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 June 30, 2011

☐ 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 August 19, 2011, there were 43,673,458 shares of the Registrant's common stock, par value $0.0001 per share, issued and outstanding.

NEUMEDIA, INC.
Table of Contents

		Page
	PART I - FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Consolidated Balance Sheets as of June 30, 2011 (Unaudited) and March 31, 2011	F-2
	Consolidated Statements of Operations (Unaudited) For the Three Month Period Ended June 30, 2011 and 2010	F-3
	Consolidated Statements of Cash Flows (Unaudited) For the Three Month Period Ended June 30, 2011 and 2010	F-5
	Notes to the Unaudited Consolidated Financial Statements	F-6-F-29
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	2
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	12
Item 4	Controls and Procedures	13
	PART II - OTHER INFORMATION	
Item 1.	Legal Proceedings	13
Item 1A.	Risk Factors	13
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	14
Item 3.	Defaults Upon Senior Securities	14
Item 4.	(Removed and Reserved)	14
Item 5.	Other Information	14
Item 6.	Exhibits	14
Signatures		15

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

NeuMedia, Inc. and Subsidiaries

(formerly known as Mandalay Media, Inc.)

Consolidated Financial Statements

June 30, 2011

	Page(s)
Consolidated Balance Sheets as of June 30, 2011 (unaudited) and March 31, 2011	F-2
Consolidated Statements of Operations (unaudited) for the 3 months ended June 30, 2011 and June 30, 2010	F-3
Consolidated Statements of Stockholders' Equity and Comprehensive Loss (unaudited) for the 3 months ended June 30, 2011	F-4
Consolidated Statements of Cash Flows (unaudited) for the 3 months ended June 30, 2011 and June 30, 2010	F-5
Notes to Consolidated Financial Statements	F-6-F-29

NeuMedia, Inc. and Subsidiaries
(formerly known as Mandalay Media, Inc.)

Consolidated Balance Sheets

(In thousands, except per share amounts)

	June 30, 2011 (unaudited)	March 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 649	$ 845
Accounts receivable, net of allowances of $96 and $96, respectively	2,307	2,699
Prepaid expenses and other current assets	304	296
Total current assets	3,260	3,840
Property and equipment, net	351	388
Intangible assets, net	3,308	3,366
Goodwill	6,609	6,609
TOTAL ASSETS	**$ 13,528**	**$ 14,203**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,384	$ 3,807
Accrued license fees	1,321	1,189
Accrued compensation	239	371
Current portion of long term debt	111	115
Other current liabilities	2,001	1,959
Total currrent liabilities	7,056	7,441
Long term debt and convertible debt, net of discount of $1,648 and $1,856, respectively	4,352	4,144
Total liabilities	$ 11,408	$ 11,585
Commitments and contingencies (Note 16)		
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, $0.0001 par value: 100,000,000 shares authorized;41,771,469 issued and outstanding at June 30, 2011;41,274,225 issued and outstanding at March 31, 2011;	5	4
Additional paid-in capital	99,707	99,541
Accumulated other comprehensive loss	(185)	(291)
Accumulated deficit	(97,507)	(96,736)
Total stockholders' equity	2,120	2,618
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 13,528**	**$ 14,203**

NeuMedia, Inc. and Subsidiaries
(formerly known as Mandalay Media, Inc.)

Consolidated Statements of Operations (unaudited)

(In thousands, except per share amounts)

	3 Months Ended June 30, 2011	3 Months Ended June 30, 2010
Net revenues	$ 1,893	$ 2,858
Cost of revenues		
License fees	492	586
Other direct cost of revenues	58	76
Total cost of revenues	550	662
Gross profit	1,343	2,196
Operating expenses		
Product development	664	1,074
Sales and marketing	235	596
General and administrative	915	1,828
Amortization of intangible assets	-	17
Total operating expenses	1,814	3,515
Loss from operations	(471)	(1,319)
Interest and other income / (expense)		
Interest income	0	1
Interest expense	(367)	(680)
Foreign exchange transaction gain / (loss)	48	(157)
Other income / (expense)	50	(187)
Interest and other expense	(269)	(1,023)
Loss from operations before income taxes	(740)	(2,342)
Income tax provision	(31)	(68)
Net loss from continuing operations net of taxes	(771)	(2,410)
Discontinued operations, net of taxes:		
Income from discontinued operations net of taxes	-	709
Gain on disposal of discontinued operations, net of taxes	-	4,315
Net income from discontinued operations, net of taxes	-	5,024
Net (loss)/profit	$ (771)	$ 2,614
Comprehensive (loss)/income	$ (665)	$ 2,795
Basic and diluted net income / (loss) per common share	$ (0.02)	$ 0.07
Continuing operations	$ (0.02)	$ (0.06)
Discontinued operations	$ -	$ 0.13
Weighted average common shares outstanding, basic and diluted	41,679	39,375

NeuMedia, Inc. and Subsidiaries
(formerly known as Mandalay Media, Inc.)

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 Loss
	Shares	Amount	Shares	Amount					
Balance at March 31, 2011	41,274,225	$ 4	100,000	$ 100	$ 99,541	$ (291)	$ (96,736)	$ 2,618	
Net loss							(771)	(771)	(771)
Foreign currency translation						106		106	106
Issuance of common stock as part of compensation	347,244	1			69			70	
Issuance of warrants to vendor for services rendered					15			15	
Stock issued for services	150,000				82			82	
Comprehensive loss									$ (665)
Balance at June 30, 2011	41,771,469	$ 5	100,000	$ 100	$ 99,707	$ (185)	$ (97,507)	$ 2,120	

NeuMedia, Inc. and Subsidiaries
(formerly known as Mandalay Media, Inc.)

Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	3 Months Ended June 30, 2011	3 Months Ended June 30, 2010
Cash flows from operating activities		
Net (loss)/income	$ (771)	$ 2,614
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	-	(4,215)
Depreciation and amortization	129	347
Amortization of debt discount	208	-
Allowance for doubtful accounts	-	(159)
Issuance of common stock as part of compensation	69	192
Issuance of warrants to vendor for services rendered	15	172
Stock issued for services	82	-
(Increase) / decrease in assets, net of effect of disposal of subsidiary:		
Accounts receivable	392	2,056
Prepaid expenses and other current assets	(8)	(40)
Increase / (decrease) in liabilities, net of effect of disposal of subsidiary:		
Accounts payable	(423)	(3,022)
Accrued license fees	132	245
Accrued compensation	(132)	(156)
Other liabilities and other items:	38	1,615
Net cash used in operating activities	(268)	(351)
Cash flows from investing activities		
Purchase of property and equipment	(34)	(57)
Transaction costs	-	(548)
Cash remaining with disposed subsidiary	-	(641)
Net cash used in investing activities	(34)	(1,246)
Cash flows from financing activities		
Proceeds from new convertible debt	-	2,500
Net cash provided by financing activities	-	2,500
Effect of exchange rate changes on cash and cash equivalents	106	139
Net change in cash and cash equivalents	(196)	1,042
Cash and cash equivalents, beginning of period	845	1,891
Cash and cash equivalents, end of period	$ 649	$ 2,933
Supplemental disclosure of cash flow information:		
Taxes paid	$ 31	$ 68
Interest paid	$ 367	$ 680

---

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 merger 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 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 Mandalay Media's outstanding common stock and (2) one new share of preferred stock in exchange for each share of Mandalay Media's outstanding preferred stock as of May 11, 2010. NeuMedia's preferred and common stock 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.

Twistbox is a global publisher and distributor of branded entertainment content and services primarily focused on enabling the development, distribution and billing of content across 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 film, television and lifestyle media companies. Twistbox has built a proprietary mobile publishing platform that includes: tools that automate device management for the distribution and billing of images and video; a mobile games development and distribution platform that automates the porting of mobile games and applications 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 and service 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. AMV and its subsidiaries were subsequently disposed, as set out in Note 8 below.

On June 21, 2010, the Company signed and closed an agreement whereby ValueAct and the AMV Founders, acting through a newly formed company, acquired the operating subsidiaries of AMV (the "Assets") in exchange for the release of $23,231 of secured indebtedness, 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 (as defined below) except for $3,500 in principal. The Company retained all assets and liabilities of Twistbox and the Company other than the Assets. See Note 8 for further discussion regarding the discontinued operations.

2. Going Concern

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which contemplate continuation of the Company as a going concern. As reflected in the accompanying consolidated financial statements, the Company has losses from operations and negative cash flows from operations and current liabilities exceed current assets. These conditions raise substantial doubt as to the Company's ability to continue as a going concern.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheet is dependent upon continued operations of the Company, which, in turn, is dependent upon the Company's ability to continue to raise capital and ultimately generate positive cash flows from operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue its existence.

Management has taken or plans to take steps that it believes will be sufficient to provide the Company with the ability to continue in existence, including the following:

- settled certain payables for shares of the Company's common stock;
- entered into settlements with two strategic partners that allow the Company to reduce royalty payments;
- restructuring the Company and reducing ongoing operating expense;
- raising additional equity capital; and
- strategic acquisitions.

3. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with GAAP and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for annual financial statements. The financial statements, in the opinion of management, include all adjustments necessary for a fair statement of the results of operations, financial position and cash flows for each period presented.

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), developing and maintaining carrier platforms, mobile advertising, 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 subscription 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 actual 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 newer and more advanced handsets, 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 Company 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 June 30, 2011	3 Months Ended June 30, 2010
Potentially dilutive shares	16,739	9,700

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.

Accounts Receivable

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Content Provider Licenses

Content Provider License Fees

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 content acquisitions, paid in advance and capitalized on our balance sheet as prepaid license fees. 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 content acquired. Minimum guarantee license payments that are not recoupable against future royalties are capitalized and amortized over the lesser of the estimated life of the branded title or the term of the license agreement.

Minimum Guarantee License Fees

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 payments 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 content 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 market; 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 $4 and $12 in the periods ended June 30, 2011 and 2010, respectively. Advertising expense for discontinued operations was $0 and $956 in the periods ended June 30, 2011 and 2010, 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 June 30, 2011 and March 31, 2011, 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 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 $106 in the period ended June 30, 2011 and $181 in the period ended June 30, 2010 has been reported as a component of comprehensive loss in the consolidated statements of stockholders' equity and comprehensive loss. Translation gains or losses are shown as a separate component 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 June 30, 2011, one major customer represented approximately 29 % of our gross accounts receivable outstanding, and 36% of gross accounts receivable outstanding as of June 30, 2010. This customer accounted for 43% of our gross revenues in the period ended June 30, 2011; and 52% in the period ended June 30, 2010.

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 the lesser of 8 to 10 years or the term of the lease 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.

Impairment of Long-Lived Assets and Finite Life Intangibles

Long-lived assets, including, intangible assets subject to amortization primarily consisting of customer lists, license agreements and software that have been acquired 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 measured 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 June 30, 2011 the Company determined that there was no impairment of intangible assets. In the year ended March 31, 2011, 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 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 9 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 occurrence 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

Adopted Accounting Pronouncements

In December 2010, the FASB issued updated guidance on when and how to perform certain steps of the periodic goodwill impairment test for public entities that may have reporting units with zero or negative carrying amounts. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010, with early adoption prohibited. It is applicable to the Company’s fiscal year beginning April 1, 2011. The Company evaluated this guidance and determined it doesn’t have a material effect on its consolidated financial statements.

In December 2010, the FASB also issued guidance to clarify the reporting of pro forma financial information related to business combinations of public entities and to expand certain supplemental pro forma disclosures. This guidance is effective prospectively for business combinations that occur on or after the beginning of the fiscal year beginning on or after December 15, 2010, with early adoption permitted. It is applicable to the Company’s fiscal year beginning April 1, 2011. The Company evaluated this guidance and determined it doesn’t have a material effect on its consolidated financial statements.

