	2	8
Interest expense	(358)	(794)	(1,399)	(2,182)
Foreign exchange transaction gain / (loss)	42	17	(127)	237
Other income / (expense)	(30)	1,449	(372)	1,464
Interest and other expense	(346)	673	(1,896)	(473)
Loss from operations before income taxes	(8,446)	(232)	(12,977)	(4,015)
Income tax provision	(45)	(274)	(178)	(418)
Net loss from continuing operations net of taxes	(8,491)	(506)	(13,155)	(4,433)
Discontinued operations, net of taxes:				
Income from discontinued operations net of taxes	-	1,091	709	2,856
Gain on disposal of discontinued operations, net of taxes	-	-	4,315	-
Net income from discontinued operations, net of taxes	-	1,091	5,024	2,856
Net profit / (loss)	$ (8,491)	$ 585	$ (8,131)	$ (1,577)
Comprehensive income / (loss)	$ (8,495)	$ 583	$ (7,995)	$ 2,904
Basic and diluted net income / (loss) per common share	$ (0.23)	$ 0.01	$ (0.22)	$ (0.04)
Continuing operations	$ (0.23)	$ (0.01)	$ (0.35)	$ (0.11)
Discontinued operations	$ -	$ 0.03	$ 0.14	$ 0.07
Weighted average common shares outstanding, basic and diluted	36,174	39,850	37,159	39,836

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

NeuMedia, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity and Comprehensive Loss (Unaudited)

(In thousands, except share amounts)

	Common Stock		Preferred Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total	Comprehensive Income
	Shares	Amount	Shares	Amount					
Balance at March 31, 2010	39,776,597	$ 4	100,000	$ 100	$ 95,741	$ (419)	$ (87,352)	$ 8,074	
Net income							2,614	2,614	2,614
Foreign currency translation gain						181		181	181
Stock-based compensation					192			192	
Stock voided as part of disposal of subsidiary	(561,798)				(197)			(197)	
Stock acquired by company as part of disposal of subsidiary	(3,540,574)				(1,239)			(1,239)	
Issuance of convertible debt and associated warrants					2,500			2,500	
Repricing of warrants					172			172	
Comprehensive income									$ 2,795
Balance at June 30, 2010	35,674,225	$ 4	100,000	$ 100	$ 97,169	$ (238)	$ (84,738)	$ 12,297	
Net income							(2,253)	(2,253)	(2,253)
Foreign currency translation loss						(43)		(43)	(43)
Stock-based compensation					44			44	
Stock issued for services	500,000				175			175	
Comprehensive income									$ (2,296)
Balance at September 30, 2010	36,174,225	$ 4	100,000	$ 100	$ 97,388	$ (281)	$ (86,991)	$ 10,220	
Net income							(8,491)	(8,491)	(8,491)
Foreign currency translation loss						(4)		(4)	(4)
Stock-based compensation					8			8	
Comprehensive income									$ (8,495)
Balance at December 31, 2010	36,174,225	$ 4	100,000	$ 100	$ 97,396	$ (285)	$ (95,482)	$ 1,733	

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

NeuMedia, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	9 Months Ended December 31, 2010	9 Months Ended December 31, 2009
Cash flows from operating activities		
Net income/(loss)	$ (8,131)	$ (1,577)
Adjustments to reconcile net income/(loss) to net cash used in operating activities:		
Gain on disposal of discontinued operations, net of taxes, net of impact of foreign currency translation	(4,315)	-
Depreciation and amortization	538	1,273
Allowance for doubtful accounts	(202)	92
Stock-based compensation	419	1,453
Impairment of goodwill and intangibles	6,028	134
Warrants issued as compensation for services	172	134
(Increase) / decrease in assets, net of effect of disposal of subsidiary:		
Accounts receivable	3,307	563
Prepaid expenses and other current assets	267	(310)
Increase / (decrease) in liabilities, net of effect of disposal of subsidiary:		
Accounts payable	241	(4,291)
Accrued license fees	370	(14)
Accrued compensation	(161)	(146)
Other liabilities and other items:	348	(466)
Net cash used in operating activities	(1,119)	(3,289)
Cash flows from investing activities		
Purchase of property and equipment	(60)	(530)
Transaction costs	(906)	-
Cash remaining with disposed subsidiary	(641)	-
Net cash used in investing activities	(1,607)	(530)
Cash flows from financing activities		
Proceeds from new Senior Note	2,500	-
Net cash provided by financing activities	2,500	-
Effect of exchange rate changes on cash and cash equivalents	19	205
Net change in cash and cash equivalents	(207)	(3,614)
Cash and cash equivalents, beginning of period	1,891	5,927
Cash and cash equivalents, end of period	$ 1,684	$ 2,313
Supplemental disclosure of cash flow information:		
Taxes paid	179	230

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

1. Organization

NeuMedia, Inc. ("we", "us", "our", the "Company" or "NeuMedia"), formerly Mandalay Media, Inc. ("Mandalay Media") and formerly Mediavest, Inc. ("Mediavest"), was originally incorporated in the state of Delaware on November 6, 1998 under the name eB2B Commerce, Inc. On April 27, 2000, it merged into DynamicWeb Enterprises Inc., a New Jersey corporation, the surviving company, and changed its name to eB2B Commerce, Inc. On April 13, 2005, the Company changed its name to Mediavest, Inc. Through January 26, 2005, the Company and its former subsidiaries were engaged in providing business-to-business transaction management services designed to simplify trading between buyers and suppliers. The Company was inactive from January 26, 2005 until its m erger with Twistbox Entertainment, Inc., February 12, 2008 (Note 7). On September 14, 2007, Mediavest was re-incorporated in the state of Delaware as Mandalay Media, Inc.

On November 7, 2007, Mediavest merged into its wholly-owned, newly formed subsidiary, Mandalay Media, with Mandalay Media as the surviving corporation. Mandalay Media issued: (1) one new share of common stock in exchange for each share of Mediavest's outstanding common stock and (2) one new share of preferred stock in exchange for each share of Mediavest's outstanding preferred stock as of November 7, 2007. Mandalay Media's preferred and common stock had the same status and par value as the respective stock of Mediavest and Mandalay Media acceded to all the rights, acquired all the assets and assumed all of the liabilities of Mediavest.

On February 12, 2008, Mandalay Media completed a merger (the "Merger") with Twistbox Entertainment, Inc. ("Twistbox") through an exchange of all outstanding capital stock of Twistbox for 10,180 shares of common stock of the Company. In connection with the Merger, the Company assumed of all the outstanding options under Twistbox's Stock Incentive Plan by the issuance of options to purchase 2,464 shares of common stock of the Company, including 2,145 vested and 319 unvested options.

After the Merger, Twistbox became a wholly-owned subsidiary of the Company, and the Company's only active subsidiary. Twistbox Entertainment, Inc. (formerly known as The WAAT Corporation) is incorporated in the State of Delaware.

Twistbox is a global publisher and distributor of branded and non-branded entertainment content, including images, video, and games for all mobile platforms and third generation (3G) and fourth generation (4G) mobile networks. Twistbox publishes and distributes its content in a number of countries. Since operations began in 2003, Twistbox has developed an intellectual property portfolio that includes mobile rights to global brands and content from leading film, television and lifestyle content publishing companies. Twistbox has built a proprietary mobile publishing platform that includes: tools that automate handset portability for the distribution of images and video; a mobile games development suite that automates the porting of mobile games and applica tions to multiple handsets; and a content standards and ratings system globally adopted by major wireless carriers to assist with the responsible deployment of age-verified content. Twistbox has distribution agreements with many of the largest mobile operators in the world.

Twistbox is headquartered in the Los Angeles area and has offices in Europe and South America that provide local sales and marketing support for both mobile operators and third party distribution in their respective regions.

On October 23, 2008, the Company completed an acquisition of 100% of the issued and outstanding share capital of AMV Holding Limited, a United Kingdom private limited company ("AMV"), and 80% of the issued and outstanding share capital of Fierce Media Ltd ("Fierce").

AMV is a leading mobile media and marketing company delivering games and lifestyle content directly to consumers in the United Kingdom, Australia, South Africa and various other European countries. AMV markets its well established branded services through a unique Customer Relationship Management platform that drives revenue through mobile internet, print and TV advertising. AMV is headquartered in Marlow, outside of London in the United Kingdom.

On May 10, 2010, an administrator was appointed over AMV in the UK, at the request of the Company's senior debt holder. As from that date, AMV and its subsidiaries are considered to be a discontinued operation.

On June 21, 2010, the Company signed and closed an agreement whereby ValueAct and the AMV Founders, acting through a newly formed company ("NewCo"), acquired the operating subsidiaries of AMV (the "Assets") in exchange for the release of $23,231 of secured indebtedness (the "Sale"), comprising of a release of all amounts due and payable under the AMV Note and all of the amounts due and payable under the ValueAct Note except for $3,500 in principal. The Company retained all assets and liabilities of Twistbox and the Company other than the Assets.

On May 11, 2010, Mandalay Media merged into its wholly-owned, newly formed subsidiary, NeuMedia Inc. ("NeuMedia"), with NeuMedia as the surviving corporation. NeuMedia issued: (1) one new share of common stock in exchange for each share of outstanding common stock of Mandalay Media and (2) one new share of preferred stock in exchange for each share outstanding preferred stock of Mandalay Media as of May 11, 2010. Preferred and common stock of NeuMedia had the same status and par value as the respective stock of Mandalay Media and NeuMedia acceded to all the rights, acquired all the assets and assumed all of the liabilities of Mandalay Media.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, which the Company believes are necessary for a fair statement of the Company's financial position as of December 31, 2010 and its res ults of operations for the three months and the nine months ended December 31, 2010 and 2009, respectively. These consolidated financial statements are not necessarily indicative of the results to be expected for the entire year. The consolidated balance sheet presented as of December 31, 2010 has been derived from the unaudited consolidated financial statements as of that date, and the consolidated balance sheet presented as of March 31, 2010 has been derived from the audited consolidated financial statements as of that date.

Liquidity

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern. The Company has incurred negative cash flows from operating activities and the majority of the Company's assets are intangible assets and goodwill, which have been subject to impairment in the current year. In addition, the Company has a deficit in net current assets of $4.5 million at December 31, 2010. On a consolidated basis, the Company has $6.3 million of debt, including accrued interest at December 31, 2010, which becomes due in approximately 30 months, with interest payments on the debt commencing in approximately one year. Within these time frames, the Company will need to rely on generating positive cashflow and/or restructure its financing arrangements, or obtain additional financing. The Company has undertaken a number of specific steps to achieve positive cashflow in the future.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. Discontinued operations have been treated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 205-20, *Discontinued Operations*.

Revenue Recognition

The Company's revenues are derived primarily by licensing material and software in the form of products (Image Galleries, Wallpapers, video, WAP Site access, Mobile TV) and mobile games. License arrangements with the end user can be on a perpetual or subscription basis.

A perpetual license gives an end user the right to use the product, image or game on the registered handset on a perpetual basis. A subscription license gives an end user the right to use the product, image or game on the registered handset for a limited period of time, ranging from a few days to as long as one month.

The Company either markets and distributes its products directly to consumers, or distributes products through mobile telecommunications service providers ("carriers"), in which case the carrier markets the product, images or games to end users. License fees for perpetual and subscription licenses are usually billed upon download of the product, image or game by the end user. In the case of subscriber licenses, many subscriber agreements provide for automatic renewal until the subscriber opts-out, while others provide opt-in renewal. In either case, subsequent billings for subscription licenses are generally billed monthly. The Company applies the provisions of FASB ASC 985-605, *Software Revenue Recognition*, to all transactions.

Revenues are recognized from the Company's products, images and games when persuasive evidence of an arrangement exists, the product, image or game has been delivered, the fee is fixed or determinable, and the collection of the resulting receivable is probable. For both perpetual and subscription licenses, management considers a license agreement to be evidence of an arrangement with a carrier or aggregator and a "clickwrap" agreement to be evidence of an arrangement with an end user. For these licenses, the Company defines delivery as the download of the product, image or game by the end user.

The Company estimates revenues from carriers in the current period when reasonable estimates of these amounts can be made. Most carriers only provide detailed sales transaction data on a one to two month lag. Estimated revenue is treated as unbilled receivables until the detailed reporting is received and the revenues can be billed. Some carriers provide reliable interim preliminary reporting and others report sales data within a reasonable time frame following the end of each month, both of which allow the Company to make reasonable estimates of revenues and therefore to recognize revenues during the reporting period when the end user licenses the product, image or game. Determination of the appropriate amount of revenue recognized involves judgments and estimates that the Company believes are reasonable, but it is possible that actu al results may differ from the Company's estimates. The Company's estimates for revenues include consideration of factors such as preliminary sales data, carrier-specific historical sales trends, volume of activity on Company monitored sites, seasonality, time elapsed from launch of services or product lines, the age of games and the expected impact of newly launched games, successful introduction of new handsets, growth of 3G and/or 4G subscribers by carrier, promotions during the period and economic trends. When the Company receives the final carrier reports, to the extent not received within a reasonable time frame following the end of each month, the Company records any differences between estimated revenues and actual revenues in the reporting period when the Company determines the actual amounts. Revenues earned from certain carriers may not be reasonably estimated. If the Company is unable to reasonably estimate the amount of revenues to be recognized in the current period, the C ompany recognizes revenues upon the receipt of a carrier revenue report and when the Company's portion of licensed revenues are fixed or determinable and collection is probable. To monitor the reliability of the Company's estimates, management, where possible, reviews the revenues by country, by carrier and by product line on a regular basis to identify unusual trends such as differential adoption rates by carriers or the introduction of new handsets. If the Company deems a carrier not to be creditworthy, the Company defers all revenues from the arrangement until the Company receives payment and all other revenue recognition criteria have been met.

In accordance with FASB ASC 605-45, *Reporting Revenue Gross as a Principal Versus Net as an Agent*, the Company recognizes as revenues the amount the carrier reports as payable upon the sale of the Company's products, images or games. The Company has evaluated its carrier agreements and has determined that it is not the principal when selling its products, images or games through carriers. Key indicators that it evaluated to reach this determination include:

- wireless subscribers directly contract with the carriers, which have most of the service interaction and are generally viewed as the primary obligor by the subscribers;
- carriers generally have significant control over the types of content that they offer to their subscribers;
- carriers are directly responsible for billing and collecting fees from their subscribers, including the resolution of billing disputes;
- carriers generally pay the Company a fixed percentage of their revenues or a fixed fee for each game;
- carriers generally must approve the price of the Company's content in advance of their sale to subscribers, and the Company's more significant carriers generally have the ability to set the ultimate price charged to their subscribers; and
- the Company has limited risks, including no inventory risk and limited credit risk.

For direct to consumer business, revenue is earned by delivering a product or service directly to the end user of that product or service. In those cases, the Company records as revenue the amount billed to that end user and recognizes the revenue when persuasive evidence of an arrangement exists, the product, image or game has been delivered, the fee is fixed or determinable, and the collection of the resulting receivable is probable. Substantially all of our discontinued operations represents direct to consumer business.

Net (Loss) per Common Share

Basic loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period plus dilutive common stock equivalents, using the treasury stock method. Potentially dilutive shares from stock options and warrants and the conversion of the Series A preferred stock were as follows:

	3 Months Ended December 30 2010	3 Months Ended December 30 2009	9 Months Ended December 31 2010	9 Months Ended December 31 2009
Potentially dilutive shares	11,900	100	6,597	100

These shares were not included in the computation of diluted loss per share as they were anti-dilutive in each period.

Comprehensive Loss

Comprehensive income consists of two components, net income and other comprehensive income. Other comprehensive income refers to gains and losses that under generally accepted accounting principles are recorded as an element of stockholders' equity but are excluded from net income. The Company's other comprehensive income currently includes only foreign currency translation adjustments.

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

Content Provider Licenses

Content Provider License Fees and Minimum Guarantees

The Company's royalty expenses consist of fees that it pays to branded content owners for the use of their intellectual property in the development of the Company's games and other content, and other expenses directly incurred in earning revenue. Royalty-based obligations are either accrued as incurred and subsequently paid, or in the case of longer term content acquisitions, paid in advance and capitalized on our balance sheet as prepaid royalties. These royalty-based obligations are expensed to cost of revenues either at the applicable contractual rate related to that revenue or over the estimated life of the prepaid royalties. Prepaid purchases for the use of content used only for a defined term are amortized over the term of the agreeme nt.

The Company's contracts with some licensors include minimum guaranteed royalty payments, which are payable regardless of the ultimate volume of sales to end users. Each quarter, the Company evaluates the realization of its royalties as well as any unrecognized guarantees not yet paid to determine amounts that it deems unlikely to be realized through product sales. The Company uses estimates of revenues, and share of the relevant licensor to evaluate the future realization of future royalties and guarantees. This evaluation considers multiple factors, including the term of the agreement, forecasted demand, product life cycle status, product development plans, and current and anticipated sales levels, as well as other qualitative factors. To the extent that this evaluation indicates that the remaining future guaranteed royalty pay ments are not recoverable, the Company records an impairment charge to cost of revenues and a liability in the period that impairment is indicated.

Content Acquired

Amounts paid to third party content providers as part of an agreement to make content available to the Company for a term or in perpetuity, without a revenue share, have been capitalized and are included in the balance sheet as prepaid expenses. These balances will be expensed over the estimated life of the material acquired.

Software Development Costs

The Company applies the principles of FASB ASC 985-20, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed* ("ASC 985-20"). ASC 985-20 requires that software development costs incurred in conjunction with product development be charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of unamortized cost or net realizable value of the related product.

The Company has adopted the "tested working model" approach to establishing technological feasibility for its products and games. Under this approach, the Company does not consider a product or game in development to have passed the technological feasibility milestone until the Company has completed a model of the product or game that contains essentially all the functionality and features of the final game and has tested the model to ensure that it works as expected. To date, the Company has not incurred significant costs between the establishment of technological feasibility and the release of a product or game for sale; thus, the Company has expensed all software development costs as incurred. The Company considers the following factors in determining whether costs can be capitalized: the emerging nature of the mobile m arket; the gradual evolution of the wireless carrier platforms and mobile phones for which it develops products and games; the lack of pre-orders or sales history for its products and games; the uncertainty regarding a product's or game's revenue-generating potential; its lack of control over the carrier distribution channel resulting in uncertainty as to when, if ever, a product or game will be available for sale; and its historical practice of canceling products and games at any stage of the development process.

Product Development Costs

The Company charges costs related to research, design and development of products to product development expense as incurred. The types of costs included in product development expenses include salaries, contractor fees and allocated facilities costs.

Advertising Expenses

The Company expenses the production costs of advertising, including direct response advertising, the first time the advertising takes place. Advertising expense for continuing operations was $84 and ($85) in the three months ended December 31, 2010 and 2009, respectively and $109 and ($37) in the nine months ended December 31, 2010 and 2009, respectively. Advertising expense for discontinued operations was $0 and $1,427 in the three months ended December 31, 2010 and 2009, respectively and $956 and $5,864 in the nine months ended December 31, 2010 and 2009, respectively.

Restructuring

The Company accounts for costs associated with employee terminations and other exit activities in accordance with FASB ASC 420-10, *Accounting for Costs Associated with Exit or Disposal Activities*. The Company records employee termination benefits as an operating expense when it communicates the benefit arrangement to the employee and it requires no significant future services, other than a minimum retention period, from the employee to earn the termination benefits.

Fair Value of Financial Instruments

As of December 31, 2010 and March 31, 2010, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued license fees, accrued compensation and other current liabilities approximates fair value due to the short-term nature of such instruments. The carrying value of current portion of long-term debt approximates fair value as the related interest rates approximate rates currently available to the Company.

Foreign Currency Translation.

The Company uses the United States dollar for financial reporting purposes. Assets and liabilities of foreign operations are translated using current rates of exchange prevailing at the balance sheet date. Equity accounts have been translated at their historical exchange rates when the capital transaction occurred. Statement of Operations amounts are translated at average rates in effect for the reporting period. The foreign currency translation adjustment gain of $134 in the period ended December 31, 2010 and the foreign currency translation adjustment loss of $161 in the period ended December 31, 2009 have been reported as a component of comprehensive income/loss in the consolidated statements of stockholders' equity and comprehensive income/loss. Translation gains or losses are shown as a separate compon ent of stockholders' equity.

Concentrations of Credit Risk

Financial instruments which potentially subject us to concentration of credit risk consist principally of cash and cash equivalents, and accounts receivable. We have placed cash and cash equivalents with a single high credit-quality institution. Most of our sales are made directly to large national Mobile Phone Operators in the countries that we operate. We have a significant level of business and resulting significant accounts receivable balance with one operator and therefore have a high concentration of credit risk with that operator. We perform ongoing credit evaluations of our customers and maintain an allowance for potential credit losses. As of December 31, 2010, one major customer represented approximately 35% of our gross accounts receivable outstanding. This customer accounted for 36% of our gross accounts receivable outstan ding as of March 31, 2010. The customer accounted for 49% of our gross revenues in the period ended December 31, 2010; and 40% in the period ended December 31, 2009.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are 8 to 10 years for leasehold improvements and 5 years for other assets.

Goodwill and Indefinite Life Intangible Assets

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. In accordance with FASB ASC 350-20 *Goodwill and Other Intangible Assets*, the value assigned to goodwill and indefinite lived intangible assets, including trademarks and tradenames, is not amortized to expense, but rather they are evaluated at least on an annual basis to determine if there are potential impairments. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the reporting unit goodwill is less than the carrying value. If the fair value of an indefinite lived intangible (such as trademarks and trade names) is less than its carrying amount, an impairment loss is recorded. Fair value is determined based on discounted cash flows, market multiples or appraised values, as appropriate. Discounted cash flow analysis requires assumptions about the timing and amount of future cash inflows and outflows, risk, the cost of capital, and terminal values. Each of these factors can significantly affect the value of the intangible asset. The estimates of future cash flows, based on reasonable and supportable assumptions and projections, require management's judgment. Any changes in key assumptions about the Company's businesses and their prospects, or changes in market conditions, could result in an impairment charge. Some of the more significant estimates and assumptions inherent in the intangible asset valuation process include: the timing and amount of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal or regulatory trends.

In the period ended December 31, 2010, the Company determined that there was an impairment of goodwill, amounting to $1,546. In the year ended March 31, 2010, the Company determined that there was an impairment of goodwill, amounting to $32,694. In the year ended March 31, 2009, the Company determined that there was an impairment of goodwill, amounting to $27,844. In performing the related valuation analysis, the Company used various valuation methodologies including probability weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison. The impairment is detailed in Note 8 below.

Impairment of Long-Lived Assets and Finite Life Intangibles

Long-lived assets, including intangible assets subject to amortization, primarily consist of customer lists, license agreements and software that have been acquired, and are amortized using the straight-line method over their useful lives ranging from three to ten years and are reviewed for impairment in accordance with FASB ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measur ed by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

In the period ended December 31, 2010, the Company determined that there was an impairment of intangible assets, amounting to $4,482. In the year ended March 31, 2010, the Company determined that there was an impairment of intangible assets, amounting to $5,736. In the year ended March 31, 2009, the Company determined that there was an impairment of intangible assets, amounting to $3,940. In performing the related valuation analyses the Company used various valuation methodologies including probability weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison. The impairment is detailed in Note 8 below.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740-10, *Accounting for Income Taxes* (“ASC 740-10”), which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements or tax returns. Under ASC 740-10, the Company determines deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of assets and liabilities along with net operating losses, if it is more likely than not the tax benefits will be realized using the enacted tax rates in effect for the year in which it expects the differences to reverse. To the extent a deferred tax asset cannot be recognized, a valuation allowance is established if necessary.

ASC 740-10 prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the “more-likely-than-not” recognition threshold should be measured as the largest amount of the tax benefits, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement in the financial statements. We recognize interest and penalties related to income tax matters as a component of the provision for income taxes. We do not currently anticipate that the total amount of unrecognized tax benefits will significantly change within the next 12 months.

Stock-based compensation.

We have applied FASB ASC 718 *Share-Based Payment* (“ASC 718”) and accordingly, we record stock-based compensation expense for all of our stock-based awards.

Under ASC 718, we estimate the fair value of stock options granted using the Black-Scholes option pricing model. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. The amount of expense recognized represents the expense associated with the stock options we expect to ultimately vest based upon an estimated rate of forfeitures; this rate of forfeitures is updated as necessary and any adjustments needed to recognize the fair value of options that actually vest or are forfeited are recorded.

The Black-Scholes option pricing model, used to estimate the fair value of an award, requires the input of subjective assumptions, including the expected volatility of our common stock, interest rates, dividend rates and an option’s expected life. As a result, the financial statements include amounts that are based upon our best estimates and judgments relating to the expenses recognized for stock-based compensation.

Preferred Stock

The Company applies the guidance enumerated in FASB ASC 480-10, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (“ASC 480-10”) when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value in accordance with ASC 480-10. All other issuances of preferred stock are subject to the classification and measurement principles of ASC 480-10. Accordingly, the Company classifies conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrenc e of uncertain events not solely within the Company’s control, as temporary equity. At all other times, the Company classifies its preferred shares in stockholders’ equity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent asset and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The most significant estimates relate to revenues for periods not yet reported by carriers, liabilities recorded for future minimum guarantee payments under content licenses, accounts receivable allowances, and stock-based compensation expense.

Recent Accounting Pronouncements

There were no recent accounting pronouncements issued by the FASB or the Securities and Exchange Commission during the three months ended December 31, 2010 or that were issued in prior periods but do not become effective until future periods that in the opinion of management had, or are expected to have a material impact on our present or future consolidated financial statements.

3. Fair Value Measurements

As of December 31, 2010 and March 31, 2010, the carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments.

