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

FORM 10-K

(Mark One)

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

For the fiscal year ended March 31, 2011
or

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

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.)
4751 Wilshire Boulevard, Third Floor, Los Angeles, CA	90010
(Address of Principal Executive Offices)	(Zip Code)

(310) 601-2500
(Issuer's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, Par Value $0.0001 Per Share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant : (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definitions of a "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 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 ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold on the OTC Bulletin Board on September 30, 2010 was $11,809,694.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of July 22, 2011, the Company had 41,670,746 shares of its common stock, $0.0001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

NeuMedia, Inc.

ANNUAL REPORT ON FORM 10-K
FOR THE PERIOD ENDED MARCH 31, 2011

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Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Information included in this Annual Report on Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical facts included in this Annual Report on Form 10-K regarding our strategy, future operations, future financial position, projected expenses, prospects and plans and objectives of management are forward-looking statements. These statements may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from our future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that any projections or other expectations included in any forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including the risk factors described in greater detail in the section entitled "Risk Factors." Except as required by applicable laws, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

PART I

ITEM 1. BUSINESS

Historical Operations of NeuMedia, Inc.

NeuMedia, Inc. ("NeuMedia" or the "Company"), 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.

Our Current Operations

Twistbox Entertainment, Inc.

On February 12, 2008, NeuMedia completed its acquisition of Twistbox Entertainment, Inc. pursuant to an Agreement and Plan of Merger entered into on December 31, 2007, as subsequently amended by the Amendment to Agreement and Plan of Merger dated February 12, 2008, 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, as part of which Merger Sub merged with and into Twistbox, with Twistbox as the surviving corporation (the "Merger"). Following the Merger, Twistbox became the sole operating subsidiary of NeuMedia until the acquisition of AMV Holding Limited, a United Kingdom private limited company ("AMV") on October 23, 2008 as described below.

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, O2 and Orange.

Twistbox maintains distribution agreements with leading mobile network operators throughout North American, European, Latin America and Asia-Pacific regions that include T-Mobile, Telefonica, America Movil, Hutchison's 3, O2 and Orange. 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.

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.

Revenue Model

Twistbox's revenue model includes pay per-download and a growing base of recurring subscription services. Video services include daily, weekly and monthly subscriptions to access a specific WAP site or suite of mobile TV channels. The Company also receives revenues for platform and portal management, carrier development projects, and by licensing its platform to mobile operators and other 3rd party vendors.

Twistbox manages in excess of 500 million advertising impressions monthly. In turn, Twistbox leverages distribution and traffic to generate revenues from advertising on mobile sites that Twistbox manages on an exclusive and non-exclusisve basis.

Twistbox bills and receives payment directly through mobile operators and billing aggregators that form the majority of its revenue. Billings from mobile operators or billing aggregators comprise more than 50% of the Company's Gross Revenue. Twistbox's Cost of Revenues represents license fees paid to content providers, which currently averages approximately 35%.

Content and Game Development

Twistbox's production activities currently address over 1,500 handsets, including models manufactured by Apple, Nokia, Motorola, Samsung and Sony Ericsson, with support for iOS and Android devices. Twistbox has created an automated handset abstraction and publishing tools that significantly reduces the time required to "port" and publish games and mobile services across a significant number of these handsets.

Twistbox develops games and applications that work with a number of languages, platforms, and formats, including iOS, Android, J2ME, BREW, DoJa, and Symbian, and localizes its releases in the EFIGS languages (English, French, Italian, German and Spanish). It is actively involved in a number of technical initiatives aimed at enhancing its titles with value-added features, such as multi-player functionality, 3D graphics, and location-based features. In addition to mobile video clips, games, WAP sites, and other entertainment applications, Twistbox is currently focusing its development activities on complementary applications such as in-application billing and technology that enables innovative billing solutions, such as try-before-you-buy, rentals, and virtual goods.

Twistbox intends to acquire additional third-party licenses and to develop new applications through relationships with third-party developers as well as its in-house development staff to assure that it has a steady supply of new content and services to offer its customers. The Company believes that the market for mobile entertainment should continue to increase as mobile operators continue to roll out their next generation service offerings and advanced handsets offering improvements in billing, data handling capability, graphics resolution and other features.

Publishing

Renux™ is Twistbox's carrier-class content management and publishing platform developed internally for the deployment and marketing of mobile content and applications. The system has been in operation for over five years and today supports over 350 WAP sites, more than 66 mobile TV channels and 250 games in 18 languages. The Renux™ content management system stores image and video content formatted for all mobile devices, and incorporates a comprehensive metadata format that categorizes the content for handset recognition, programming, marketing and reporting. Twistbox maintains content hosting facilities in Los Angeles, Washington, D.C. and Frankfurt that support the distribution of content across mobile operator networks globally.

RapidPort™

RapidPort™ is Twistbox's software suite that enables the development and porting of mobile games and applications to over 1,500 different handsets from leading manufacturers including Apple, Nokia, Motorola, Samsung and Sony Ericsson. Twistbox has created an automated handset abstraction tool that significantly reduces the time required to "port" a game across a significant number of these handsets. The RapidPort™ development platform supports a broad number of wireless device formats including iOS, Android, J2ME, BREW, DoJa and Symbian, and provides localization in over 18 languages. Twistbox has recently enhanced RapidPort™ to include new technology designed to enhance titles with value-added features, such as in-application billing, multi-player and play-for-prizes functionality, 3D graphics and location-based services (LBS).

Nitro-CDP™

Nitro-CDP™ is an internally developed content download and delivery platform for mobile network operators, portals and content publishers. The Nitro-CDP™ platform allows for real-time content upload, editing, rating and deployment, and merchandising, while maintaining carrier-grade security, reliability and scalability. The platform enables mobile network operators to effectively manage millions of mobile download transactions across multiple channels and categories. Nitro-CDP™ also provides innovative cross-promotional tools, including purchase history-based up-sales and advertising, an individual "My Downloads" area for each consumer and peer-to-peer recommendations.

CMX Wrapper™

The CMX Wrapper™ technology, developed internally by Twistbox, enables mobile operators to integrate additional and complimentary functionality into existing mobile games and applications without the need to alter the original code or involve the original developer. This value-added functionality includes support for in-game promotions and billing, and "try before you buy" and "refer a friend" functionality.

Play-for-Prizes - Competition Goes Mobile ®

The Twistbox Games for-prizes network offers several genres of games in which players compete in daily and weekly skill-based multiplayer tournaments to win prizes. Subscribers can compete in both daily head-to-head and weekly progressive tournaments. The Twistbox Games Play-for-Prizes platform enables unique in-game promotions through carrier-specific campaigns in cooperation with sponsors and advertisers. On July 25, 2008, Twistbox filed with the United States Patent and Trademark Office a patent application for the Improvements In Skill-Based Electronic Gaming Tournament Play having Serial Number 12/180,405.

WAAT Media Wireless Content Standards Rating Matrix ©

First developed in 2003, and refined over the last several years, Twistbox has developed a proprietary content standards matrix widely known as the "WAAT Media Wireless Content Standards Ratings Matrix©" (the "Ratings Matrix"). The Ratings Matrix has been filed with the Library of Congress's Copyright Office. It is the globally-accepted content ratings standard for age-verified mobile programming that encompasses language, and content explicitness. The system is licensed on a royalty-free basis by the world's leading mobile carriers and leading content providers. The Ratings Matrix currently supports 33 ratings levels and incorporates a suite of content validation tools and industry best practices that takes into account country-by-country carrier programming requirements and local broadcast standards.

Distribution

Twistbox distributes its programming and services through on-deck relationships with mobile carriers and off-deck relationships with third-party aggregation, connectivity and billing providers.

On-Deck

Twistbox's on-deck services include the programming and provisioning of games and games aggregation, images, videos and mobileTV content and portal management. Twistbox currently has on-deck agreements with more than 100 mobile operators including Vodafone, T-Mobile, Orange, O2, and Telefonica in over 28 countries. Through these on-deck agreements, Twistbox relies on the carriers for both marketing and billing. Twistbox currently reaches over five hundred million mobile subscribers worldwide through these relationships. Its currently deployed programming includes over 350 WAP sites, 250 games and 66 mobile TV channels.

Off-Deck

Twistbox has recently deployed off-deck services that include the programming and distribution of images, videos, chat services and mobile marketing campaigns. Twistbox manages the campaigns directly and maintains billing and connectivity agreements with leading service providers in each territory. In addition, Twistbox maintains an affiliate program that allows for the sales and tracking of Twistbox mobile content by 3rd party publishers, partners and their affiliates.

Mobile Operators (Carriers)

Twistbox currently has a large number of distribution agreements with mobile operators and portals in Europe, North America, and Latin America. Twistbox currently has distribution agreements with more than 70 single territory operators in 28 countries. Twistbox continues to work with new operators and, in the near term, intends to extend its distribution base further into Eastern Europe and South America. The strength and coverage of these relationships is of paramount importance and the ability to support and service them is a vital component in route to the consumer.

Affiliates Program

Twistbox has established an Affiliate Program to market and sell its content off-deck. We believe that this channel offers an attractive secondary channel for consumers wishing to peruse and purchase content in an environment that is more niche focused than some operators' "walled gardens."

Sales and Marketing

In order to sell to its target base of carrier and infrastructure customers, Twistbox has built an affiliate sales and marketing team that is localized on a country-by-country basis. As of March 31, 2011, Twistbox had a workforce of approximately 40 employees and contractors.

Competition

While many mobile marketing companies sell a diversified portfolio of content from ring tones to wall papers and kids programming to adult, Twistbox is focusing on enabling the distribution of programming across platforms where it can manage categories on an exclusive or semi-exclusive basis for a mobile operator. Target markets include age verified programming, games or areas in which Twistbox has exclusive rights to the top one or two brands in a genre.

In the area of mature themed mobile entertainment, Twistbox is a leading enabler of portal management services that safeguard the consumer and mobile operator. The industry trend has been for leading operators to focus on fewer partners and often assign a single company to manage individual categories. We believe that Twistbox's responsible reputation and the Ratings Matrix combined with its publishing platform and leading brands that maximize revenue, positions it to manage the age-verified category for operators globally.

Twistbox competes with a number of other companies in the mobile publishing industry, including Arvato, Minick, Jamba, Buongiorno, Mobile Streams, and ZED Group. Brands such as Playboy have sought to create their own direct distribution arrangements with network operators. To the extent that such firms continue to seek such relationships, they will compete directly with Twistbox in their respective content segments. While Twistbox competes with many of the leading publishers, its core business is enabling services and platforms for operators and publishers to enhance revenues. In turn, through the management of an operator's download platform, providing a cross carrier Play4Prizes infrastructure or facilitating in-application billing, Twistbox has become a strategic value added partner to both the mobile operator and publishing communities.

Our direct-to-consumer (D2C) products may have an adverse impact on Twistbox's business, as these are products that require the acquisition of mobile traffic from 3rd party publishers that may not price their traffic at rates favorable to scale the business in certain countries.

We believe that the principal competitive factors in the market for mobile content and services include carrier relationships, access to compelling content, quality and reliability of content delivery, availability of talented content developers and skilled technical personnel, and financial stability.

Trademarks, Trade names, Patent and Copyrights

Twistbox has used, registered and applied to register certain trademarks and service marks to distinguish its products, technologies and services from those of its competitors in the United States and in foreign countries. Twistbox also has a copyright known as the "WAAT Media Wireless Content Standards Ratings Matrix©", which has been filed with the Library of Congress's Copyright Office. On July 25, 2008, Twistbox filed with the United States Patent and Trademark Office a patent application for the Improvements In Skill-Based Electronic Gaming Tournament Play having Serial Number 12/180,405. We believe that these trademarks, trade names, patent and copyrights are important to its business. The loss of some of Twistbox's intellectual property might have a negative impact on its financial results and operations.

AMV Holding Limited

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.

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 $23.2 million 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 $3.5 million in principal. The Company retained all assets and liabilities of Twistbox and the Company other than the Assets.

ITEM 1A. RISK FACTORS

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

Risks Related to Our Business

The Company has a history of net losses, may incur substantial net losses in the future and may not achieve profitability.