New Accounting Pronouncements

In May 2011, the FASB issued guidance to amend certain measurement and disclosure requirements related to fair value measurements to improve consistency with international reporting standards. This guidance is effective prospectively for public entities for interim and annual reporting periods beginning after December 15, 2011, with early adoption by public entities prohibited, and is applicable to the Company’s fiscal quarter beginning April 1, 2012. The Company evaluated this guidance and determined it doesn’t have a material effect on its consolidated financial statements.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income that will require a company to present components of net income and other comprehensive income in one continuous statement or in two separate, but consecutive statements. There are no changes to the components that are recognized in net income or other comprehensive income under current GAAP. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. It is applicable to the Company’s fiscal year beginning April 1, 2012. The Company is currently evaluating this guidance, but does not expect its adoption will have a material effect on its consolidated financial statements.

Other recent authoritative guidance issued by the FASB (including technical corrections to the FASB Accounting Standards Codification), the American Institute of Certified Public Accountants, and the SEC did not, or are not expected to have a material effect on the Company’s consolidated financial statements.

4. Fair Value Measurements

The Company applies the provisions of ASC 820-10, *“Fair Value Measurements and Disclosures.”* ASC 820-10 defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, *"Distinguishing Liabilities From Equity"* and ASC 815, *"Derivatives and Hedging."* Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair values of freestanding derivative instruments such as warrant and option derivatives are valued using the Black-Scholes model.

The Company uses Level 2 inputs for its valuation methodology for the warrant derivative as their fair values were determined by using the Black-Scholes option pricing model based on various assumptions. The Company's derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The Company determined the fair value of the warrants issued to be a $165, using the Black-Scholes option pricing model and the following assumptions: expected life of 4.76 years, a risk free interest rate of 1.76%, a dividend yield of 0% and volatility of 75%.

At June 30, 2011, the Company identified the following assets and liabilities that are required to be presented on the balance sheet at fair value:

Measured at Fair Value on a Recurring Basis

(in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Stock warrant - derivative liability	(165)	-	(165)	-

The stock warrant –derivative liability is included in other current liabilities in the accompanying consolidated balance sheet.

Measured at Fair Value on A Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). As of March 31, 2011, the Company had incurred cumulative impairment losses on goodwill and other intangible assets of $68,770 based on the fair value measurement methods and criteria described in Note 9. For the period ended June 30, 2011, the Company determined that there was no evidence of impairment and therefore no additional impairment loss was recorded.

5. Accounts Receivable

	June 30, 2011	**March 31, 2011**
Billed	$ 1,369	$ 1,523
Unbilled	1,034	1,272
Less: allowance for doubtful accounts	(96)	(96)
Net Accounts receivable	$ 2,307	$ 2,699

The Company had no significant write-offs or recoveries during the period ended June 30, 2011 and the year ended March 31, 2011.

6. Property and Equipment

	June 30, 2011	March 31, 2011
Equipment	$ 1,006	$ 1,006
Furniture & fixtures	363	328
Leasehold improvements	140	140
	1,509	1,474
Accumulated depreciation	(1,157)	(1,086)
Net Property and Equipment	$ 351	$ 388

Depreciation expense for the periods ended June 30, 2011 and 2010 was $61 and $81, respectively for continuing operations and $0 and $27 for discontinued operations.

7. 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 ISOs shall only be issued to employees. Generally, ISOs and NQOs 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:

(in thousands)	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2011	6,187	$ 1.79
Granted	-	$ -
Canceled	(347)	$ 0.48
Exercised	-	$ -
Outstanding at June 30, 2011	5,840	$ 1.87
Exercisable at June 30, 2011	5,840	$ 1.87

In April 2011, two former employees each agreed to cancel options to purchase 173,622 shares of common stock in connection with their respective termination agreements.

The exercise price for options outstanding at June 30, 2011 was as follows:

Range of Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Outstanding June 30, 2011	Weighted Average Exercise Price	Aggregate Intrinsic Value
$0 - $1.00	5.06	2,923	$ 0.49	$ 252,000
$2.00 - $3.00	6.94	2,117	$ 2.67	$ -
$4.00 - $5.00	6.63	800	$ 4.75	$ -
	5.96	5,840	$ 1.87	$ 252,000

The exercise price for options exercisable at June 30, 2011 was as follows:

Range of Exercise Price	Weighted Average Remaining Contractual Life (Years)	Options Exercisable June 30, 2011	Weighted Average Exercise Price	Aggregate Intrinsic Value
$0 - $1.00	5.06	2,923	$ 0.49	$ 252,000
$2.00 - $3.00	6.94	2,117	$ 2.67	$ -
$4.00 - $5.00	6.63	800	$ 4.75	$ -
	5.96	5,840	$ 1.87	252,000

Stock Plans

A summary of the status of the Company's nonvested shares as of June 30, 2011 and March 31, 2011 pursuant to the Plan and changes during the period ended June 30, 2011 is presented below:

(in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at March 31, 2011	-	$ -
Granted	-	$ -
Vested	-	$ -
Exercised	-	$ -
Nonvested at June 30, 2011	-	$ -
Cumulative forfeited	(565)	$ 0.53

Option Plans and Stock Plans

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

	3 Months Ended June 30, 2011	3 Months Ended June 30, 2010
Product development	$ 69	$ 2
Sales and marketing	$ -	$ 5
General and administrative	$ -	$ 185
	$ 69	$ 192

8. Discontinued Operations

On June 21, 2010, the Company restructured its debt with its senior debt holder by closing a number of transactions, including the sale of AMV. In connection with the sale, ValueAct Small Cap Master Fund, L.P. ("ValueAct") and Nate MacLeitch and Jonathan Cresswell (the "AMV Founders"), acting through a newly formed company, 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 a secured promissory note in the aggregate principal amount of $5,375 (the "AMV Note") and all of the amounts due and payable under 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, which is due in one lump sum principal payment on June 21, 2013. 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.

In accordance with FASB ASC 360, Property, Plant and Equipment, the Company recorded a gain of $3,500 on the sale of AMV.