On April 1, 2009, the Company adopted FASB ASC 820-10, *Fair Value Measurements and Disclosures - Measuring Liabilities at Fair Value* (“ASC 820-10”). ASC 820-10, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820-10 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

ASC 820-10 establishes a three-level valuation hierarchy of valuation techniques that is based on observable and unobservable inputs. Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. The first two inputs are considered observable and the last unobservable, that may be used to measure fair value and include the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

During the quarter ended December 31, 2010 the Company performed a review of the fair value of goodwill and intangible assets. As a result of this assessment, the Company determined that its' net book value for both goodwill and intangible assets exceeded the implied fair value, resulting in an impairment charge.

The methodology and the impairment are described in Note 8 “Impairment of Goodwill and Other Indefinite-Lived Intangible Assets”.

4. Accounts Receivable

	December 31 2010	March 31, 2010
Accounts receivable	$ 2,794	$ 5,114
Less: allowance for doubtful accounts	(201)	(403)
Net Accounts receivable of continuing operations	$ 2,593	$ 4,711
Net Accounts receivable of discontinued operations	$ -	$ 5,694

Accounts receivable includes amounts billed and unbilled as of the respective balance sheet dates. The Company had no significant write-offs or recoveries during the quarter ended December 31, 2010 and the fiscal year ended March 31, 2010.

5. Property and Equipment

	December 31, 2010	March 31, 2010
Equipment	$ 999	$ 829
Furniture & fixtures	308	$ 278
Leasehold improvements	140	$ 140
	1,447	$ 1,247
Accumulated depreciation	(1,004)	$ (644)
Net Property and Equipment of continuing operations	$ 443	$ 603
Net Property and Equipment of discontinued operations	$ -	$ 668

Depreciation expense for the three months ended December 31, 2010 and 2009 was $74 and $87, respectively, and for the nine months ended December 31, 2010 and 2009 was $227 and $266, respectively for continuing operations. Depreciation expense for the three months ended December 31, 2010 and 2009 was $0 and $34, respectively, and for the nine months ended December 31, 2010 and 2009 was $27 and $86, respectively for discontinued operations.

6. Description of Stock Plans

On September 27, 2007, the stockholders of the Company adopted the 2007 Employee, Director and Consultant Stock Plan (“Plan”). Under the Plan, the Company may grant up to 3,000 shares or equivalents of common stock of the Company as incentive stock options (“ISO”), non-qualified options (“NQO”), stock grants or stock-based awards to employees, directors or consultants, except that ISO’s shall only be issued to employees. Generally, ISO’s and NQO’s shall be issued at prices not less than fair market value at the date of issuance, as defined, and for terms ranging up to ten years, as defined. All other terms of grants shall be determined by the board of directors of the Company, subject to the Plan.

On February 12, 2008, the Company amended the Plan to increase the number of shares of our common stock that may be issued under the Plan to 7,000 shares and on March 7, 2008, amended the Plan to increase the maximum number of shares of the Company's common stock with respect to which stock rights may be granted in any fiscal year to 1,100 shares. All other terms of the plan remain in full force and effect.

Option Plans

The following table summarizes options granted for the periods or as of the dates indicated:

	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2010	6,187	$ 2.49
Granted	-	$ -
Canceled	-	$ -
Exercised	-	$ -
Outstanding at December 31, 2010 (unaudited)	6,187	$ 2.49
Exercisable at December 31, 2010 (unaudited)	6,179	$ 2.49

No new options were granted for the nine months ended December 31, 2010.

The exercise price for options outstanding at December 31, 2010 were as follows:

Range of Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Outsanding December 31, 2010	Weighted Average Exercise Price	Aggregate Intrinsic Value
$ 0 - $1.00	5.58	2,070	$ 0.63	$ -
$ 2.00 - $3.00	7.33	2,617	$ 2.67	$ -
$ 4.00 - $5.00	7.12	1,500	$ 4.75	$ -
	6.69	6,187	$ 2.49	$ -

The exercise price for options exercisable at December 31, 2010 were as follows:

Range of Exercise Price	Weighted Average Remaining Contractual Life (Years)	Options Exercisable December 31, 2010	Weighted Average Exercise Price	Aggregate Intrinsic Value
$ 0 - $1.00	5.58	2,062	$ 0.63	$ -
$ 2.00 - $3.00	7.33	2,617	$ 2.67	$ -
$ 4.00 - $5.00	7.12	1,500	$ 4.75	$ -
	6.69	6,179	$ 2.49	-

Option Plans and Stock Plans

Total stock compensation expense is included in the following statements of operations components:

	9 Months Ended December 31 2010	9 Months Ended December 31 2009
Product development	$ 6	$ 9
Sales and marketing	14	70
General and administrative	224	1,430
	$ 244	$ 1,509

7. Acquisitions/Purchase Price Accounting/Discontinued Operations

Acquisition - AMV Holding Limited and subsidiaries (Discontinued Operation)

On October 23, 2008, the Company completed an acquisition of 100% of AMV Holding Limited, a United Kingdom private limited company ("AMV") and 80% of Fierce Media Limited. The acquisition was effective on October 1, 2008.

Discontinued Operations

The Company had been negotiating a restructuring of debt with its senior debt holder for some time. These negotiations were finalized on June 21, 2010. On that date, the Company signed and closed a number of transactions, which included the sale of AMV. Pursuant to the Agreement, ValueAct Small Cap Master Fund, L.P. ("ValueAct") and Nate MacLeitch and Jonathan Cresswell (the "AMV Founders"), acting through a newly formed company ("NewCo"), acquired the operating subsidiaries of AMV in exchange for the release of $23,231 of secured indebtedness, which included a release of all amounts due and payable under the secured promissory note in the aggregate principal amount of $5,375 (the "AMV Note") and all of the amounts due and payable under the the Senior Secured Note, issued by Twistbox, due July 31, 2010, as amended on February 12, 2008 (the "ValueAct Note") except for $3,500 in principal. In addition, all intercompany balances at that date were cancelled, and all shares of common stock and warrants of the Company held by ValueAct were cancelled. In addition, approximately 3,541 shares of common stock of the Company held by two of the founders of AMV were acquired by the Company. As of June 30, 2010 the Company accrued $300 to a related party pertaining to the sale of AMV.

In accordance with FASB ASC 205-20, *Discontinued Operations*, the operating results and net assets and liabilities related to AMV were reclassified as of June 21, 2010 and reported as discontinued operations in the accompanying consolidated financial statements.

The following is a summary of assets and liabilities of the discontinued operations as of March 31, 2010 and as of the disposal date of June 21, 2010 and the resulting gain on sale:

	June 21, 2010	March 31, 2010
Assets		
Cash	$ 641	$ 1,251
Working Capital, net of cash	1,367	1,501
Property and Equipment, net	591	668
Goodwill and intangibles	15,948	15,955
Net Assets Sold	**$ 18,547**	**$ 19,375**
Direct costs associated with the sale	1,173	
Currency translation adjustment	234	
Other	3	
	$ 19,957	
Consideration	24,272	
Gain on sale, net of taxes	**$ 4,315**	

8. Impairment of Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill

The valuation of intangible assets is subjective and based on estimates rather than precise calculations. If actual future results are not consistent with the assumptions and estimates used, we may be exposed to impairment charges in the future, the amount of which may be material. The fair value measurements for our goodwill and indefinite-lived intangible assets use significant unobservable inputs, including the forecasted future results of the Company that reflect our own assumptions about the estimates that market participants would use in measuring fair value including assumptions about risk. The unobservable inputs are defined in FASB ASC Topic 820 "Fair Value Measurements and Disclosures" as Level 3 inputs discussed in detail in Note 3 "Fair Value Measurements."

A reconciliation of the changes to the Company's carrying amount of goodwill for the period ended December 31, 2010 is as follows:

Balance at March 31, 2010	$ 8,155
Goodwill impairment	(1,546)
Balance at December 31, 2010	$ 6,609

The Company obtained an appraisal of the fair value of goodwill in the current quarter. Fair value is defined under ASC 820, Fair Value Measurements and Disclosures as, "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The Company considered a number of valuation approaches and methods and applied the most appropriate methods from the income, and market approaches to derive an opinion of value. Under the income approach, the Company utilized the discounted cash flow method, and under the market approach, consideration was given to the guideline public company method, the merger and acquisition method, and the market capitalization method.

As a result of the assessment, the Company determined that its net book value exceeded the implied fair value and recorded an impairment charge of $1,546 to write down goodwill. The impairment charge is included in "Impairment of goodwill and intangible assets" within operating expenses in the income statement. Since the valuation has not been fully completed, the Company has recorded the impairment charge as an estimate. Any adjustment to the impairment charge as a result of finalizing the valuation will be recognized in the Company's fourth fiscal quarter.

Other Intangible Assets

A reconciliation of the changes to the Company's carrying amount of intangible assets for the period ended December 31, 2010 is as follows:

Balance at March 31, 2010	$ 8,195
Amortization	$ (311)
Impairment charge	$ (4,482)
Balance at December 31, 2010	$ 3,402

The Company obtained an appraisal of the fair value of intangible assets in the current quarter. The Company separately considered a number of valuation methodologies for each intangible asset group. As a result of the assessment, the Company determined that its net book value exceeded the implied fair value and recorded an impairment charge of $4,482 to write down intangible assets. The impairment charge is included "Impairment of goodwill and intangible assets" within operating expenses in the income statement. The unobservable inputs are defined in FASB ASC Topic 820 "Fair Value Measur ements and Disclosures" as level 3 inputs. Since the valuation has not been fully completed, the Company has recorded the impairment charge as an estimate. Any adjustment to the impairment charge as a result of finalizing the valuation will be recognized in the Company's fourth fiscal quarter.

The Company has included amortization of acquired intangible assets directly attributable to revenue-generating activities in cost of revenues. The Company has included amortization of acquired intangible assets not directly attributable to revenue-generating activities in operating expenses. During the three months ended December 31, 2010 and 2009, the Company recorded amortization expense in the amount of $86 and $102, respectively, in cost of revenues and amortization expense in the amount of $18 and $137 respectively, in operating expenses for continuing operations. During the nine months ended December 31, 2010 and 2009 the Company recorded amortization expense in the amount of $259 and $305 respectively, in cost of revenues and amortization expense in the amount of $54 and $410 respectively, in operating expenses for continuing operations. During the three months ended December 31, 2010 and 2009, the Company recorded amortization expense in the amount of $0 and $75, respectively, in cost of revenues and amortization expense in the amount of $0 and $40 respectively, in operating expenses for discontinued operations. During the nine months ended December 31, 2010 and 2009 the Company recorded amortization expense in the amount of $26 and $127 respectively, in cost of revenues and amortization expense in the amount of $40 and $122 respectively, in operating expenses for continuing operations.

As of December 31, 2010, the total expected future amortization related to intangible assets for continuing operations was as follows:

	12 Months Ended December 31,				
	2011	2012	2013	2014	2015
Software	$ 227	$ 227	$ 227	$ 227	$ 17

9. Debt

Short Term Debt		
Senior secured note, inclusive of accrued interest net of discount of $0 and $40, respectively	$ -	19,749
Deferred purchase consideration inclusive of accrued interest	-	6,333
Equipment Leases inclusive of accrued interest	19	-
	$ 19	$ 26,082

	December 31, 2010	March 31, 2010
Long Term Debt		
Senior secured note, inclusive of accrued interest,net of discount of $2,062 and $0, respectively	$ 570	$ -
Secured note, inclusive of accrued interest	3,685	-
	$ 4,255	$ -

ValueAct Note

As described in Note 7, in connection with the disposal of AMV on June 21, 2010, all amounts due and payable under the AMV Note were released, and the ValueAct Note was amended and restated in its entirety and reduced to $3.5 million of principal (the "Amended ValueAct Note").

Senior Secured Convertible Notes

In addition, for purposes of capitalizing the Company, the Company sold and issued $2,500 of Senior Secured Convertible Notes due June 21, 2013 of the Company (the "New Senior Secured Notes") to certain of the Company's significant stockholders. The New Senior Secured Notes have a three year term and bear interest at a rate of 10% per annum payable in arrears semi-annually. Notwithstanding the foregoing, at any time on or prior to the 18th month following the original issue date of the New Senior Secured Notes, the Company may, at its option, in lieu of making any cash payment of interest, elect that the amount of any interest due and payable on any interest payment date on or prior to the 18th month following the original issue date of the New Senior Secured Notes be added to the principal due under the New Senior Secured Notes. The accrued and unpaid principal and interest due on the New Senior Secured Notes are convertible at any time at the election of the holder into shares of common stock of the Company at a conversion price of $0.15 per share, subject to adjustment. The New Senior Secured Notes are secured by a first lien on substantially all of the assets of the Company and its subsidiaries pursuant to the terms of that certain Guarantee and Security Agreement, dated as of June 21, 2010, among Twistbox, the Company, each of the subsidiaries thereof party thereto, the investors party thereto and Trinad Management. The Amended ValueAct Note is subordinated to the New Senior Secured Notes pursuant to the terms of that certain Subordination Agreement, dated as of June 21, 2010, by and between Trinad Fund, and ValueAct, and each of the Company and Twi stbox.

Each purchaser of a New Senior Secured Note also received a warrant ("Warrant") to purchase shares of common stock of the Company at an exercise price of $0.25 per share, subject to adjustment. For each $1 of New Senior Secured Notes purchased, the purchaser received a Warrant to purchase 3.33 shares of common stock of the Company. Each Warrant has a five year term.

The Warrants granted to the New Senior Secured Note holders on June 21, 2010 and conversion feature in the New Senior Secured Notes are not considered derivative instruments since the Warrants and the New Senior Secured Notes have a set conversion price. The Company determined the fair value of the detachable warrants issued in connection with the New Senior Secured Notes to be $1,678, using the Black-Scholes option pricing model and the following assumptions: expected life of 5 years, a risk free interest rate of 2.05%, a dividend yield of 0% and volatility of 54.62%. In addition, the Company determined the value of the beneficial conversion feature to be $5,833. The combined total discount for the New Senior Secured Notes is limited to the face value of the New Senior Secured Notes 0;of $2,500 and is being amortized over the term of the New Senior Secured Notes . For the nine months ended December 31, 2010, the Company amortized $438 of the aforesaid discounts as interest and financing costs in the accompanying consolidated statements of operations

At December 31, 2010, minimum future obligations through June 21, 2013, including interest and principal, under the New Senior Secured Notes were $8,041.

12 Months Ended December 31,			
2011	2012	2013	Thereafter
$ -	$ 1,678	$ 6,363	$ -

10. Related Party Transactions

The Company engages in various business relationships with shareholders and officers and their related entities. The significant relationships are disclosed below.

On September 14, 2006, the Company entered into a management agreement ("Agreement") with Trinad Management for five years. Pursuant to the terms of the Agreement, Trinad Management will provide certain management services, including, without limitation, the sourcing, structuring and negotiation of a potential business combination transaction involving the Company in exchange for a fee of $90 per quarter, plus reimbursements of all expenses reasonably incurred in connection with the provision of Agreement. The Agreement expires on September 14, 2011. Either party may terminate with prior written notice. However, if the Company terminates, it shall pay a termination fee of $1,000. For the three months ended December 31, 2010 and 2009, the Company incurred management fees under the agreement of $90 and $90 respectively. The payment for the three months ended September 30 and December 31, 2010 has been partially deferred. For the nine months ended December 31, 2010 and 2009, the Company incurred management fees under the agreement of $270 and $270 respectively.

In March 2008, the Company entered into a month to month lease for office space with Trinad Management for rent of $9 per month, subsequently reduced to $5 per month. Rent expense in connection with this lease was $10 and $26, respectively, for the three months ended December 31, 2010 and 2009, and was $40 and $77, respectively, for the nine months ended December 31, 2010 and 2009.

11. Capital Stock Transactions

Preferred Stock

There are 100 shares of Series A Convertible Preferred Stock of the Company authorized, issued and outstanding. The Series A Convertible Preferred Stock has a par value of $0.0001 per share. The holders of Series A Convertible Preferred Stock are entitled to: (1) vote on an equal per share basis as common stock of the Company, (2) dividends on an as-converted basis and (3) a liquidation preference equal to the greater of $10 per share of Series A Convertible Preferred Stock (subject to adjustment) or such amount that would have been paid on an as-converted basis. The holder of the Series A Convertible Preferred Stock has agreed not to exercise certain rights until such time as the Amended ValueAct Note has been repaid in cash in full.

Common Stock

In September 2009, the Company issued warrants to purchase 1,200 shares of common stock of the Company to a vendor. The warrants are exercisable at $1.25 per share, through September 23, 2014 and were valued at $134 at the time of issue.

In connection with the restructuring described in Note 7, on June 21, 2010, 562 shares of common stock of the Company held by ValueAct were cancelled, and 3,541 shares of common stock of the Company held by certain founders of AMV were acquired by the Company at a price of $0.02 per share. In addition, a total of 2,185 warrants to purchase common stock of the Company held by ValueAct were cancelled.

In addition, in connection with the New Senior Secured Notes described in Note 9, on June 21, 2010, each purchaser of a New Senior Secured Note also received a warrant (“Warrant”) to purchase shares of common stock of the Company at an exercise price of $0.25 per share, subject to adjustment. For each $1 of New Senior Secured Notes purchased, the purchaser received a Warrant to purchase 3.33 shares of common stock of the Company. Each Warrant has a five year term.

On August 9, 2010, 500,000 shares of common stock of the Company were issued to a director of the Company, as compensation for services rendered.

12. Employee Benefit Plans

The Company has an employee 401(k) savings plan covering full-time eligible employees. These employees may contribute eligible compensation up to the annual IRS limit. The Company does not make matching contributions.

13. Income Taxes

The income tax provision for the quarter represents foreign withholding taxes related to continuing operations paid in jurisdictions outside of the US. Profit from discontinued operations is disclosed net of taxes – these are income taxes currently payable in foreign jurisdictions, primarily the United Kingdom based on revenue derived in that territory. The tax provision arising from the gain on disposal of discontinued operations is offset against available tax losses.

Management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements as of December 31, 2010.

ASC 740 requires the consideration of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. The Company adopted the provisions of ASC 740 on January 1, 2008 and there was no difference between the amounts of unrecognized tax benefits recognized in the balance sheet prior to the adoption of ASC 740 and those after the adoption of ASC 740. There were no unrecognized tax benefits not subject to valuation allowance as of December 31, 2010 and March 31, 2010. The Company recognized no interest and penalties on income taxes in its statement of operations for the periods ended December 31, 2010 and 2009. Management believes that with few exceptions, the Company is no l onger subject to income tax examinations by tax authorities for years before March 31, 2004.

14. Segment and Geographic information

The Company operates in one reportable segment in which it is a developer and publisher of branded and non-branded entertainment content for mobile phones. Revenues are attributed to geographic areas based on the country in which the carrier's principal operations are located. The Company attributes its long-lived assets, which primarily consist of property and equipment, to a country primarily based on the physical location of the assets. Goodwill and intangibles are not included in this allocation. The following information sets forth geographic information on our sales and net property and equipment for the period ended December 31, 2010:

	North America	Europe	Other Regions	Consolidated
Three Months ended December 31, 2010				
Net sales to unaffiliated customers	13	1,555	479	$ 2,048
Nine Months ended December 31, 2010				
Net sales to unaffiliated customers	596	5,137	1,250	$ 6,983
Property and equipment, net at December 31, 2010	371	71	1	$ 443

During the three months ended December 31, 2010 and December 31, 2009, our largest customer accounted for 43% and 39%, respectively, of gross revenues and 49% and 40% of gross revenues for the nine months ended December 31, 2010 and December 31, 2009, respectively.

15. Commitments and Contingencies

Operating Lease Obligations

The Company leases office facilities under noncancelable operating leases expiring in various years through 2011. Future minimum payments under initial terms of leases at December 31, 2010 are $21.
These amounts do not reflect future escalations for real estate taxes and building operating expenses. Rental expense for continuing operations amounted to $284 and $500, respectively, for the nine months ended December 31, 2010 and 2009.

Other Obligations

As of December 31, 2010, the Company was obligated for payments under various distribution agreements, equipment lease agreements, employment contracts and the management agreement described in Note 10 with initial terms greater than one year at December 31, 2010. Annual payments relating to these commitments at December 31, 2010 are as follows:

Year Ending December 31,	Commitments
2011	$ 1,692
2012	4
Total minimum payments	$ 1,696

Minimum Guaranteed Royalties

The Company has entered into license agreements with various owners of brands and other intellectual property so that it could develop and publish branded products for mobile handsets.

Pursuant to some of these agreements, the Company is required to pay minimum royalties over the term of the agreements regardless of actual sales. Future minimum royalty payments for those
agreements as of December 31, 2010 were as follows:

Year Ending December 31,	Minimum Guaranteed Royalties
2011	$ 1,200
2012	$ 1,200
2013	$ 1,200
2014	$ 1,200
2015	$ 5,400
Total minimum payments	$ 10,200

Litigation

Twistbox's wholly owned subsidiary, WAAT Media Corp. ("WAAT") and General Media Communications, Inc. ("GMCI") are parties to a content license agreement dated May 30, 2006, whereby GMCI granted to WAAT certain exclusive rights to exploit GMCI branded content via mobile devices. GMCI terminated the agreement on January 26, 2009 based on its claim that WAAT failed to cure a material breach pertaining to the non-payment of a minimum royalty guarantee installment in the amount of $485. On or about March 16, 2009, GMCI filed a complaint seeking the balance of the minimum guarantee payments due under the agreement in the approximate amount of $4,085. WAAT has counter-sued claiming GMCI is not entitled to the claimed amount and that it has breached the agreement by, among other t hings, failing to promote, market and advertise the mobile services as required under the agreement and by fraudulently inducing WAAT to enter into the agreement based on GMCI's repeated assurances of its intention to reinvigorate its flagship brand. GMCI has filed a demurrer to the counter-claim. WAAT subsequently filed an amended counter-claim. WAAT intends to vigorously defend against this action. Principals of both parties continue to communicate to find a mutually acceptable resolution. The Company has accrued for its estimated liability in this matter.

The Company is subject to various claims and legal proceedings arising in the normal course of business. Based on the opinion of the Company's legal counsel, management believes that the ultimate liability, if any in the aggregate of other claims will not be material to the financial position or results of operations of the Company for any future period; and no liability has been accrued.

16. Subsequent Events

In connection with a restructuring of the Company's operations, on February 21, 2011 the Company entered into several agreement with officers and senior management which provide for separation and transition arrangements with some employees and amended employment arrangements for other employees. These agreements will result in reduced expenses for the Company going forward, but do include separation payments and the issuance of new stock options and RSUs which will have a financial impact for the Company in the 4th fiscal quarter.

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

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto included in this report. This discussion contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this Quarterly Report on Form 10-Q, the words "anticipate," "believe," "estimate," "expect" and similar expressions, as they relate to our management or us, are intended to identify such forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements as a result of a variety of factors including those set forth under "Risk Factors" in our Annual Report on Form 10-K, as amended, for the period ended March 31, 2010. Historical operating results are not necessarily indicative of the trends in operating results for any future period.

Unless the context otherwise indicates, the use of the terms "we," "our", "us", "NeuMedia" or the "Company" refer to the business and operations of NeuMedia, Inc. ("NeuMedia") through its operating and wholly-owned subsidiary, Twistbox Entertainment, Inc. ("Twistbox").

Historical Operations of NeuMedia, Inc.

NeuMedia was originally incorporated in the State of Delaware on November 6, 1998 under the name eB2B Commerce, Inc. On April 27, 2000, the company merged into DynamicWeb Enterprises Inc., a New Jersey corporation, and changed its name to eB2B Commerce, Inc. On April 13, 2005, the company changed its name to Mediavest, Inc. On November 7, 2007, through a merger, the Company reincorporated in the State of Delaware under the name Mandalay Media, Inc. On May 12, 2010, the Company changed its name to NeuMedia, Inc.

On October 27, 2004, and as amended on December 17, 2004, NeuMedia filed a plan for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Plan of Reorganization"). Under the Plan of Reorganization, as completed on January 26, 2005: (1) NeuMedia's net operating assets and liabilities were transferred to the holders of the secured notes in satisfaction of the principal and accrued interest thereon; (2) $400,000 were transferred to a liquidation trust and used to pay administrative costs and certain preferred creditors; (3) $100,000 were retained by NeuMedia to fund the expenses of remaining public; (4) 3.5% of the new common stock of NeuMedia (140,000 shares) was issued to the holders of record of NeuMedia's preferred stock in settlement of their liquidation preferences; (5) 3.5% of the new common stock of NeuMedia (140,000 shares) was issued to common stockholders of record as of January 26, 2005 in exchange for all of the outstanding shares of the common stock of the Company; and (6) 93% of the new common stock of NeuMedia (3,720,000 shares) was issued to the sponsor of the Plan of Reorganization in exchange for $500,000 in cash. Through January 26, 2005, NeuMedia and its subsidiaries were engaged in providing business-to-business transaction management services designed to simplify trading between buyers and suppliers.

Prior to February 12, 2008, NeuMedia was a public shell company with no operations, and controlled by its significant stockholder, Trinad Capital Master Fund, L.P.

SUMMARY OF THE TWISTBOX MERGER

NeuMedia entered into an Agreement and Plan of Merger on December 31, 2007, as subsequently amended by the Amendment to Agreement and Plan of Merger dated February 12, 2008 (the "Merger Agreement"), with Twistbox Acquisition, Inc., a Delaware corporation and a wholly-owned subsidiary of NeuMedia ("Merger Sub"), Twistbox Entertainment, Inc. ("Twistbox"), and Adi McAbian and Spark Capital, L.P., as representatives of the stockholders of Twistbox, pursuant to which Merger Sub would merge with and into Twistbox, with Twistbox as the surviving corporation (the "Merger"). The Merger was completed on February 12, 2008.