We expect to continue to increase expenses as we implement initiatives designed to continue to grow our business, including, among other things, the development and marketing of new products and services, further international and domestic expansion, expansion of our infrastructure, development of systems and processes, acquisition of content, and general and administrative expenses associated with being a public company. If our revenues do not increase to offset these expected increases in operating expenses, we will continue to incur significant losses and will not become profitable. Our revenue growth in past periods should not be considered indicative of our future performance. In fact, in future periods, our revenues could decline. Accordingly, we may not be able to achieve profitability in the future.

We have a limited operating history in an emerging market, which may make it difficult to evaluate our business.

We have only a limited history of generating revenues, and the future revenue potential of our business in this emerging market is uncertain. As a result of our short operating history, we have limited financial data that can be used to evaluate our business. Any evaluation of our business and our prospects must be considered in light of our limited operating history and the risks and uncertainties encountered by companies in our stage of development. As an early stage company in the emerging mobile entertainment industry, we face increased risks, uncertainties, expenses and difficulties. To address these risks and uncertainties, we must do the following:

- maintain our current, and develop new, wireless carrier relationships, in both the international and domestic markets;
- maintain and expand our current, and develop new, relationships with third-party branded and non-branded content owners;
- retain or improve our current revenue-sharing arrangements with carriers and third-party content owners;
- maintain and enhance our own brands;
- continue to develop new high-quality products and services that achieve significant market acceptance;
- continue to develop and upgrade our technology;

- continue to enhance our information processing systems;
- increase the number of end users of our products and services;
- maintain and grow our non-carrier, or “off-deck,” distribution, including through third-party affiliates and our own mobile ad network;
- execute our business and marketing strategies successfully;
- respond to competitive developments; and
- attract, integrate, retain and motivate qualified personnel.

We may be unable to accomplish one or more of these objectives, which could cause our business to suffer. In addition, accomplishing many of these efforts might be very expensive, which could adversely impact our operating results and financial condition.

Our financial results could vary significantly from quarter to quarter and are difficult to predict.

Our revenues and operating results could vary significantly from quarter to quarter because of a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. In addition, we may not be able to predict our future revenues or results of operations. We base our current and future expense levels on our internal operating plans and sales forecasts, and our operating costs are to a large extent fixed. As a result, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues, and even a small shortfall in revenues could disproportionately and adversely affect financial results for that quarter. Individual products and services, and carrier relationships, represent meaningful portions of our revenues and net loss in any quarter. In addition, some payments from carriers that we recognize as revenue on a cash basis may be delayed unpredictably.

In addition to other risk factors discussed in this section, factors that may contribute to the variability of our quarterly results include:

- the number of new products and services released by us and our competitors;
- the timing of release of new products and services by us and our competitors, particularly those that may represent a significant portion of revenues in a period;
- the popularity of new products and services, and products and services released in prior periods;
- changes in prominence of deck placement for our leading products and those of our competitors;
- the expiration of existing content licenses;
- the timing of charges related to impairments of goodwill, intangible assets, royalties and minimum guarantees;
- changes in pricing policies by us, our competitors or our carriers and other distributors;

- changes in the mix of original and licensed content, which have varying gross margins;
- the seasonality of our industry;
- fluctuations in the size and rate of growth of overall consumer demand for mobile products and services and related content;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- our success in entering new geographic markets;
- foreign exchange fluctuations;
- accounting rules governing recognition of revenue;
- general economic, political and market conditions and trends;
- the timing of compensation expense associated with equity compensation grants; and
- decisions by us to incur additional expenses, such as increases in marketing or research and development.

As a result of these and other factors, our operating results may not meet the expectations of investors or public market analysts who choose to follow our company. Our failure to meet market expectations would likely result in decreases in the trading price of our common stock.

The markets in which we operate are highly competitive, and many of our competitors have significantly greater resources than we do.

The development, distribution and sale of mobile products and services, is a highly competitive business. We compete for end users primarily on the basis of “on-deck” or “off-deck” positioning, brand, quality and price. We compete for wireless carriers for “on-deck” placement based on these factors, as well as historical performance, technical know-how, perception of sales potential and relationships with licensors of brands and other intellectual property. We compete for content and brand licensors based on royalty and other economic terms, perceptions of development quality, porting abilities, speed of execution, distribution breadth and relationships with carriers. We also compete for experienced and talented employees.

Our primary competitors for the on-deck distribution channels include Arvato, Minick, Jamba, Buongiorno, Mobile Streams, Player X and Gameloft, and for end-users via our direct-to-consumer off-deck services they include Red Circle (recently acquired by Zamano plc), Playphone, Inc, Jamba (a subsidiary of News Corp), Zero9 S.p.A. and Flycell Inc. In the future, likely competitors include major media companies, traditional video game publishers, platform developers, content aggregators, mobile software providers and independent mobile game publishers. Carriers may also decide to develop, internally or through a managed third-party developer, and distribute their own products and services. If carriers enter the wireless market as publishers, they might refuse to distribute some or all of our products and services or might deny us access to all or part of their networks.

Some of our competitors’ and our potential competitors’ advantages over us, either globally or in particular geographic markets, include the following:

- significantly greater revenues and financial resources;
- stronger brand and consumer recognition regionally or worldwide;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and non-mobile products;
- more substantial intellectual property of their own from which they can develop products and services without having to pay royalties;
- pre-existing relationships with brand owners or carriers that afford them access to intellectual property while blocking the access of competitors to that same intellectual property;
- greater resources to make acquisitions;
- lower labor and development costs; and
- broader global distribution and presence.

If we are unable to compete effectively or we are not as successful as our competitors in our target markets, our sales could decline, our margins could decline and we could lose market share, any of which would materially harm our business, operating results and financial condition.

Failure to renew our existing brand and content licenses on favorable terms or at all and to obtain additional licenses would impair our ability to introduce new products and services or to continue to offer our products and services based on third-party content.

Revenues are derived from our products and services based on or incorporating brands or other intellectual property licensed from third parties. Any of our licensors could decide not to renew our existing license or not to license additional intellectual property and instead license to our competitors or develop and publish its own products or other applications, competing with us in the marketplace. Several of these licensors already provide intellectual property for other platforms, and may have significant experience and development resources available to them should they decide to compete with us rather than license to us.

We have both exclusive and non-exclusive licenses and both licenses that are global and licenses that are limited to specific geographies. Our licenses generally have terms that range from two to five years. We may be unable to renew these licenses or to renew them on terms favorable to us, and we may be unable to secure alternatives in a timely manner. Failure to maintain or renew our existing licenses or to obtain additional licenses would impair our ability to introduce new products and services or to continue to offer our current products or services, which would materially harm our business, operating results and financial condition. Some of our existing licenses impose, and licenses that we obtain in the future might impose, development, distribution and marketing obligations on us. If we breach our obligations, our licensors might have the right to terminate the license which would harm our business, operating results and financial condition.

Even if we are successful in gaining new licenses or extending existing licenses, we may fail to anticipate the entertainment preferences of our end users when making choices about which brands or other content to license. If the entertainment preferences of end users shift to content or brands owned or developed by companies with which we do not have relationships, we may be unable to establish and maintain successful relationships with these developers and owners, which would materially harm our business, operating results and financial condition. In addition, some rights are licensed from licensors that have or may develop financial difficulties, and may enter into bankruptcy protection under U.S. federal law or the laws of other countries. If any of our licensors files for bankruptcy, our licenses might be impaired or voided, which could materially harm our business, operating results and financial condition.

We currently rely on wireless carriers to market and distribute some of our products and services and thus to generate some of our revenues. The loss of or a change in any of these significant carrier relationships could cause us to lose access to their subscribers and thus materially reduce our revenues.

The future success of our "on-deck" business is highly dependent upon maintaining successful relationships with the wireless carriers with which we currently work and establishing new carrier relationships in geographies where we have not yet established a significant presence. A significant portion of our revenue is derived from a very limited number of carriers. We expect that we will continue to generate a substantial portion of our revenues through distribution relationships with a limited number of carriers for the foreseeable future. Our failure to maintain our relationships with these carriers would materially reduce our revenues and thus harm our business, operating results and financial condition.

We have both exclusive and non-exclusive carrier agreements. Typically, carrier agreements have a term of one or two years with automatic renewal provisions upon expiration of the initial term, absent a contrary notice from either party. In addition, some carrier agreements provide that the carrier can terminate the agreement early and, in some instances, at any time without cause, which could give them the ability to renegotiate economic or other terms. The agreements generally do not obligate the carriers to market or distribute any of our products or services. In many of these agreements, we warrant that our products do not violate community standards, do not contain libelous content, do not contain material defects or viruses, and do not violate third-party intellectual property rights and we indemnify the carrier for any breach of a third party's intellectual property. In addition, many of our agreements allow the carrier to set the retail price without adjustment to the negotiated revenue split. If one of these carriers sets the retail price below historic pricing models, the total revenues received from these carriers will be significantly reduced.

Many other factors outside our control could impair our ability to generate revenues through a given carrier, including the following:

- the carrier's preference for our competitors' products and services rather than ours;
- the carrier's decision not to include or highlight our products and services on the deck of its mobile handsets;
- the carrier's decision to discontinue the sale of some or all of products and services;
- the carrier's decision to offer similar products and services to its subscribers without charge or at reduced prices;
- the carrier's decision to require market development funds from publishers like us;
- the carrier's decision to restrict or alter subscription or other terms for downloading our products and services;
- a failure of the carrier's merchandising, provisioning or billing systems;
- the carrier's decision to offer its own competing products and services;
- the carrier's decision to transition to different platforms and revenue models; and
- consolidation among carriers.

If any of our carriers decides not to market or distribute our products and services or decides to terminate, not renew or modify the terms of its agreement with us or if there is consolidation among carriers generally, we may be unable to replace the affected agreement with acceptable alternatives, causing us to lose access to that carrier's subscribers and the revenues they afford us, which could materially harm our business, operating results and financial condition.

End user tastes are continually changing and are often unpredictable; if we fail to develop and publish new products and services that achieve market acceptance, our sales would suffer.

Our business depends on developing and publishing new products and services that wireless carriers distribute and end users will buy. We must continue to invest significant resources in licensing efforts, research and development, marketing and regional expansion to enhance our offering of new products and services, and we must make decisions about these matters well in advance of product release in order to implement them in a timely manner. Our success depends, in part, on unpredictable and volatile factors beyond our control, including end-user preferences, competing products and services and the availability of other entertainment activities. If our products and services are not responsive to the requirements of our carriers or the entertainment preferences of end users, are not marketed effectively through our direct-to-consumer operations, or they are not brought to market in a timely and effective manner, our business, operating results and financial condition would be harmed. Even if our products and services are successfully introduced, marketed effectively and initially adopted, a subsequent shift in our carriers, the entertainment preferences of end users, or our relationship with third-party billing aggregators could cause a decline in the popularity of, or access to, our offerings could materially reduce our revenues and harm our business, operating results and financial condition.

Inferior on-deck placement would likely adversely impact our revenues and thus our operating results and financial condition.

Wireless carriers provide a limited selection of products that are accessible to their subscribers through a deck on their mobile handsets. The inherent limitation on the volume of products available on the deck is a function of the limited screen size of handsets and carriers' perceptions of the depth of menus and numbers of choices end users will generally utilize. Carriers typically provide one or more top level menus highlighting products that are recent top sellers or are of particular interest to the subscriber, that the carrier believes will become top sellers or that the carrier otherwise chooses to feature, in addition to a link to a menu of additional products sorted by genre. We believe that deck placement on the top level or featured menu or toward the top of genre-specific or other menus, rather than lower down or in sub-menus, is likely to result in products achieving a greater degree of commercial success. If carriers choose to give our products less favorable deck placement, our products may be less successful than we anticipate, our revenues may decline and our business, operating results and financial condition may be materially harmed.

If we are unsuccessful in establishing and increasing awareness of our brand and recognition of our products and services or if we incur excessive expenses promoting and maintaining our brand or our products and services, our potential revenues could be limited, our costs could increase and our operating results and financial condition could be harmed.