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**	

9. Goodwill and Other Intangible Assets

Goodwill

The following is a reconciliation of the changes to the Company's carrying amount of goodwill for the period ended June 30, 2011:

Balance at March 31, 2011 and June 30, 2011	$ 6,609

We complete our annual impairment tests in the fourth quarter of each year unless events or circumstances indicate that an asset may be impaired. There were no indications of impairment present during the period ended June 30, 2011. 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.

Other Intangible Assets

The following is a reconciliation of the changes to the Company's carrying amount of intangible assets for the period ended June 30, 2011 and the year ended March 31, 2011:

	Amortizable Intangible Assets	Unamortizable Intangible Assets	Total Intangible Assets
Balance at March 31, 2011	$ 893	$ 2,473	$ 3,366
Amortization	(58)	-	(58)
Balance at June 30, 2011	$ 835	$ 2,473	$ 3,308

The components of intangible assets as at June 30, 2011 and March 31, 2011 were as follows:

	As of June 30, 2011		
	Cost	Accumulated Amortization	Net
		(in thousands)	
Software	$ 1,611	$ (776)	$ 835
Trade name / Trademark	2,473	-	2,473
Customer list	1,220	(1,220)	-
License agreements	443	(443)	-
	$ 5,747	$ (2,439)	$ 3,308

	As of March 31, 2011		
	Cost	Accumulated Amortization	Net
		(in thousands)	
Software	$ 1,611	$ (718)	$ 893
Trade name / Trademark	2,473	-	2,473
Customer list	1,220	(1,220)	-
License agreements	443	(443)	-
	$ 5,747	$ (2,381)	$ 3,366

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 periods ended June 30, 2011 and 2010, the Company recorded amortization expense for continuing operations in the amount of $58 and $76, respectively, in cost of revenues; and amortization expense in the amount of $0 and $17 respectively, in operating expenses. During the periods ended June 30, 2011 and 2010 the Company recorded amortization expense for discontinued operations in the amount of $0 and $26, respectively, in cost of revenues; and amortization expense in the amount of $0 and $40, respectively, in operating expenses.

Based on the amortizable intangible assets as of June 30, 2011, we estimate amortization expense for the next five years to be as follows:

Year Ending June 30,		Amortization Expense (in thousands)
2012	$	230
2013		230
2014		230
2015		145
	$	835

10. Debt

		June 30, 2011		March 31, 2011
Short Term Debt				
Note Payable	$	100	$	100
Equipment Leases inclusive of accrued interest		11		15
	$	111	$	115

		June 30, 2011		March 31, 2011
Long Term Debt				
Senior secured note, net of discount, of $1,648 and $1,856, respectively	$	852	$	644
Secured note		3,500		3,500
	$	4,352	$	4,144

Note Payable

On March 31, 2011 as a part of settlement of debt, the Company incurred a Note Payable to a service provider of $100.

ValueAct Note

On June 21, 2010 the ValueAct Note was amended and restated in its entirety and reduced to $3,500 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. The entire principal balance is due in one lump sum payment on June 21, 2013. 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 Twistbox.

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 and all of the requirements for equity classification were met. 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 of $2,500 and is being amortized over the term of the New Senior Secured Notes. For the period ended June 30, 2011, the Company amortized $208 of the aforesaid discounts as interest and financing costs in the accompanying consolidated statements of operations.

11. 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 five year management agreement ("Agreement") with Trinad Management, the manager of Trinad Capital Master Fund, which is one of our principal stockholders. In addition, Robert Ellin, our director, is the managing director of and portfolio manager for Trinad Management.. Pursuant to the terms of the Agreement, Trinad Management provides certain management services, including, without limitation, relating to 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 related expenses reasonably incurred. The Agreement expires on September 14, 2011. Either party may terminate with prior written notice. However, if the Company terminates, it will be obligated to pay a termination fee of $1,000. For the periods ended June 30, 2011 and 2010, the Company incurred management fees under the agreement of $90 and $90, respectively. At June 30, 2011 and March 31, 2011 the accrued payable to Trinad Management was $180 and $135, 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 $0 and $15 respectively for the periods ended June 30, 2011 and 2010.

12. Capital Stock Transactions

Preferred Stock

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

Common Stock and Warrants

On April 1, 2011, 347,244 shares of common stock of the Company were issued to two former employees of the Company, as compensation, at the closing market price on that date of 58 cents per share, resulting in a total value of $201. In addition, the employees each agreed to cancel options to purchase 173,622 shares of common stock in connection with their respective termination agreements which were valued at $132. The Company determined the fair value of the cancelled options using the Black-Scholes option pricing model and the following assumptions: expected life of 5.11 years, a risk free interest rate of 1.76%, a dividend yield of 0% and volatility of 75%. The net value of the termination was $69.

On April 6, 2011, the Company issued 150,000 shares of common stock of the Company to a vendor. The shares vest over a one year period. The shares were valued at the closing market price on that date of 55 cents per share. The overall value was determined to be $83, of which $22 was recorded in the period ended June 30, 2011.

On April 6, 2011, the Company issued warrants to purchase 75,000 shares of the Company's common stock to a vendor, as compensation for services rendered, at 25 cents per share. The Company determined the fair value of the warrants issued to be a $28, using the Black-Scholes option pricing model and the following assumptions: expected life of 3.00 years, a risk free interest rate of 1.36%, a dividend yield of 0% and volatility of 75%. The warrants vest over a six month period and $14 of expense has been recorded in the period ended June 30, 2011.

In May 2011, 150,000 shares of common stock of the Company were issued to a vendor as a settlement, at the closing market price on that date of 40 cents per share, resulting in a total value of $60.

In June 2011, the Company entered into a consulting agreement, pursuant to which, the Company issued warrants to purchase 150,000 shares of the Company's common stock at an exercise price of 47 cents per share. The Company determined the fair value of the warrants issued to be $33, using the Black-Scholes option pricing model and the following assumptions: expected life of 3.00 years, a risk free interest rate of 0.74%, a dividend yield of 0% and volatility of 75%. The options vest over a one year period and $1 of expense has been recorded in the period ended June 30, 2011.