Pursuant to the Merger Agreement, upon the completion of the Merger, each outstanding share of Twistbox common stock, $0.001 par value per share, on a fully-converted basis, with the conversion on a one-for-one basis of all issued and outstanding shares of the Series A Convertible Preferred Stock of Twistbox and the Series B Convertible Preferred Stock of Twistbox, each $0.01 par value per share (the "Twistbox Preferred Stock"), converted automatically into and became exchangeable for NeuMedia common stock in accordance with certain exchange ratios set forth in the Merger Agreement. In addition, by virtue of the Merger, each outstanding Twistbox option to purchase Twistbox common stock issued pursuant to the Twistbox 2006 Stock Incentive Plan (the "Plan") was assumed by NeuMedia, subject to the same terms and c onditions as were applicable under such Plan immediately prior to the Merger, except that (a) the number of shares of NeuMedia common stock issuable upon exercise of each Twistbox option was determined by multiplying the number of shares of Twistbox common stock that were subject to such Twistbox option immediately prior to the Merger by 0.72967 (the "Option Conversion Ratio"), rounded down to the nearest whole number; and (b) the per share exercise price for the shares of NeuMedia common stock issuable upon exercise of each Twistbox option was determined by dividing the per share exercise price of Twistbox common stock subject to such Twistbox option, as in effect prior to the Merger, by the Option Conversion Ratio, subject to any adjustments required by the Internal Revenue Code. As part of the Merger, NeuMedia also assumed all unvested Twistbox options. The Merger consideration consisted of an aggregate of up to 12,325,000 shares of NeuMedia common stock, which included the conversion of all s hares of Twistbox capital stock and the reservation of 2,144,700 shares of NeuMedia common stock required for assumption of the vested Twistbox options. NeuMedia reserved an additional 318,772 shares of NeuMedia common stock required for the assumption of the unvested Twistbox options. All warrants to purchase shares of Twistbox common stock outstanding at the time of the Merger were terminated on or before the effective time of the Merger.

Upon the completion of the Merger, all shares of the Twistbox capital stock were no longer outstanding and were automatically canceled and ceased to exist, and each holder of a certificate representing any such shares ceased to have any rights with respect thereto, except the right to receive the applicable merger consideration. Additionally, each share of the Twistbox capital stock held by Twistbox or owned by Merger Sub, NeuMedia or any subsidiary of Twistbox or NeuMedia immediately prior to the Merger, was canceled and extinguished as of the completion of the Merger without any conversion or payment in respect thereof. Each share of common stock, $0.001 par value per share, of Merger Sub issued and outstanding immediately prior to the Merger was converted upon completion of the Merger into one validly issued, fully paid and non-ass essable share of common stock, $0.001 par value per share, of the surviving corporation.

As part of the Merger, NeuMedia agreed to guarantee up to $8,250,000 of Twistbox's outstanding debt to ValueAct SmallCap Master Fund L.P. ("ValueAct"), with certain amendments. On July 30, 2007, Twistbox had entered into a Securities Purchase Agreement by and among Twistbox, the Subsidiary Guarantors (as defined therein) and ValueAct, pursuant to which ValueAct purchased a note in the amount of $16,500,000 (the "ValueAct Note") and a warrant which entitled ValueAct to purchase from Twistbox up to a total of 2,401,747 shares of Twistbox's common stock (the "Warrant"). Twistbox and ValueAct - also entered into a Guarantee and Security Agreement by and among Twistbox, each of the subsidiaries of Twistbox, the Investors, as define d therein, and ValueAct, as collateral agent, pursuant to which the parties agreed that the ValueAct Note would be secured by substantially all of the assets of Twistbox and its subsidiaries (the "VAC Note Security Agreement"). In connection with the Merger, the Warrant was terminated and we issued two warrants in place thereof to ValueAct to purchase shares of our common stock. One of such warrants entitled ValueAct to purchase up to a total of 1,092,622 shares of our common stock at an exercise price of $7.55 per share. The other warrant entitled ValueAct to purchase up to a total of 1,092,621 shares of our common stock at an initial exercise price of $5.00 per share, which, if not exercised in full by February 12, 2009, would have been permanently increased to an exercise price of $7.55 per share. Both warrants were scheduled to expire on July 30, 2011. The warrants were subsequently modified on October 23, 2008 and cancelled on June 21, 2010, as s et forth below. We also entered into a Guaranty (the "ValueAct Note Guaranty") with ValueAct whereby NeuMedia agreed to guarantee Twistbox's payment to ValueAct of up to $8,250,000 of principal under the ValueAct Note in accordance with the terms, conditions and limitations contained in the ValueAct Note, which was subsequently amended as set forth below. The financial covenants of the ValueAct Note were also amended, pursuant to which Twistbox was required to maintain a cash balance of not less than $2,500,000 at all times and NeuMedia is required to maintain a cash balance of not less than $4,000,000 at all times. The ValueAct Note was subsequently amended and restated as set forth below.

SUMMARY OF THE AMV ACQUISITION

On October 23, 2008, NeuMedia consummated the acquisition of 100% of the issued and outstanding share capital of AMV Holding Limited, a United Kingdom private limited company ("AMV") and 80% of the issued and outstanding share capital of Fierce Media Limited, United Kingdom private limited company (collectively the "Shares"). The acquisition of AMV is referred to herein as the "AMV Acquisition". The aggregate purchase price (subject to adjustments as provided in the stock purchase agreement) for the Shares consisted of (i) $5,375,000 in cash; (ii) 4,500,000 shares of common stock, par value $0.0001 per share; (iii) a secured promissory note in the aggregate principal amount of $5,375,000 (the "AMV Note"); and (iv) additional earn-out amounts, if any, based on certain targeted earnings as set forth in the stock purchase agreement. The AMV Note was scheduled to mature on July 31, 2010, and bore interest at an initial rate of 5% per annum, subject to adjustment as provided therein.

In addition, also on October 23, 2008, in connection with the AMV Acquisition, NeuMedia, Twistbox and ValueAct entered into a Second Amendment to the ValueAct Note, which among other things, provided for a payment-in-kind election at the option of Twistbox, modified the financial covenants set forth in the ValueAct Note to require that NeuMedia and Twistbox maintain certain minimum combined cash balances and provided for certain covenants with respect to the indebtedness of NeuMedia and its subsidiaries. Also on October 23, 2008, AMV granted to ValueAct a security interest in its assets to secure the obligations under the ValueAct Note. In addition, NeuMedia and ValueAct entered into an allonge to each of those certain warrants issued to ValueAct in connection with the Merger, which, among other things, amended the exercise price of each of the warrants to $4.00 per share.

In addition, also on October 23, 2008, NeuMedia entered into a Securities Purchase Agreement with certain investors identified therein (the "Investors"), pursuant to which NeuMedia agreed to sell to the Investors in a private offering an aggregate of 1,685,394 shares of common stock and warrants to purchase 842,697 shares of common stock for gross proceeds to NeuMedia of $4,500,000. The warrants have a five year term and an exercise price of $2.67 per share. The funds were held in an escrow account pursuant to an Escrow Agreement, dated October 23, 2008 and were released to NeuMedia on or about November 8, 2008.

On August 14, 2009, the Company and ValueAct entered into a Second Allonge to Warrant to Purchase 1,092,621 shares of common stock (the "Second Allonge"), which amended that certain warrant to purchase 1,092,621 shares of the Company's common stock, issued to ValueAct on February 12, 2008, as amended (the "ValueAct Warrant"). Pursuant to the Second Allonge, the exercise price of the ValueAct Warrant decreased from $4.00 per share to the lesser of $1.25 per share, or the exercise price per share for any warrant to purchase shares of the Company's common stock issued by the Company to certain other parties. In addition, also on August 14, 2009, NeuMedia, Twistbox and ValueAct entered into a Third Amendment to the ValueAct Note. Pursuant to the Third Amendment, the maturity date was cha nged to July 31, 2010 and the interest rate of the ValueAct Note increased from 10% to 12.5%.

On January 25, 2010, NeuMedia, Twistbox and ValueAct entered into a Waiver to Senior Secured Note (the "Waiver"), pursuant to which ValueAct agreed to waive certain provisions of the ValueAct Note. Pursuant to the Waiver, subject to Twistbox's compliance with certain conditions set forth in the Waiver, certain rights to prepay the ValueAct Note were extended from January 31, 2010 to March 1, 2010. In addition, subject to Twistbox's compliance with certain conditions set forth in the Waiver, the timing obligation of NeuMedia and Twistbox to comply with the cash covenant set forth in the ValueAct Note was extended to March 1, 2010 and the minimum cash balance by which Twistbox and NeuMedia must maintain was increased to $1,600,000.

On February 25, 2010, Twistbox received a letter (the "Letter") from ValueAct alleging certain events of default with respect to the ValueAct Note. The Letter claimed that an event of default had occurred and was continuing under the ValueAct Note as result of certain alleged defaults, including the failure to provide weekly evidence of compliance with certain of Twistbox's and NeuMedia's covenants under the ValueAct Note, the failure to comply with limitations on certain payments by NeuMedia and each of its subsidiaries, and the failure of Twistbox and NeuMedia to maintain minimum cash balances in deposit accounts of each of Twistbox and NeuMedia. The Letter also claimed that the Waiver had ceased to be effective as a result of the alleged failure of NeuMedia to comply with the conditions set forth in the Waiver. On May 10, 2010, Twistbox received from ValueAct a Notice of Event of Default and Acceleration ("Notice") in which ValueAct stated that an event of default had occurred under the ValueAct Note as a result of Twistbox's and NeuMedia's failure to comply with the cash balance covenant under the ValueAct Note and, therefore, ValueAct accelerated all outstanding amounts payable by Twistbox under the ValueAct Note. In connection with the Notice, ValueAct instituted an administration proceeding in the United Kingdom against AMV.

On June 21, 2010, NeuMedia sold all of the operating subsidiaries of AMV to an entity controlled by ValueAct and certain of AMV's founders in exchange for the release of $23,231,000 of secured indebtedness, comprising of a release of all amounts due and payable under the AMV Note and all amounts due and payable under the VAC Note except for $3,500,000 in principal (the "Restructure"). In connection with the Restructure, the ValueAct Note (as amended and restated, the "Amended ValueAct Note"), the Value Act Security Agreement and the Value Act Guaranty were amended and restated in their entirety. In addition, all warrants and common stock of NeuMedia held by ValueAct were cancelled and all warrants and common stock of NeuMedia held by AMV founders Nate MacLeitch and Jonathan Cresswell were repurchased by N euMedia for a price of $0.02 per share.

The Amended ValueAct Note matures on June 21, 2013 and bears interest at 10% payable in cash semi-annually in arrears on each January 1 and July 1 that the Amended ValueAct Note is outstanding. Twistbox may prepay the Amended ValueAct Note in whole or in part at any time without penalty. Notwithstanding the foregoing, at any time on or prior to January 1, 2012, Twistbox may, at its option, in lieu of making any cash payment of interest, elect that the amount of any interest due and payable on any interest payment date on or prior to January 1, 2012 be added to the principal due under the Amended ValueAct Note. In the event of a Fundamental Change (as defined therein) of Twistbox, the holder of the Amended ValueAct Note will have the right for a period of thirty days to require Twistbox to repurchase the Amended ValueAc t Note at a price equal to 100% of the outstanding principal and all accrued and unpaid interest.

Also on June 21, 2010, for purposes of capitalizing NeuMedia, NeuMedia sold and issued $2,500,000 of Senior Secured Convertible Notes due June 21, 2013 (the "New Senior Secured Notes" or the "Senior Debt") to certain significant stockholders. The New Senior Secured Notes have a three year term and bear interest at a rate of 10% per annum payable in arrears semi-annually. Notwithstanding the foregoing, at any time on or prior to the 18th month following the original issue date of the New Senior Secured Notes, NeuMedia - may, at its option, in lieu of making any cash payment of interest, elect that the amount of any interest due and payable on any interest payment date on or prior to the 18th month following the original issue date of the New Senior Secured Notes be added to the principal du e under the New Senior Secured Notes. The accrued and unpaid principal and interest due on the New Senior Secured Notes are convertible at any time at the election of the holder into shares of common stock of NeuMedia at a conversion price of US$0.15 per share, subject to adjustment. The New Senior Secured Notes are secured by a first lien on substantially all of the assets of NeuMedia and its subsidiaries. The Amended ValueAct Note is subordinated to the New Senior Secured Notes.

Each purchaser of a New Senior Secured Note also received a warrant ("Warrant") to purchase shares of common stock of NeuMedia at an exercise price of $0.25 per share, subject to adjustment. For each $1 of New Senior Secured Notes purchased, the purchaser received a Warrant to purchase 3.33 shares of common stock of NeuMedia. Each Warrant has a five year term.

Overview

From February 12, 2008 to October 23, 2008, our sole operations were those of our wholly-owned subsidiary, Twistbox. In October 2008, we acquired AMV Holding Limited, a mobile media and marketing company. On June 21, 2010, we sold all of the operating subsidiaries of AMV. Twistbox is a global publisher and distributor of branded and non-branded entertainment content, including images, video, and games, for all mobile platforms and third generation (3G) and fourth generation (4G) mobile networks. Twistbox publishes and distributes its content in over 40 countries representing more than one billion subscribers. Operating since 2003, Twistbox has developed an intellectual property portfolio unique to its target demographic (18 to 35 year old) that includes worldwide exclusive (or territory exclusive) mobile rights to global bra nds and content from leading film, television and lifestyle content publishing companies. Twistbox has built a proprietary mobile publishing platform that includes: tools that automate handset portability for the distribution of images and video; a mobile games development suite that automates the porting of mobile games and applications to over 1,500 handsets; and a content standards and ratings system globally adopted by major wireless carriers to assist with the responsible deployment of age-verified content. Twistbox has leveraged its brand portfolio and platform to secure "direct" distribution agreements with the largest mobile operators in the world, including, among others, AT&T, Hutchinson 3G, O2, MTS, Orange, T-Mobile, Telefonica, Verizon and Vodafone. Twistbox expects to become a leading player in the rapidly-growing, multibillion-dollar mobile entertainment market.

Twistbox maintains a worldwide distribution agreement with Vodafone. Through this relationship, Twistbox serves as Vodafone's exclusive supplier of late night content, a portion of which is age-verified, in some of its top-performing territories. Additionally, Twistbox is one of the select few content aggregators for Vodafone. Twistbox aggregates content from leading entertainment companies and manages distribution of this content to Vodafone. Additionally, Twistbox maintains distribution agreements with other leading mobile network operators throughout the North American, European, and Asia-Pacific regions that include Verizon, Virgin Mobile, T-Mobile, Telefonica, Hutchinson 3G, Three, O2 and Orange.

Twistbox currently has content live on more than 100 network operators in 35 countries. Through these relationships, Twistbox has a substantial reach to these operators' mobile subscribers worldwide.

Twistbox's end-users are the highly-mobile, digitally-aware 18 to 35 year old demographic. This group is a major consumer of digital entertainment services and commands significant amounts of disposable income. In addition, this group is very focused on consumer lifestyle brands and is much sought after by advertisers.

RESULTS OF OPERATIONS

	3 months ended December 31, 2010	3 months ended December 31, 2009	9 months ended December 31, 2010	9 months ended December 31, 2009
Revenues	$ 2,048	$ 4,029	$ 6,983	$ 11,327
Cost of revenues	1,258	744	3,006	2,565
Gross profit	790	3,285	3,977	8,762
SG&A	2,844	4,053	8,976	11,894
Amortization of intangible assets	18	137	54	410
Impairment of goodwill	6,028	-	6,028	-
Operating (loss)	(8,100)	(905)	(11,081)	(3,542)
Interest expense, net	(358)	(793)	(1,397)	(2,174)
Other income / (expenses)	12	1 ,466	(499)	1,701
(Loss) before income taxes	(8,446)	(232)	(12,977)	(4,015)
Income tax provision	(45)	(274)	(178)	(418)
(Loss) from continuing operations	(8,491)	(506)	(13,155)	(4,433)
Profit from discontinued operations, net of taxes	-	1,091	709	2,856
Gain on disposal of discontinued operations, net of taxes	-	-	4,315	-
Net income / (loss)	$ (8,491)	$ 585	$ (8,131)	$ (1,577)

Comparison of the three Months Ended December 31, 2010 and December 31, 2009

Revenues

	Three Months Ended December 31,	
	2010	2009
	(In thousands)	
Revenues by type:		
Services	$ 149	$ 404
Content - Games	242	585
Content - Other	1,285	2,639
Advertising	372	401
Total	$ 2,048	$ 4,029

Revenue has been analyzed based on the primary revenue drivers for the Company's businesses, as follows:

"Services" includes carrier platform management, content aggregation services and development fees derived primarily as an outsourced extended services contract basis. Services revenue tends to be project-based, often resulting in significant variances from period to period, dependent on the timing of customers' projects. The decrease in Services revenue in the quarter ended December 31, 2010 is primarily the result of a decrease in the level of development projects undertaken by our technology and development team in the quarter, and the wind-down of a multi-game development agreement with a US based games distributor.

"Content – Games" includes both licensed and internally developed games for use on mobile phones. The decline in revenue largely reflects a strategic decision to curtail investment in the development of new JAVA and BREW games for on-deck carrier sales. We intend is to continue to build applications for smartphones (iPhone, iPad, Android, and Blackberry), but there are currently much fewer active games in this category compared to the same period in the prior year. An initiative to build games for social networks was soft-launched in the period, but is currently being re-evaluated and may not proceed. In addition, games sales through our games platform in Germany have declined in the period, as a result of an overall decline in our customer's platform.

"Content – Other" includes a broad range of licensed and internally developed products delivered in the form of WAP, Video, Wallpaper and Mobile TV. The decline in revenue year over year is attributable to several factors: Our primary carrier partner has begun a strategic shift in its global approach to on-deck sales including removing support for a range of older handset models – which has resulted in a significant decline in on-deck revenues from this carrier, particularly in larger markets such as the UK and Spain. As the result of the loss of our Russian operations in the later part of fiscal 2010 – we recorded zero revenues in the current quarter compared to $631 in the prior period. We also experienced sharp declines in revenue in Brazil, partly attributed to difficulty in refreshing content; and lower sales via the distributor in Germany.

"Advertising" includes revenues earned by managing carrier advertising portals, revenues derived from the sale of advertising inventory within our mobile sites, and from the monetization and mediation of traffic through our mobile sites. While building a significant Advertising ecosystem is a key strategic initiative for the Company, the quarter ended December 31, 2010 was subject to significant disruption in traffic flow related to our largest provider, resulting in slightly decreased revenues year over year.

Cost of Revenues

	Three Months Ended December 31,	
	2010	2009
	(In thousands)	
Cost of revenues:		
License fees	$ 1 ,172	$ 642
Other direct cost of revenues	86	102
Total cost of revenues	$ 1 ,258	$ 744
Revenues	$ 2 ,048	$ 4,029
Gross margin	38.5%	81.5%

License fees represent costs payable to content providers for use of their brands and intellectual property in products sold. Our licensing agreements are predominantly on a revenue-share basis. Margins in the current quarter are lower than the same quarter in the prior year due to higher games quality assurance and development costs, a higher mix of lower margin advertising sales, and higher minimum royalties related to a renegotiated contract. In addition license fees in the prior year quarter benefited significantly from the reversal of previously accrued license fees following resolution of renegotiations with certain providers.

Operating Expenses

	Three Months Ended December 31,	
	2010	2009
	(In thousands)	
Product development expenses	$ 929	$ 946
Sales and marketing expenses	597	597
General and administrative expenses	1,318	2,510
Amortization of intangible assets	18	137
Impairment of goodwill and intangible assets	6,028	-

Product development expenses include the costs to develop, edit and make content ready for consumption on a mobile phone. Expenses in this area are primarily driven by personnel costs, and while headcount has been reduced from period to period, this has been offset by higher personnel costs and internet connectivity costs.

Sales and marketing expenses represent the costs of sales and marketing personnel, and advertising and marketing campaigns. Sales headcount has largely been steady period to period.

General and administrative expenses represent management and support personnel costs in each of the subsidiary companies and related expenses, as well as professional and consulting costs, and other costs such as stock based compensation, depreciation and bad debt expenses. Decreased expenses in the quarter were the result of sharply lower stock compensation expense ($488 lower) due to the full amortization of the Company's primary stock options in prior periods, lower accounting fees related to additional audit work carried out in the prior year, and lower legal expenses in the quarter – primarily related to SEC matters and litigation in the prior year.

Amortization of intangibles represents amortization of the intangibles identified as part of the purchase price accounting related to the Twistbox acquisition and attributed to operating expenses. The reduction in amortization expense is the result of reduced basis following the impairment write down in the last quarter.

Impairment of goodwill and intangible assets represents the write down in value of goodwill and intangible assets associated with the acquisition of Twistbox. The consideration in the Twistbox acquisition was entirely stock-based, and generated significant goodwill since Twistbox was not a capital intensive company. Subsequent to the acquisition, the Company experienced a significant and continued decline in the market value of its common stock, which resulted in the Company's market capitalization falling below its net book value. The Company recorded an impairment charge in the value of goodwill and intangible assets in fiscal 2009 and in fiscal 2010 (booked in the fourth quarter). The Company performed an impairment review for goodwill and intangible assets in the current quarter and as a result of the assessment, the Company determined that its net book value exceeded the implied fair value; therefore, the Company recorded an additional impairment charge of $1,546 to write down goodwill and $4,482 to write down intangibles assets. The intangible assets impaired were the valuation associated with the Twistbox trademark/trade name, and values assigned to customer lists and license agreements.

Other Income and Expenses

	Three Months Ended December 31,	
	2010	2009
	(In thousands)	
Interest and other income/(expense)	$ (346)	$ 673
Profit from discontinued operations, net of taxes	$ -	$ 1,091

Interest and other income/(expense) includes interest income on invested funds, interest expense related to the ValueAct Note and the AMV Note, foreign exchange transaction gains, and other income/expense. Interest costs are lower by $436 due to the significant reduction in debt that occurred in the first quarter of the current fiscal year. This was completely offset by miscellaneous income of $1,449 recorded in the third quarter of the prior year related to settlements with suppliers and customers.
The profit from discontinued operations in the prior year relates to the operations of the subsidiary disposed of in the current year.

Comparison of the Nine Months Ended December 31, 2010 and December 31, 2009

Revenues

	Nine Months Ended December 31,	
	2010	2009
	(In thousands)	
Revenues by type:		
Services	$ 974	$ 1,260
Content - Games	841	2,186
Content - Other	4,253	7,030
Advertising	915	851
Total	$ 6,983	$ 11,327

Revenue has been analyzed based on the primary revenue drivers for the Company's businesses, as follows:

"Services" includes carrier platform management, content aggregation services and development fees derived primarily as an outsourced extended services contract basis. Services revenue tends to project-based, often resulting in significant variances from period to period, dependent on the timing of customers' projects. The decrease in Services revenue for the nine months ended December 31, 2010 is primarily the result of a decrease in the level of development projects undertaken by our technology and development team in the quarter, and the wind-down of a multi-game development agreement with a US based games distributor.

"Content – Games" includes both licensed and internally developed games for use on mobile phones. The decline in revenue largely reflects a strategic decision to curtail investment in the development of new JAVA and BREW games for on-deck carrier sales. We intend to continue to build applications for smartphones (iPhone, iPad, Android, and Blackberry) but there are currently much fewer active games in this category compared to the same period in the prior year. An initiative to build games for social networks was developed during the period and was soft-launched at the end of the period, but is currently being re-evaluated and may not proceed. In addition, games sales through our games platform in Germany have consistently declined in the period, as a result of an overall decline in our customer's platfo rm

"Content – Other" includes a broad range of licensed and internally developed products delivered in the form of WAP, Video, Wallpaper and Mobile TV. The decline in revenue year over year is attributable to several factors: Our primary carrier partner has begun a strategic shift in its global approach to on-deck sales including removing support for a range of older handset models – which has resulted in a significant decline in on-deck revenues from this carrier, particularly in larger markets such as the UK and Spain. This trend accelerated in the second and third quarters. As the result of the loss of our Russian operations in the later part of fiscal 2010, we had virtually no revenues in the current nine month period compared to $1,465 in the prior period. We alos experienced sharp declines in revenue in Brazil a nd other Latin American territories, partly attributed to difficulty in refreshing content. In addition, we experienced lower sales due to a new distribution arrangement in Germany.

"Advertising" includes revenues earned by managing carrier advertising portals, revenues derived from the sale of advertising inventory within our mobile sites, and from the monetization and mediation of traffic through our mobile sites. Building a significant Advertising ecosystem is a key strategic initiative for the Company in fiscal 2011. The nine months ended December 31, 2010 saw significant growth in our core advertising business in the early part of the period, which was partly offset by reductions ancillary carrier revenue in the UK.

Cost of Revenues

	Nine Months Ended December 31, 2010	2009
	(In thousands)	
Cost of revenues:		
License fees	$ 2,747	$ 2,286
Other direct cost of revenues	259	279
Total cost of revenues	$ 3,006	$ 2,565
Revenues	$ 6,983	$ 11,327
Gross margin	57.0%	77.4%

License fees represent costs payable to content providers for use of their brands and intellectual property in products sold. Our licensing agreements are predominantly on a revenue-share basis. Margins in the current nine month period are lower than the same period in the prior year due to higher games quality assurance and development costs, a higher mix of lower margin advertising sales, and higher minimum royalties related to a renegotiated contract. In addition license fees in the prior year benefited from the reversal of previously accrued license fees following resolution of renegotiations with certain providers.

Operating Expenses

	Nine Months Ended December 31, 2010	2009
	(In thousands)	
Product development expenses	$ 3,063	$ 3,106
Sales and marketing expenses	1,647	2,101
General and administrative expenses	4,266	6,687
Amortization of intangible assets	54	410
Impairment of goodwill and intangible assets	6,028	-

Product development expenses include the costs to develop, edit and make content ready for consumption on a mobile phone. Expenses in this area are primarily driven by personnel costs, and while headcount has been reduced from period to period, this has been offset by higher personnel costs and internet connectivity costs.

Sales and marketing expenses represent the costs of sales and marketing personnel, and advertising and marketing campaigns. The decrease year-over-year is the result of cost savings due to headcount reductions and reduced travel.