We believe that establishing and maintaining our brand is critical to retaining and expanding our existing relationships with wireless carriers, content licensors, and mobile publishers as well as developing new relationships. Promotion of the Company's brands will depend on our success in providing high-quality products and services. Similarly, recognition of our products and services by end users will depend on our ability to develop engaging products and quality services to maintain existing, and attract new, business relationships and end users. However, our success will also depend, in part, on the services and efforts of third parties, over which we have little or no control. For instance, if our carriers fail to provide high levels of service, our end users' ability to access our products and services may be interrupted, which may adversely affect our brand. If end users, branded content owners and carriers do not perceive our offerings as high-quality or if we introduce new products and services that are not favorably received by our end users and carriers, then we may be unsuccessful in building brand recognition and brand loyalty in the marketplace. In addition, globalizing and extending our brand and recognition of our products and services will be costly and will involve extensive management time to execute successfully. Further, the markets in which we operate are highly competitive and some of our competitors already have substantially more brand name recognition and greater marketing resources than we do. If we fail to increase brand awareness and consumer recognition of our products and services, our potential revenues could be limited, our costs could increase and our business, operating results and financial condition could suffer.

We currently rely on the current state of the law in certain territories where we operate our "off-deck" direct-to-consumer business and any adverse change in such laws may significantly adversely impact our revenues and thus our operating results and financial condition.

Decisions that regulators or governing bodies make with regard to the provision and marketing of mobile content and/or billing can have a significant impact on the revenues generated in that market. Although most of our markets are mature with regulation clearly defined and implemented, there remains the potential for regulatory changes that would have adverse consequences on the business and subsequently our revenue.

If we are unsuccessful in expanding the distribution of our "off-deck" direct-to-consumer products and services, our potential revenues could be limited and our operating results and financial condition could be harmed.

As mature markets tend to flatten, they can deliver more challenging levels of margin growth. This is especially the case where regulation is introduced (despite the fact that the sector is still young). To compensate for such trends, the Company will continue to make its products and services available in new geographic markets and target launches in markets that it believes are best suited for its direct-to-consumer business.

We currently rely on third-party billing aggregators to provide end-users with access to some of our products and services through premium short message system (Premium SMS), WAP billing and other technologies. The loss of, or a change in, any of these significant third-party relationships or the use of mobile billing technologies could reduce the number of transactions initiated by these end-users and thus materially reduce our revenues.

Our off-deck business is dependent upon billing aggregators that use mobile billing technologies to deliver and bill for our products and services. If we were to lose one or more of these relationships, or if there is a material change or limitation in the use of certain billing technologies, we would experience a significant reduction in the number of transactions initiated by end-users and thus material reduction in our revenues.

We rely on our current understanding of regional regulatory requirements pertaining to the marketing, advertising and promotion of our "off-deck" direct- to-consumer products and services and any adverse change in such regulations, or a finding that we did not properly understand such regulations, may significantly impact our ability to market, advertise and promote our products and services thereby adversely impact our revenues and thus our operating results and financial condition.

Our off-deck business relies extensively on marketing, advertising and promoting its products and services requiring it to have an understanding of the local laws and regulations governing its business. In the event that we have relied on inaccurate information or advice, and engage in marketing, advertising or promotional activities that are not permitted, we may be subject to penalties, restricted from engaging in further activities or altogether prohibited from offering our products and services in a particular territory, all or any of which will adversely impact our revenues and thus our operating results and financial condition

Our business and growth may suffer if we are unable to hire and retain key personnel, who are in high demand.

We depend on the continued contributions of our domestic and international senior management and other key personnel. The loss of the services of any of our executive officers or other key employees could harm our business. Most of our executive officers and key employees are not under employment agreements which means, that their future employment with the Company is uncertain.

Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance, marketing and creative personnel. We face intense competition for qualified individuals from numerous technology, marketing and mobile entertainment companies. In addition, competition for qualified personnel is particularly intense in the Los Angeles area, where our headquarters are located. Further, we conduct principal overseas operations in Germany, an area that, similar to our headquarters region, has a high cost of living and consequently high compensation standards and/or intense demand for qualified individuals which may require us to incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing creative, operational and managerial requirements, or may be required to pay increased compensation in order to do so. If we are unable to attract and retain the qualified personnel we need to succeed, our business would suffer.

Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Some of our senior management personnel and other key employees have become, or will soon become, vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to retain our employees, our business, operating results and financial condition would be harmed.

Growth may place significant demands on our management and our infrastructure.

We operate in an emerging market and have experienced, and may continue to experience, growth in our business through internal growth and acquisitions. This growth has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. Continued growth could strain our ability to:

- develop and improve our operational, financial and management controls;
- enhance our reporting systems and procedures;
- recruit, train and retain highly skilled personnel;
- maintain our quality standards; and
- maintain branded content owner, wireless carrier and end-user satisfaction.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

The acquisition of other companies, businesses or technologies could result in operating difficulties, dilution and other harmful consequences.

We have made acquisitions and, although we have no present understandings, commitments or agreements to do so, we may pursue further acquisitions, any of which could be material to our business, operating results and financial condition. Future acquisitions could divert management's time and focus from operating our business. In addition, integrating an acquired company, business or technology is risky and may result in unforeseen operating difficulties and expenditures. We may also raise additional capital for the acquisition of, or investment in, companies, technologies, products or assets that complement our business. Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, including our common stock, or the incurrence of debt, contingent liabilities, amortization expenses or acquired in-process research and development expenses, any of which could harm our financial condition and operating results. Future acquisitions may also require us to obtain additional financing, which may not be available on favorable terms or at all.

International acquisitions involve risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our earnings based on this impairment assessment process, which could harm our operating results.

The effects of the recession in the United States and general downturn in the global economy, including financial market disruptions, could have an adverse impact on our business, operating results or financial condition.

Our operating results also may be affected by uncertain or changing economic conditions such as the challenges that are currently affecting economic conditions in the United States. If global economic and market conditions, or economic conditions in the United States or other key markets, remain uncertain or persist, spread, or deteriorate further, we may experience material impacts on our business, operating results, and financial condition in a number of ways including negatively affecting our profitability and causing our stock price to decline.

We face added business, political, regulatory, operational, financial and economic risks as a result of our international operations and distribution, any of which could increase our costs and hinder our growth.

We expect international sales to continue to be an important component of our revenues. Risks affecting our international operations include:

- challenges caused by distance, language and cultural differences;
- multiple and conflicting laws and regulations, including complications due to unexpected changes in these laws and regulations;
- the burdens of complying with a wide variety of foreign laws and regulations;
- higher costs associated with doing business internationally;
- difficulties in staffing and managing international operations;

- greater fluctuations in sales to end users and through carriers in developing countries, including longer payment cycles and greater difficulty collecting accounts receivable;
- protectionist laws and business practices that favor local businesses in some countries;
- foreign tax consequences;
- foreign exchange controls that might prevent us from repatriating income earned in countries outside the United States;
- price controls;
- the servicing of regions by many different carriers;
- imposition of public sector controls;
- political, economic and social instability, including relating to the current European sovereign debt crisis;
- restrictions on the export or import of technology;
- trade and tariff restrictions;
- variations in tariffs, quotas, taxes and other market barriers; and
- difficulties in enforcing intellectual property rights in countries other than the United States.

In addition, developing user interfaces that are compatible with other languages or cultures can be expensive. As a result, our ongoing international expansion efforts may be more costly than we expect. Further, expansion into developing countries subjects us to the effects of regional instability, civil unrest and hostilities, and could adversely affect us by disrupting communications and making travel more difficult. These risks could harm our international expansion efforts, which, in turn, could materially and adversely affect our business, operating results and financial condition.

If we fail to deliver our products and services at the same time as new mobile handset models are commercially introduced, our sales may suffer.

Our business is dependent, in part, on the commercial introduction of new handset models with enhanced features, including larger, higher resolution color screens, improved audio quality, and greater processing power, memory, battery life and storage. We do not control the timing of these handset launches. Some new handsets are sold by carriers with certain products or other applications pre-loaded, and many end users who download our products or use our services do so after they purchase their new handsets to experience the new features of those handsets. Some handset manufacturers give us access to their handsets prior to commercial release. If one or more major handset manufacturers were to cease to provide us access to new handset models prior to commercial release, we might be unable to introduce compatible versions of our products and services for those handsets in coordination with their commercial release, and we might not be able to make compatible versions for a substantial period following their commercial release. If, because of launch delays, we miss the opportunity to sell products and services when new handsets are shipped or our end users upgrade to a new handset, or if we miss the key holiday selling period, either because the introduction of a new handset is delayed or we do not deploy our products and services in time for the holiday selling season, our revenues would likely decline and our business, operating results and financial condition would likely suffer.

Wireless carriers generally control the price charged for our products and services and the billing and collection for sales and could make decisions detrimental to us.

Wireless carriers generally control the price charged for our products and services either by approving or establishing the price of the offering charged to their subscribers. Some of our carrier agreements also restrict our ability to change prices. In cases where carrier approval is required, approvals may not be granted in a timely manner or at all. A failure or delay in obtaining these approvals, the prices established by the carriers for our offerings, or changes in these prices could adversely affect market acceptance of our offerings. Similarly, for the significant minority of our carriers, when we make changes to a pricing plan (the wholesale price and the corresponding suggested retail price based on our negotiated revenue-sharing arrangement), adjustments to the actual retail price charged to end users may not be made in a timely manner or at all (even though our wholesale price was reduced). A failure or delay by these carriers in adjusting the retail price for our offerings, could adversely affect sales volume and our revenues for those offerings.

Carriers and other distributors also control billings and collections for our products and services, either directly or through third-party service providers. If our carriers or their third-party service providers cause material inaccuracies when providing billing and collection services to us, our revenues may be less than anticipated or may be subject to refund at the discretion of the carrier. This could harm our business, operating results and financial condition.

We may be unable to develop and introduce in a timely way new products or services, and our products and services may have defects, which could harm our brand.

The planned timing and introduction of new products and services are subject to risks and uncertainties. Unexpected technical, operational, deployment, distribution or other problems could delay or prevent the introduction of new products and services, which could result in a loss of, or delay in, revenues or damage to our reputation and brand. If any of our products or services is introduced with defects, errors or failures, we could experience decreased sales, loss of end users, damage to our carrier relationships and damage to our reputation and brand. Our attractiveness to branded content licensors might also be reduced. In addition, new products and services may not achieve sufficient market acceptance to offset the costs of development, particularly when the introduction of a product or service is substantially later than a planned "day-and-date" launch, which could materially harm our business, operating results and financial condition.

If we fail to maintain and enhance our capabilities for porting our offerings to a broad array of mobile handsets, our attractiveness to wireless carriers and branded content owners will be impaired, and our sales could suffer.

Once developed, a product or application may be required to be ported to, or converted into separate versions for, more than 1,000 different handset models, many with different technological requirements. These include handsets with various combinations of underlying technologies, user interfaces, keypad layouts, screen resolutions, sound capabilities and other carrier-specific customizations. If we fail to maintain or enhance our porting capabilities, our sales could suffer, branded content owners might choose not to grant us licenses and carriers might choose not to give our products and services desirable deck placement or not to give our products and services placement on their decks at all.

Changes to our design and development processes to address new features or functions of handsets or networks might cause inefficiencies in our porting process or might result in more labor intensive porting processes. In addition, we anticipate that in the future we will be required to port existing and new products and applications to a broader array of handsets. If we utilize more labor intensive porting processes, our margins could be significantly reduced and it might take us longer to port our products and applications to an equivalent number of handsets. This, in turn, could harm our business, operating results and financial condition.

If we do not adequately protect our intellectual property rights, it may be possible for third parties to obtain and improperly use our intellectual property and our competitive position may be adversely affected.

Our intellectual property is an essential element of our business. We rely on a combination of copyright, trademark, trade secret and other intellectual property laws and restrictions on disclosure to protect our intellectual property rights. To date, we have not obtained patent protection. Consequently, we may not be able to protect our technologies from independent invention by third parties. Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or otherwise to obtain and use our technology and software. Monitoring unauthorized use of our technology and software is difficult and costly, and we cannot be certain that the steps we have taken will prevent piracy and other unauthorized distribution and use of our technology and software, particularly internationally where the laws may not protect our intellectual property rights as fully as in the United States. In the future, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our management and resources.