13. 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.

14. 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 June 30, 2011.

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 June 30, 2011 and March 31, 2011. The Company recognized no interest and penalties on income taxes in its statement of operations for the periods ended June 30, 2011 and 2010.

15. Segment and Geographic information

The Company operates in one reportable segment in which it is a developer and publisher of 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 June 30, 2011:

	North America	Europe	Other Regions	Consolidated
Three Months ended June 30, 2011				
Net sales to unaffiliated customers	57	1,519	317	$ 1,893
Property and equipment, net at June 30, 2011	276	74	1	$ 351

Our largest customer accounted for 43% of gross revenues in the period ended June 30, 2011; and 52% in the period ended June 30, 2010.

16. Commitments and Contingencies

Operating Lease Obligations

The Company leases office facilities under non-cancelable operating leases expiring in various years through 2012.

Following is a summary of future minimum payments under initial terms of leases at June 30, 2011:

Year Ending June 30,	
2012	$ 9
Total minimum lease payments	$ 9

These amounts do not reflect future escalations for real estate taxes and building operating expenses. Rental expense for continuing operations amounted to $45 and $142, respectively, for the periods ended June 30, 2011 and 2010.

Other Obligations

As of June 30, 2011, the Company was obligated for payments under various distribution agreements, equipment lease agreements, employment contracts and the management agreement described in Note 11 with initial terms greater than one year at June 30, 2011. As of June 30, 2011, accrued management fees payable to Trinad Management are $180. Annual payments relating to these commitments at June 30, 2011 are as follows:

Year Ending June 30,	
2012	$ 164
Total minimum payments	$ 164

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 things, 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. On August 16, 2011 the LA Superior Court ruled in favor of WAAT's Summary Judgment Motion. As a result, GMCI's potential damages have been limited to the amount of the minimum royalty installments that accrued prior to termination of the content license agreement in the amount of approximately $800. 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.

17. Subsequent Events

On or about July 7, 2011, the parties have entered into a written mutual release and settlement agreement in the case of NeuMedia, Inc. v Pillsbury, Winthrop, Shaw, Pittman LLP, Los Angeles Superior Court Case No. BC 441254. The Company has agreed to pay the sum of $72,000 in full and final settlement of the litigation, payable in monthly installments of $4,000 per month commencing on August 1, 2011 and continuing thereafter on the first day of each succeeding month until paid in full. Neumedia also agreed that in the event it should close a financing or other liquidity event of at least $5 million prior to the date the final installment payment is due under the settlement agreement, any unpaid amounts due would be accelerated and paid in full.

As previously disclosed, on July 11, 2011, Peter Adderton has been appointed as the interim Chief Executive Officer of the Company effective July 15, 2011 and pursuant to the terms of the agreement described below. Mr. Adderton, is currently the chairman and Chief Executive Officer of Agency 3.0, a digital marketing services company, where he leads the company's practice focusing on mobile and wireless clients. In addition, he is also Founder and Chief Executive Officer and a majority owner of Digital Turbine Group, LLC, a multimedia management technology company. Mr. Adderton's appointment as interim Chief Executive Officer of the Company was made in connection with the Company amending its previously announced letter of intent to acquire Digital Turbine LLC. The letter of intent provides that the Company may acquire the assets of Digital Turbine in exchange for five million shares of the Company's common stock. The proposed transaction is subject to customary conditions and is also subject to the Company closing a financing with proceeds of at least $10 million. The terms of the proposed transaction outlined in the letter of intent are not binding on the Company or Digital Turbine, and the proposed transaction may not occur on the terms currently set forth in the letter of intent or at all. The Company and Digital Turbine amended the letter of intent to extend the term of the letter of intent until August 31, 2011. In return for Digital Turbine's agreement to extend the term of the letter of intent, the Company agreed to make two payments to Digital Turbine of $50,000 each, and Digital Turbine has agreed to cause Mr. Adderton to serve as interim Chief Executive Officer of the Company. The letter of intent contemplates that, in the event the proposed transaction occurs, Mr. Adderton will become the Company's Chief Executive Officer and a member of the board of directors and that the Company and Mr. Adderton would enter into an employment agreement, which will provide for base and bonus compensation in cash as well as equity compensation. In the event that the transaction contemplated by the letter of intent is not consummated, Mr. Adderton will cease to serve as our interim Chief Executive Officer. Since September 2010, Mr. Adderton has also been a member of the Company's Advisory Board and has been providing consulting services under a consulting agreement with the Company. The consulting agreement has a one year term and provides that Mr. Adderton will assist with various aspects of the Company's business and on strategic matters. In return of the consulting services, Mr. Adderton will receive a warrant to purchase 150,000 shares of the Company's common stock at a per share price of $0.39. The warrant will be fully vested on September 27, 2011.

On July 12, 2011, Tim Spengler, media industry veteran and President of Initiative North America, joined our Advisory Board.

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 June 30, 2011. 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, formerly known as Mandalay Media, Inc., 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 11, 2010, Mandalay Media, Inc. merged into its wholly-owned, newly formed subsidiary, NeuMedia Inc. 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, Inc. and (2) one new share of preferred stock in exchange for each share outstanding preferred stock of Mandalay Media, Inc. 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, Inc. and NeuMedia acceded to all the rights, acquired all the assets and assumed all of the liabilities of Mandalay Media, 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 was transferred to a liquidation trust and used to pay administrative costs and certain preferred creditors; (3) $100,000 was 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 conditions 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 shares 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-assessable 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 defined 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 set 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 changed 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 NeuMedia 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 ValueAct 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 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 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 entertainment content and services primarily focused on enabling the development, distribution and billing of content across mobile networks. Twistbox publishes its content in over 28 countries with distribution representing more than five hundred million subscribers. Operating since 2003, Twistbox has developed an intellectual property portfolio that includes worldwide or territory exclusive mobile rights to content from film, television and lifestyle media companies. Twistbox has built a proprietary mobile publishing platform that includes: tools that automate device management for the distribution and billing of images and video; a mobile games development and distribution platform 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 programming and services. Twistbox has leveraged its intellectual property and carrier-class platform to secure direct distribution agreements with the leading mobile operators throughout Europe, North America and Latin America, including, among others, Vodafone, Telefonica, Orange, Hutchison’s 3 and O2.