General and administrative expenses represent management and support personnel costs in each of the subsidiary companies and related expenses, as well as professional and consulting costs, and other costs such as stock based compensation, depreciation and bad debt expenses. Decreased expense in the nine month period was the result of sharply lower stock compensation expense ($1,265), largely due to the full amortization of the Company's primary stock options in prior periods and the expensing in the prior period of stock grants, lower accounting fees related to additional audit work carried out in the prior year, and lower legal expenses in the quarter – primarily related to additional financial reporting for previous years and litig ation in the prior year.

Amortization of intangibles represents amortization of the intangibles identified as part of the purchase price accounting related to the Twistbox acquisition and attributed to operating expenses. The reduction in amortization expense is the result of reduced basis following the impairment write down in the year ended March 31, 2010.

Impairment of goodwill and intangible assets represents the write down in value of goodwill and intangible assets associated with the acquisition of Twistbox. The consideration in the Twistbox acquisition was entirely stock-based, and generated significant goodwill since Twistbox was not a capital intensive company. Subsequent to the acquisition, the Company experienced a significant and continued decline in the market value of its common stock, which resulted in the Company's market capitalization falling below its net book value. The Company recorded an impairment charge in the value of goodwill and intangible assets in fiscal 2009 and in fiscal 2010 (booked in the fourth quarter). The Company performed an impairment review for goodwill and intangible assets in the current quarter and as a result of the assessment, the Company determined that its net book value exceeded the implied fair value; therefore, the Company recorded an additional impairment charge of $1,546 to write down goodwill and $4,482 to write down intangibles assets. The intangible assets impaired were the valuation associated with the Twistbox trademark/trade name, and values assigned to customer lists and license agreements.

Other Income and Expenses

	Nine Months Ended December 31,	
	2010	2009
	(In thousands)	
Interest and other income/(expense)	$ (1,896)	$ (473)
Profit from discontinued operations, net of taxes	$ 709	$ 2,856
Gain on disposal of discontinued operations, net of taxes	$ 4,315	$ -

Interest and other income/(expense) includes interest income on invested funds, interest expense related to the ValueAct Note and the AMV Note, foreign exchange transaction gains, and other income/expense. Interest costs are lower by $783 due to the significant reduction in debt that occurred in the first quarter of the current fiscal year. This was offset by a $368 turnaround in foreign exchange transaction gain/(loss) – a ($128) loss in the current period versus a $240 gain in the same period last year, and charges related to the re-pricing of warrants and to a liability of the subsidiary disposed in the first quarter. In addition, the third quarter of the prior year included a benefit related to settlements with suppliers and customers.
The profit from discontinued operations is the net profit from operations of the subsidiary disposed in the first quarter of the current fiscal year. The gain on disposal of discontinued operations represents the net gain recorded from the sale of the subsidiary during the first fiscal quarter.

Financial Condition

Assets
Our current assets related to continuing operations totaled $4.5 million and $5.8 million at December 31, 2010 and March 31, 2010, respectively. Total assets related to continuing operations were $15.0 million and $22.8 million at December 31, 2010 and March 31, 2010, respectively. The decrease in both current and total assets is primarily due to lower receivables balances, partly offset by higher cash balances.

Liabilities and Working Capital
At December 31, 2010, our total liabilities were $13.2 million, compared to $34.1 million at March 31, 2010. The change in liabilities was related to the reduction in debt as part of the AMV disposal transaction. The Company had negative working capital of $4.5 million at December 31, 2010 and negative working capital of $28.3 million at March 31, 2010 as a result of the timing of both the reduction in debt and the reclassification of debt from short term to long term, respectively.

Liquidity and Capital Resources
Twistbox has incurred losses and negative annual cash flows since inception. The Company had a deficit in net current assets of $4.5 million at December 31, 2010.

The consolidated financial statements included in this Form 10-Q have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the ability of the Company to stem negative cash flows and achieve profitable operations, while undertaking the satisfaction of its liabilities in the normal course of business. The Company has significantly reduced personnel and other overhead costs over the last year to address a decline in revenues and margins, and is likely to continue to do so in the short term to bring operating expenses to a sustainable level in relation to current revenues.

The primary sources of liquidity have historically been issuance of common and preferred stock, and in the case of Twistbox, borrowings under credit facilities. In the future, we anticipate that our primary sources of liquidity will be cash generated by our operating activities, further borrowings or further capital raises. Assuming there are no further changes in sales and expense trends experienced since the fourth quarter of fiscal 2010, and contemplating the Company's cost reduction plans, the Company believes that its cash position will be sufficient to continue operations for the foreseeable future.

Operating Activities
In the period ended December 31, 2010, we used $0.2 million of net cash, flowing from the overall loss of $8.1 million (offset by non-cash items including the goodwill and intangibles impairment charge of $6.0 million, gain on disposal of subsidiary amounting to $4.3 million, depreciation and amortization of $0.5 million and stock based compensation charges of $0.4 million), as well as by a $0.2 increase in the allowance for doubtful accounts, while items generating cash included increases in accrued license fees and other liabilities of $0.7 million and decreases in accounts receivable of $3.3 million Cash was also generated from the $2.5 million in proceeds from the new Senior Debt, offset by $1.7 million cash used in investing activities – primarily $0.9 in transaction costs and $0.6 million in cash that remained with the dispose d subsidiary. In the period ended December 31, 2009, we used $3.6 million of net cash. This primarily related to the net loss of $1.6 million, and reductions in accounts payable/accrued license fees/other liabilities of $4.3 million, partially offset by non cash stock based compensation and depreciation and amortization.

As of December 31, 2010, the Company had approximately $1.7 million of cash. The Company's cash requirements in the future will be dependent on curtailing cash burn due to operational losses, and specific actions taken to improve cash flow, including operational restructuring. We may require additional cash resources for working capital, or due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these sources are insufficient to satisfy our cash requirements, we may seek to sell additional debt securities or additional equity securities or to obtain a credit facility. The sale of convertible debt securities or additional equity securities could result in additional dilution to our stockholders. The incurrence of increased indebtedness would result in addi tional debt service obligations and could result in additional operating and financial covenants that would restrict our operations. In addition, there can be no

assurance that any additional financing will be available on acceptable terms, if at all.

Debt obligations include interest payments under the new Senior Debt facility, and also under the Amended ValueAct Note. Under both facilities the Company may elect to add interest to the principal, until 18 months following June 21, 2010, with the full amount payable at the end of the term. The Company's operating lease obligations include non-cancelable operating leases for the Company's office facilities in several locations, expiring in various years through 2012.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not have any undisclosed borrowings or debt, and we have not entered into any synthetic leases. We are, therefore, not materially
exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Stock Sales and Liquidity

On August 3, 2006, we increased our authorized shares of common stock from 19,000,000 to 100,000,000 and authorized and effectuated a 2.5 to 1stock split of our common stock to increase our outstanding shares from 4,000,000 to 10,000,000. All share and per share amounts have been retroactively adjusted to reflect the effect of the stock split.

On September 14, 2006, we sold 2,800,000 units; on October 12, 2006, we sold 3,400,000 units; and on December 26, 2006, we sold 530,000 units. Each unit sold, at a price per unit of $1.00, consisted of one share of our common stock and one warrant to purchase one share of our common stock. We realized net proceeds of $6,057,000 after the costs of the offering. The warrants had an exercise price of $2.00 per share and expired as follows: 2,800,000 warrants expired in September 2008, 3,400,000 warrants expired in October 2008, and 530,000 warrants expired in December 2008.

On October 12, 2006, we entered into a Series A Convertible Preferred Stock Purchase Agreement with Trinad Management, LLC ("Trinad Management"). Pursuant to the terms of the agreement, Trinad Management purchased 100,000 shares of our Series A Convertible Preferred Stock, par value $0.0001 per share ("Series A Preferred Stock"), for an aggregate purchase price of $100,000. Series A Preferred stockholders are entitled to convert, at their option, all or any shares of the Series A Preferred Stock into the number of fully paid and non-assessable shares of common stock e qual to the number obtained by dividing the original purchase price of such Series A Preferred Stock, plus the amount of any accumulated but unpaid dividends as of the conversion date, by the original purchase price (subject to certain adjustments) in effect at the close of business on the conversion date. The fair value of the 100,000 shares of our common stock underlying the Series A Convertible Preferred Stock was $1.425 per share at the date of grant. Since the value was $0.425 lower than the fair value of our common stock on October 12, 2006, the $42,500 intrinsic value of the conversion option resulted in the reduction of stockholders' equity for the recognition of a preferred stock dividend and an increase to additional paid-in capital.

On July 24, 2007, we entered into a Subscription Agreement with certain investors, pursuant to which such investors agreed to subscribe for an aggregate of 5,000,000 shares of our common stock. Each share of common stock was sold at the price of $0.50, for an aggregate purchase price of $2,500,000. In September, October and December 2007, warrants to purchase 625,000 shares of common stock were exercised in a cashless exchange for 239,000 shares of the Company's common stock based on the average closing price of the Company's common stock for the five days prior to the exercise date.

As described above, pursuant to the Merger, we issued 10,180,292 shares of NeuMedia common stock as part of the merger consideration in connection with the Merger. Such issuance was made pursuant to the exemption from registration permitted under Section 4(2) of the Securities Act. In addition, also in connection with the Merger, on February 12, 2008, we entered into non-qualified stock option agreements with certain of our directors and officers under the Plan whereby we issued options to purchase an aggregate of 1,700,000 shares of our common stock to Ian Aaron, former Chief Executive Officer of Twistbox and former director of the Company, Russell Burke, Chief Financial Officer of Twistbox and the Company, David Mandell, Executive Vice-President, General Counsel and Corporate Secretary of Twistbox and Patrick Dodd, former Senior Vice President of Worldwide Sales and Marketing of Twistbox, each of whom received an option to purchase 600,000 shares, 350,000 shares, 450,000 shares and 300,000 shares, respectively, of our common stock. The options have a ten-year term and are exercisable at a price of $4.75 per share. The options become exercisable over a two-year period, with one-third of the options granted vesting immediately upon grant, an additional one-third vesting on the first anniversary of the date of grant, and the remaining one-third on the second anniversary of the date of grant. The options were granted pursuant to the exemption from registration permitted under Rule 506 of Regulation D of the Securi ties Act.

In April and June 2008, warrants to purchase 350,000 shares of common stock were exercised in a cashless exchange for 217,000 shares of the Company's common stock based on the average closing price of the Company's common stock for the five days prior to the exercise date. On June 18, 2008, the Company granted non-qualified stock options to purchase 1,500,000 shares of common stock of the Company to four directors under the Plan. The options have a ten year term and are exercisable at a price of $2.75 per share, with one-third of the options granted vesting immediately upon grant, one-third vesting on the first anniversary of the date of grant and the remaining one-third vesting on the second anniversary of the date of grant.

As described above, pursuant to the AMV Acquisition, on October 23, 2008, we entered into a Securities Purchase Agreement with certain investors identified therein, pursuant to which NeuMedia agreed to sell to the investors in a private offering an aggregate of 1,685,394 shares of common stock and warrants to purchase 842,697 shares of common stock for gross proceeds to the Company of $4,500,000. The warrants have a five year term and an exercise price of $2.67 per share. The funds were held in an escrow account pursuant to an Escrow Agreement, dated October 23, 2008 and were released to Neu Media on or about November 8, 2008.

Also as described above, in connection with the AMV Acquisition, on October 23, 2008, NeuMedia and ValueAct entered into an allonge to each of those certain warrants issued to ValueAct in connection with the Merger, which, among other things, amended the exercise price of each of the warrants to $4.00 per share.

In October 2008, warrants to purchase 2,300,000 shares of common stock were exercised in a cashless exchange for 286,000 shares of the

Company’s common stock based on the average closing price of the Company’s common stock for the five days prior to the exercise date.

In September 2009, the Company granted warrants to purchase 1,200,000 shares of common stock of the Company a vendor. The warrants are exercisable at $1.25 per share, through September 23, 2014 and were valued at $134,000 at the time of issue.

In connection with the restructuring described above, on June 21, 2010 561,798 shares of common stock held by ValueAct were cancelled, and 3,540,574 shares held by Cresswell and MacLeitch were acquired by the Company at a price of $0.02 per share. In addition, a total of 2,185,000 warrants held by ValueAct were cancelled.

On August 9, 2010, 500,000 shares of common stock of the Company were issued to Paul Schaeffer, a director of the Company, as compensation for services rendered to the Company, including, but not limited to: (i) serving as interim Chief Executive Officer, and (ii) leading and managing negotiations for the Company's settlement with ValueAct SmallCap Master Fund and others.

Revenues

The discussion herein regarding our future operations pertain to the results and operations of Twistbox. Twistbox has historically generated and expects to continue to generate the majority of its revenues from mobile phone carriers that market and distribute its content. These carriers generally charge a onetime purchase fee or a monthly subscription fee on their subscribers' phone bills when the subscribers download Twistbox's products to their mobile phones. The carriers perform the billing and collection functions and generally remit to Twistbox a contractual percentage of their collected fee for each product. Twistbox recognizes as revenues the percentage of the fees due to it from the carrier. End users may also initiate the purchase of T wistbox's products through various Internet portal sites or through other delivery mechanisms, with carriers or third parties being responsible for billing, collecting and remitting to Twistbox a portion of their fees. To date, Twistbox's international revenues have been much more significant than its domestic revenues.

We believe that improving quality and greater availability of 2.5, 3G and 4G handsets and "smartphones" is in turn encouraging consumer awareness and demand for high quality content on their mobile devices. However, at the same time the direct access to content provided by smartphones is providing increasing and substantial challenges to the carriers as their subscribers go beyond the "walled garden" of their on-deck portals. As part of this process, carriers and branded content owners are focusing on a small group of publishers that have the ability to provide high-quality mobile content consistently and port it rapidly and cost-effectively to a wide variety of handsets. Additionally, branded content owners are seeking publishers that have the ability to distribute content globally through relationships with most or all of the major carriers. We believe Twistbox has created the requisite development and porting technology and has achieved the scale to operate at this level. We also believe that leveraging carrier and content owner relationships will allow us to stabilize and then grow our revenues without corresponding percentage growth in our infrastructure and operating costs. However, our revenue growth rate will depend significantly on the ability of the carriers to meet the challenges of subscribers having direct access to products (and thus bypassing the carrier deck), and also on continued growth in the mobile content market and our ability to leverage our distribution and content relationships. Our ability to attain profitability will be affected by the extent to which we must incur additional expenses to make more effective use of our sales, marketing, development, and general and administrative capabilities to stabilize and then to grow our business. The largest component of our expenses is perso nnel costs. Personnel costs consist of salaries, benefits and incentive compensation, including bonuses and stock-based compensation, for our employees. Our operating expenses will continue to grow in absolute dollars, assuming our revenues continue to grow. As a percentage of revenues, we generally expect these expenses to decrease as revenues grow. Many new mobile handset models are released in the fourth calendar quarter to coincide with the holiday shopping season. Because many end users download our content soon after they purchase new handsets, we may experience seasonal sales increases based on this key holiday selling period. However, due to the time between handset purchases and content purchases, much of this holiday impact may occur in our March quarter. For a variety of reasons, we may experience seasonal sales decreases during the summer, particularly in Europe, which is predominantly reflected in our September quarter. In addition to these possible seasonal patterns, our revenues may be impacte d by new or changed carrier deals, and by changes in the manner that our major carrier partners market our content on their deck. Initial spikes in revenues as a result of successful launches or campaigns may create further aberrations in our revenue patterns. Aside from revenues generated by direct sales to the mobile phone carriers, an increasing proportion of Twistbox's revenues have been generated from advertising, and the Company is actively investing in this as a strategic initative. As part of this initiative, the Company is seeking to monetize traffic generated from its activities by placing advertising on sites or within content.

Cost of Revenues

Twistbox's cost of revenues historically, and our cost of revenues going forward, consists primarily of royalties that we pay to content owners from which we license brands, traffic and other intellectual property. In addition, certain other direct costs such as quality assurance ("QA"), use of short codes, external development costs, billing setup fees, and prizing costs are included in cost of revenues. Our cost of revenues also includes noncash expenses—amortization of certain acquired intangible assets, and any impairment of guarantees. We generally do not pay advance royalties to licensors. Where we acquire rights in perpetuity or for a specific time period without revenue share or additional fees, we record the payments made t o content owners as prepaid royalties on our balance sheet when payment is made to the licensor. We recognize royalties in cost of revenues based upon the revenues derived from the relevant game multiplied by the applicable royalty rate. If applicable, we will record an impairment of prepaid royalties or accrue for future guaranteed royalties that are in excess of anticipated recoupment. At each balance sheet date, we perform a detailed review of prepaid royalties and guarantees that considers multiple factors, including forecasted demand, anticipated share for specific content providers, development and launch plans, and current and anticipated sales levels. We expense the costs for development of our content prior to technological feasibility as we incur them throughout the development process, and we include these costs in product development expenses.

Gross Margin

Our gross margin going forward will be determined principally by the mix of content that we deliver, and the costs of distribution. Our games based on licensed intellectual property require us to pay royalties to the licensor and the royalty rates in our licenses vary significantly. Our own in-house developed games, which are based on our own intellectual property, require no royalty payments to licensors. For lifestyle business, branded content requires royalty payment to the licensors, generally on a revenue share basis, while for acquired content we amortize the cost against revenues, and this will generally result in a lower cost associated with it. For advertising busi ness, use of branded content or traffic derived from branded sites requires a royalty payment to the licensors, generally on a revenue share basis. These shares are typically significantly higher than for content sales. For services business the cost of sales may vary significantly, but typically the direct costs will be low – and

therefore the direct margin will be high - because we are able to use existing personnel and infrastructure to deliver the service, without incurring incremental costs. There are multiple internal and external factors that affect the mix of revenues between games, lifestyle content, advertising and services and among licensed, developed and acquired content within those categories, including the overall number of licensed games and developed games available for sale during a particular period, the extent of our and our carriers' marketing efforts for each type of content, and the deck placement of content on our carriers' mobile handsets. We believe the success of any individual game during a particular period is affected by the recognizability of the title, its quality, its marketing and media exposure, its overall acceptance by end users and the availability of competitive games. For other content, we believe that success is driven by the carrier's deck placement, the rating of the content, by quality and by brand recognition. If our product mix shifts more to licensed games or games with higher royalty rates, our gross margin would decline. Similarly, if our product mix continues to shift towards advertising, our gross margin would decline, while a shift towards a higher mix for services revenue would see gross margins increase. For other content as we increase scale, we believe that we will have the opportunity to move the mix towards higher margin acquired product. Our gross margin is also affected by direct costs such as charges for mobile phone short codes, and quality assurance, and by periodic charges for impairment of intangible assets and of prepaid royalties and guarantees. These charges can cause gross margin variations, particularly from quarter to quarter.

Operating Expenses

Our operating expenses going forward will primarily include product development expenses, sales and marketing expenses and general and administrative expenses. Our product development expenses consist primarily of salaries and benefits for employees working on creating, developing, editing, programming, porting, quality assurance, carrier certification and deployment of our content, on technologies related to interoperating with our various mobile phone carriers and on our internal platforms, payments to third parties for developing our content, and allocated facilities costs. We devote substantial resources to the development, supporting technologies, porting and quality assurance of our content. We believe that developing games internally through our own development studios allows us to increase operating margins, leverage the technolog y we have developed and better control game delivery. Games development may encompass development of a game from concept through deployment or adaptation or rebranding of an existing game. For acquired content, typically we will receive content from our licensors which must be edited for mobile phone users, combined with other appropriate content, and packaged for end consumers. The process is made more complex by the need to deliver content on multiple carriers' platforms and across a large number of different handsets. Overall, we have significantly reduced personnel and therefore overhead costs over the last year so as to address a decline in revenues and margins, and we are likely to continue to do so in the short term to bring operating expenses to a sustainable level in relation to current revenues.

Sales and Marketing. Sales and marketing expenses historically, and our sales and marketing expenses going forward, will consist primarily of salaries, benefits and incentive compensation for sales, business development, project management and marketing personnel, expenses for advertising, trade shows, public relations and other promotional and marketing activities, expenses for general business development activities, travel and entertainment expenses and allocated facilities costs. We expect sales and marketing expenses to remain stable in the short term, but may increase in absolute terms in the longer term with the growth of our business and as we further promote our content and expand our carrier network.

General and Administrative. Our general and administrative expenses historically, and going forward, will consist primarily of salaries and benefits for general and administrative personnel, consulting fees, legal, accounting and other professional fees, information technology costs and allocated facilities costs. We have significantly reduced such expenses across the board by reducing the number of personnel, renegotiating salaries, and by reviewing all external costs for potential reduction or curtailment. We expect that general and administrative expenses will reduce slightly in the short term and then stabilize. Such expenses may increase in absolute terms in the middle to longer term if we hire additiona l personnel and incur costs related to the potential growth of our business. We also have a base level of expenses related to our operation as a public company. While these expenses have been reduced where possible, it is more likely that these expenses will increase because of the additional costs to comply with the Sarbanes-Oxley Act and other public company related regulation.

Amortization of Intangible Assets. We will record amortization of acquired intangible assets that are directly related to revenue-generating activities as part of our cost of revenues and amortization of the remaining acquired intangible assets, such as customer lists and platform, as part of our operating expenses. We will record intangible assets on our balance sheet based upon their fair value at the time they are acquired. We will determine the fair value of the intangible assets using a contribution approach. We will amortize the amortizab le intangible assets using the straight-line method over their estimated useful lives of three to five years.

Estimates and Assumptions

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

We provide for deferred income taxes using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and the tax effect of net operating loss carry-forwards. A valuation allowance has been provided as it is more likely than not that the deferred assets will not be realized.

Recent Accounting Pronouncements

See "Note 2 — Recent Accounting Pronouncements" in the notes to the consolidated financial statements in Part 1, Item 1

Item 3.Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate and Credit Risk

Our current operations have exposure to interest rate risk that relates primarily to our investment portfolio. All of our current investments are classified as cash equivalents or short-term investments and carried at cost, which approximates market value. We do not currently use or plan to use derivative financial instruments in our investment portfolio. The risk associated with fluctuating interest rates is limited to our investment portfolio, and we do not believe that a 10% change in interest rates would have a significant impact on our interest income, operating results or liquidity.

Currently, our cash and cash equivalents are maintained by financial institutions in the United States, Germany, the United Kingdom, Poland, Argentina and Colombia and our current deposits are likely in excess of insured limits. We believe that the financial institutions that hold our investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments. Our accounts receivable primarily relate to revenues earned from domestic and international mobile phone carriers. We perform ongoing credit evaluations of our carriers' financial condition but generally require no collateral from them. As of December 31, 2010, our largest customer (in multiple territories) represented approximately 49% of our gross accounts receivable outstanding.

Foreign Currency Risk

The functional currencies of our United States and German operations are the United States Dollar, or USD, and the Euro, respectively. A significant portion of our business is conducted in currencies other than the USD or the Euro. Our revenues are usually denominated in the functional currency of the carrier. Operating expenses are usually in the local currency of the operating unit, which mitigates a portion of the exposure related to currency fluctuations. Intercompany transactions between our domestic and foreign operations are denominated in either the USD or the Euro. At month-end, foreign currency-denominated accounts receivable and intercompany balances are marked to market and unrealized gains and losses are included in other income (expense), net. Our foreign currency exchange gains and losses have been generated primarily from fluctuations in the Euro and pound sterling versus the USD and in the Euro versus the pound sterling. In the future, we may experience foreign currency exchange losses on our accounts receivable and intercompany receivables and payables. Foreign currency exchange losses could have a material adverse effect on our business, operating results and financial condition.

Inflation

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we might not be able to offset these higher costs fully through price increases. Our inability or failure to do so could harm our business, operating results and financial condition.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness, as of the end of the period covered by this report, of our disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e). Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of such date, the Company's disclosure controls and procedures were effective.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Controls and Procedures

There were no changes in our internal control over financial reporting or in other factors identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13(a)-15 and 15(d)-15 that occurred during the third quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There has been no material changes in our legal proceedings from those disclosed in our Annual Report on Form 10-K, as amended, for the year ended March 31, 2010. From time to time, we are subject to various claims, complaints and legal actions in the normal course of business. As of the date of filing this Quarterly Report on Form 10-Q, we are not a party to any litigation that we believe would have a material adverse effect on us.

Item 1A. Risk Factors.

There has been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended March 31, 2010.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved)

Item 5. Other Information.

In connection with a restructuring of the Company's operations: (a) on February 22, 2011 we entered into (i) a Confidential Separation, Transition and Release Agreement and a Restricted Stock Agreement with Mr. Ray Schaaf (together, the "Schaaf Agreements"), and (b) on February 21, 2011 we entered into (i) a Confidential Separation, Transition and Release Agreement with Mr. Russell Burke (the "Burke Agreement"), and (ii) an Amendment to the Employment Letter Agreement and a Non-Qualified Stock Option Agreement with Mr. James Lefkowitz (together, the "Lefkowitz Agreements"). The following description of these agreements is qualified in its entirety by the complete copies of these agreements, which are exhibits to this report.

Pursuant to the Schaaf Agreements, Mr. Schaaf will begin a transition period in his role with the Company that will end on May 9, 2011, during which time Mr. Schaaf's duties with the Company will be reduced to the level requested by the Company. At the end of the transition period, if not earlier as determined by the Board, Mr.Schaaf will cease to be our President or an employee of the Company and will resign as a member of our Board of Directors. Mr. Schaaf will be an "at-will" employee during the transition period. The Company will pay Mr. Schaaf $45,000 in 3 installments for his services during the transition period, and if Mr. Schaaf does not revoke the transition agreement during the 7 day period after its execution, the Company will issue 300,000 shares of the Company's common stock to Mr. Schaaf. The Schaaf Agreements include a mutual, general release, and if Mr. Schaaf does not reaffirm the general release within 21 days of the transition period, the Company will have the right to repurchase the 300,000 shares of the Company's common stock issued to him.