In addition, although we require third parties to sign agreements not to disclose or improperly use our intellectual property, it may still be possible for third parties to obtain and improperly use our intellectual properties without our consent. This could harm our business, operating results and financial condition.

Third parties may sue us for intellectual property infringement, which, if successful, may disrupt our business and could require us to pay significant damage awards.

Third parties may sue us for intellectual property infringement or initiate proceedings to invalidate our intellectual property, either of which, if successful, could disrupt the conduct of our business, cause us to pay significant damage awards or require us to pay licensing fees. In the event of a successful claim against us, we might be enjoined from using our licensed intellectual property, we might incur significant licensing fees and we might be forced to develop alternative technologies. Our failure or inability to develop non-infringing technology or software or to license the infringed or similar technology or software on a timely basis could force us to withdraw products and services from the market or prevent us from introducing new products and services. In addition, even if we are able to license the infringed or similar technology or software, license fees could be substantial and the terms of these licenses could be burdensome, which might adversely affect our operating results. We might also incur substantial expenses in defending against third-party infringement claims, regardless of their merit. Successful infringement or licensing claims against us might result in substantial monetary liabilities and might materially disrupt the conduct of our business.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, damages caused by malicious software and other losses.

In the ordinary course of our business, most of our agreements with carriers and other distributors include indemnification provisions. In these provisions, we agree to indemnify them for losses suffered or incurred in connection with our products and services, including as a result of intellectual property infringement and damages caused by viruses, worms and other malicious software. The term of these indemnity provisions is generally perpetual after execution of the corresponding license agreement, and the maximum potential amount of future payments we could be required to make under these indemnification provisions is generally unlimited. Large future indemnity payments could harm our business, operating results and financial condition.

As a result of a majority of our revenues from on-deck distribution channels currently being derived from a limited number of wireless carriers, if any one of these carriers were unable to fulfill its payment obligations, our financial condition and results of operations would suffer.

If any of our primary carriers is unable to fulfill its payment obligations to us under our carrier agreements with them, our revenues attributable to on-deck distribution could decline significantly and our financial condition will be harmed.

We may need to raise additional capital to grow our business, and we may not be able to raise capital on terms acceptable to us or at all.

The operation of our business and our efforts to grow our business will further require significant cash outlays and commitments. If our cash, cash equivalents and short-term investments balances and any cash generated from operations are not sufficient to meet our cash requirements, we will need to seek additional capital, potentially through debt or equity financings, to fund our growth. We may not be able to raise needed cash on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may be lower than the fair market value of our common stock. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our common stock. If new sources of financing are required but are insufficient or unavailable, we would be required to modify our growth and operating plans to the extent of available funding, which would harm our ability to grow our business.

We face risks associated with currency exchange rate fluctuations.

We currently transact a significant portion of our revenues in foreign currencies. Conducting business in currencies other than U.S. Dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. Fluctuations in the value of the U.S. Dollar relative to other currencies impact our revenues, cost of revenues and operating margins and result in foreign currency transaction gains and losses. To date, we have not engaged in exchange rate hedging activities. Even if we were to implement hedging strategies to mitigate this risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications.

Our business in countries with a history of corruption and transactions with foreign governments, including with government owned or controlled wireless carriers, increase the risks associated with our international activities.

As we operate and sell internationally, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the United States and other business entities for the purpose of obtaining or retaining business. We have operations, deal with carriers and make sales in countries known to experience corruption, particularly certain emerging countries in Eastern Europe and Latin America, and further international expansion may involve more of these countries. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or distributors that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. We have attempted to implement safeguards to discourage these practices by our employees, consultants, sales agents and distributors. However, our existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants, sales agents or distributors may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

Changes to financial accounting standards could make it more expensive to issue stock options to employees, which would increase compensation costs and might cause us to change our business practices.

We prepare our financial statements to conform with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, or FASB, the Securities and Exchange Commission ("SEC" or the "Commission") and various other bodies. A change in those principles could have a significant effect on our reported results and might affect our reporting of transactions completed before a change is announced. For example, we have used stock options as a fundamental component of our employee compensation packages. We believe that stock options directly motivate our employees to maximize long-term stockholder value and, through the use of vesting, encourage employees to remain in our employ. Several regulatory agencies and entities have made regulatory changes that could make it more difficult or expensive for us to grant stock options to employees. We may, as a result of these changes, incur increased compensation costs, change our equity compensation strategy or find it difficult to attract, retain and motivate employees, any of which could materially and adversely affect our business, operating results and financial condition.

We may be liable for the content we make available through our products and services with mature themes.

Because some of our products and services contain content with mature themes, we may be subject to obscenity or other legal claims by third parties. Our business, financial condition and operating results could be harmed if we were found liable for this content. Implementing measures to reduce our exposure to this liability may require us to take steps that would substantially limit the attractiveness of our products and services and/or its availability in various geographic areas, which would negatively impact our ability to generate revenue. Furthermore, our insurance may not adequately protect us against all of these types of claims.

Government regulation of our content with mature themes could restrict our ability to make some of our content available in certain jurisdictions.

Our business is regulated by governmental authorities in the countries in which we operate. Because of our international operations, we must comply with diverse and evolving regulations. The governments of some countries have sought to limit the influence of other cultures by restricting the distribution of products deemed to represent foreign or "immoral" influences. Regulation aimed at limiting minors' access to content with mature themes could also increase our cost of operations and introduce technological challenges, such as by requiring development and implementation of age verification systems. As a result, government regulation of our adult content could have a material adverse effect on our business, financial condition or results of operations.

Government regulation of our marketing methods could restrict our ability to adequately advertise and promote our content and services available in certain jurisdictions.

Our business is regulated by governmental authorities in the countries in which we operate. Because of our international operations, we must comply with diverse and evolving regulations. The governments of some countries have sought to regulate the methods and manner in which certain of our products and services may be marketed to potential end-users. Regulation aimed at prohibiting, limiting or restricting various forms of advertising and promotion we use to market our products and services could also increase our cost of operations or preclude the ability to offer our products and services altogether. As a result, government regulation of our marketing efforts could have a material adverse effect on our business, financial condition or results of operations.

Negative publicity, lawsuits or boycotts by opponents of content with mature themes could adversely affect our operating performance and discourage investors from investing in our publicly traded securities.

We could become a target of negative publicity, lawsuits or boycotts by one or more advocacy groups who oppose the distribution of adult-oriented entertainment. These groups have mounted negative publicity campaigns, filed lawsuits and encouraged boycotts against companies whose businesses involve adult-oriented entertainment. To the extent our content with mature themes is viewed as adult-oriented entertainment, the costs of defending against any such negative publicity, lawsuits or boycotts could be significant, could hurt our finances and could discourage investors from investing in our publicly traded securities. To date, we have not been a target of any of these advocacy groups. As a provider of content with mature themes, we cannot assure you that we may not become a target in the future.

Risks Relating to Our Industry

Wireless communications technologies are changing rapidly, and we may not be successful in working with these new technologies.

Wireless network and mobile handset technologies are undergoing rapid innovation. New handsets with more advanced processors and supporting advanced programming languages continue to be introduced. In addition, networks that enable enhanced features are being developed and deployed. We have no control over the demand for, or success of, these products or technologies. If we fail to anticipate and adapt to these and other technological changes, the available channels for our products and services may be limited and our market share and our operating results may suffer. Our future success will depend on our ability to adapt to rapidly changing technologies and develop products and services to accommodate evolving industry standards with improved performance and reliability. In addition, the widespread adoption of networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or adapt our products and services.

Technology changes in the wireless industry require us to anticipate, sometimes years in advance, which technologies we must implement and take advantage of in order to make our products and services, and other mobile entertainment products, competitive in the market. Therefore, we usually start our product development with a range of technical development goals that we hope to be able to achieve. We may not be able to achieve these goals, or our competition may be able to achieve them more quickly and effectively than we can. In either case, our products and services may be technologically inferior to those of our competitors, less appealing to end users, or both. If we cannot achieve our technology goals within our original development schedule, then we may delay their release until these technology goals can be achieved, which may delay or reduce our revenues, increase our development expenses and harm our reputation. Alternatively, we may increase the resources employed in research and development in an attempt either to preserve our product launch schedule or to keep up with our competition, which would increase our development expenses. In either case, our business, operating results and financial condition could be materially harmed.

The complexity of and incompatibilities among mobile handsets may require us to use additional resources for the development of our products and services.

To reach large numbers of wireless subscribers, mobile entertainment publishers like us must support numerous mobile handsets and technologies. However, keeping pace with the rapid innovation of handset technologies together with the continuous introduction of new, and often incompatible, handset models by wireless carriers requires us to make significant investments in research and development, including personnel, technologies and equipment. In the future, we may be required to make substantial investments in our development if the number of different types of handset models continues to proliferate. In addition, as more advanced handsets are introduced that enable more complex, feature rich products and services, we anticipate that our development costs will increase, which could increase the risks associated with one or more of our products or services and could materially harm our operating results and financial condition.

If wireless subscribers do not continue to use their mobile handsets to access mobile entertainment and other applications, our business growth and future revenues may be adversely affected.

We operate in a developing industry. Our success depends on growth in the number of wireless subscribers who use their handsets to access data services and, in particular, entertainment applications of the type we develop and distribute. New or different mobile entertainment applications developed by our current or future competitors may be preferred by subscribers to our offerings. In addition, other mobile platforms may become widespread, and end users may choose to switch to these platforms. If the market for our products and services does not continue to grow or we are unable to acquire new end users, our business growth and future revenues could be adversely affected. If end users switch their entertainment spending away from the kinds of offerings that we publish, or switch to platforms or distribution where we do not have comparative strengths, our revenues would likely decline and our business, operating results and financial condition would suffer.

Our industry is subject to risks generally associated with the entertainment industry, any of which could significantly harm our operating results.

Our business is subject to risks that are generally associated with the entertainment industry, many of which are beyond our control. These risks could negatively impact our operating results and include: the popularity, price and timing of release of our offerings and mobile handsets on which they are accessed; economic conditions that adversely affect discretionary consumer spending; changes in consumer demographics; the availability and popularity of other forms of entertainment; and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted.

A shift of technology platform by wireless carriers and mobile handset manufacturers could lengthen the development period for our offerings, increase our costs and cause our offerings to be of lower quality or to be published later than anticipated.

Mobile handsets require multimedia capabilities enabled by technologies capable of running applications such as ours. Our development resources are concentrated in today’s most popular platforms, and we have experience developing applications for these platforms. If one or more of these technologies fall out of favor with handset manufacturers and wireless carriers and there is a rapid shift to a new technology where we do not have development experience or resources, the development period for our products and services may be lengthened, increasing our costs, and the resulting products and services may be of lower quality, and may be published later than anticipated. In such an event, our reputation, business, operating results and financial condition might suffer.

System or network failures could reduce our sales, increase costs or result in a loss of end users of our products and services.

Mobile publishers rely on wireless carriers’ networks to deliver products and services to end users and on their or other third parties’ billing systems to track and account for the downloading of such offerings. In certain circumstances, mobile publishers may also rely on their own servers to deliver products on demand to end users through their carriers’ networks. In addition, certain products require access over the mobile internet to our servers in order to enable certain features. Any failure of, or technical problem with, carriers’, third parties’ or our billing systems, delivery systems, information systems or communications networks could result in the inability of end users to download our products, prevent the completion of a billing transaction, or interfere with access to some aspects of our products. If any of these systems fail or if there is an interruption in the supply of power, an earthquake, fire, flood or other natural disaster, or an act of war or terrorism, end users might be unable to access our offerings. For example, from time to time, our carriers have experienced failures with their billing and delivery systems and communication networks, including gateway failures that reduced the provisioning capacity of their branded e-commerce system. Any failure of, or technical problem with, the carriers’, other third parties’ or our systems could cause us to lose end users or revenues or incur substantial repair costs and distract management from operating our business. This, in turn, could harm our business, operating results and financial condition.

Our business depends on the growth and maintenance of wireless communications infrastructure.