Twistbox maintains a global distribution agreement with Vodafone. Through this relationship, in certain markets Twistbox serves as one of Vodafone’s exclusive category portal managers, a portion of which is age-verified. Twistbox has similar exclusive agreements with other operators in selected territories.

Twistbox’s intellectual property encompasses worldwide exclusive, territory exclusive or non-exclusive content licensing agreements that are distributed via mobile applications and services including more than 350 WAP sites, 250 games and 66 mobile TV channels.

In addition to its content publishing business through mobile operators, Twistbox operates a mobile ad network and suite of Direct to Consumer services that are promoted through advertising, as well as from other mobile publishers. Payments for the Company’s Direct to Consumer services are processed through integration with the Company’s own mobile billing solutions, 3rd party mobile billing aggregators, and credit card processing companies.

Twistbox target customers are the highly-mobile, digitally-aware 18 to 40 year old demographic. This group is a leading consumer of new mobile handsets and represents more than 50% of mobile content consumption revenue globally. In addition, this group is very focused on consumer lifestyle brands and is much sought after by advertisers.

RESULTS OF OPERATIONS

	3 Months Ended June 30, 2011	3 Months Ended June 30, 2010
Revenues	$ 1,893	$ 2,858
Cost of revenues	550	662
Gross profit	1,343	2,196
SG&A	1,814	3,498
Amortization of intangible assets	-	17
Impairment of goodwill	-	-
Operating loss	(471)	(1,319)
Interest expense, net	(367)	(679)
Other income / (expenses)	98	(344)
Loss before income taxes	(740)	(2,342)
Income tax provision	(31)	(68)
Loss from continuing operations	(771)	(2,410)
Profit from discontinued operations, net of taxes	-	709
Gain on disposal of discontinued operations, net of taxes	-	4,315
Net (loss) income	$ (771)	$ 2,614
Basic and Diluted net income / (loss) per common share:		
Continuing operations	$ (0.02)	$ (0.06)
Discontinued operations	$ -	$ 0.13
Net loss	$ (0.02)	$ 0.07
Basic and Diluted weighted average shares outstanding	41,679	39,375

Comparison of the three Months Ended June 30, 2011 and June 30, 2010

Revenues

	Three Months Ended June 30,	
	2011	**2010**
	(In thousands)	
Revenues by type:		
Services	$ 235	$ 530
Content - Games	172	342
Content - Other	1,192	1,679
Advertising	294	308
Total	$ 1,893	$ 2,858

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 June 30, 2011 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 US based games distributors.

"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. In addition, games sales through our games platform in Germany have declined in the period, as a result of an overall shift within the market ecosystem.

"Content – Other" includes a broad range of licensed and internally developed products such as WAP, Video, Wallpaper, and Mobile TV. The decline in revenue year over year is attributable to several factors, but primarily due to the market shift away from on-deck discovery to off-deck discovery. The Company has invested and focused its efforts over the last quarter on re-engineering its products and marketing capabilities to address this market shift.

"Advertising" includes revenues derived from the sale of advertising inventory within our affiliate partners, internal mobile sites, and from the direct monetization and mediation of traffic through all of the aforementioned.

Cost of Revenues

	Three Months Ended June 30,	
	2011	**2010**
	(In thousands)	
Cost of revenues:		
License fees	$ 4 92	$ 586
Other direct cost of revenues	58	76
Total cost of revenues	$ 5 50	$ 662
Revenues	$ 1 ,893	$ 2,858
Gross margin	70.9%	76.8%

License fees represent costs payable to content providers for use of their brands and intellectual property in products sold. Our licensing agreements are mainly on a revenue-share basis. Margins in the current quarter are lower than the same quarter in the prior year. 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 June 30,	
	2011	2010
	(In thousands)	
Product development expenses	$ 6 64	$ 1,074
Sales and marketing expenses	2 35	596
General and administrative expenses	9 15	1,828
Amortization of intangible assets	-	17
Impairment of goodwill and intangible assets	-	-

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, a portion of the expense is related to restructuring costs incurred in the first two months of the quarter.

Sales and marketing expenses represent the costs of sales and marketing personnel, and advertising and marketing campaigns. While sales headcount has been reduced from period to period, the Company had incurred a large amount of relocation expense in the first quarter of last year.

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 lower stock compensation expense due to the full amortization of the Company's primary stock options in prior periods, lower legal expenses, and lower payroll and relative expenses in the quarter, primarily related to a reduction in headcount.

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 fiscal year.

Other Income and Expenses

	Three Months Ended June 30,	
	2011	2010
	(In thousands)	
Interest and other (expense)	$ (269)	$ (1,023)
Profit from discontinued operations, net of taxes	$ -	$ 709
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 Senior Secured Note, foreign exchange transaction gains, and other income/expense. Interest costs are lower by $313,000 due to the significant reduction in debt that occurred in the first quarter of last year. This was partially offset by miscellaneous income of $50,000 related to settlement with a service provider and foreign exchange gains of $48,000. The profit from discontinued operations in the prior year relates to the disposal of the AMV operation.

Financial Condition

Assets

Our current assets related to continuing operations totaled $3.2 million and $3.8 million at June 30, 2011 and March 31, 2011, respectively. Total assets related to continuing operations were $13.5 million and $14.2 million at June 30, 2011 and March 31, 2011, respectively. The decrease in both current and total assets is primarily due to lower cash and receivables balances.