Pursuant to the Burke Agreement, Mr. Burke will begin a transition period in his role with the Company that will end on September 12, 2011, during which time Mr. Burke will provide the services reasonably requested by the Company, and Mr. Burke will resign as our Chief Financial Officer by no later than March 29, 2011. The Burke Agreement provides that Mr. Burke will be an "at-will" employee during the transition period and includes a mutual, general release. The Company will pay Mr. Burke $8,000 per month during the transition period, and if Mr. Burke's employment by the Company is terminated before the end of the transition period and Mr. Burk reaffirms the general release within 21 days of such termination of employment, the Company will pay Mr. Burke the foregoing monthly amount through the end of the transition period. In connection with the Burke Agreement, the Company and Mr. Burke have agreed to cancel 300,000 shares underlying an option for 350,000 shares of common stock of the Company previously granted to Mr. Burke, and the Company has granted Mr. Burke an option to purchase 300,000 shares of the Company's common stock at an exercise price of $0.25 per share. Subject to the affirmative obligations of Mr. Burke set forth in his agreement and to the general duties owed by an employee to an employer, Mr. Burke will be entitled to engage in other employment during the transition period on a full-time, part-time or consulting basis.

Pursuant to the Lefkowitz Agreements, we amended our employment letter agreement with Mr. Lefkowitz, our Chief Operating Officer, to change his base rate of pay to $5,000 per month and to cancel an option to purchase 500,000 shares of common stock of the Company previously granted to Mr. Lefkowitz in return for a new option to purchase 500,000 shares of common stock of the Company at an exercise price of $0.25 per share. In addition, we have agreed that Mr. Lefkowitz may provide services on a non-exclusive basis on projects outside of the Company if his activities in those projects do not conflict with his duties or obligations to, and are not otherwise competitive with, the Company.

Item 6.Exhibits.

Exhibit No.	Description
1.1	Certificate of Incorporation. [1]
1.2	Bylaws. [1]
31.1	Certification of Ray Schaaf, Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Russell Burke, Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Ray Schaaf, Principal Executive Officer, pursuant to 18 U.S.C. Section 1350. *
32.2	Certification of Russell Burke, Principal Financial Officer, pursuant to 18 U.S.C. Section 1350. *
99.1	Confidential Separation, Transition and Release Agreement with Mr. Ray Schaaf. *
99.2	Restricted Stock Agreement with Mr. Ray Schaaf. *
99.3	Confidential Separation, Transition and Release Agreement with Mr. Russell Burke. *
99.4	Non-Qualified Stock Option Agreement with Mr. Russell Burke. *
99.5	Amendment to the Employment Letter Agreement with Mr. James Lefkowitz. *
99.6	Non-Qualified Stock Option Agreement with Mr. James Lefkowitz. *

* Filed herewith
(1) Incorporated by reference to the Registrant’s Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

NeuMedia, Inc.

Date: February 22, 2011

By: /s/ Ray Schaff
Ray Schaff
President
(Authorized Officer and Principal Executive Officer)

Date: February 22, 2011

By: /s/ Russell Burke
Russell Burke
Chief Financial Officer and Secretary
(Authorized Officer and Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ray Schaaf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NeuMedia, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2011

/s/ Ray Schaff
Ray Schaff
President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Russell Burke, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NeuMedia, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2011

/s/ Russell Burke
Russell Burke
Chief Financial Officer and Secretary
(Principal Financial Officer)

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of NeuMedia, Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the period ended December 31, 2010 of the Company (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2011

/s/ Ray Schaff
Ray Schaff
President
(Principal Executive Officer)

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of NeuMedia, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended December 31, 2010 of the Company (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2011

/s/ Russell Burke
Russell Burke
Chief Financial Officer and Secretary
(Principal Financial Officer)

Exhibit 99.1

CONFIDENTIAL SEPARATION, TRANSITION AND RELEASE AGREEMENT

This Confidential Separation and Release Agreement (the "Agreement") is entered into by and between Ray Schaaf (hereinafter "Employee") on the one hand, and Neumedia, Inc. (the "Company") on the other hand (collectively "the Parties").

RECITALS

A. **WHEREAS**, Employee is currently employed by Neumedia, Inc. as President;

B. **WHEREAS**, Employee is currently a Director on the Board of Directors of Neumedia, Inc. (the "Board");

C. **WHEREAS**, Employee seeks to resign his position as President of Neumedia, Inc. Employee also seeks to resign his position as Director on the Board;

D. **WHEREAS**, the Company has accepted Employee's resignation as an employee and Director of the Company and, as applicable, its subsidiaries. Employee and the Company have agreed that Employee shall stay on as President and a Director of Neumedia, Inc. during a Transition Period, as defined below;

E. **WHEREAS**, this Agreement shall supersede any other employment agreement between the Company and Employee, whether oral, implied or written, and shall render any such employment agreement null and void; and

F. **WHEREAS**, it is now the desire of the parties to compromise, settle, waive and release all claims of whatever kind or description which Employee may have against the Company Releasees, as defined herein.

NOW, THEREFORE, in consideration of the recitals which are incorporated into this Agreement and the mutual promises and covenants set forth herein, the parties do hereby agree as follows:

AGREEMENT

1. Transition Period. Employee shall continue employment on an "at-will" basis through a transition period that will end on or about May 9, 2011 ("Transition Period"). Employee's last day of employment with the Company shall be May 9, 2011 (the "Separation Date"), unless terminated earlier by Employee or the Company. Employee's duties during the Transition Period shall be reduced to the level requested by the Company, and will be primarily focused on (i) assistance with an orderly transition, (ii) matters pertaining to Vodaphone Global and (iii) completion and execution of the Company's third quarter form 10-Q. On the Separation Date and thereafter (i) Employee will cease to be an employee of the Company, (ii) Employee's resignation from the Board of the Company (if not effected earlier as provided below) shall become effective without any further action by Employee and (iii) Employee will have no authority to act on behalf of the Company or any of its subsidiary, related or affiliated entities in any capacity. Subject to the provisions of Section 15, effective on the Separation Date, Employee shall be permitted to retain the Company's laptop computer now in use by him (the "Retained Computer"). Notwithstanding the foregoing or any other restrictions to the contrary, the Company acknowledges and agrees that during the Transition Period, Employee shall be able to pursue other business interests, opportunities, and activities, including employment with or ownership of other entities, so long as they do not interfere with Employee's duties on behalf of the Company or are otherwise in competition with the business of the Company or any of its subsidiaries. Employee agrees that he shall resign from the Board of the Company at any time prior to the Separation Date upon request of the Board, and in furtherance hereof, shall deliver an undated resignation letter to be held by the Board.

2. Pay During Transition Period.

(a) Provided Employee's employment continues through the Transition Period, the Company shall pay Employee forty-five thousand dollars ($45,000.00) pursuant to the following payment schedule: $15,000 on February 24, 2011 for the time period beginning February 13, 2011 and ending on March 8, 2011; $15,000 on March 9, 2011 for the time period beginning on March 9, 2011 and ending on April 8, 2011; and $15,000 on April 9, 2011 for the time period beginning on April 9, 2011 and ending on May 9, 2011 (each an "installment" of the "Payment for Services"). The Company's failure to provide Employee with any of the above-listed installments of the Payment for Services within five (5) calendar days of the payment dates listed above shall constitute a material breach of this Agreement; rendering the release of claims provided by Employee to the Company in Paragraph 8, below, to be null and void.

(b) If the Company terminates Employee's employment for any reason prior to May 9, 2011, and Employee has not yet been paid each of the installments of the Payment for Services set forth in Paragraph 2(a), above, then Employee shall be entitled to be paid the remainder of such unpaid installments if Employee signs and does not revoke the Reaffirmation of Confidential, Separation, Transition and Release Agreement on the date of termination or within twenty-one (21) days thereafter (as described in Paragraph 7, below, and Exhibit A hereto). Any such unpaid installments of the Payment for Services following the termination of Employee's employment will be made on the later of: (i) the payment dates set forth in Paragraph 2(a) above, with the five (5) calendar day grace period as provided for in Paragraph 2(a) above; or (ii) the business day following the expiration of the revocation period for the Reaffirmation of Confidential Separation, Transition and Release Agreement.

(c) If Employee resigns his employment for any reason prior to May 9, 2011, Employee shall be entitled only to a pro rata amount of the Payment for Services rendered through the last date of employment and nothing more.

(d) Employee represents that he has used all vacation pay or allowances, and that as of the date of this Agreement no vacation pay is due to him. Employee shall not accrue any vacation pay during the Transition Period, nor shall he be entitled to any other benefits or remuneration of any kind, except to the extent expressly set forth in this Agreement.

3. Outstanding Expenses. Employee shall receive, in cash, any outstanding business-related reimbursements which shall be paid promptly in accordance with Company policy, including provision by Employee of supporting documentation as required by Company policy.

4. Separation Benefit. The Company agrees that provided Employee signs this Agreement and does not revoke this Agreement as set forth in Paragraph 12, below, on the 8th day following Employee's execution of this Agreement, the Company shall:

(a) Issue 300,000 shares of common stock of the Company to Employee. The issuance of these shares have not been effectively registered under the Securities Act. The Employee hereby represents and warrants that he is acquiring the shares for his own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such shares. The Employee understands that because the shares have not been registered under the Securities Act, the Employee must continue to bear the economic risk of the investment for an indefinite period of time. The Employee represents and warrants that the Employee (1) has been furnished with all information which it deems necessary to evaluate the merits and risks of the receipt of the shares, (2) has had the opportunity to ask questions concerning the shares and the Company and all questions posed have been answered to its satisfaction, (3) has been given the opportunity to obtain any additional information it deems necessary to verify the accuracy of any information obtained concerning the shares and the Company, (4) has such knowledge and experience in financial and business matters that the Employee is able to evaluate the merits and risks of investing in the shares and to make an informed investment decision relating thereto and (5) is an "accredited investor" as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act. The Employee specifically acknowledges and agrees that any sales of the shares shall be made in accordance with the requirements of the Securities Act, in a transaction as to which the Company shall have received an opinion of counsel satisfactory to it confirming such compliance. The Company shall have the right to repurchase the shares issued to Employee hereunder at the original issue price for a period commencing on termination of the Transition Period and ending thirty days later; provided, however, the repurchase right shall terminate if Employee executes and delivers the Reaffirmation Agreement to the Company as provided in Section 6.

(b) The Employee shall be bound by the provisions of the following legends which shall be endorsed upon the certificate evidencing the shares issued:

> "The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws."
>
> "THESE SECURITIES HAVE NOT BEEN QUALIFIED UNDER THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968, AS AMENDED ("CSL"), AND ARE ALSO RESTRICTED UNDER THE PROVISIONS OF THAT LAW. THESE SECURITIES MUST BE HELD INDEFINITELY UNLESS THEY ARE SUBSEQUENTLY QUALIFIED UNDER THE CSL OR ARE OTHERWISE EXEMPT FROM QUALIFICATION UNDER THAT LAW."

(c) The Company shall reasonably cooperate with Employee, at the request of Employee, in connection with removing restrictive legends from shares of common stock of the Company now held or hereafter acquired by Employee under this Agreement, as permitted by law or agreement, and shall, at the Company's sole cost, arrange for one or more opinions of counsel if necessary to remove the legends. The Company shall not be required to transfer any of the Employee's shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Paragraph 4, or to treat as the owner of such shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such shares shall have been so sold, assigned or otherwise transferred, in violation of this Paragraph 4. The Company agrees that if it fails to provide the opinion referenced above with in ten (10) business days of a compliant request by Employee, the release under Section 8 shall be void.

5. Twelve Month Holdback. Employee understands and agrees that, for a period ending twelve months after the date of this Agreement, Employee may not transfer by gift, sale, operation of law, or otherwise, any of Employee's shares in the Company, including but not limited to Employee's shares of restricted common stock in the Company, without the prior written consent of the Company. The Company shall not be required to transfer any of the Employee's shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Paragraph 5, or to treat as the owner of such shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such shares shall have been so sold, assigned or otherwise transferred, in violation of this Paragraph 5.

6. Representations and Warranties.

(a) Employee makes the following representations and warranties: (a) Employee acknowledges that the Separation Benefits set forth in Paragraph 4 are things to which Employee would not be entitled except for Employee's decision to sign this Agreement and to abide by the terms of this Agreement; (b) Employee represents and warrants that, other than what is provided for in this Agreement, the Company has paid to Employee all wages and other benefits owing and due to him by the Company as a result of Employee's employment with and separation from the Company, including but not limited to all salary, bonuses, commissions, incentive pay, management fees, director fees, grants of stock, stock options, vacation pay, severance, or any other remuneration in any type or form.

(b) Company makes the following representation and warranty: The members of the Board of Directors of the Company have no present actual knowledge of any material facts regarding the Employee or his conduct prior to the date of this Agreement that would support legal action by the Company against Employee for damages.

7. The Company's Release of Known and Unknown Claims. The Company shall execute the general release set forth in Exhibit A, attached hereto, in exchange for: (1) Employee's execution and delivery of the Reaffirmation of Confidential Separation, Transition and Release Agreement in the form attached hereto as Exhibit A (the "Reaffirmation Agreement") on the termination date or within twenty-one (21) days thereafter, in which Employee agrees to extend the release in Paragraphs 8 and 9 of this Agreement to include the period from the date of execution of this Agreement to the execution date of the Reaffirmation Agreement, and (2) the expiration of the revocation period described in the Reaffirmation Agreement without a revocation by Employee.

8. Employee's Release of Known and Unknown Claims. In exchange for the agreements herein, Employee, including his heirs, executors, administrators, trustees, attorneys, representatives, and assigns ("Employee Releasors") agree unconditionally and forever to waive, release and discharge the Company and the Company's past and present affiliated, related, parent and subsidiary entities, as well as their respective past and present owners, investors, shareholders, lenders, members, managers, partners, officers, directors, employees, agents, representatives, attorneys, successors and assigns, past and present ("Company Releasees") from any and all claims, actions, causes of action, demands, rights, or damages of any kind or nature which they may now have, or ever have, whether known or unknown, including but not limited to any claims, causes of action or demands of any nature arising out of or in any way relating to Employee's employment with, or separation from the Company; provided, however, nothing herein shall be deemed a release or waiver of (i) Employee's rights of indemnification and directors and officers liability insurance coverage to which Employee was entitled immediately prior to the Separation Date under the Company's Bylaws, organizational documents, any employment agreement, or otherwise, (ii) Employee's rights under any tax-qualified pension plan maintained by the Company or claims for accrued, vested benefits under any other employee benefit plan or COBRA, (iii) Employee's rights as a stockholder of the Company and (iv) any rights under this Agreement.

This release specifically includes, but is not limited to, any claims for fraud; breach of contract; breach of implied covenant of good faith and fair dealing; inducement of breach; interference with contract; wrongful or unlawful discharge or demotion; violation of public policy; assault and battery (sexual or otherwise); invasion of privacy; intentional or negligent infliction of emotional distress; intentional or negligent misrepresentation; conspiracy; failure to pay wages, benefits, vacation pay, bonuses, commissions, salary, severance pay, stock, stock options, attorneys' fees, or other compensation of any sort; retaliation; discrimination or harassment on the basis of age, race, color, sex, gender, national origin, ancestry, religion, disability, handicap, medical condition, marital status, sexual orientation or any other protected category under federal, state or local law; any claim under Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the California Fair Employment and Housing Act, the California Labor Code, the Family and Medical Leave Act, the California Family Rights Act, or Section 1981 of Title 42 of the United States Code; violation of COBRA; violation of any safety and health laws, statutes or regulations; violation of ERISA; violation of the Internal Revenue Code; or any other wrongful conduct of any kind, based upon events occurring prior to the date of execution of this Agreement.

Employee further agrees knowingly to waive the provisions and protections of Section 1542 of the California Civil Code, which reads:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Employee intends this release to be a full and comprehensive general release, waiving all claims, demands and causes of action, known and unknown, to the fullest extent permitted by law. Nothing in this Agreement is intended to nor shall it be interpreted to release any claim which, by law, may not be released.

9. Cooperation with Government Agencies. Nothing in the release of claims set forth herein shall be construed as prohibiting Employee from bringing and/or participating in a future claim with the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing, or any other government agency; provided, however, that should Employee pursue and/or be involved with such an administrative action against the Company Releasees, or any of them, Employee agrees that he will not seek, nor shall he be entitled to recover, any monetary damages from any such proceeding.

10. Knowing and Voluntary. Employee represents and agrees that Employee is entering into this Agreement knowingly and voluntarily and that he is represented by counsel of his own choosing in connection with the negotiation and drafting of this Agreement. Employee affirms that no promise or inducement was made to cause him to enter into this Agreement, other than the Separation Benefits promised to Employee herein. Employee further confirms that he has not relied upon any other statement or representation by anyone other than what is in this Agreement as a basis for his decision to sign this Agreement.

11. Execution of Agreement. Employee expressly acknowledges that he has been provided twenty-one (21) days to consider this Agreement and that he was informed in writing that he has the right to consult with counsel regarding this Agreement, and that he has had the opportunity to consult with counsel. To the extent that Employee has taken fewer than twenty-one (21) days to consider this Agreement, Employee acknowledges that he had sufficient time to consider the Agreement and to consult with counsel and that he does not desire additional time.

12. Revocation. This Agreement is revocable by Employee for a period of seven calendar days following his execution of this Agreement. The revocation must be in writing, must specifically revoke this Agreement, and must be received by the Company pursuant to Paragraph 20 prior to the eighth calendar day following the execution of this Agreement. This Agreement becomes effective, enforceable and irrevocable on the eighth calendar day following Employee's execution of this Agreement.

13. No Disparagement. The parties hereto agree that they will not criticize or disparage each other, or issue any communication, written or otherwise, that reflects adversely upon each other. .

14. Protection of Confidential Information. Employee acknowledges that during his employment with the Company, he had access to and became informed of confidential and proprietary and/or trade secret information concerning the Company and/or the Company Releasees that is not generally known to the public or competitors (collectively referred to as "Confidential Information"), including but not limited to: financial information; business plans and strategy; marketing plans and strategy; methods of operation; volume of business and profit margins; and lists of customers, suppliers, subscribers, or employees. Employee agrees not to directly or indirectly make known, divulge, reveal, furnish, make available, disclose, or use any Confidential Information, except as compelled by an order of a court of competent jurisdiction or a subpoena issued under the authority thereof. If Employee receives a court order or subpoena seeking any Confidential Information, Employee or his legal representative or attorney will notify the Company of such court order or subpoena within two (2) business days of receiving it, pursuant to the notice provision in Paragraph 20, below.

15. Return of Confidential Information and Company Property. To the extent that Employee had any Confidential Information in Employee's possession, Employee represents and warrants that he has returned all such Confidential Information (whether maintained in hard copy or electronically on the Retained Computer, or otherwise) to the Company prior to signing this Agreement and that he has made no copies of any such Confidential Information for himself or for any other person or entity prior to returning the Confidential Information to the Company. Employee further confirms that Employee has, except for the Retained Computer, delivered to the Company any and all property and equipment of the Company, including laptop computers, electronic communication devices (e.g., cell phone, BlackBerry, etc.), identification cards, keys or key cards, and/or any other company property or equipment which may have been in Employee's possession.

16. No Solicitation of Customers of Company by Use of the Company's Confidential Information or Trade Secrets. In order to protect the Company's Confidential Information and trade secrets, Employee agrees that he will not in any capacity, on his own behalf, or on behalf of any other person, firm or entity, undertake or assist in the solicitation of any customers of the Company while making use of the Company's Confidential Information, as defined in Paragraph 14, above, following the cessation of Employee's employment with the Company.

17. No Solicitation of Employees of Company. For the period commencing on the Separation Date and ending twelve months later, Employee agrees to not in any capacity, on his own behalf, or on behalf of any other person, firm or entity, undertake or assist in the solicitation of any then current employees of the Company to terminate his, her, or its relationship, employment, or other association with the Company. Employee understands that the Company's business model is based on sales and servicing of its customers by its employees and that the Company has a legitimate business interest in preventing the solicitation of such employees.

18. Non-Disclosure of this Agreement. Employee agrees not to disclose the terms of this Agreement, any claims he has or might have against the Company, or any of the facts and circumstances which gave rise to the separation of Employee's employment with the Company or which led to the execution of this Agreement, except in the following circumstances:

(a) Employee may disclose the terms of this Agreement to Employee's immediate family, so long as such family member agrees to be bound by the confidential nature of this Agreement;

(b) As long as they are advised in writing of the confidential nature of this Agreement, Employee may disclose the terms of this Agreement to: (i) Employee's tax advisors; (ii) taxing authorities if requested by such authorities; and (iii) Employee's legal counsel.

(c) Pursuant to the order of a court or governmental agency of competent jurisdiction, or for purposes of securing enforcement of the terms and conditions of this Agreement should that ever be necessary.

Notwithstanding anything to the contrary set forth in this Paragraph 18, the non-disclosure provisions describe above shall not apply to any information that is publicly disclosed by the Company.

19. Right to Injunctive Relief. Employee acknowledges and agrees that if he violates any of the provisions in Paragraphs 13-18, the Company shall be entitled to a restraining order or injunction against Employee, in addition to any other rights or remedies the Company may have. Employee agrees to waive any requirement that the Company post a bond to obtain injunctive relief under this Paragraph. The prevailing party in an action to enforce Paragraphs 13-18 shall be entitled to recover from the other party its reasonable attorneys' fees and costs.

20. Notices. Except where otherwise provided for in this Agreement, all notices and other communications under this Agreement shall be in writing and shall be given by first-class mail, certified or registered with return receipt requested or hand delivery acknowledged in writing by an authorized recipient and shall be deemed to have been duly given three (3) days after mailing or immediately upon duly acknowledged hand delivery to the respective persons named below:

For Employee: Ray Schaaf
418 Maple Way
Woodside, CA 94062

For Company: Neumedia, Inc.
14242 Ventura Blvd., 4th Floor
Sherman Oaks, California, 91423
Attention: General Counsel

21. Taxes/Withholdings. All payments under this Agreement are subject to any applicable employment or tax withholdings or deductions. In addition, the parties hereby agree that it is their intention that all payments or benefits provided under this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and this Agreement shall be interpreted accordingly. Employee hereby is advised to seek independent advice from Employee's tax advisor(s) with respect to the application of Section 409A of the Code to any payments under this Agreement. Notwithstanding the foregoing, the Company does not guarantee the tax treatment of any payments or benefits under this Agreement, including without limitation under the Code, federal, state or local laws. The Company shall have the right to withhold from any cash consideration paid hereunder any applicable withholding taxes due in connection with any of the cash or stock consideration paid hereunder, and will timely remit to applicable taxing authorities all withholding taxes or other taxes it is required by law to remit in connection therewith.

22. Ongoing Cooperation. Employee agrees that Employee will assist and cooperate with the Company in connection with the defense, prosecution or investigation of any claim that may be made against or by any of the Company Releasees, including any proceeding before any arbitral, administrative, judicial, legislative, or other body or agency, including testifying in any proceeding to the extent such claims, investigations or proceedings relate to services performed or required to be performed by Employee, pertinent knowledge possessed by Employee, or any act or omission by Employee. Employee and the Company further agree to perform all acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Paragraph and this Agreement.

23. Binding Effect of this Agreement. This Agreement is binding upon Employee and Employee's successors, assigns, heirs, executors, administrators and legal representatives.

24. No Admission. This Agreement may not be cited as, and does not constitute any admission by the Company of, any violation of any law or legal obligation with respect to any aspect of Employee's employment or separation from the Company or with respect to any other matter. The Company specifically denies that it violated any law, statute, ordinance or regulation.

25. Severability. If any portion of this Agreement is found to be illegal or unenforceable, such action shall not affect the validity or enforceability of the remaining portions of this Agreement. Each party agrees that the restrictions and prohibitions contained herein shall be effective to the fullest extent allowed under applicable law.

26. Entire Agreement. This Agreement sets forth the entire agreement between the parties and fully supersedes all other oral or written understandings or agreements between the parties pertaining to Employee's employment with and separation from the Company, including but not limited to any oral, implied or written employment agreement. Employee and the Company agree that no promises, representations, or inducements have been made to either of them which caused either of them to sign this Agreement other than those which are expressly set forth herein.

27. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, all of which together will constitute one and the same agreement. A facsimile copy or pdf copy of a party's signature on this Agreement will be deemed as an original.

28. Modification. This Agreement may not be changed or altered, except by a writing signed by an authorized representative of the Company and by Employee.

29. Governing Law. This Agreement is entered into in the State of California, and the laws of the State of California will apply to any dispute concerning it, excluding the conflict-of-law principles thereof.

30. Waiver. The failure to enforce any provision of this Agreement shall not be construed to be a waiver of such provision or to affect the validity of this Agreement or the right of any party to enforce this Agreement.

31. Ambiguities. Both parties have participated in the negotiation of this Agreement and, thus, it is understood and agreed that the general rule that ambiguities are to be construed against the drafter shall not apply to this Agreement. In the event that any language of this Agreement is found to be ambiguous, each party shall have an opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language.

32. Agent Indemnification. The Company confirms to Employee that so long as Employee is an agent (i.e., employee or director) of the Company, Employee shall be entitled to all indemnification rights afforded under the Company's charter documents and applicable law.

PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. THE UNDERSIGNED AGREE TO THE TERMS OF THIS AGREEMENT AND VOLUNTARILY ENTER INTO IT WITH THE INTENT TO BE BOUND THEREBY.

Dated: February 22, 2011 ___________________________
Ray Schaaf

Dated: February 22, 2011 NeuMedia, Inc.