Our success will depend on the continued growth and maintenance of wireless communications infrastructure in the United States and internationally. This includes deployment and maintenance of reliable next-generation digital networks with the speed, data capacity and security necessary to provide reliable wireless communications services. Wireless communications infrastructure may be unable to support the demands placed on it if the number of subscribers continues to increase, or if existing or future subscribers increase their bandwidth requirements. Wireless communications have experienced a variety of outages and other delays as a result of infrastructure and equipment failures, and could face outages and delays in the future. These outages and delays could reduce the level of wireless communications usage as well as our ability to distribute our products and services successfully. In addition, changes by a wireless carrier to network infrastructure may interfere with downloads and may cause end users to lose functionality. This could harm our business, operating results and financial condition.

Future mobile handsets may significantly reduce or eliminate wireless carriers' control over delivery of our products and services and force us to rely further on alternative sales channels, which, if not successful, could require us to increase our sales and marketing expenses significantly.

A growing number of handset models currently available allow wireless subscribers to browse the internet and, in some cases, download applications from sources other than through a carrier's on-deck portal. In addition, the development of other application delivery mechanisms such as premium-SMS may enable subscribers to download applications without having to access a carrier's on-deck portal. Increased use by subscribers of open operating system handsets or premium-SMS delivery systems will enable them to bypass the carriers' on-deck portal and could reduce the market power of carriers. This could force us to rely further on alternative sales channels and could require us to increase our sales and marketing expenses significantly. Relying on placement of our products and services in the menus of off-deck distributors may result in lower revenues than might otherwise be anticipated. We may be unable to develop and promote our direct website distribution sufficiently to overcome the limitations and disadvantages of off-deck distribution channels. This could harm our business, operating results and financial condition

Actual or perceived security vulnerabilities in mobile handsets or wireless networks could adversely affect our revenues.

Maintaining the security of mobile handsets and wireless networks is critical for our business. There are individuals and groups who develop and deploy viruses, worms and other illicit code or malicious software programs that may attack wireless networks and handsets. Security experts have identified computer "worm" programs that target handsets running on certain operating systems. Although these worms have not been widely released and do not present an immediate risk to our business, we believe future threats could lead some end users to seek to reduce or delay future purchases of our products or reduce or delay the use of their handsets. Wireless carriers and handset manufacturers may also increase their expenditures on protecting their wireless networks and mobile phone products from attack, which could delay adoption of new handset models. Any of these activities could adversely affect our revenues and this could harm our business, operating results and financial condition.

Changes in government regulation of the media and wireless communications industries may adversely affect our business.

It is possible that a number of laws and regulations may be adopted in the United States and elsewhere that could restrict the media and wireless communications industries, including laws and regulations regarding customer privacy, taxation, content suitability, copyright, distribution and antitrust. Furthermore, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours conducting business through wireless carriers. We anticipate that regulation of our industry will increase and that we will be required to devote legal and other resources to address this regulation. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding the media and wireless communications industries may lessen the growth of wireless communications services and may materially reduce our ability to increase or maintain sales of our products and services.

A number of studies have examined the health effects of mobile phone use, and the results of some of the studies have been interpreted as evidence that mobile phone use causes adverse health effects. The establishment of a link between the use of mobile phone services and health problems, or any media reports suggesting such a link, could increase government regulation of, and reduce demand for, mobile phones and, accordingly, the demand for our products and services, and this could harm our business, operating results and financial condition.

Risks Relating to Our Common Stock

There is a limited trading market for our common stock.

Although prices for our shares of common stock are quoted on the OTC Bulletin Board (under the symbol MNDL.OB), there is no established public trading market for our common stock, and no assurance can be given that a public trading market will develop or, if developed, that it will be sustained.

The liquidity of our common stock will be affected by its limited trading market.

Bid and ask prices for shares of our common stock are quoted on the OTC Bulletin Board under the symbol MNDL.OB. There is currently no broadly followed, established trading market for our common stock. While we are hopeful that we will command the interest of a greater number of investors, an established trading market for our shares of common stock may never develop or be maintained. Active trading markets generally result in lower price volatility and more efficient execution of buy and sell orders. The absence of an active trading market reduces the liquidity of our common stock. As a result of the lack of trading activity, the quoted price for our common stock on the OTC Bulletin Board is not necessarily a reliable indicator of its fair market value. Further, if we cease to be quoted, holders of our common stock would find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our common stock, and the market value of our common stock would likely decline.

If and when a trading market for our common stock develops, the market price of our common stock is likely to be highly volatile and subject to wide fluctuations, and you may be unable to resell your shares at or above the current price.

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including announcements of new products or services by our competitors. In addition, the market price of our common stock could be subject to wide fluctuations in response to a variety of factors, including:

- quarterly variations in our revenues and operating expenses;

- developments in the financial markets, and the worldwide or regional economies;
- announcements of innovations or new products or services by us or our competitors;
- fluctuations in merchant credit card interest rates;
- significant sales of our common stock or other securities in the open market; and
- changes in accounting principles.

In the past, stockholders have often instituted securities class action litigation after periods of volatility in the market price of a company's securities. If a stockholder were to file any such class action suit against us, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business to respond to the litigation, which could harm our business.

The sale of securities by us in any equity or debt financing could result in dilution to our existing stockholders and have a material adverse effect on our earnings.

Any sale of common stock by us in a future offering could result in dilution to the existing stockholders as a direct result of our issuance of additional shares of our capital stock. In addition, our business strategy may include expansion through internal growth by acquiring complementary businesses, acquiring or licensing additional brands, or establishing strategic relationships with targeted customers and suppliers. In order to do so, or to finance the cost of our other activities, we may issue additional equity securities that could dilute our stockholders' stock ownership. We may also assume additional debt and incur impairment losses related to goodwill and other tangible assets if we acquire another company, and this could negatively impact our earnings and results of operations.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us downgrade our common stock, our common stock price would likely decline. If analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common stock price or trading volume to decline.

"Penny stock" rules may restrict the market for our common stock.

Our common stock is subject to rules promulgated by the SEC relating to "penny stocks," which apply to companies whose shares are not traded on a national stock exchange, trade at less than $5.00 per share, or who do not meet certain other financial requirements specified by the SEC. These rules require brokers who sell "penny stocks" to persons other than established customers and "accredited investors" to complete certain documentation, make suitability inquiries of investors, and provide investors with certain information concerning the risks of trading in such penny stocks. These rules may discourage or restrict the ability of brokers to sell our common stock and may affect the secondary market for our common stock. These rules could also hamper our ability to raise funds in the primary market for our common stock .

We do not anticipate paying dividends.

We have never paid cash or other dividends on our common stock. Payment of dividends on our common stock is within the discretion of our Board of Directors and will depend upon our earnings, our capital requirements and financial condition, and other factors deemed relevant by our Board of Directors. However, the earliest our Board of Directors would likely consider a dividend is if we begin to generate excess cash flow.

Our officers, directors and principal stockholders can exert significant influence over us and may make decisions that are not in the best interests of all stockholders.

Our officers, directors and principal stockholders (greater than 5% stockholders) collectively beneficially own approximately 56% of our outstanding common stock. As a result, this group will be able to affect the outcome of, or exert significant influence over, all matters requiring stockholder approval, including the election and removal of directors and any change in control. In particular, this concentration of ownership of our common stock could have the effect of delaying or preventing a change of control of us or otherwise discouraging or preventing a potential acquirer from attempting to obtain control of us. This, in turn, could have a negative effect on the market price of our common stock. It could also prevent our stockholders from realizing a premium over the market prices for their shares of common stock. Moreover, the interests of this concentration of ownership may not always coincide with our interests or the interests of other stockholders, and, accordingly, this group could cause us to enter into transactions or agreements that we would not otherwise consider.

If we fail to maintain an effective system of internal controls, we might not be able to report our financial results accurately or prevent fraud; in that case, our stockholders could lose confidence in our financial reporting, which could negatively impact the price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires us to evaluate and report on our internal control over financial reporting. We are in the process of strengthening and testing our system of internal controls. The process of implementing our internal controls and complying with Section 404 is expensive and time consuming and requires significant attention of management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we discover a material weakness or a significant deficiency in our internal control, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price. In addition, if we fail to comply with the applicable portions of Section 404, we could be subject to a variety of administrative sanctions, including ineligibility for short form resale registration, action by the SEC, and the inability of registered broker-dealers to make a market in our common stock, which could further reduce our stock price and harm our business.

Maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified members for our Board of Directors.

As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act. The requirements of these rules and regulations has resulted in an increase in our legal, accounting and financial compliance costs, may make some activities more difficult, time-consuming and costly and may place undue strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. This can be difficult to do. For example, we depend on the reports of wireless carriers for information regarding the amount of sales of our products and services and to determine the amount of royalties we owe branded content licensors and the amount of our revenues. These reports may not be timely, and in the past they have contained, and in the future they may contain, errors.

In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we expend significant resources and provide significant management oversight. We have a substantial effort ahead of us to implement appropriate processes, document our system of internal control over relevant processes, assess their design, remediate any deficiencies identified and test their operation. As a result, management's attention may be diverted from other business concerns, which could harm our business, operating results and financial condition. These efforts will also involve substantial accounting-related costs.

The Sarbanes-Oxley Act makes it more difficult and more expensive for us to maintain directors' and officers' liability insurance, and we may be required in the future to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors' and officers' insurance, our ability to recruit and retain qualified directors, and officers will be significantly curtailed.

The ownership interest of our current stockholders will be substantially diluted if our outstanding securities convertible and/or exercisable into shares of our common stock are converted and/or exercised.

As of July 22, 2011, we had an aggregate of $2,500,000 of Senior Secured Convertible Notes due June 21, 2013 convertible into 16,666,666 shares of our common stock, and warrants to purchase 8,333,333 shares of our common stock. To the extent our outstanding securities convertible and/or exercisable into shares of our common stock are converted and/or exercised, additional shares of our common stock will be issued, which will result in dilution to our stockholders and increase the number of shares of common stock eligible for resale into the public market. Sales of such shares of common stock could adversely affect the market price of our common stock.

ITEM 2. PROPERTIES

The principal offices of NeuMedia are located at 4751 Wilshire Boulevard, Third Floor, Los Angeles, CA 90010.

The principal offices of our subsidiary Twistbox are headquartered at 14242 Ventura Boulevard, 3rd Floor, Sherman Oaks, California 91423. On July 1, 2005, The WAAT Corp. (Twistbox's predecessor-in-interest) entered into a lease for these premises with Berkshire Holdings, LLC at a base rent of $21,000 per month. In July 2010, the lease expired and the Company entered a month to month lease for a reduced amount of space for $9,000 per month. Twistbox also leases property in Germany and Poland, where it has branch operations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to various claims, complaints and legal actions in the normal course of business. Except as set forth below, we do not believe we are party to any currently pending litigation, the outcome of which will have a material adverse effect on our operations or financial position. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

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. The parties have engaged in non-binding mediation. The parties were not able to settle their dispute. The litigation is proceeding and WAAT intends to vigorously defend against this action. Principals of both parties continue to communicate to find a mutually acceptable resolution.

ITEM 4. (REMOVED AND RESERVED).

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUTY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

As of July 22, 2011, the closing price of our common stock was $0.63.

Our common stock is quoted on the OTC Bulletin Board under the symbol "MNDL.OB." Any investor who purchases our common stock is not likely to find any liquid trading market for our common stock and there can be no assurance that any liquid trading market will develop.

The following table reflects the high and low bids for our common stock for periods indicated. The quotations reflect high and low bid price on a daily basis and reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	High	Low
Year Ended March 31, 2011		
First quarter	$ 0.40	$ 0.15
Second quarter	$ 0.64	$ 0.20
Third quarter	$ 0.39	$ 0.21
Fourth quarter	$ 0.74	$ 0.15
Year Ended March 31, 2010		
First quarter	$ 0.91	$ 0.31
Second quarter	$ 0.60	$ 0.39
Third quarter	$ 0.55	$ 0.35
Fourth quarter	$ 0.50	$ 0.30

Holders

As of July 22, 2011, there were 490 holders of record of our common stock. There were also an undetermined number of holders who hold their stock in nominee or "street" name.

Dividends

We have not declared cash dividends on our common stock since our inception and we do not anticipate paying any cash dividends in the foreseeable future.