Liabilities and Working Capital

At June 30, 2011, our total liabilities were $11.4 million, compared to $11.5 million at March 31, 2011. The Company had negative working capital of $3.7 million at June 30, 2011 and negative working capital of $3.6 million at March 31, 2011. The change reflects a decrease in cash and receivables relative to the decrease in accounts payable and other liabilities.

Liquidity and Capital Resources

	Three Months Ended June 30,	
	2011	2010
	(In thousands)	
Consolidated Statement of Cash Flows Data:		
Capital expenditures	$ 34	$ 57
Cash flows used in operating activities	268	351
Cash flows used in investing activities	34	1,246
Cash flows provided by financing activities	-	(2,500)

Twistbox has incurred losses and negative annual cash flows since inception, although the operating loss narrowed significantly in fiscal year 2011 and continued to narrow through the current quarter.

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 to bring costs in line with revenues in order to achieve profitability.

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 from this first quarter of fiscal 2012, the Company believes that its cash position will be sufficient to continue operations for the foreseeable future.

Operating Activities
In the period ended June 30, 2011, we used $0.2 million of net cash, flowing from the overall loss of $0.8 million (offset by non-cash charges of $0.5 million that include depreciation, amortization, stock based compensation and other comprehensive income of $0.1 million). While items generating cash included increases in accrued license fees and other liabilities of $0.1 million and decreases in accounts receivable of $0.4 million, the Company decreased accounts payable and accrued compensation by $0.5 million.

As of June 30, 2011, the Company had approximately $0.6 million of cash. 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 additional 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 Senior Debt facility, and also under the Amended ValueAct Note. Under both facilities the Company may elect to add interest to the principal, until December 21, 2011, with the full amount payable at the end of the term.

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

In September 2009, the Company issued 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 January 2011, the Company amended the warrants to increase the number of shares of common stock underlying the warrants to 1,500,000. The amended warrants are exercisable at $0.25 per share, through September 23, 2014 and were valued at $174,000. In addition and as part of the amended agreement, the Company issued 2,500,000 shares of common stock to the vendor at $0.29 per share. The shares issued were valued at $725,000 at the time of issue.

In June 2010, the Company sold and issued $1.5 million and $1.0 million of Senior Secured Convertible Notes due June 21, 2013 to Trinad Capital Master Fund, Ltd. and the Guber Family Trust, respectively (the “Senior Secured Notes”). The 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 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 Senior Secured Notes be added to the principal due under the Senior Secured Notes. The accrued and unpaid principal and interest due on the 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 Senior Secured Notes are secured by a first lien on substantially all of the assets of the Company and its subsidiaries. The Senior Secured Notes are expressly senior in right of payment to a note that had been outstanding prior to the date on which the Senior Secured Notes were issued and that was amended and restated on such date. 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. Trinad Capital Master Fund, Ltd. and the Guber Family Trust received Warrants with five-year terms to purchase 5,000,000 and 3,333,333 shares of common stock of the Company, respectively.

In connection with the restructuring of the Company described above, on June 21, 2010, 562,000 shares of common stock of the Company held by ValueAct were cancelled, and 3,541,000 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. 1,770,713 of the repurchased shares were retired and 1,770,287 of the repurchased shares are being held in treasury. In addition, warrants to purchase 2,185,000 shares of common stock of the Company held by ValueAct were cancelled.

In August 2010, the Company issued 500,000 shares of common stock to Paul Schaeffer, a director of the Company.

In September 2010, the Company entered into a consulting agreement pursuant to which the Company issued warrants to purchase 150,000 shares of the Company's common stock at an exercise price of $0.39 per share.

In February 2011, the Company issued 300,000 shares of restricted common stock to Ray Schaaf, a former officer and director of the Company, at a purchase price of $0.25 per share.

In February 2011, Russell Burke, our former Chief Financial Officer, agreed to cancel 300,000 shares underlying an option to purchase 350,000 shares of common stock of the Company, and the Company 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.

In February 2011, David Mandell, our Corporate Secretary and General Counsel of Twistbox, agreed to cancel 400,000 shares underlying an option to purchase 450,000 shares of common stock of the Company, and the Company granted Mr. Mandell an option to purchase 400,000 shares of the Company's common stock at an exercise price of $0.25 per share.

In February 2011, James Lefkowitz, our Chief Operating Officer, agreed to cancel an option to purchase 500,000 shares of common stock of the Company, and the Company granted Mr. Lefkowitz an option to purchase 500,000 shares of the Company's common stock at an exercise price of $0.25 per share.

In March 2011, the Company issued an aggregate of 4,800,000 shares of common stock in private placements to (1) a licensor of content to the Company as payment for past due license fees and amounts for related claims, and (2) a service provider to the Company as payment for past services to the Company.

In March 2011, the Company issued warrants to purchase 500,000 shares of the Company's common stock at an exercise price of $0.25 per share to a service provider of the Company as payment for past services to the Company.

In April 2011, the Company issued an aggregate of 497,244 shares of the Company's common stock in private placements (1) to two former employees of a subsidiary of the Company as a severance payment, and (2) a consultant for services.

In April 2011, the Company issued warrants to purchase 75,000 shares of the Company's common stock at an exercise price of $0.25 per share to a service provider of the Company as payment for past services to the Company.

In May 2011, the Company issued 150,000 shares of the Company's common stock to a service provider to the Company as payment for past services to the Company.

In June 2011, the Company issued options to purchase 150,000 shares of the Company's common stock at an exercise price of $0.47 per share to an advisory board member for consulting services.