____

By:
Title:

EXHIBIT A

REAFFIRMATION OF CONFIDENTIAL SEPARATION, TRANSITION AND RELEASE AGREEMENT

By his signature below, Ray Schaaf ("Employee") hereby reaffirms the Confidential Separation, Transition and Release Agreement entered into between NeuMedia, Inc. ("the Company") and Employee on February __, 2011 ("the Separation Agreement"), which is incorporated herein by reference as if set forth fully (this agreement shall hereafter be referred to as the "Reaffirmation"). The intent of this Reaffirmation is to effectuate a complete release of all matters released, as described in Paragraph 8 of the Separation Agreement ("the Released Matters"), while extending the timeframe of that release, and its full effect, to and including the date of Employee's signature below, and to effectuate a general release by the Company to Employee in consideration for Employee's execution of this Reaffirmation.

1. Reaffirmation of Employee's Release of Known and Unknown Claims. In Reaffirmation of the Separation Agreement and in consideration for the Company's release herein, Employee, including his heirs, executors, administrators, trustees, attorneys, representatives, and assigns ("Employee Releasors") agrees unconditionally and forever to waive, release and discharge the Company and the Company's past and present affiliated, related, parent and subsidiary entities, as well as their respective past and present owners, investors, shareholders, lenders, members, managers, partners, officers, directors, employees, agents, representatives, attorneys, successors and assigns, past and present ("Company Releasees") from any and all claims, actions, causes of action, demands, rights, or damages of any kind or nature which they may now have, or ever have, whether known or unknown, including but not limited to any claims, causes of action or demands of any nature arising out of or in any way relating to Employee's employment with, or separation from the Company; provided, however, nothing herein shall be deemed a release or waiver of (i) Employee's rights of indemnification and directors and officers liability insurance coverage to which Employee was entitled immediately prior to the Separation Date under the Company's Bylaws, organizational documents, any employment agreement, or otherwise, (ii) Employee's rights under any tax-qualified pension plan maintained by the Company or claims for accrued, vested benefits under any other employee benefit plan or COBRA, (iii) Employee's rights as a stockholder of the Company and (iv) any rights under this Reaffirmation.

This release specifically includes, but is not limited to, any claims for fraud; breach of contract; breach of implied covenant of good faith and fair dealing; inducement of breach; interference with contract; wrongful or unlawful discharge or demotion; violation of public policy; assault and battery (sexual or otherwise); invasion of privacy; intentional or negligent infliction of emotional distress; intentional or negligent misrepresentation; conspiracy; failure to pay wages, benefits, vacation pay, bonuses, commissions, salary, severance pay, stock, stock options, attorneys' fees, or other compensation of any sort; retaliation; discrimination or harassment on the basis of age, race, color, sex, gender, national origin, ancestry, religion, disability, handicap, medical condition, marital status, sexual orientation or any other protected category under federal, state or local law; any claim under Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the California Fair Employment and Housing Act, the California Labor Code, the Family and Medical Leave Act, the California Family Rights Act, or Section 1981 of Title 42 of the United States Code; violation of COBRA; violation of any safety and health laws, statutes or regulations; violation of ERISA; violation of the Internal Revenue Code; or any other wrongful conduct of any kind, based upon events occurring prior to the date of execution of this Agreement.

2. Company's Release of Known and Unknown Claims. In consideration for Employee's unrevoked execution of this Reaffirmation, the Company and the Company's past and present affiliated, related, parent and subsidiary entities, as well as their respective past and present owners, investors, shareholders, lenders, members, managers, partners, officers, directors, employees, agents, representatives, attorneys, successors and assigns, past and present ("Company Releasors"), agree unconditionally and forever to waive, release and discharge Employee, including his heirs, executors, administrators, trustees, attorneys, representatives, and assigns ("Employee Releasees") from any and all claims, actions, causes of action, demands, rights, or damages of any kind or nature which they may now have, or ever have, whether known or unknown, including but not limited to any claims, causes of action or demands of any nature arising out of or in any way relating to Employee's employment with, or separation from the Company.

3. Waiver of California Civil Code Section 1542. The Parties understand and agree that this release extends to all claims of whatever nature, known or unknown, and includes all rights provided by any and all statutes which may apply to general release provisions, including but not limited to, Section 1542 of the Civil Code of California, which provides as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Parties intend this release to be a full and comprehensive general release, waiving all claims, demands and causes of action, known and unknown, to the fullest extent permitted by law. Nothing in this Reaffirmation or release is intended to nor shall it be interpreted to release any claim which, by law, may not be released.

4. Cooperation with Government Agencies. Nothing in the release of claims set forth herein shall be construed as prohibiting Employee from bringing and/or participating in a future claim with the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing, or any other government agency; provided, however, that should Employee pursue and/or be involved with such an administrative action against the Company Releasees, or any of them, Employee agrees that he will not seek, nor shall he be entitled to recover, any monetary damages from any such proceeding.

5. Review and Revocation Period. Employee also understands and acknowledges that the review and revocation rights described in the Separation Agreement at Paragraphs 11 and 12 apply equally to this Reaffirmation of Separation Agreement, including the period of twenty-one (21) days to consider the terms of this Reaffirmation and seven (7) days following the date of execution of this Reaffirmation to revoke. The revocation must be in writing, must specifically revoke this Reaffirmation, and must be received by the Company pursuant to Paragraph 20 of the Separation Agreement prior to the eighth calendar day following the execution of this Agreement. This Reaffirmation becomes effective, enforceable and irrevocable on the eighth calendar day following Employee's execution of this Reaffirmation.

PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

NeuMedia, Inc.

Dated: ____________________, 2011

By: ___________________________
Title:

I have carefully read this Reaffirmation and understand that it contains a release of known and unknown claims. I acknowledge and agree to all of the terms and conditions of this Reaffirmation. I further acknowledge that I enter into this Reaffirmation voluntarily with a full understanding of its terms.

Dated: ______________________, 2011

____
Ray Schaaf

Exhibit 99.2

RESTRICTED STOCK AGREEMENT

NEUMEDIA, INC.

AGREEMENT made as of February 22, 2011 (the "Grant Date"), between NeuMedia, Inc. (the "Company"), a Delaware corporation, and Ray Schaaf (the "Participant").

WHEREAS, the Company has adopted the 2007 Employee, Director and Consultant Stock Plan, as amended (the "Plan"), to promote the interests of the Company by providing an incentive for employees, directors and consultants of the Company or its Affiliates; and

WHEREAS, pursuant to the provisions of the Plan, the Company desires to offer to the Participant shares of the Company's common stock, $.0001 par value per share ("Common Stock"), in accordance with the provisions of the Plan, all on the terms and conditions hereinafter set forth; and

WHEREAS, Participant wishes to accept said offer; and

WHEREAS, the parties hereto understand and agree that any terms used and not defined herein have the meanings ascribed to such terms in the Plan.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Terms of Grant. The Participant hereby accepts the offer of the Company to issue to the Participant, in accordance with the terms of the Plan and this Agreement, 300,000 Shares of the Company's Common Stock (such shares subject to adjustment pursuant to Section 24 of the Plan and Subsection 2.1(g) hereof, the "Granted Shares") at a purchase price of $0.25 per share (the "Purchase Price"), receipt of which is hereby acknowledged by the Company by the Participant's prior service to the Company and which amount will be reported, for United States Participants, as income on the Participant's W-2 for this calendar year and, for non-United States Participants, as required under the laws of their taxing jurisdiction.

2.

2.1 Repurchase Provisions.

(a) Lapsing Repurchase Right. The Company shall have the right to repurchase the Granted Shares at the Purchase Price until such time as Participant executes and delivers to the Company the Reaffirmation Agreement as provided in that certain Confidential Separation, Transition and Release Agreement of even date herewith.

(b) Prohibition on Transfer. The Participant recognizes and agrees that all Granted Shares even if no longer subject to the Lapsing Repurchase Right may not be sold, transferred, assigned, hypothecated, pledged, encumbered or otherwise disposed of, whether voluntarily or by operation of law, other than to the Company (or its designee) for a period of one year from the Grant Date (the "Holding Period"). The Company shall not be required to transfer any Granted Shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Subsection 2.1(b), or to treat as the owner of such Granted Shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such Granted Shares shall have been so sold, assigned or otherwise transferred, in violation of this Subsection 2.1(b).

(c) Escrow. The certificates representing all Granted Shares issued to the Participant hereunder shall be delivered to the Company and the Company shall hold such Granted Shares in escrow as provided in this Subsection 2.1(c). The Company shall promptly release from escrow and deliver to the Participant within 30 days of the Holding Period a certificate for the whole number of Granted Shares, if any, as to which the Company's Lapsing Repurchase Right has lapsed. In the event of repurchase by the Company of Granted Shares subject to the Lapsing Repurchase Right, the Company shall release from escrow as of the date of Termination and cancel a certificate for the number of Granted Shares so forfeited. Any securities distributed in respect of the Granted Shares held in escrow, including, without limitation, shares issued as a result of stock splits, stock dividends or other recapitalizations, shall also be held in escrow in the same manner as the Granted Shares.

(d) Failure to Deliver Granted Shares. In the event that the Granted Shares to be repurchased by the Company under this Agreement or subject to the Holding Period are not in the Company's possession pursuant to Subsection 2.1(e) above or otherwise and the Participant or the Participant's Survivor fails to deliver such Granted Shares to the Company (or its designee), the Company may immediately take such action as is appropriate to transfer record title of such Granted Shares from the Participant to the Company (or its designee) and treat the Participant and such Granted Shares in all respects as if delivery of such Granted Shares had been made as required by this Agreement. The Participant hereby irrevocably grants the Company a power of attorney which shall be coupled with an interest for the purpose of effectuating the preceding sentence.

(e) Adjustments. The Plan contains provisions covering the treatment of the Granted Shares in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to the Granted Shares and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

2.2 General Restrictions on Transfer of Granted Shares.

(a) The Participant agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Participant is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed ninety (90) days following the closing of the offering, plus such additional period of time as may be required to comply with Marketplace Rule 2711 of the National Association of Securities Dealers, Inc. or similar rules thereto (such period, the "Lock-Up Period"). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Participant has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

(b) The Participant acknowledges and agrees that neither the Company nor, its shareholders nor its directors and officers, has any duty or obligation to disclose to the Participant any material information regarding the business of the Company or affecting the value of the Shares before, at the time of, or following a Termination, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

3. Purchase for Investment; Securities Law Compliance. The offering and sale of the Granted Shares have not been effectively registered under the Securities Act of 1933, as amended (the "1933 Act"). The Participant hereby represents and warrants that he or she is acquiring the Granted Shares for his or her own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such Granted Shares. The Participant understands that because the Granted Shares have not been registered under the Securities Act, the Participant must continue to bear the economic risk of the investment for an indefinite period of time. The Participant represents and warrants that the Participant (1) has been furnished with all information which it deems necessary to evaluate the merits and risks of the receipt of the Granted Shares, (2) has had the opportunity to ask questions concerning the Granted Shares and the Company and all questions posed have been answered to its satisfaction, (3) has been given the opportunity to obtain any additional information it deems necessary to verify the accuracy of any information obtained concerning the Granted Shares and the Company and (4) has such knowledge and experience in financial and business matters that the Participant is able to evaluate the merits and risks of investing in the Granted Shares and to make an informed investment decision relating thereto. The Participant specifically acknowledges and agrees that any sales of Granted Shares shall be made in accordance with the requirements of the 1933 Act, in a transaction as to which the Company shall have received an opinion of counsel satisfactory to it confirming such compliance. The Participant shall be bound by the provisions of the following legend which shall be endorsed upon the certificate(s) evidencing the Shares issued:

> "The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws."

4. Rights as a Stockholder. The Participant shall have all the rights of a stockholder with respect to the Granted Shares, including voting and dividend rights, subject to the transfer and other restrictions set forth herein and in the Plan.

5. Legend. In addition to any legend required pursuant to the Plan, all certificates representing the Granted Shares to be issued to the Participant pursuant to this Agreement shall have endorsed thereon a legend substantially as follows:

> "The shares represented by this certificate are subject to restrictions set forth in a Restricted Stock Agreement dated as of February __, 2011 with this Company, a copy of which Agreement is available tor inspection at the offices of the Company or will be made available upon request."

6. Incorporation of the Plan. The Participant specifically understands and agrees that the Granted Shares issued under the Plan are being sold to the Participant pursuant to the Plan, a copy of which Plan the Participant acknowledges he or she has read and understands and by which Plan he or she agrees to be bound. The provisions of the Plan are incorporated herein by reference.

7. Tax Liability of the Participant and Payment of Taxes. The Participant acknowledges and agrees that any income or other taxes due from the Participant with respect to the Granted Shares issued pursuant to this Agreement, including, without limitation, the Lapsing Repurchase Right, shall be the Participant's responsibility. Without limiting the foregoing, the Participant agrees that, to the extent that the lapsing of restrictions on disposition of any of the Granted Shares or the declaration of dividends on any such shares before the lapse of such restrictions on disposition results in the Participant's being deemed to be in receipt of earned income, the Company shall be entitled to immediate payment from the Participant of the amount of any tax required to be withheld by the Company under applicable tax law. The Participant has been given the opportunity to obtain the advice of his or her tax advisors with respect to the tax consequences of the purchase of the Granted Shares and the provisions of this Agreement.

Upon execution of this Agreement, if the Participant is a United States tax payer, the Participant may file an election under Section 83 of the Code in substantially the form attached as Exhibit B. The Participant acknowledges that if he does not file such an election, as the Granted Shares are released from the Lapsing Repurchase Right in accordance with Section 2.1, the Participant will have income for tax purposes equal to the fair market value of the Granted Shares at such date, less the price paid for the Granted Shares by the Participant.

Any taxes due from the Participant that are required to be withheld by the Company under any applicable tax law shall be paid by the Participant by depositing with the Company an amount of cash equal to the amount determined by the Company to be required with respect to the statutory minimum of the Participant's estimated total federal, state and local tax obligations associated with the termination of the Lapsing Repurchase Right with respect to the Granted Shares or otherwise withholding from the Participant's paycheck an amount equal to the withholding tax due and payable.

8. Equitable Relief. The Participant specifically acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Agreement or the Plan, including the attempted transfer of the Granted Shares by the Participant in violation of this Agreement, monetary damages may not be adequate to compensate the Company, and, therefore, in the event of such a breach or threatened breach, in addition to any right to damages, the Company shall be entitled to equitable relief in any court having competent jurisdiction. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach.

9. No Obligation to Maintain Relationship. The Company is not by the Plan or this Agreement obligated to continue the Participant as an employee, director or consultant of the Company or an Affiliate. The Participant acknowledges: (i) that the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (ii) that the grant of the shares is a one-time benefit which does not create any contractual or other right to receive future grants of shares, or benefits in lieu of shares; (iii) that all determinations with respect to any such future grants, including, but not limited to, the times when shares shall be granted, the number of shares to be granted, the purchase price, and the time or times when each share shall be free from a lapsing repurchase or forfeiture right, will be at the sole discretion of the Company; (iv) that the Participant's participation in the Plan is voluntary; (v) that the value of the Shares is an extraordinary item of compensation which is outside the scope of the Participant's employment contract, if any; and (vi) that the Shares are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

10. Notices. Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

NeuMedia, Inc.
4751 Wilshire Blvd., 3rd Floor
Los Angeles, CA 90010

If to the Participant:

Ray Schaaf

418 Maple Way

Woodside, CA 94062

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given on the earliest of receipt, one business day following delivery by the sender to a recognized courier service, or three business days following mailing by registered or certified mail.

11. Benefit of Agreement. Subject to the provisions of the Plan and the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the patties hereto.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, whether at law or in equity, the parties hereby consent to exclusive jurisdiction in the State of California and agree that such litigation shall be conducted in the state courts of State of California or the federal courts of the United States for the District of Los Angeles, California.

13. Severability. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or provisions shall be modified to the extent necessary to make such provision valid and enforceable, and to the extent that this is impossible, then such provision shall be deemed to be excised from this Agreement, and the validity, legality and enforceability of the rest of this Agreement shall not be affected thereby.

14. Entire Agreement. This Agreement, together with the Plan, constitutes the entire agreement and understanding between the patties hereto with' respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

15. Modifications and Amendments; Waivers and Consents. The terms and provisions of this Agreement may be modified or amended as provided in the Plan. Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

16. Consent of Spouse/Domestic Partner. If the Participant has a spouse or domestic partner as of the date of this Agreement, the Participant's spouse or domestic partner shall execute a Consent of Spouse/Domestic Partner in the form of Exhibit A hereto, effective as of the date hereof. Such consent shall not be deemed to confer or convey to the spouse or domestic partner any rights in the Granted Shares that do not otherwise exist by operation of law or the agreement of the parties. If the Participant subsequent to the date hereof, marries, remarries or applies to the Company for domestic partner benefits, the Participant shall, not later than sixty (60) days thereafter, obtain his or her new spouse/domestic partner's acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by having such spouse/domestic partner execute and deliver a Consent of Spouse/Domestic Partner in the form of Exhibit A.

17. Counterparts. This Agreement may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18. Data Privacy. By entering into this Agreement, the Participant: (i) authorizes the Company and each Affiliate, and any agent of the Company or any Affiliate administering the Plan or providing Plan record keeping services, to disclose to the Company or any of its Affiliates such information and data as the Company or any such Affiliate shall request in order to facilitate the grant of Shares and the administration of the Plan; (ii) waives any data privacy rights he or she may have with respect to such information; and (iii) authorizes the Company and each Affiliate to store and transmit such information in electronic form.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NeuMedia, Inc.

By: ______________________________
Name:
Title:

Participant:

____
Print Name: Ray Schaaf

EXHIBIT A

CONSENT OF SPOUSE/DOMESTIC PARTNER

I, , spouse or domestic partner of Ray Schaaf, acknowledge that I have read the RESTRICTED STOCK AGREEMENT dated as of February __, 2011 (the "Agreement") to which this Consent is attached as Exhibit A and that I know its contents. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Agreement. I am aware that by its provisions the Granted Shares granted to my spouse/domestic partner pursuant to the Agreement are subject to a Lapsing Repurchase Right in favor of NeuMedia, Inc.. (the "Company") and that, accordingly, I may be required to forfeit to the Company any or all of the Granted Shares of which I may become possessed as a result of a gift from my spouse/domestic partner or a court decree and/or any property settlement in any domestic litigation.

I hereby agree that my interest, if any, in the Granted Shares subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest r may have in the Granted Shares shall be similarly bound by the Agreement.

I agree to the Lapsing Repurchase Right described in the Agreement and J hereby consent to the repurchase of the Granted Shares to the Company by my spouse/domestic partner or my spouse/domestic partner's legal representative in accordance with the provisions of the Agreement. Further, as part of the consideration for the Agreement, I agree that at my death, if I have not disposed of any interest of mine in the Granted Shares by an outright bequest of the Granted Shares to my spouse or domestic partner, then the Company shall have the same rights against my legal representative to exercise its rights to the Granted Shares with respect to any interest of mine in the Granted Shares as it would have had pursuant to the Agreement if I had acquired the Granted Shares pursuant to a court decree in domestic litigation.

I AM AWARE THAT THE LEGAL, FINANCIAL AND RELATED MATTERS CONTAINED IN THE AGREEMENT ARE COMPLEX AND THAT I AM FREE TO SEEK INDEPENDENT PROFESSIONAL GUIDANCE OR COUNSEL WITH RESPECT TO THIS CONSENT. I HAVE EITHER SOUGHT SUCH GUIDANCE OR COUNSEL OR DETERMINED AFTER REVIEWING THE AGREEMENT CAREFULLY THAT I WILL WAIVE SUCH RIGHT.

Dated as of the ______________ day of February, 2011.

Print name: ___________________________

EXHIBIT B

Election to Include Gross Income in Year
of Transfer Pursuant To Section 83(b)
of the Internal Revenue Code of 1986, As Amended

In accordance with Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), the undersigned hereby elects to include in his gross income as compensation for services the excess, if any, of the fair market value of the properly (described below) at the time of transfer over the amount paid for such property.

The following sets for the information required in accordance with the Code and the regulations promulgated hereunder:

1. The name, address and social security number of the undersigned are:

Name:
____

Address:
____

Social Security No.:
____

2. The description of the property with respect to which the election is being made is as follows:

______ ( ) shares (the "Shares") of Common Stock, $0.0001 par value per share, of NeuMedia, Inc., a Delaware corporation (the "Company").

3. This election is made for the calendar year 201, with respect to the transfer of the property to the Taxpayer on March [__________________], 2011.

4. Description of restrictions: The property is subject to the following restrictions:

   In the event taxpayer's employment with the Company or an Affiliate is terminated, the taxpayer shall forfeit the Shares as set forth below:

   A. The Company shall have the right to repurchase the Granted Shares at the Purchase Price until such time as Participant executes and delivers to the Company the Reaffirmation Agreement as provided in that certain Confidential Separation, Transition and Release Agreement of even date herewith.

5. The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made was not more than $[__] per Share.

6. The amount paid by taxpayer for said property was $0.25 per Share.

7. A copy of this statement has been furnished to the Company.

Signed this __________ day of ________________, 2011.

Print name: ___________________________

Exhibit 99.3

CONFIDENTIAL SEPARATION, TRANSITION AND RELEASE AGREEMENT

This Confidential Separation, Transition and Release Agreement (the "Agreement") is entered into by and between Russell Burke (hereinafter "Employee") on the one hand, and Twistbox Entertainment, Inc. (the "Company") on the other hand.

RECITALS

A. **WHEREAS**, Employee is currently employed by the Company pursuant to an employment agreement dated December 11, 2006, as amended February 12, 2008 (collectively hereinafter the "Employment Agreement") and Employee also serves as the Chief Financial Officer of Neumedia, Inc. and as the Managing Director of Twistbox Games Ltd & Co KG (DE) and the sole director of Twistbox Entertainment Ltd (UK) and Twistbox Games Ltd (UK).

B. **WHEREAS**, Employee's Employment Agreement expires on February 12, 2011 and Employee seeks to resign his position as Chief Financial Officer of Twistbox Entertainment, Inc. and Neumedia, Inc, as well as all of the other positions referenced in Recital A, above.

C. **WHEREAS**, the Company has accepted Employee's resignation. Employee and the Company have agreed that Employee shall continue as an employee of the Company during a Transition Period, as defined below;

D. **WHEREAS**, this Agreement shall supersede Employee's Employment Agreement and shall render the Employment Agreement null and void; and

E. **WHEREAS**, it is now the desire of the parties to compromise, settle, waive and release all claims of whatever kind or description which Employee may have against Releasees, as defined herein.

NOW, THEREFORE, in consideration of the recitals which are incorporated into this Agreement and the mutual promises and covenants set forth herein, the parties do hereby agree as follows:

AGREEMENT

1. Transition Period. Employee shall continue employment on an "at-will" basis from February 13, 2011 through a transition period that will end on or about September 12, 2011 ("Transition Period") on the limited basis described below. Employee's last day of employment with the Company shall be September 12, 2011 (the "Separation Date"), unless terminated earlier by Employee or the Company. Employee will resign from the positions of CFO of NeuMedia, CFO of Twistbox Entertainment, Managing Director of Twistbox Games Ltd & Co KG (DE), the sole director of Twistbox Entertainment Ltd (UK) and Twistbox Games Ltd (UK), and any other directorships of Twistbox Entertainment, Inc. subsidiaries no later than March 29, 2011, and from that date will not be required to sign company filings, returns, payments or otherwise represent himself as an officer of the above-referenced companies. Subject to the foregoing sentence, during the Transition Period, Employee shall provide services as reasonably requested by the Company including, but not limited to: (i) matters related to the winding down of Twistbox Games Ltd & Co KG (DE); (ii) assistance with the preparation of the third quarter Form 10-Q, including signing this document; and (iii) the orderly transition of his duties and responsibilities as directed by the Company, except that it is recognized that subsequent to March 29, 2011, this employment will be advisory in nature, on a part-time basis. Subsequent to March 29, 2011, Employee will have no authority to act on behalf of the Company or any of its subsidiary, related or affiliated entities in any capacity. Nothing in this Agreement will prevent Employee from undertaking employment with any other entity on a full-time, part-time or consulting basis, subject to the confidentiality, non-solicitation and other restrictions set forth herein and subject to the duties (fiduciary duty and duty of loyalty) owed by an employee to his employer, at any time subsequent to February 13, 2011.

2. Pay During Transition Period.

(a) Provided Employee's employment continues through the Transition Period, the Company shall pay Employee eight-thousand dollars ($8,000.00) per month, less applicable withholdings, through the Transition Period, which constitutes $4,361.54 in accrued vacation per month and $3,638.46 per month to compensate employee for his past services and his ongoing services during the Transition Period ("Payment for Services). Such Payments for Services will be made in accordance with the Company's normal payroll cycle (each payment shall be referred to as an "installment"). It is recognized that Employee has agreed to deferred payment of amounts due to him so as to assist with the Company's cashflow. The Company's failure to provide Employee with any of the above-listed installments of the Payments for Services within five (5) days of the payroll cycle dates described above shall constitute a material breach of this Agreement; rendering the release of claims provided by Employee to the Company in Paragraph 7 and Paragraph 8, below, to be null and void.

(b) If the Company terminates Employee's employment for any reason prior to September 12, 2011, and Employee has not yet been paid each of the installments of the Payments for Services set forth in Paragraph 2(a), above, then Employee shall be entitled to be paid the remainder of such unpaid installments if Employee signs and does not revoke the Reaffirmation of Confidential, Separation, Transition and Release Agreement on the date of termination or within twenty-one (21) days thereafter (as described in Paragraph 4, below, and Exhibit A hereto). Any such unpaid installments following the termination of Employee's employment will be made on the earlier of (i) the payment dates set forth in Paragraph 2(a) above, with a five (5) day grace period as provided for in Paragraph 2(a) above or (ii) the business day following the expiration of the revocation period for the Reaffirmation of Confidential Separation, Transition and Release Agreement.

(c) If Employee resigns his employment for any reason prior to September 12, 2011, Employee shall be entitled only to a pro rata amount of the Payment for Services rendered through the last date of employment and nothing more.

(d) Employee shall not accrue any vacation pay during the Transition Period, nor shall he be entitled to any other benefits or remuneration of any kind, except to the extent expressly set forth in this Agreement.