Equity Compensation Plan Information

The following table sets forth information concerning our equity compensation plans as of March 31, 2011.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,000,000	$ 2.49	0
Equity compensation plans not approved by security holders	3,187,000	$ 2.49	813,000
Total	6,187,000	$ 2.49	813,000

Unregistered Sales of Equity Securities

The information contained in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation – Financial Condition – Stock Sales and Liquidity" is incorporated by reference herein. Except as otherwise expressly provided, all of the securities referred to therein were sold in transactions exempt from registration under the Securities Act, pursuant to Section 4(2) of the Securities Act.

Issuer Purchases of Equity Securities

Period	(a) **Total Number of Shares (or Units) Purchased**	(b) **Average Price Paid per Share (or Unit) ($)**	(c) **Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs**	(d) **Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs**
July 1, 2010 - July 31, 2010	3,540.574(1)	.02		

(1) These shares were purchased by the Company in connection with the Loan dated June 21, 2010 described in Note 13 to the Company's financial statements for the fiscal year ended March 31, 2011 included herein.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable as we are a smaller reporting company.

ITEM 7. 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 Annual Report on Form 10-K, 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" beginning on page 7 and elsewhere in this filing. 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" or the "Company" refer to the business and operations of NeuMedia, Inc. ("NeuMedia") through its operating and wholly-owned subsidiary, Twistbox Entertainment, Inc. ("Twistbox").

Historical Operations of NeuMedia, Inc.

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

On October 27, 2004, and as amended on December 17, 2004, NeuMedia filed a plan for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Plan of Reorganization"). Under the Plan of Reorganization, as completed on January 26, 2005: (1) NeuMedia's net operating assets and liabilities were transferred to the holders of the secured notes in satisfaction of the principal and accrued interest thereon; (2) $400,000 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 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 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 had 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 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 was 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 $23,000,000 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 US$0.25 per share, subject to adjustment. For each $50,000 of New Senior Secured Notes purchased, the purchaser received a Warrant to purchase 166,667 shares of common stock of NeuMedia. Each Warrant has a five year term.

The Merger and the AMV Acquisition both included the issuance of common stock as all or part of the consideration. Based on the trading price of the common stock as of the acquisition dates, the total consideration was approximately $67.5 million for the Merger and approximately $22.2 million for the AMV Acquisition. Subsequent to the Merger and the AMV Acquisition, the average trading price of the common stock decreased significantly. If the decrease in trading price is deemed to "not be temporary in nature", management expects that an impairment of goodwill and other long lived intangible assets could occur in the future. Other factors affecting management's estimate of impairment include the current profitability and expected future cash flows from the acquired business.

Company 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 and distributes its content in over 28 countries 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, Hutchinson's 3, O2 and Orange.

Twistbox maintains distribution agreements with leading mobile network operators throughout North American, European, Latin America and Asia-Pacific regions that include T-Mobile, Telefonica, America Movil, Hutchinson's 3, O2 and Orange. 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 cover all of its key content genres including lifestyle, glamour, and celebrity news and gossip for U.S. Hispanic and Latin American markets, poker news and information, late night entertainment and casual games.

Twistbox currently has content live on more than 100 network operators in 28 countries. Through these relationships, Twistbox can currently reach over 500 million mobile subscribers worldwide. Its existing content portfolio includes 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's end-users are the highly-mobile, digitally-aware 18 to 35 year old demographic. This group is a major consumer of digital entertainment services and commands significant amounts of disposable income. In addition, this group is very focused on consumer lifestyle brands and is much sought after by advertisers.

RESULTS OF OPERATIONS

	Year ended March 31, 2011	Year ended March 31, 2010
Revenues	$ 9,186	$ 14,037
Cost of revenues	3,210	3,188
Gross profit	5,976	10,849
SG&A	11,368	14,351
Amortization of intangible assets	54	547
Impairment of goodwill	6,028	38,430
Operating (loss)	(11,474)	(42,479)
Interest expense, net	(1,761)	(3,053)
Other income / (expenses)	(949)	1,650
(Loss) before income taxes	(14,184)	(43,882)
Income tax provision	(224)	(305)
(Loss) from continuing operations	(14,408)	(44,187)
Profit from discontinued operations, net of taxes	809	1,704
Gain on disposal of discontinued operations, net of taxes	4,215	-
Net loss	$ (9,384)	$ (42,483)
Basic and Diluted net income / (loss) per common share:		
Continuing operations	$ (0.38)	$ (1.11)
Discontinued operations	$ 0.13	$ 0.04
Net loss	$ (0.25)	$ (1.07)
Basic and Diluted weighted average shares outstanding	37,664	39,837

Comparison of the Year Ended March 31, 2011 and the Year Ended March 31, 2010

Revenues

	Twelve Months Ended March 31, 2011	Twelve Months Ended March 31, 2010
	(In thousands)	
Revenues by type:		
Services	$ 1,270	$ 1,802
Content - Games	1,107	2,536
Content - Other	5,546	8,603
Advertising	1,263	1,096
Total	$ 9,186	$ 14,037

Games revenue – the decline in revenue largely reflects a strategic decision to curtail investment in development of new games for carrier sales, along with the loss of on-deck placement with US carriers. In addition, we have wound down our development work on behalf of third parties. This was partly offset by higher platform and services fees, particularly in Germany. Games revenue includes both licensed and internally developed games for use on mobile phones.

The revenue decline for Other content is the result of multiple factors. Revenues were impacted by a very challenging European sales environment for our carrier partners and consequently for us. This resulted in lower sales in major territories particularly in the UK, Germany and Spain. Revenues were also affected by the increase in smart phones, which hinder the carriers ability to monetize content revenues effectively. Other content includes a broad range of licensed and internally developed products delivered in the form of WAP, Video, Wallpaper and Mobile.

Cost of Revenues

	Twelve Months Ended March 31,	
	2011	2010
	(In thousands)	
Cost of revenues:		
License fees	$ 2,915	$ 2,780
Other direct cost of revenues	295	408
Total cost of revenues	$ 3,210	$ 3,188
Revenues	$ 9,186	$ 14,037
Gross margin	65.1%	77.3%

License fees represent costs payable to content providers for use of their intellectual property in products sold. Our licensing agreements are predominantly on a revenue-share basis, and therefore license fees have decreased relatively to the decrease in revenue. In addition, license fees for the twelve months ended March 2010 benefited from the reversal of previously accrued license fees, following resolution of discussions with providers. These one-time adjustments contributed approximately 15% of gross profit in the period.

Operating Expenses

	Twelve Months Ended March 31,	
	2011	2010
	(In thousands)	
Product development expenses	$ 3,528	$ 4,194
Sales and marketing expenses	2,142	2,428
General and administrative expenses	5,698	7,729
Amortization of intangible assets	54	547
Impairment of goodwill and intangible assets	6,028	38,430

Product development expenses include the costs to develop, edit and make content ready for consumption on a mobile phone. The decrease in expenses, compared to the prior year, is primarily the result of restructuring during the year resulting in a reduction in employees.

Sales and marketing expenses represent the costs of sales and marketing personnel, and advertising and marketing campaigns. The decrease year-over-year is the result of cost savings made by headcount reductions, including the closure of our Russian office in fiscal year 2010, as well as reduced travel and entertainment expenses, offset by relocation costs relative to our UK operations from late fiscal year 2010 through most of fiscal year 2011, and the hiring of certain business development personnel.

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, rent, depreciation and bad debt expenses. Significant savings were made during fiscal year 2011 mostly due to a decrease in stock compensation, but also through headcount reductions and related overheads, as well as lower bad debt expense and legal fees. Legal fees were also reduced due to a settlement of debt. Fiscal year 2010 reflected a reduction of expense due to management fees, offset by higher rent expense due to a one-time charge pertaining to the companies leased offices.

Amortization of intangibles represents amortization of the intangibles identified as part of the purchase price accounting related to both acquisitions and attributed to operating expenses.

Impairment of goodwill and intangible assets represents the write down in value of goodwill and intangible assets associated with the acquisition of Twistbox. The consideration in the Twistbox acquisition was entirely stock-based, and generated significant goodwill since Twistbox was not a capital intensive company. Subsequent to the acquisition, the Company experienced a significant and continued decline in the market value of its common stock, which resulted in the Company's market capitalization falling below its net book value. The Company recorded an impairment charge in the value of goodwill and intangible assets in the last quarter of both fiscal year's 2009 and 2010. At March 31, 2010 the Company recorded an impairment charge of $32,694 to write down goodwill and $5,736 to write down intangible assets. At December 31, 2010, due to a decline in revenues, and market value of its stock, the Company performed an interim impairment review for goodwill and intangible assets in the third quarter of fiscal year 2011. As a result of the assessment, the Company determined that its net book value exceeded the implied fair value; therefore, the Company recorded an additional impairment charge of $1,546 to write down goodwill and $4,482 to write down intangibles assets. The intangible assets impaired were the valuation associated with the Twistbox trademark/trade name, and values assigned to customer list and license agreements.

Other Income and Expenses

	Twelve Months Ended March 31,	
	2011	**2010**
	(In thousands)	
Interest and other (expense)	$ (2,710)	$ (1,403)
Profit from discontinued operations, net of taxes	$ 809	$ 1,704
Gain on disposal of discontinued operations, net of taxes	$ 4,215	$ -

Interest and other income/(expense) includes interest income on invested funds, interest expense related to the Senior Secured Note, the ValueAct Note, financing costs, foreign exchange transaction gains, and other income/expense. The increase in net expense compared to the prior year relates to the reduction in interest expense due to the restructuring of the Value Act Note, offset by the debt discount related to the Senior Secured Note and financing costs pertaining to the settlement of debt for stock.

Financial Condition

Assets

Our current assets related to continuing operations totaled $3.8 million and $5.8 million at March 31, 2011 and March 31, 2010, respectively, while current assets including discontinued operations were $3.8 million and $13.2 million, respectively. Total assets related to continuing operations were $14.2 million and $22.8 million at March 31, 2011 and March 31, 2010, respectively, while total assets including discontinued operations were $14.2 million and $46.8 million, respectively. The decrease in current assets is primarily due to lower accounts receivable balances and prepayments. The decrease in total assets is primarily due to the impairment charge recorded against goodwill and intangibles assets, as well as the movement in accounts receivable and prepayments.

Liabilities and Working Capital

At March 31, 2011, our current and total liabilities related to continuing operations were $7.4 million, compared to $34.0 million at March 31, 2010. Total liabilities including discontinued operations were $7.4 million and $38.7 million, respectively. The change in liabilities was related to a significant reduction in accrued license fees, due mainly to resolution of discussions with providers, and accrued compensation. Additionally, debt was reduced due to the restructure of the Value Act Note. The Company had negative working capital of $3.6 million at March 31, 2011 and $25.5 million at March 31, 2010.

Liquidity and Capital Resources

	Twelve Months Ended March 31, 2011	2010
	(In thousands)	
Consolidated Statement of Cash Flows Data:		
Capital expenditures	$ 88	$ 433
Cash flows used in operating activities	1,909	3,470
Cash flows used in investing activities	1,635	-
Cash flows provided by financing activities	(2,500)	-

Twistbox has incurred losses and negative annual cash flows since inception, although the operating loss has narrowed significantly in fiscal year 2011.

The primary sources of liquidity have historically been issuance of common and preferred stock, and in the case of Twistbox, borrowings under credit facilities with aggregate proceeds of $16.5 million. In the future, we anticipate that our primary sources of liquidity will be dependent on one or more of the following:

- restructuring the Company and reducing ongoing operating expenses
- settling certain payables for shares of the Company's common stock
- entering into settlements with two strategic partners that allow the Company to reduce royalty payments
- seeking to raise additional equity capital
- seeking strategic acquisitions

See further discussion on the Company's ability to continue as going concern in Note 2 of the accompanying financial statements located in Item 8 herein.