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 vast majority of its revenues from mobile phone carriers that market, distribute and/or bill for its content. These carriers generally charge a one-time purchase fee or a monthly subscription fee on their subscribers' phone bills when the subscribers download Twistbox's content 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 transaction. Twistbox recognizes as revenues the percentage of the fees due to it from the carrier. End users may also initiate the purchase of Twistbox's content 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 the improving quality and greater availability of smartphones is in turn encouraging consumer awareness and demand for high quality content on their mobile devices. At the same time, carriers and branded content owners are focusing on a small group of enablers that have the ability to provide high-quality mobile content services consistently and cost-effectively with the ability to enable mobile billing across a wide variety of handsets and countries. Additionally, publishers and content owners are seeking enablers 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, distribution and billing technology and has achieved the scale to operate at a level few companies are capable of. We also believe that leveraging carrier and publisher relationships will allow us to grow our revenues without corresponding percentage growth in our infrastructure and operating costs. Our revenue growth rate will depend significantly on continued growth in the mobile content market, our ability to leverage our distribution and content relationships, and continued expansion of our ability to bill for content in new regional markets. Our ability to attain profitability will be affected by the extent to which we must incur additional expenses to expand our sales, marketing, development, and general and administrative capabilities to grow our business. The largest component of our expenses is personnel 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 expect these expenses to decrease.

Because many new mobile handset models are released in the fourth calendar quarter to coincide with the holiday shopping season, and 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 impacted by declines in users visiting carrier portals, 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.

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 and other intellectual property. In addition, certain other direct costs such as platform and 3rd party delivery charges 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 to 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 product sold 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 late night 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. There are multiple internal and external factors that affect the mix of revenues between games and late night content, 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 content with higher royalty rates, our gross margin would decline. 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 platform and 3rd party delivery charges, 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. For acquired content, typically we will receive content from our licensors which must be edited for use on mobile phones, 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.

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 increase in absolute terms with the growth of our business and as we further promote our content and expand our business.

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 expect that general and administrative expenses will increase in absolute terms as we hire additional personnel and incur costs related to the anticipated growth of our business and our operation as a public company. We also expect that these expenses will increase because of the additional costs to comply with the Sarbanes-Oxley Act and related regulation, our efforts to expand our operations and, in the near term, additional accounting costs related to our operation as a public company.

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 amortizable 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

Adopted Accounting Pronouncements

In December 2010, the FASB issued updated guidance on when and how to perform certain steps of the periodic goodwill impairment test for public entities that may have reporting units with zero or negative carrying amounts. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010, with early adoption prohibited. It is applicable to the Company’s fiscal year beginning April 1, 2011. The Company evaluated this guidance and determined it doesn’t have a material effect on its consolidated financial statements.

In December 2010, the FASB also issued guidance to clarify the reporting of pro forma financial information related to business combinations of public entities and to expand certain supplemental pro forma disclosures. This guidance is effective prospectively for business combinations that occur on or after the beginning of the fiscal year beginning on or after December 15, 2010, with early adoption permitted. It is applicable to the Company’s fiscal year beginning April 1, 2011. The Company evaluated this guidance and determined it doesn’t have a material effect on its consolidated financial statements.

New Accounting Pronouncements

In May 2011, the FASB issued guidance to amend certain measurement and disclosure requirements related to fair value measurements to improve consistency with international reporting standards. This guidance is effective prospectively for public entities for interim and annual reporting periods beginning after December 15, 2011, with early adoption by public entities prohibited, and is applicable to the Company’s fiscal quarter beginning April 1, 2012. The Company evaluated this guidance and determined it doesn’t have a material effect on its consolidated financial statements.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income that will require a company to present components of net income and other comprehensive income in one continuous statement or in two separate, but consecutive statements. There are no changes to the components that are recognized in net income or other comprehensive income under current GAAP. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. It is applicable to the Company’s fiscal year beginning April 1, 2012. The Company is currently evaluating this guidance, but does not expect its adoption will have a material effect on its consolidated financial statements.

Other recent authoritative guidance issued by the FASB (including technical corrections to the FASB Accounting Standards Codification), the American Institute of Certified Public Accountants, and the SEC did not, or are not expected to have a material effect on the Company’s consolidated financial statements.

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 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 Brazil 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 June 30, 2011, our largest customer (in multiple territories) represented approximately 29% 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 June 30, 2011 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.

Except as set forth below, there have been no material changes in our legal proceedings from those disclosed in our Annual Report on Form 10-K for the year ended March 31, 2011. 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.

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 $485,000. On or about March 16, 2009, GMCI filed a complaint in California Superior Court, LA Superior Court seeking the balance of the minimum guarantee payments due under the agreement in the approximate amount of $4,085,000. WAAT has counter-sued claiming GMCI is not entitled to the claimed amount and that it has breached the agreement by, among other things, 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. On August 16, 2011, the LA Superior Court ruled in favor of WAAT's Summary Judgment Motion. As a result, GMCI's potential damages have been limited to the amount of minimum royalty installments that accrued prior to termination of the content license agreement in the amount of approximately $800,000. WAAT intends to vigorously defend against this action. Principals of both parties continue to communicate to find a mutually acceptable resolution.

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, 2011.

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.

None.

Item 6. Exhibits.

Exhibit No.	Description
1.1	Certificate of Incorporation. [1]
1.2	Bylaws. [1]
31.1	Certification of Peter Adderton, Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Lisa Lucero, Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Peter Adderton, Principal Executive Officer, pursuant to 18 U.S.C. Section 1350. *
32.2	Certification of Lisa Lucero, Principal Financial Officer, pursuant to 18 U.S.C. Section 1350. *

* 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: August 22, 2011

By: /s/ Peter Adderton
Peter Adderton
Interim Chief Executive Officer
(Authorized Officer and Principal Executive Officer)

Date: August 22, 2011

By: /s/ Lisa Lucero
Lisa Lucero
CFO, Twistbox Entertainment, Inc.
(Principal Financial Officer)

Exhibit 31.1

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

I, Peter Adderton, 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: August 22, 2011

/s/ Peter Adderton
Peter Adderton
Interim Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Lisa Lucero, 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: August 22, 2011

/s/ Lisa Lucero
Lisa Lucero
CFO, Twistbox Entertainment, Inc.
(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 June 30, 2011 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: August 22, 2011

/s/ Peter Adderton
Peter Adderton
Interim Chief Executive Officer
(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 June 30, 2011 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: August 22, 2011

/s/ Lisa Lucero
Lisa Lucero
CFO, Twistbox Entertainment, Inc.
(Principal Financial Officer)