3. Outstanding Expenses. Employee shall receive, in cash, any outstanding business-related reimbursements which shall be paid promptly in accordance with Company policy, including provision by Employee of supporting documentation as required by Company policy. Employee shall not be authorized to incur any business-related expenses of any kind during the Transition Period unless first approved, in writing, by a senior executive of the Company or a member of the Company's Board of Directors.

4. Consideration. The Company and the Employee agree that provided Employee: (a) signs this Agreement as set forth in Paragraph 10 below and (b) does not revoke this Agreement as set forth in Paragraph 11 below and (c) executes and delivers a Reaffirmation of Confidential Separation, Transition and Release Agreement in the form attached hereto as Exhibit A (the "Reaffirmation Agreement") on the last day of his employment with the Company, in which Employee agrees to extend the release in Paragraph 7 of this Agreement to include the period from the date of execution of this Agreement to the execution date of the Reaffirmation Agreement, and the revocation period described in the Reaffirmation Agreement expires without a revocation by Employee:

(i) Three hundred thousand (300,000) of the three hundred and fifty thousand (350,000) stock options of the Company held by Employee shall be cancelled in their entirety, and shall be replaced by issuance by the Company of 300,000 non-qualified options at a strike price of $.25 pursuant to the terms of the Option Cancellation Agreement in the form attached hereto as Exhibit B. The newly issued options shall be fully vested upon, and only upon, execution and delivery of the Reaffirmation Agreement.

(ii) The Employee shall be bound by the provisions of the following legends which shall be endorsed upon the certificate evidencing the shares issued:

> "The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws."
>
> "THESE SECURITIES HAVE NOT BEEN QUALIFIED UNDER THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968, AS AMENDED ("CSL"), AND ARE ALSO RESTRICTED UNDER THE PROVISIONS OF THAT LAW. THESE SECURITIES MUST BE HELD INDEFINITELY UNLESS THEY ARE SUBSEQUENTLY QUALIFIED UNDER THE CSL OR ARE OTHERWISE EXEMPT FROM QUALIFICATION UNDER THAT LAW."
>
> The Company shall deliver the legal opinion referred to in Section 1(b), above, within 10 business days of receiving a legally compliant request to do so. Failure to do so shall render the Reaffirmation of Confidential Separation, Transition and Release Agreement, and the provisions of Paragraphs 7 (Waiver of Release of Known and Unknown Claims) and 8 (Cooperation with Government Agencies) of this Agreement null and void.

(iii) The Company shall reasonably cooperate with Employee, at the request of Employee, in connection with removing restrictive legends from shares of common stock of the Company now held or hereafter acquired by Employee under this Agreement, as permitted by law or agreement, and shall, at the Company's sole cost, arrange for one or more opinions of counsel if necessary to remove the legends. Such opinion shall be delivered within 10 business days of receiving a legally compliant request to do so. Failure to do so shall render the Reaffirmation of Confidential Separation, Transition and Release Agreement, and the provisions of Paragraphs 7 (Waiver of Release of Known and Unknown Claims) and 8 (Cooperation with Government Agencies) of this Agreement null and void.

(iv) The Company shall continue Employee's and his eligible covered dependants' healthcare coverage, at the same or equivalent level of coverage as is currently in place, during the Transition Period.

5. Twelve Month Holdback. Employee understands and agrees that, for a period ending on February 11, 2012, Employee may not transfer by gift, sale, operation of law, or otherwise, any of Employee's shares in the Company, including but not limited to Employee's shares of restricted common stock in the Company, without the prior written consent of the Company. The Company shall not be required to transfer any of the Employee's shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Paragraph 5, or to treat as the owner of such shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such shares shall have been so sold, assigned or otherwise transferred, in violation of this Paragraph 5. For the avoidance of doubt, this does not prevent Employee from requesting, and the Company from complying with the request to have the restrictive covenant legend removed from any stock as set forth in this Agreement, prior to the elapse of the holdback period, subject to compliance with applicable law.

6. Representations and Warranties. Employee makes the following representations and warranties: Employee represents and warrants that he is accepting the consideration set out in this agreement in exchange for all claims for all wages and other benefits owing and due to him by the Company as a result of Employee's employment with and separation from the Company, including but not limited to all salary, bonuses, commissions, incentive pay, management fees, director fees, grants of stock, stock options, vacation pay, severance, or any other remuneration in any type or form.

7. Waiver and Release of Known and Unknown Claims. In exchange for the agreements contained in this Agreement, Employee, including his heirs, executors, administrators, trustees, attorneys, representatives, and assigns, agrees unconditionally and forever to waive, release and discharge the Company and the Company's past and present affiliated, related, parent and subsidiary entities, as well as their respective past and present owners, investors, shareholders, lenders, members, managers, partners, officers, directors, employees, agents, representatives, attorneys, successors and assigns, past and present (the "Releasees") from any and all claims, actions, causes of action, demands, rights, or damages of any kind or nature which they may now have, or ever have, whether known or unknown, including but not limited to any claims, causes of action or demands of any nature arising out of or in any way relating to Employee's employment with, or separation from the Company; provided, however, nothing herein shall be deemed a release or waiver of (i) Employee's rights of indemnification and directors and officers liability insurance coverage to which Employee was entitled immediately prior to the Separation Date under the Company's Bylaws, organizational documents, or otherwise, (ii) Employee's rights under any tax-qualified pension plan maintained by the Company or claims for accrued, vested benefits under any other employee benefit plan or COBRA, (iii) Employee's rights as a stockholder of the Company and (iv) any rights under this Agreement.

This release specifically includes, but is not limited to, any claims for fraud; breach of contract; breach of implied covenant of good faith and fair dealing; inducement of breach; interference with contract; wrongful or unlawful discharge or demotion; violation of public policy; assault and battery (sexual or otherwise); invasion of privacy; intentional or negligent infliction of emotional distress; intentional or negligent misrepresentation; conspiracy; failure to pay wages, benefits, vacation pay, bonuses, commissions, salary, severance pay, stock, stock options, attorneys' fees, or other compensation of any sort; retaliation; discrimination or harassment on the basis of age, race, color, sex, gender, national origin, ancestry, religion, disability, handicap, medical condition, marital status, sexual orientation or any other protected category under federal, state or local law; any claim under Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the California Fair Employment and Housing Act, the California Labor Code, the Family and Medical Leave Act, the California Family Rights Act, or Section 1981 of Title 42 of the United States Code; violation of COBRA; violation of any safety and health laws, statutes or regulations; violation of ERISA; violation of the Internal Revenue Code; or any other wrongful conduct of any kind, based upon events occurring prior to the date of execution of this Agreement.

Employee further agree knowingly to waive the provisions and protections of Section 1542 of the California Civil Code, which reads:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Employee intends this release to be a full and comprehensive general release, waiving all claims, demands and causes of action, known and unknown, to the fullest extent permitted by law except to the extent that it may be rendered inoperative as the result of actions or lack of actions as specified elsewhere in this agreement. Nothing in this Agreement is intended to nor shall it be interpreted to release any claim which, by law, may not be released.

8. Cooperation with Government Agencies. Nothing in the release of claims set forth herein shall be construed as prohibiting Employee from bringing and/or participating in a future claim with the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing, or any other government agency; provided, however, that should Employee pursue and/or be involved with such an administrative action against the Releasees or any of them, Employee agrees that he will not seek, nor shall he be entitled to recover, any monetary damages from any such proceeding.

9. Knowing and Voluntary. Employee represents and agrees that Employee is entering into this Agreement knowingly and voluntarily and that he is represented by counsel of his own choosing in connection with the negotiation and drafting of this Agreement. Employee affirms that no promise or inducement was made to cause him to enter into this Agreement, other than the Consideration promised to Employee herein. Employee further confirms that he has not relied upon any other statement or representation by anyone other than what is in this Agreement as a basis for his decision to sign this Agreement.

10. Execution of Agreement. Employee expressly acknowledges that he has been provided twenty-one (21) days to consider this Agreement and that he was informed in writing that he has the right to consult with counsel regarding this Agreement, and that he has had the opportunity to consult with counsel. To the extent that Employee has taken fewer than twenty-one (21) days to consider this Agreement, Employee acknowledges that he had sufficient time to consider the Agreement and to consult with counsel and that he does not desire additional time.

11. Revocation. This Agreement is revocable by Employee for a period of seven calendar days following his execution of this Agreement. The revocation must be in writing, must specifically revoke this Agreement, and must be received by the Company pursuant to Paragraph 19 prior to the eighth calendar day following the execution of this Agreement. This Agreement becomes effective, enforceable and irrevocable on the eighth calendar day following Employee's execution of this Agreement.

12. No Disparagement. The parties hereto agree that they will not criticize or disparage each other, or issue any communication, written or otherwise, that reflects adversely upon each other. Employee further agrees not to communicate with the Company's lenders or investors regarding the Company during the Transition Period and after the Separation Date.

13. Protection of Confidential Information. Employee acknowledges that during his employment with the Company, he had access to and became informed of confidential and proprietary and/or trade secret information concerning the Company and/or the Releasees that is not generally known to the public or competitors (collectively referred to as "Confidential Information"), including but not limited to: financial information; business plans and strategy; marketing plans and strategy; methods of operation; volume of business and profit margins; and lists of customers, suppliers, subscribers, or employees. Employee agrees not to directly or indirectly make known, divulge, reveal, furnish, make available, disclose, or use any Confidential Information, except as compelled by an order of a court of competent jurisdiction or a subpoena issued under the authority thereof. If Employee receives a court order or subpoena seeking any Confidential Information, Employee or his legal representative or attorney will notify the Company of such court order or subpoena within two (2) business days of receiving it, pursuant to the notice provision in Paragraph 19, below.

14. Return of Confidential Information and Company Property. To the extent that Employee had any Confidential Information in Employee's possession, Employee represents and warrants that he has returned all such Confidential Information (whether maintained in hard copy or electronically) to the Company prior to signing this Agreement and that he has made no copies of any such Confidential Information for himself or for any other person or entity prior to returning the Confidential Information to the Company. Employee further confirms that Employee has delivered to the Company any and all property and equipment of the Company, including laptop computers, electronic communication devices (e.g., cell phone, BlackBerry, etc.), identification cards, keys or key cards, and/or any other company property or equipment which may have been in Employee's possession.

15. Non-Disclosure of this Agreement. Employee agrees not to disclose the terms of this Agreement, any claims he has or might have against the Company, or any of the facts and circumstances which gave rise to the separation of Employee's employment with the Company or which led to the execution of this Agreement, except in the following circumstances:

(a) Employee may disclose the terms of this Agreement to Employee's immediate family, so long as such family member agrees to be bound by the confidential nature of this Agreement;

(b) As long as they are advised in writing of the confidential nature of this Agreement, Employee may disclose the terms of this Agreement to: (i) Employee's tax advisors; (ii) taxing authorities if requested by such authorities; and (iii) Employee's legal counsel.

(c) Pursuant to the order of a court or governmental agency of competent jurisdiction, or for purposes of securing enforcement of the terms and conditions of this Agreement should that ever be necessary.

Notwithstanding anything to the contrary set forth in this Paragraph 15, the non-disclosure provisions describe above shall not apply to any information that is publicly disclosed by the Company.

16. No Solicitation of Customers of Company by Use of the Company's Confidential Information or Trade Secrets. In order to protect the Company's Confidential Information and trade secrets, Employee agrees that he will not in any capacity, on his own behalf, or on behalf of any other person, firm or entity, undertake or assist in the solicitation of any customers of the Company while making use of the Company's Confidential Information, as defined in Paragraph 13, above, following the cessation of Employee's employment with the Company.

17. No Solicitation of Employees of Company. Employee agrees to not in any capacity, on his own behalf, or on behalf of any other person, firm or entity, undertake or assist in the solicitation of any then current employees of the Company to terminate his, her, or its relationship, employment, or other association with the Company for a period of twelve months from the conclusion of this Agreement. Employee understands that the Company's business model is based on sales and servicing of its customers by its employees and that the Company has a legitimate business interest in preventing the solicitation of such employees.

18. Right to Injunctive Relief. Employee acknowledges and agrees that if he violates any of the provisions in Paragraphs 13-17, the Company shall be entitled to a restraining order or injunction against Employee, in addition to any other rights or remedies the Company may have. Employee agrees to waive any requirement that the Company post a bond to obtain injunctive relief under this Paragraph. The prevailing party in an action to enforce Paragraphs 13-17 shall be entitled to recover from the other party its reasonable attorneys' fees and costs.

19. Notices. Except where otherwise provided for in this Agreement, all notices and other communications under this Agreement shall be in writing and shall be given by first-class mail, certified or registered with return receipt requested or hand delivery acknowledged in writing by an authorized recipient and shall be deemed to have been duly given three (3) days after mailing or immediately upon duly acknowledged hand delivery to the respective persons named below:

For Employee: Russell Burke
2915 Woodwardia Drive
Los Angeles, CA 90077

For Company: Twistbox Entertainment, Inc.
14242 Ventura Blvd., 4th Floor
Sherman Oaks, California, 91423
Attention: General Counsel

20. Taxes/Withholdings. All payments under this Agreement are subject to any applicable employment or tax withholdings or deductions. In addition, the parties hereby agree that it is their intention that all payments or benefits provided under this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and this Agreement shall be interpreted accordingly. Employee hereby is advised to seek independent advice from Employee's tax advisor(s) with respect to the application of Section 409A of the Code to any payments under this Agreement. Notwithstanding the foregoing, the Company does not guarantee the tax treatment of any payments or benefits under this Agreement, including without limitation under the Code, federal, state or local laws. The Company shall have the right to withhold from any cash consideration paid hereunder any applicable withholding taxes due in connection with any of the cash or stock consideration paid hereunder, and will timely remit to applicable taxing authorities all withholding taxes or other taxes it is required by law to remit in connection therewith.

21. Press Release. Employee and Company agree that the separation of Employee's employment from Company may be communicated to the public via a mutually agreed upon press release.

22. Ongoing Cooperation. Employee agrees that Employee will assist and cooperate with the Company in connection with the defense, prosecution or investigation of any claim that may be made against or by any of the Releasees, including any proceeding before any arbitral, administrative, judicial, legislative, or other body or agency, including testifying in any proceeding to the extent such claims, investigations or proceedings relate to services performed or required to be performed by Employee, pertinent knowledge possessed by Employee, or any act or omission by Employee. Employee and the Company further agree to perform all acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Paragraph and this Agreement.

23. Binding Effect of this Agreement. This Agreement is binding upon Employee and Employee's successors, assigns, heirs, executors, administrators and legal representatives.

24. No Admission. This Agreement may not be cited as, and does not constitute any admission by the Company of, any violation of any law or legal obligation with respect to any aspect of Employee's employment or separation from the Company or with respect to any other matter. The Company specifically denies that it violated any law, statute, ordinance or regulation.

25. Severability. If any portion of this Agreement is found to be illegal or unenforceable, such action shall not affect the validity or enforceability of the remaining portions of this Agreement. Each party agrees that the restrictions and prohibitions contained herein shall be effective to the fullest extent allowed under applicable law.

26. Entire Agreement. This Agreement sets forth the entire agreement between the parties and fully supersedes all other oral or written understandings or agreements between the parties pertaining to Employee's employment with and separation from the Company, including but not limited to the Employment Agreement. Notwithstanding anything to the contrary contained in the Employment Agreement, Employee and the Company acknowledge and agree that no provisions of, or any covenants of either party contained in, the Employment Agreement shall be deemed to survive the Separation Date other than Employee's obligations under Section 7 (Non-Solicitation of Employees). Employee and the Company agree that no promises, representations, or inducements have been made to either of them which caused either of them to sign this Agreement other than those which are expressly set forth herein.

27. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, all of which together will constitute one and the same agreement. A facsimile copy or pdf copy of a party's signature on this Agreement will be deemed as an original.

28. Modification. This Agreement may not be changed or altered, except by a writing signed by an authorized representative of the Company and by Employee.

29. Governing Law. This Agreement is entered into in the State of California, and the laws of the State of California will apply to any dispute concerning it, excluding the conflict-of-law principles thereof.

30. Waiver. The failure to enforce any provision of this Agreement shall not be construed to be a waiver of such provision or to affect the validity of this Agreement or the right of any party to enforce this Agreement.

31. Ambiguities. Both parties have participated in the negotiation of this Agreement and, thus, it is understood and agreed that the general rule that ambiguities are to be construed against the drafter shall not apply to this Agreement. In the event that any language of this Agreement is found to be ambiguous, each party shall have an opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language.

PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. THE UNDERSIGNED AGREE TO THE TERMS OF THIS AGREEMENT AND VOLUNTARILY ENTER INTO IT WITH THE INTENT TO BE BOUND THEREBY.

Dated: February ___, 2011 ________________________________
Russell Burke

NEUMEDIA, INC.

Dated: February ___, 2011 By: ________________________________
Title:

TWISTBOX ENTERTAINMENT, INC.

Dated: February ___, 2011 By: ________________________________
Title:

EXHIBIT A – Reaffirmation

By his signature below, Russell Burke ("Employee") hereby reaffirms the Confidential Separation, Transition and Release Agreement entered into between Twistbox Entertainment, Inc. ("the Company") and Employee on February 21, 2011 ("the Separation Agreement"), which is incorporated herein by reference as if set forth fully (this agreement shall hereafter be referred to as the "Reaffirmation"). The intent of this Reaffirmation is to effectuate a complete release of all matters released, as described in Paragraph 7 of the Separation Agreement ("the Released Matters"), while extending the timeframe of that release, and its full effect, to and including the date of Employee's signature below.

1. Consideration. Employee is executing this Reaffirmation pursuant to Paragraph 4 of the Separation Agreement, in exchange for the consideration described in the Separation Agreement.

2. Reaffirmation of Employee's Release of Known and Unknown Claims. In reaffirming the Separation Agreement, Employee, including his heirs, executors, administrators, trustees, attorneys, representatives, and assigns ("Employee Releasors") agrees unconditionally and forever to waive, release and discharge the Company and the Company's past and present affiliated, related, parent and subsidiary entities, as well as their respective past and present owners, investors, shareholders, lenders, members, managers, partners, officers, directors, employees, agents, representatives, attorneys, successors and assigns, past and present ("Company Releasees") from any and all claims, actions, causes of action, demands, rights, or damages of any kind or nature which they may now have, or ever have, whether known or unknown, including but not limited to any claims, causes of action or demands of any nature arising out of or in any way relating to Employee's employment with, or separation from the Company; provided, however, nothing herein shall be deemed a release or waiver of (i) Employee's rights of indemnification and directors and officers liability insurance coverage to which Employee was entitled immediately prior to the Separation Date under the Company's Bylaws, organizational documents, any employment agreement, or otherwise, (ii) Employee's rights under any tax-qualified pension plan maintained by the Company or claims for accrued, vested benefits under any other employee benefit plan or COBRA, (iii) Employee's rights as a stockholder of the Company and (iv) any rights under this Reaffirmation.

This release specifically includes, but is not limited to, any claims for fraud; breach of contract; breach of implied covenant of good faith and fair dealing; inducement of breach; interference with contract; wrongful or unlawful discharge or demotion; violation of public policy; assault and battery (sexual or otherwise); invasion of privacy; intentional or negligent infliction of emotional distress; intentional or negligent misrepresentation; conspiracy; failure to pay wages, benefits, vacation pay, bonuses, commissions, salary, severance pay, stock, stock options, attorneys' fees, or other compensation of any sort; retaliation; discrimination or harassment on the basis of age, race, color, sex, gender, national origin, ancestry, religion, disability, handicap, medical condition, marital status, sexual orientation or any other protected category under federal, state or local law; any claim under Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the California Fair Employment and Housing Act, the California Labor Code, the Family and Medical Leave Act, the California Family Rights Act, or Section 1981 of Title 42 of the United States Code; violation of COBRA; violation of any safety and health laws, statutes or regulations; violation of ERISA; violation of the Internal Revenue Code; or any other wrongful conduct of any kind, based upon events occurring prior to the date of execution of this Reaffirmation.

3. Waiver of California Civil Code Section 1542. Employee understands and agrees that this release extends to all claims of whatever nature, known or unknown, and includes all rights provided by any and all statutes which may apply to general release provisions, including but not limited to, Section 1542 of the Civil Code of California, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Employee intends this release to be a full and comprehensive general release, waiving all claims, demands and causes of action, known and unknown, to the fullest extent permitted by law. Nothing in this Reaffirmation or release is intended to nor shall it be interpreted to release any claim which, by law, may not be released.

4. Cooperation with Government Agencies. Nothing in the release of claims set forth herein shall be construed as prohibiting Employee from bringing and/or participating in a future claim with the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing, or any other government agency; provided, however, that should Employee pursue and/or be involved with such an administrative action against the Company Releasees, or any of them, Employee agrees that he will not seek, nor shall he be entitled to recover, any monetary damages from any such proceeding.

5. Review and Revocation Period. Employee also understands and acknowledges that the review and revocation rights described in the Separation Agreement at Paragraphs 10 and 11 apply equally to this Reaffirmation of Separation Agreement, including the period of twenty-one (21) days to consider the terms of this Reaffirmation and seven (7) days following the date of execution of this Reaffirmation to revoke. The revocation must be in writing, must specifically revoke this Reaffirmation, and must be received by the Company pursuant to Paragraph 19 of the Separation Agreement prior to the eighth calendar day following the execution of this Reaffirmation. This Reaffirmation becomes effective, enforceable and irrevocable on the eighth calendar day following Employee's execution of this Reaffirmation.

PLEASE READ CAREFULLY. THIS REAFFIRMATION CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

NEUMEDIA, INC.

Dated: ___________________, 2011

By: ____

Title:

TWISTBOX ENTERTAINMENT, INC.

Dated: __________________, 2011

By: ____

Title:

I have carefully read this Reaffirmation and understand that it contains a release of known and unknown claims. I acknowledge and agree to all of the terms and conditions of this Reaffirmation. I further acknowledge that I enter into this Reaffirmation voluntarily with a full understanding of its terms.

Dated: _____________________, 2011

____

Russell Burke

EXHIBIT B

OPTION CANCELLATION AGREEMENT

THIS OPTION CANCELLATION AGREEMENT, made this 21st day of February, 2011 (the "Effective Date"), by and between NeuMedia, Inc., a Delaware corporation (the "Company") and Russell Burke ("Optionee").

WHEREAS, the Company has established a Stock Option Plan ("Plan") for the purpose of providing key employees with a direct incentive to increase the value of the Company's common stock.

WHEREAS, on February 12, 2008, the Company granted Optionee an option to purchase three hundred fifty thousand (350,000) shares of common stock, at an exercise price of $4.75 per share (the "Option"). The terms and conditions of the Option are set forth in the Plan and stock option agreement dated February 12, 2008 (the "Original Stock Option Agreement").

WHEREAS, the Company and the Optionee desire to cancel 300,000 of the shares underlying the Option (the "Specified Option") in exchange for the new option specified herein. [Optionee shall retain all rights and privileges with respect to the remaining 50,000 shares underlying the Options as provided under the Plan and Original Option Agreement.]

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the adequacy and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Cancellation of the Options. The Company and the Optionee acknowledge and agree that the Specified Option shall automatically be surrendered, canceled and shall cease to exist immediately upon the Effective Date.

2. New Option to the Optionee. In consideration for the surrender and cancellation of the Specified Options, the Company shall provide to the Optionee a new option under the Plan to purchase three hundred thousand (300,000) shares at an exercise price of $0.25 per share in the form, and subject to the terms, conditions and new vesting scheduled set forth in the New Option Agreement attached hereto as Exhibit 1.

3. Release. Effective upon receipt by the Optionee of the consideration described in paragraph 2, the Optionee, on behalf of himself and his heirs, assigns, executors, administrators, personal representatives and other successors, and in any and all capacities hereby unconditionally releases and forever discharges the Company and its respective affiliates, divisions, subsidiaries, employees, officers, directors, agents, accountants, attorneys, shareholders, successors, trustees, beneficiaries, heirs and assigns from, without limitation, any and all claims, awards, damages, obligations, promises, complaints, demands, liabilities and charges, or any other compensation whatsoever, whether known or unknown, now or hereafter accrued, arising or in any way related to the Specified Options. In connection with the release, the Optionee makes the following additional agreements:

   Optionee acknowledge that he is familiar with Section 1542 of the Civil Code of the State of California which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

Optionee abandons, releases, waives and relinquishes all rights and benefits which he may acquire under Section 1542 of the Civil Code of the State of California (or any similar law of any other state) pertaining to the subject matter of this Agreement.

4. Representations and Warranties of Optionee. Optionee hereby represents, warrants and covenants that: (a) Optionee is the sole beneficial and record owner and holder of the Specified Option, which are free and clear of any liens, claims, options, charges, third party rights or other encumbrances (including, without limitation, restrictions on rights of disposition other than those imposed by applicable laws); (b) Optionee has full power and authority to make, enter into and carry out the terms of this Agreement; (c) Optionee has duly executed and delivered this Agreement; and (d) this Agreement constitutes a valid and binding obligation of Optionee.

5. Further Assurances. Optionee hereby covenants and agrees to execute and deliver any additional documents and take any other actions necessary or desirable to carry out the purpose and intent of this Agreement, including, without limitations, any actions required to cancel the Specified Options.

6. Law Governing. This Agreement may not be modified or terminated orally, and shall be construed and interpreted according to the internal laws of the State of California, excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

7. Binding Effect. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, personal representatives, successors and assigns.

8. Entire Agreement. This Agreement constitutes the final, complete and exclusive agreement between the parties with respect to the matters set forth herein, and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by an officer, employee or representative of any party hereto.

9. Amendment. This Agreement may be amended, modified and supplemented only by written agreement between the parties hereto which states that it is intended to be a modification of this Agreement.

10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

OPTIONEE

____

NEUMEDIA, INC.

By: _______________________________

Title:

Exhibit 99.4

NON-QUALIFIED STOCK OPTION AGREEMENT

NEUMEDIA, INC.