Operating Activities

In the year ended March 31, 2011, we used $1.0 million of net cash, including an increase in accounts payable and other liabilities of $1.5 million, flowing from the loss excluding impairment charge of $6.0 million, offset by non-cash stock based compensation and depreciation and amortization. In the year ended March 31, 2010, we used $4.0 million of net cash. This primarily related to the net loss excluding impairment charge of $38.4 million, and reductions in accounts payable/accrued license fees/accrued compensation/other liabilities of $3.5 million, partially offset by non-cash stock based compensation and depreciation and amortization included in the net loss.

As of March 31, 2011, the Company had approximately $0.8 million of cash attributed to continuing operations.

The Company's cash requirements in the future will be dependent on actions taken to improve cash flow, including operational restructuring. We may require additional cash resources 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 ValueAct Note. Under both facilities the Company may elect to add interest to the principal, until 18 months following June 21, 2010, with the full amount payable at the end of the term. The Company's operating lease obligations include non-cancelable operating leases for the Company's office facilities in several locations, expiring in various years through 2012.

Off-Balance Sheet Arrangements

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

Stock Sales and Liquidity

In September 2009, the Company granted warrants to purchase 1,200,000 shares of common stock of the Company a vendor. The warrants are exercisable at $1.25 per share, through September 23, 2014 and were valued at $134,000 at the time of issue. In 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 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, as well as to continue to expand 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 marketing 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 September 2009, the FASB issued Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements*—a consensus of the FASB Emerging Issues Task Force ” (ASU 2009-13). It updates the existing multiple-element revenue arrangements guidance currently included under ASC 605-25, which originated primarily from the guidance in EITF Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables” (EITF 00-21). The revised guidance primarily provides two significant changes: (1) eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting, and (2) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. ASU 2009-13 became effective for the first annual reporting period beginning on or after June 15, 2010, which was our year ended March 31, 2011. The adoption of this standard update did not impact the Company’s consolidated financial statements.

In October 2009, the FASB concurrently issued ASU No. 2009-14, Software (Topic 985): Certain Revenue Arrangements That Include Software Elements (a consensus of the FASB Emerging Issues Task Force). This new guidance amends the scope of existing software revenue recognition accounting. Tangible products containing software components and non-software components that function together to deliver the product's essential functionality would be scoped out of the accounting guidance on software and accounted for based on other appropriate revenue recognition guidance. For the Company, this guidance is effective for all new or materially modified arrangements entered into on or after January 1, 2011, which was our year ended March 31, 2011. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

New 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 June 1, 2011. The Company is currently evaluating this guidance, but does not expect its adoption will 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 June 1, 2011. The Company is currently evaluating this guidance, but does not expect its adoption will have a material effect on its consolidated financial statements.

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 is currently evaluating this guidance, but does not expect its adoption will 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable as we are a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by Item 8 are submitted in a separate section of this report, beginning on Page F-1, and are incorporated herein and made apart hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information that we are required to file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K, have concluded that, based on such evaluation, our disclosure controls and procedures were ineffective as of March 31, 2011 because of the material weaknesses described below.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal controls over financial reporting are designed 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.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal controls over financial reporting as of March 31, 2011 based on the framework in *Internal Control-Integrated Framework* , published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we have concluded that our internal controls over financial reporting were not effective as of March 31, 2011 because of the material weaknesses identified below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a more than remote likelihood that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

During management's annual review of our internal control over financial reporting, we determined the following processes contain material weaknesses as of March 31, 2011:

Maintenance of Corporate Records and Contracts

Management did not maintain sufficient records of signed and approved records, contracts and board minutes. Board minutes were not always prepared and approved on a timely basis and signed and executed versions were not readily available. Additionally, management does not have a policy in place to track board minutes to ensure completeness that all board minutes have been prepared.

Management also did not maintain a systematic process for managing and controlling contracts such as corporate governance, financing and employee agreements, signed and executed stock option agreements and amendments, to ensure they are authorized timely and that the financial statement effect is properly recognized in the general ledger.

Financial Close and Reporting Process

Management did not maintain adequate resources to ensure a complete and timely close of the general ledger which resulted in an excessive number of post-closing journal entries. The post-closing entries included, but were not limited to, entries affecting accruals and liabilities, equity transactions, accounts receivable, amortization of intangible assets and various reclassifications between assets and liabilities.

Management does not believe that any of our annual or interim financial statements issued to-date contain a material misstatement as a result of the aforementioned weaknesses in our internal controls. However, these material weaknesses related to the entity as a whole affect all of our significant accounts and could result in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected.

Our management is in the process of identifying the steps necessary to address the material weaknesses existing as of March 31, 2011 described above, as follows:

(1) Hiring additional accounting personnel with adequate experience, skills and knowledge to assist in the closing of our financial statements and further segregate duties of financial personnel;

(2) Documenting, to standards established by senior accounting personnel and the principal accounting officer, the review and analysis and related conclusions with respect to complex, non-routine transactions; and

(3) Creating policy and guidelines to streamline the corporate reporting process , as well as managing non-routine transactions.

The Company is developing the remediation plans for the material weaknesses identified above. These remediation efforts are expected be implemented during the fiscal year ending March 31, 2012.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the company’s registered public accounting firm pursuant to rules of the SEC that permit the company to provide only management’s report in this annual report.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting or in other factors identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) or 15d-15(d) that occurred during the fiscal period ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth our directors and executive officers as of July 14, 2011:

Name	Age	Position(s)
James Lefkowitz	52	Chief Operating Officer
David Mandell	50	Executive Vice President, General Counsel of Twistbox and Corporate Secretary of NeuMedia, Inc.
Peter Guber	69	Co-Chairman
Robert S. Ellin	46	Co-Chairman
Paul Schaeffer	64	Director

Biographical information for our directors and executive officers are as follows:

James Lefkowitz. Mr. Lefkowitz joined the Company as President on June 28, 2007, and was named Chief Operating Officer on October 27, 2009. He is a 20 year entertainment industry veteran with a wide range of experience in law, business, finance, film and television. Mr. Lefkowitz joined NeuMedia from Cantor Fitzgerald (Cantor), where he was managing director of Cantor Entertainment. Prior to Cantor, Mr. Lefkowitz was an agent for eight years at Creative Artists Agency, the premiere talent agency in Hollywood, where he represented actors, writers and directors. He began his career as an attorney at the law firm of Manatt, Phelps, and Phillips in Los Angeles. He subsequently worked for six years as a business affairs executive at Walt Disney Studios and Touchstone Pictures. Mr. Lefkowitz is a graduate of the University of Michigan School of Business Administration and Michigan Law School.

David Mandell. Mr. Mandell has served as Executive Vice President, General Counsel and Corporate Secretary of Twistbox since June 2006, and was recently appointed Corporate Secretary of NeuMedia. Mr. Mandell is responsible for all corporate governance matters, including those related to all foreign and domestic subsidiaries and affiliated companies. Prior to joining Twistbox, Mr. Mandell was Senior Vice President, Business/Legal Affairs of Gemstar-TV Guide International, Inc. (now ROVI Corporation), which was a NASDAQ publicly traded company that engaged in the development, licensing, marketing, and distribution of products and services for TV guidance and home entertainment needs of TV viewers worldwide. From October 1998 to January 2003, Mr. Mandell served as Vice President, Business/Legal Affairs of Playboy Entertainment Group, Inc., a subsidiary of Playboy Enterprises, Inc., which owns film and television properties (Playboy Films, Playboy TV, Spice Networks), related home video imprints, and online content and gaming operations. Mr. Mandell received a B.A. from the University of Florida and a J.D. from the University of Miami, School of Law.

Peter Guber. Mr. Guber has served as Co-Chairman of our Board of Directors since August 2007. Mr. Guber is Chairman and CEO of the multimedia Mandalay Entertainment Group. Prior to Mandalay, Mr. Guber was Chairman and CEO of Sony Pictures Entertainment, Chairman and CEO of Polygram Entertainment, Co-Founder of Casablanca Record & Filmworks and President of Columbia Pictures. Mr. Guber produced or executive produced (personally or through his companies) films that garnered five Best Picture Academy Award nominations (winning for Rain Man) and box office hits that include The Color Purple, Midnight Express, Batman, Flashdance and The Kids Are All Right. Mr.Guber is the Owner and Co-executive Chairman of the NBA franchise, the Golden State Warriors. He is as a weekly entertainment and media analyst for Fox Business News and a full professor at UCLA. Mr. Guber serves on the board of directors of Demand Media and is Co-Founder of Geek Chic Daily, a daily email newsletter with inside information on technology & apps, video games, comics, TV & film. Mr. Guber is a noted author with works including “Inside The Deep” and “Shootout: Surviving Fame and (Mis)Fortune in Hollywood.” Mr. Guber wrote the cover article for the Harvard Business Review titled, “The Four Truths of the Storyteller” and has also authored op-ed pieces for the New York Times and the San Francisco Chronicle. Mr. Guber recently released his third book, “Tell To Win - Connect, Persuade, and Triumph with the Hidden Power of Story”, which became a #1 New York Times bestseller.

Robert S. Ellin. Mr. Ellin has been a member of our Board of Directors and our Co-Chairman since February 2005. Mr. Ellin has more than twenty years of investment and turnaround experience. Since 2004, he has served as Managing Director and Portfolio Manager of Trinad Capital, an activist hedge fund investing primarily in micro-cap and small-cap publicly traded companies. Prior to founding Trinad, Mr. Ellin was Founder and President of Atlantis Equities Inc., a private investment company. Founded in 1990, Atlantis actively managed an investment portfolio of small capitalization public companies, as well as select private company investments. Mr. Ellin played an active role in its investee companies including board representation, management selection, corporate finance and other advisory services. He spearheaded world-class investments in ThQ, Inc. (THQI), Grand Toys (GRIN), Forward Industries, Inc. (FORD), Majesco Entertainment (COOL), and iWon.com. Mr. Ellin also acquired S&S Industries, Inc. the largest manufacturer in the world of underwires which had strong partnerships with leading companies including Bally’s, Maidenform, and Sara Lee. Prior to Atlantis, he worked in Institutional Sales at LF Rothschild and was Manager of Retail Operations at Lombard Securities. Mr. Ellin currently sits on the Board of Directors of Atrinsic, Inc. (ATRN), as well as the Board of Governors at Cedars-Sinai Hospital in Los Angeles, California. Mr. Ellin holds a Bachelor of Arts degree from Pace University.

Paul Schaeffer. Mr. Schaeffer has served on our Board of Directors since August 2007 as Vice-Chairman. He is Vice Chairman, Chief Operating Officer and Co-Founder of Mandalay Entertainment. Along with Peter Guber, Mr. Schaeffer is responsible for all aspects of the motion picture and television business, focusing primarily on the corporate and business operations of those entities. Prior to forming Mandalay Entertainment, Mr. Schaeffer was the Executive-Vice President of Sony Pictures Entertainment, overseeing the worldwide corporate operations for SPE including Worldwide Administration, Financial Affairs, Human Resources, Corporate Affairs, Legal Affairs and Corporate Communications. During his tenure, Mr. Schaeffer also had supervisory responsibility for the $105 million rebuilding and renovation of Sony Pictures Studios. Mr. Schaeffer is a member of the Academy of Motion Pictures, Arts, & Sciences. A veteran of 20 years of private law practice, Mr. Schaeffer joined SPE from Armstrong, Hirsch and Levine, where he was a senior partner working with corporate entertainment clients. He spent two years as an accountant with Arthur Young & Company in Philadelphia. He graduated from the University of Pennsylvania Law School and received his accounting degree from Pennsylvania State University. The Company considered Mr. Schaeffer to be a valuable resource when it selected him as a director based on having served for more than 5 years as the Chairman of the Finance Committee, and a member of the Board of Trustees of Childrens Hospital Los Angeles, as well as a member of its Audit Committee, and member of its Compensation Committee and Executive Committee for more than five years.

Audit Committee

The Company's audit committee was established during the fiscal year ended March 31, 2010 and consists of Paul Schaeffer and Robert Ellin. Mr. Schaeffer has been designated as the Chairman of the committee and the financial expert within the rules and regulations of the SEC. The committee met regularly during the course of the year, including regular meetings with the company's auditors, and monitors the Company's compliance with its obligations under the assessment of internal control over financial reporting.

Nominating Committee

The entire Board of Directors currently operates as our Nominating Committee.