This AGREEMENT is made as of the 21st day of February, 2011 (the "Effective Date"), between NeuMedia, Inc. (the "Company"), a Delaware corporation, and Russell Burke (the "Participant").

WHEREAS, the Company desires to grant to the Participant an Option to purchase shares of its common stock, $0.0001 par value per share (the "Shares"), under and for the purposes set forth in the Company's 2007 Employee, Director and Consultant Stock Plan, as amended (the "Plan");

WHEREAS, the Company and the Participant understand and agree that any terms used and not defined herein have the same meanings as in the Plan; and

WHEREAS, the Company and the Participant each intend that the Option granted herein shall be a Non-Qualified Option.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. GRANT OF OPTION.

The Company hereby grants to the Participant the right and option to purchase all or any part of an aggregate of 300,000 Shares, on the terms and conditions and subject to all the limitations set forth herein, under United States securities and tax laws, and in the Plan, which is incorporated herein by reference. The Participant acknowledges receipt of a copy of the Plan.

2. PURCHASE PRICE.

The purchase price of the Shares covered by the Option shall be $.25 per Share, subject to adjustment, as provided in the Plan, in the event of a stock split, reverse stock split or other events affecting the holders of Shares after the date hereof (the "Purchase Price"). Payment shall be made in accordance with Paragraph 9 of the Plan.

3. EXERCISABILITY OF OPTION.

The Option granted hereby shall be immediately exercisable in full upon the earlier of the Effective Date of this Agreement and execution and delivery to the Company by Participant of the Reaffirmation Agreement pursuant to that certain Confidential Separation, Transition and Release Agreement of even date herewith.

4. TERM OF OPTION.

This Option shall terminate three years from the Effective Date of this Agreement.

5. METHOD OF EXERCISING OPTION.

Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company or its designee, in substantially the form of Exhibit A attached hereto. Such notice shall state the number of Shares with respect to which the Option is being exercised and shall be signed by the person exercising the Option. Payment of the purchase price for such Shares shall be made in accordance with Paragraph 9 of the Plan, which shall include, at the sole option of Participant and hereby approved by the Company, cashless exercise as provided in paragraph 9(c) of the Plan. The Company shall deliver such Shares as soon as practicable after the notice shall be received, provided, however, that the Company may delay issuance of such Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including, without limitation, state securities or "blue sky" laws). The Shares as to which the Option shall have been so exercised shall be registered in the Company's share register in the name of the person so exercising the Option (or, if the Option shall be exercised by the Participant and if the Participant shall so request in the notice exercising the Option, shall be registered in the Company's share register in the name of the Participant and another person jointly, with right of survivorship) and shall be delivered as provided above to or upon the written order of the person exercising the Option. In the event the Option shall be exercised, pursuant to Section 4 hereof, by any person other than the Participant, such notice shall be accompanied by appropriate proof of the right of such person to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable.

6. PARTIAL EXERCISE.

Exercise of this Option to the extent above stated may be made in part at any time and from time to time within the above limits, except that no fractional share shall be issued pursuant to this Option.

7. NON-ASSIGNABILITY.

The Option shall not be transferable by the Participant otherwise than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder. Except as provided above in this paragraph, the Option shall be exercisable, during the Participant's lifetime, only by the Participant (or, in the event of legal incapacity or incompetency, by the Participant's guardian or representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of the Option or of any rights granted hereunder contrary to the provisions of this Section 7, or the levy of any attachment or similar process upon the Option shall be null and void.

8. NO RIGHTS AS STOCKHOLDER UNTIL EXERCISE.

The Participant shall have no rights as a stockholder with respect to Shares subject to this Agreement until registration of the Shares in the Company's share register in the name of the Participant. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to the date of such registration.

9. ADJUSTMENTS.

The Plan contains provisions covering the treatment of Options in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to stock subject to Options and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

10. TAXES.

The Participant acknowledges that upon exercise of the Option the Participant will be deemed to have taxable income measured by the difference between the then fair market value of the Shares received upon exercise and the price paid for such Shares pursuant to this Agreement. The Participant acknowledges that any income or other taxes due from him or her with respect to this Option or the Shares issuable pursuant to this Option shall be the Participant's responsibility.

The Participant agrees that the Company may withhold from the Participant's remuneration, if any, the minimum statutory amount of federal, state and local withholding taxes attributable to such amount that is considered compensation includable in such person's gross income. At the Company's discretion, the amount required to be withheld may be withheld in cash from such remuneration, or in kind from the Shares otherwise deliverable to the Participant on exercise of the Option. The Participant further agrees that, if the Company does not withhold an amount from the Participant's remuneration sufficient to satisfy the Company's income tax withholding obligation, the Participant will reimburse the Company on demand, in cash, for the amount under-withheld.

11. PURCHASE FOR INVESTMENT.

Unless the offering and sale of the Shares to be issued upon the particular exercise of the Option shall have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended (the "1933 Act"), the Company shall be under no obligation to issue the Shares covered by such exercise unless and until the following conditions have been fulfilled:

(a) The person(s) who exercise the Option shall warrant to the Company, at the time of such exercise, that such person(s) are acquiring such Shares for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend which shall be endorsed upon the certificate(s) evidencing the Shares issued pursuant to such exercise:

"The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws;" and

(b) If the Company so requires, the Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the 1933 Act without registration thereunder. Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including without limitation state securities or "blue sky" laws).

12. RESTRICTIONS ON TRANSFER OF SHARES.

12.1 The Participant agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Participant is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed 180 days following the closing of the offering, plus such additional period of time as may be required to comply with Marketplace Rule 2711 of the National Association of Securities Dealers, Inc. or similar rules thereto (such period, the "Lock-Up Period"). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Participant has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

12.2 The Participant acknowledges and agrees that neither the Company, its shareholders nor its directors and officers, has any duty or obligation to disclose to the Participant any material information regarding the business of the Company or affecting the value of the Shares before, at the time of, or following a termination of the employment of the Participant by the Company, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

13. NO OBLIGATION TO MAINTAIN RELATIONSHIP.

The Company is not by the Plan or this Option obligated to continue the Participant as an employee, director or consultant of the Company or an Affiliate. The Participant acknowledges: (i) that the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (ii) that the grant of the Option is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (iii) that all determinations with respect to any such future grants, including, but not limited to, the times when options shall be granted, the number of shares subject to each option, the option price, and the time or times when each option shall be exercisable, will be at the sole discretion of the Company; (iv) that the Participant's participation in the Plan is voluntary; (v) that the value of the Option is an extraordinary item of compensation which is outside the scope of the Participant's employment contract, if any; and (vi) that the Option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

14. NOTICES.

Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

NeuMedia, Inc.
4751 Wilshire Blvd., 3rd Floor
Los Angeles, CA 90010

If to the Participant:

Russell Burke
2915 Woodwardia Dr
Los Angeles, CA 90077

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given upon the earlier of receipt, one business day following delivery to a recognized courier service or three business days following mailing by registered or certified mail.

15. GOVERNING LAW.

This Agreement shall be construed and enforced in accordance with the law of the State of Delaware, without giving effect to the conflict of law principles thereof.

16. BENEFIT OF AGREEMENT.

Subject to the provisions of the Plan and the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

17. ENTIRE AGREEMENT.

This Agreement, together with the Plan, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict, the express terms and provisions of this Agreement, provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

18. MODIFICATIONS AND AMENDMENTS.

The terms and provisions of this Agreement may be modified or amended as provided in the Plan.

19. WAIVERS AND CONSENTS.

Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

20. DATA PRIVACY.

By entering into this Agreement, the Participant: (i) authorizes the Company and each Affiliate, and any agent of the Company or any Affiliate administering the Plan or providing Plan recordkeeping services, to disclose to the Company or any of its Affiliates such information and data as the Company or any such Affiliate shall request in order to facilitate the grant of options and the administration of the Plan; (ii) waives any data privacy rights he or she may have with respect to such information; and (iii) authorizes the Company and each Affiliate to store and transmit such information in electronic form.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and the Participant has hereunto set his or her hand, all as of the day and year first above written.

NeuMedia, Inc.

By: ______________________________

Name

Title

____

Participant

Exhibit A

NOTICE OF EXERCISE OF NON-QUALIFIED STOCK OPTION

TO: **NeuMedia, Inc.**

IMPORTANT NOTICE: This form of Notice of Exercise may only be used at such time as the Company has filed a Registration Statement with the Securities and Exchange Commission under which the issuance of the Shares for which this exercise is being made is registered and such Registration Statement remains effective.

Ladies and Gentlemen:

I hereby exercise my Non-Qualified Stock Option to purchase _________ shares (the "Shares") of the common stock, $0.0001 par value, of NeuMedia, Inc. (the "Company"), at the exercise price of $.25 per share, pursuant to and subject to the terms of that certain Non-Qualified Stock Option Agreement between the undersigned and the Company dated [_____], 2011.

I understand the nature of the investment I am making and the financial risks thereof. I am aware that it is my responsibility to have consulted with competent tax and legal advisors about the relevant national, state and local income tax and securities laws affecting the exercise of the Option and the purchase and subsequent sale of the Shares.

I am paying the option exercise price for the Shares as follows:

____

Please issue the Shares (check one):

☐ to me; or

☐ to me and ____________________________, as joint tenants with right of survivorship,

at the following address:

____

____

____

My mailing address for shareholder communications, if different from the address listed above, is:

____

____

____

Very truly yours,

____

Participant (signature)

____

Print Name

____

Date

____

Social Security Number

Amendment to Employment Letter Agreement

This amendment is effective as of February 21, 2011 (the "Amendment Date") by and between NeuMedia, Inc. (formerly known as Mediavest, Inc., the "Company") and James Lefkowitz ("Employee") and amends that certain Employment Letter Agreement ("Employment Agreement") dated June 28, 2007 between the Company and Employee. Unless otherwise defined herein, defined terms shall their meaning as set forth in the Agreement.

Recitals

WHEREAS, the Company and Employee believe it is in the best interest of the Company and Employee to mutually agree to certain modifications of the Employment Agreement; and

WHEREAS, the parties hereto desire to memorialize their mutual understandings as contained herein.

Amendment

1. The third sentence of Section 1 of the Employment Agreement shall be deleted and shall be replaced with the following:

"Employee shall have the right to render non-exclusive services on outside projects, provided such activities do not conflict with your duties or obligations to the Company and do not otherwise compete with the business of the Company in any way."

2. The first sentence of Section 3 of the Employment Agreement shall be deleted and shall be replaced with the following:

"Your base pay shall be at a rate of $5,000 per month payable in accordance with the Company's usual payroll procedures, minus customary deductions for federal and state taxes and the like."

3 The second paragraph of Section 3 shall be deleted and shall be replaced with the following:

"The Company and Employee agree that, provided Employee signs the Option Cancellation Agreement, in the form attached as Exhibit A:

(a) Five Hundred Thousand (500,000) of the Five Hundred Thousand (500,000) stock options of the Company held by Employee shall be cancelled in their entirety, and shall be replaced by the issuance by the Company of 500,000 non-qualified options at a strike price of $.25 pursuant to the terms of the Option Cancellation Agreement in the form attached hereto as Exhibit A.

(b) Employee shall be bound by the provision of the following legends which shall be endorsed up on the certificate evidencing the shares issues:

> "The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws."

"THESE SECURITIES HAVE NOT BEEN QUALIFIED UNDER THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968, AS AMENDED ("CSL"), AND ARE ALSO RESTRICTED UNDER THE PROVISIONS OF THAT LAW. THESE SECURITIES MUST BE HELD INDEFINITELY UNLESS THEY ARE SUBSEQUENTLY QUALIFIED UNDER THE CSL OR ARE OTHERWISE EXEMPT FROM QUALIFICATION UNDER THAT LAW."

(c) The Company shall reasonably cooperate with Employee, at the request of Employee, in connection with removing restrictive legends from shares of common stock of the Company now held or hereafter acquired by Employee under this Agreement, as permitted by law or agreement, and shall, at the Company's sole cost, arrange for one or more opinions of counsel if necessary to remove the legends.

4. Employee hereby waives any right to severance pursuant to Section 4 of the Employment Agreement.

5. All terms and conditions of the Employment Agreement not specifically and expressly deleted, modified or amended herein are hereby ratified and confirmed in all respects and shall remain in full force and effect.

6. Any conflict between the terms of this Amendment and the Employment Agreement shall be governed by the terms of this Amendment.

In Witness Whereof, the parties hereto have executed this Amendment as of the Amendment Date as set forth above.

NEUMEDIA, INC.	EMPLOYEE
By: ______________________	By: ______________________
Name: Robert Ellin	Name: James Lefkowitz
Title: Chairman	Title: Chief Operating Officer

Exhibit A
OPTION CANCELLATION AGREEMENT

THIS OPTION CANCELLATION AGREEMENT, made this 21st day of February, 2011 (the "Effective Date"), by and between NeuMedia, Inc. (the "Company") and James Lefkowitz ("Optionee").

WHEREAS, the Company has established a Stock Option Plan ("Plan") for the purpose of providing key employees with a direct incentive to increase the value of the Company's common stock.

WHEREAS, on June 28, 2007, the Company granted Optionee an option to purchase five hundred thousand (500,000) shares of common stock, at an exercise price of $2.65 per share (the "Option"). The terms and conditions of the Option are set forth in the Plan and stock option agreement dated as of November 7, 2007 (the "Original Stock Option Agreement").

WHEREAS, the Company and the Optionee desire to cancel 500,000 of the shares underlying the Option (the "Specified Option") in exchange for the new option specified herein.

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the adequacy and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Cancellation of the Options. The Company and the Optionee acknowledge and agree that the Specified Option shall automatically be surrendered, canceled and shall cease to exist immediately upon the Effective Date.

2. New Option to the Optionee. In consideration for the surrender and cancellation of the Specified Options, the Company shall provide to the Optionee a new option under the Plan to purchase five hundred thousand (500,000) shares at an exercise price of $0.25 per share in the form, and subject to the terms, conditions and new vesting scheduled set forth in the New Option Agreement attached hereto as Exhibit 1.

3. Release. Effective upon receipt by the Optionee of the consideration described in Paragraph 2, the Optionee, on behalf of himself and his heirs, assigns, executors, administrators, personal representatives and other successors, and in any and all capacities hereby unconditionally releases and forever discharges the Company and its respective affiliates, divisions, subsidiaries, employees, officers, directors, agents, accountants, attorneys, shareholders, successors, trustees, beneficiaries, heirs and assigns from, without limitation, any and all claims, awards, damages, obligations, promises, complaints, demands, liabilities and charges, or any other compensation whatsoever, whether known or unknown, now or hereafter accrued, arising or in any way related to the Specified Options. In connection with the release, the Optionee makes the following additional agreements:

Optionee acknowledge that he is familiar with Section 1542 of the Civil Code of the State of California which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

Optionee abandons, releases, waives and relinquishes all rights and benefits which he may acquire under Section 1542 of the Civil Code of the State of California (or any similar law of any other state) pertaining to the subject matter of this Agreement.

4. Representations and Warranties of Optionee. Optionee hereby represents, warrants and covenants that: (a) Optionee is the sole beneficial and record owner and holder of the Specified Option, which are free and clear of any liens, claims, options, charges, third party rights or other encumbrances (including, without limitation, restrictions on rights of disposition other than those imposed by applicable laws); (b) Optionee has full power and authority to make, enter into and carry out the terms of this Agreement; (c) Optionee has duly executed and delivered this Agreement; and (d) this Agreement constitutes a valid and binding obligation of Optionee.

5. Further Assurances. Optionee hereby covenants and agrees to execute and deliver any additional documents and take any other actions necessary or desirable to carry out the purpose and intent of this Agreement, including, without limitations, any actions required to cancel the Specified Options.

6. Law Governing. This Option Cancellation Agreement may not be modified or terminated orally, and shall be construed and interpreted according to the internal laws of the State of California, excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

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7. Binding Effect. The provisions of this Option Cancellation Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, personal representatives, successors and assigns.

8. Entire Agreement. This Option Cancellation Agreement constitutes the final, complete and exclusive agreement between the parties with respect to the matters set forth herein, and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by an officer, employee or representative of any party hereto.

9. Amendment. This Option Cancellation Agreement may be amended, modified and supplemented only by written agreement between the parties hereto which states that it is intended to be a modification of this Option Cancellation Agreement.

10. Counterparts. This Option Cancellation Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. Headings. The headings in this Option Cancellation Agreement are inserted for convenience only and shall not constitute a part hereof.

IN WITNESS WHEREOF, the parties have executed this Option Cancellation Agreement as of the day and year first written above.

OPTIONEE	**NEUMEDIA, INC.**
______________________________	By: ______________________________ Title:

Exhibit 99.6

NON-QUALIFIED STOCK OPTION AGREEMENT

NEUMEDIA, INC.

This AGREEMENT is made as of the 21st day of February, 2011 (the "Effective Date"), between NeuMedia, Inc. (the "Company"), a Delaware corporation, and James Lefkowitz (the "Participant").

WHEREAS, the Company desires to grant to the Participant an Option to purchase shares of its common stock, $0.0001 par value per share (the "Shares"), under and for the purposes set forth in the Company's 2007 Employee, Director and Consultant Stock Plan, as amended (the "Plan");

WHEREAS, the Company and the Participant understand and agree that any terms used and not defined herein have the same meanings as in the Plan; and

WHEREAS, the Company and the Participant each intend that the Option granted herein shall be a Non-Qualified Option.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. GRANT OF OPTION.

The Company hereby grants to the Participant the right and option to purchase all or any part of an aggregate of 500,000 Shares, on the terms and conditions and subject to all the limitations set forth herein, under United States securities and tax laws, and in the Plan, which is incorporated herein by reference. The Participant acknowledges receipt of a copy of the Plan.

2. PURCHASE PRICE.

The purchase price of the Shares covered by the Option shall be $.25 per Share, subject to adjustment, as provided in the Plan, in the event of a stock split, reverse stock split or other events affecting the holders of Shares after the date hereof (the "Purchase Price"). Payment shall be made in accordance with Paragraph 9 of the Plan.

3. EXERCISABILITY OF OPTION.

The Option granted hereby shall be immediately exercisable in full upon the Effective Date of this Agreement.

4. TERM OF OPTION.

This Option shall terminate three years from the Effective Date of this Agreement.

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5. METHOD OF EXERCISING OPTION.

Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company or its designee, in substantially the form of Exhibit A attached hereto. Such notice shall state the number of Shares with respect to which the Option is being exercised and shall be signed by the person exercising the Option. Payment of the purchase price for such Shares shall be made in accordance with Paragraph 9 of the Plan, which shall include, at the sole option of Participant and hereby approved by the Company, cashless exercise as provided in paragraph 9(c) of the Plan. The Company shall deliver such Shares as soon as practicable after the notice shall be received, provided, however, that the Company may delay issuance of such Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including, without limitation, state securities or "blue sky" laws). The Shares as to which the Option shall have been so exercised shall be registered in the Company's share register in the name of the person so exercising the Option (or, if the Option shall be exercised by the Participant and if the Participant shall so request in the notice exercising the Option, shall be registered in the Company's share register in the name of the Participant and another person jointly, with right of survivorship) and shall be delivered as provided above to or upon the written order of the person exercising the Option. In the event the Option shall be exercised, pursuant to Section 4 hereof, by any person other than the Participant, such notice shall be accompanied by appropriate proof of the right of such person to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable.

6. PARTIAL EXERCISE.

Exercise of this Option to the extent above stated may be made in part at any time and from time to time within the above limits, except that no fractional share shall be issued pursuant to this Option.

7. NON-ASSIGNABILITY.

The Option shall not be transferable by the Participant otherwise than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder. Except as provided above in this paragraph, the Option shall be exercisable, during the Participant's lifetime, only by the Participant (or, in the event of legal incapacity or incompetency, by the Participant's guardian or representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of the Option or of any rights granted hereunder contrary to the provisions of this Section 7, or the levy of any attachment or similar process upon the Option shall be null and void.

8. NO RIGHTS AS STOCKHOLDER UNTIL EXERCISE.

The Participant shall have no rights as a stockholder with respect to Shares subject to this Agreement until registration of the Shares in the Company's share register in the name of the Participant. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to the date of such registration.

9. ADJUSTMENTS.

The Plan contains provisions covering the treatment of Options in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to stock subject to Options and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

10. TAXES.

The Participant acknowledges that upon exercise of the Option the Participant will be deemed to have taxable income measured by the difference between the then fair market value of the Shares received upon exercise and the price paid for such Shares pursuant to this Agreement. The Participant acknowledges that any income or other taxes due from him or her with respect to this Option or the Shares issuable pursuant to this Option shall be the Participant's responsibility.

The Participant agrees that the Company may withhold from the Participant's remuneration, if any, the minimum statutory amount of federal, state and local withholding taxes attributable to such amount that is considered compensation includable in such person's gross income. At the Company's discretion, the amount required to be withheld may be withheld in cash from such remuneration, or in kind from the Shares otherwise deliverable to the Participant on exercise of the Option. The Participant further agrees that, if the Company does not withhold an amount from the Participant's remuneration sufficient to satisfy the Company's income tax withholding obligation, the Participant will reimburse the Company on demand, in cash, for the amount under-withheld.

11. PURCHASE FOR INVESTMENT.

Unless the offering and sale of the Shares to be issued upon the particular exercise of the Option shall have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended (the "1933 Act"), the Company shall be under no obligation to issue the Shares covered by such exercise unless and until the following conditions have been fulfilled:

(a) The person(s) who exercise the Option shall warrant to the Company, at the time of such exercise, that such person(s) are acquiring such Shares for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend which shall be endorsed upon the certificate(s) evidencing the Shares issued pursuant to such exercise:

> "The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws;" and

(b) If the Company so requires, the Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the 1933 Act without registration thereunder. Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including without limitation state securities or "blue sky" laws).

12. RESTRICTIONS ON TRANSFER OF SHARES.

12.1 The Participant agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Participant is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed 180 days following the closing of the offering, plus such additional period of time as may be required to comply with Marketplace Rule 2711 of the National Association of Securities Dealers, Inc. or similar rules thereto (such period, the "Lock-Up Period"). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Participant has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

12.2 The Participant acknowledges and agrees that neither the Company, its shareholders nor its directors and officers, has any duty or obligation to disclose to the Participant any material information regarding the business of the Company or affecting the value of the Shares before, at the time of, or following a termination of the employment of the Participant by the Company, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

13. NO OBLIGATION TO MAINTAIN RELATIONSHIP.

The Company is not by the Plan or this Option obligated to continue the Participant as an employee, director or consultant of the Company or an Affiliate. The Participant acknowledges: (i) that the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (ii) that the grant of the Option is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (iii) that all determinations with respect to any such future grants, including, but not limited to, the times when options shall be granted, the number of shares subject to each option, the option price, and the time or times when each option shall be exercisable, will be at the sole discretion of the Company; (iv) that the Participant's participation in the Plan is voluntary; (v) that the value of the Option is an extraordinary item of compensation which is outside the scope of the Participant's employment contract, if any; and (vi) that the Option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

14. NOTICES.

Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

NeuMedia, Inc.
4751 Wilshire Blvd., 3rd Floor
Los Angeles, CA 90010

If to the Participant:

James Lefkowitz
1454 Blueridge Drive
Beverly Hills, CA 90201

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given upon the earlier of receipt, one business day following delivery to a recognized courier service or three business days following mailing by registered or certified mail.

15. GOVERNING LAW.

This Agreement shall be construed and enforced in accordance with the law of the State of Delaware, without giving effect to the conflict of law principles thereof.

16. BENEFIT OF AGREEMENT.

Subject to the provisions of the Plan and the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

17. ENTIRE AGREEMENT.

This Agreement, together with the Plan, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict, the express terms and provisions of this Agreement, provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

18. MODIFICATIONS AND AMENDMENTS.

The terms and provisions of this Agreement may be modified or amended as provided in the Plan.

19. WAIVERS AND CONSENTS.

Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

20. DATA PRIVACY.

By entering into this Agreement, the Participant: (i) authorizes the Company and each Affiliate, and any agent of the Company or any Affiliate administering the Plan or providing Plan recordkeeping services, to disclose to the Company or any of its Affiliates such information and data as the Company or any such Affiliate shall request in order to facilitate the grant of options and the administration of the Plan; (ii) waives any data privacy rights he or she may have with respect to such information; and (iii) authorizes the Company and each Affiliate to store and transmit such information in electronic form.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and the Participant has hereunto set his or her hand, all as of the day and year first above written.

NeuMedia, Inc.

By: ______________________________

Name: Robert Ellin
Title: Chairman

____

Participant: James Lefkowitz

Exhibit A

NOTICE OF EXERCISE OF NON-QUALIFIED STOCK OPTION

TO: **NeuMedia, Inc.**

IMPORTANT NOTICE: This form of Notice of Exercise may only be used at such time as the Company has filed a Registration Statement with the Securities and Exchange Commission under which the issuance of the Shares for which this exercise is being made is registered and such Registration Statement remains effective.

Ladies and Gentlemen:

I hereby exercise my Non-Qualified Stock Option to purchase _________ shares (the "Shares") of the common stock, $0.0001 par value, of NeuMedia, Inc. (the "Company"), at the exercise price of $.25 per share, pursuant to and subject to the terms of that certain Non-Qualified Stock Option Agreement between the undersigned and the Company dated [_____], 2011.

I understand the nature of the investment I am making and the financial risks thereof. I am aware that it is my responsibility to have consulted with competent tax and legal advisors about the relevant national, state and local income tax and securities laws affecting the exercise of the Option and the purchase and subsequent sale of the Shares.

I am paying the option exercise price for the Shares as follows:

____

Please issue the Shares (check one):

☐ to me; or

☐ to me and ____________________________, as joint tenants with right of survivorship,

at the following address:

____

____

____

My mailing address for shareholder communications, if different from the address listed above, is:

____

____

____

Very truly yours,

____

Participant (signature)

____

Print Name

____

Date

____

Social Security Number