Code of Ethics

We intend to establish a code of ethics.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers, directors, and persons owning more than ten percent of a registered class of our equity securities ("ten percent stockholders") to file reports of ownership and changes of ownership with the SEC. To the best of our knowledge, based solely on review of the copies of such reports and amendments thereto furnished to us, we believe that during the fiscal year ended March 31, 2011, all Section 16(a) filing requirements applicable to our officers, directors, and ten percent stockholders were met except for the following: (i) one Form 4 report was not timely filed by Peter Guber and the Guber Family Trust with respect to two transactions; (ii) one Form 4 report was not timely filed by Trinad Capital Master Fund, Ltd, Trinad Advisors II, LLC, Trinad Capital L.P., Trinad Management, LLC and Robert Ellin with respect to two transactions; and (iii) two Form 4 reports were not timely filed by David E. Smith with respect to sixteen transactions.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the total compensation paid during our fiscal years ended March 31, 2010 and March 31, 2011, for our principal executive officer and two most highly compensated executive officers

Position	Period	Salary	Bonus	Stock (1)	Option	All Other	Total
		($)	($)	($)	($)	($)	($)
Ray Schaaf	Year ended March 31, 2011	285,960	125,000	75,000	-	30,268	516.228
President	Year ended March 31, 2010	105,128	-	-	-	61,363	166,491
James Lefkowitz	Year ended March 31, 2011	226,403	-	-		28,856	255,259
Chief Operations Officer	Year ended March 31, 2010	218,750	37,500	-	-	28,682	284,932
David Mandell	Year ended March 31, 2011	332,600	-	-	-	16,251	348,851
EVP, General Counsel of Twistbox and Corporate Secretary of NeuMedia	Year ended March 31, 2010	269,596		-	-	16,828	286,424

(1) The amounts in this column reflect the aggregate grant date fair value of each restricted stock award computed in accordance with FASB ASC Topic 718. Information regarding the valuation assumptions used in the calculations are included in Note 2 to the Company'sfinancial statements for the fiscal year ended March 31, 2011 included herein.

Mr. Schaaf was appointed as President of the Company on October 27, 2009 following a period of acting in a consulting capacity to the Company. Amounts disclosed as salary represent salary paid in his capacity as President, while amounts disclosed as "All Other" include fees prior to his appointment as President and other benefits paid.

On February 22, 2011 we entered into a Confidential Separation, Transition and Release Agreement and a Restricted Stock Agreement with Mr. Ray Schaaf (together, the "Schaaf Agreements"). Pursuant to the Schaaf Agreements, Mr. Schaaf entered into a transition period in his role with the Company that ended on May 9, 2011. At the end of the transition period, Mr.Schaaf ceased to be our President and resigned as a member of our Board of Directors. The Company paid Mr. Schaaf $45,000 in 3 installments for his services during the transition period, and the Company issued 300,000 shares of the Company's common stock to Mr. Schaaf.

Pursuant to the terms of Mr. Lefkowitz's employment letter, as amended on February 21, 2011, he is entitled to a base salary of $5,000 per month and was granted options to purchase 500,000 shares of common stock at an exercise price of $0.25 per share upon the cancellation of options to purchase 500,000 shares of common stock previously granted to Mr. Lefkowitz.

Other than as described above, we have no plans or arrangements with respect to remuneration received or that may be received by our named executive officers to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control.

OUTSTANDING EQUITY AWARDS AT THE PERIOD ENDED MARCH 31, 2011

The following table presents information regarding outstanding options held by certain of our executive officers as of March 31, 2011.

	Option Awards				
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price $**	**Option Expiration Date**
David Mandell	400,000	-		0.25	02/12/2018
David Mandell	50,000	-		4.75	02/12/2018
James Lefkowitz	500,000			0.25	02/20/2014

DIRECTOR COMPENSATION

The following table presents information regarding outstanding compensation paid to our directors during the fiscal year ended March 31, 2011.

Name	Fees Earned or Paid in Cash (1) ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Paul Schaeffer	$ 87,500	-	175,000	$ 262,500
Peter Guber	$ -	-	-	$ -
Robert Ellin	$ -	-	-	$ -
Ray Schaaf(1)	$ -	-	-	$ -
Adi McAbian(2)	$	-	-	$ -

(1) Mr. Schaaf resigned as a member of our Board of Directors on May 9, 2011.
(2) Mr. McAbian resigned as a Member of our Board of Directors on April 27, 2011.

Compensation Policies and Practices As They Relate to the Company's Risk Management

The Company believes that its compensation policies and practices for all employees, including executive officers, do not create risks that are reasonably likely to have a material adverse effect on the Company

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Reference is made to the information contained in the Equity Compensation Plan Information table contained in Item 5 of this Annual Report on Form 10-K, which is incorporated herein by reference.

The following table sets forth certain information regarding the beneficial ownership of our common stock as of July 8, 2011, by (i) each of our current named executive officers and directors, (ii) all persons, including groups, known to us to own beneficially more than five percent (5%) of the outstanding common stock, and (iii) all named executive officers and directors as a group. As of July 8, 2011, there were a total of 41,173,502 shares of common stock outstanding.

Name and Address [1]	Number of Shares Beneficially Owned [2]	Percentage Owned(%)
Robert S. Ellin(3)	20,174,059	48.3%
Peter Guber (4)	16,414,123	31.6%
Spark Capital, L.P. (7)	2,857,144	6.9%
Lyrical Partners, L.P. (11)	2,538,921	6.2%
Vivid Entertainment (5)	2,500,000	6.1%
MPP Holdings LLC (8)	2,300,000	5.8%
Paul Schaeffer (6)	1,400,000	3.4%
James Lefkowitz (9)	537,500	1.3%
David Mandell (10)	630,000	1.5%
All directors and named executive officers as a group (5 individuals)	39,155,682	72.5%

(1) Except as otherwise indicated, the address of each of the following persons is c/o NeuMedia, Inc., 4751 Wilshire Boulevard, Third Floor, Los Angeles, CA 90010.

(2) Except as specifically indicated in the footnotes to this table, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options, warrants or rights held by that person that are currently exercisable or exercisable, convertible or issuable within 60 days of July 8, 2011, are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

(3) Trinad Capital Master Fund, Ltd. is the beneficial owner of 19,574,059 shares of the common stock, which includes (a) 4,293,160 issued and outstanding shares of common stock, (b) 280,899 shares of common stock issuable upon exercise of warrants held by Trinad Capital Master Fund, Ltd., at an exercise price of $2.67 per share, (c) 10,000,000 shares of common stock issuable upon conversion of a convertible note issued by the Company with an aggregate principal amount of $1,500,000 held by Trinad Capital Master Fund, Ltd., and (d) 5,000,000 shares of common stock issuable upon exercise of warrants held by Trinad Capital Master Fund, Ltd. at an exercise price of $0.25 per share. Trinad Management, LLC (as the manager of the Trinad Capital Master Fund, Ltd. and Trinad Capital LP) is deemed the beneficial owner of 19,674,059 shares of the common stock which includes 19,574,059 shares of the common stock held by Trinad Capital Master Fund, Ltd. and 100,000 shares of common stock issuable upon conversion of 100,000 shares of Series A Convertible Preferred Stock held by Trinad Management LLC, assuming conversion price $1.00 per share. Trinad Management, LLC disclaims beneficial ownership of the shares of common stock directly and beneficially owned by Trinad Capital Master Fund, Ltd. Robert S. Ellin, the managing director of and portfolio manager for Trinad Management, LLC and the managing director of Trinad Advisors II LLC is deemed the beneficial owner of 20,174,059 shares of the common stock which includes 19,574,059 shares of the common stock held by Trinad Capital Master Fund, Ltd., 100,000 shares of common stock issuable upon conversion of 100,000 shares of Series A Convertible Preferred Stock held by Trinad Management LLC, and options to purchase 500,000 shares of common stock owned by Mr. Ellin. Mr. Ellin disclaims beneficial ownership of the shares of common stock directly and beneficially owned by Trinad Capital Master Fund, Ltd. except to the extent of his pecuniary interests therein. Trinad Capital LP (as the owner of 84.53% of the shares of Trinad Capital Master Fund, Ltd. as of June 30, 2010) and Trinad Advisors II, LLC (as the general partner of Trinad Capital LP), are each deemed the beneficial owner of (a) 3,866,452 shares of common stock (representing 84.53% of the shares of the 4,293,160 shares of the common stock held directly, and not through a derivative security, by Trinad Capital Master Fund, Ltd.), (b) 280,899 shares of common stock issuable upon exercise of warrants held by Trinad Capital Master Fund, Ltd., at an exercise price of $2.67 per share, (c) 10,000,000 shares of common stock issuable upon conversion of a convertible note issued by the Company with an aggregate principal amount of $1,500,000 held by Trinad Capital Master Fund, Ltd., and (d) 5,000,000 shares of common stock issuable upon exercise of warrants held by Trinad Capital Master Fund, Ltd. at an exercise price of $0.25 per share. Trinad Advisors II, LLC disclaims beneficial ownership of the shares of common stock beneficially owned by Trinad Capital LP, except to the extent of its pecuniary interest therein.

Each of the beneficial owners share the power to vote or to direct the vote and to dispose or to direct the disposition of the common stock it or he may be deemed to beneficially own, except that Mr. Ellin has the sole power to vote or to direct the vote and to dispose or to direct the disposition of 500,000 shares of common stock underlying the options granted to Mr. Ellin on June 18, 2008 at an exercise price of $2.75 per share, upon their exercise. The address of each of the beneficial owners is 4751 Wilshire Boulevard, Third Floor, Los Angeles, CA 90010. The information set forth herein is based solely on a Schedule 13D filed by the beneficial owners with the Commission on August 12, 2010.

(4) The Guber Family Trust (the "Trust"), which Peter Guber serves as a trustee of, is the beneficial owner of 15,914,123 shares of the common stock, which consists of: (a) 5,633,225 issued and outstanding shares of common stock, (b) 280,899 shares of common stock issuable upon exercise of warrants at an exercise price of $2.67 per share, (c) 6,666,666 shares of common stock issuable upon conversion of a convertible note issued by the Company with an aggregate principal amount of $1,000,000, and (d) 3,333,333 shares of common stock issuable upon exercise of warrants at an exercise price of $0.25 per share. Peter Guber disclaims beneficial ownership of the shares of common stock directly and beneficially owned by the Trust, except to the extent of his pecuniary interest therein. Mr. Guber directly owns options to purchase 500,000 shares of common Stock of the Company, which options are fully vested. Mr. Guber, as trustee of the Trust, has the sole power to vote or to direct the vote and dispose or to direct the disposition of 15,914,123 shares of common stock. Mr. Guber shall have the sole power to vote or to direct the vote and to dispose or to direct the disposition of 500,000 shares of common stock underlying the options granted to Mr. Guber on June 18, 2008 at an exercise price of $2.75 per share, upon their exercise. The information set forth herein is based solely on a Schedule 13D filed by the beneficial owners with the Commission on August 12, 2010.

(5) The address of the beneficial owner is 3599 Cahuenga Blvd., 4th Floor, Los Angeles, CA 90068.

(6) Paul & Judy Schaeffer Living Trust is the beneficial owner of 1,400,000 shares of the common stock, which consists of 1,000,000 shares of common stock and 400,000 shares of common stock underlying options. The securities indicated are held indirectly by Mr. Schaeffer through the Paul and Judy Schaeffer Living Trust for which he serves as a trustee. Mr. Schaeffer disclaims beneficial ownership of these securities except to the extent of his pecuniary interest. Mr. Schaeffer shall have the sole power to vote or to direct the vote and to dispose or to direct the disposition of 400,000 shares of common stock underlying the options granted to Mr. Schaeffer on June 18, 2008 at an exercise price of $2.75 per share, upon their exercise.

(7) Consists of: (i) 2,779,986 shares of common stock held by Spark Capital, (ii) 49,357 shares of common stock held by Spark Founders Fund, and (iii) 27,801 shares of common stock held by Spark Member Fund. Messrs. Dagres, Politi, Miller, Sabet and Conway are the sole managing members of Spark Management, the sole general partner of each of Spark Capital, Spark Member Fund and Spark Founders Fund. Each of Spark Member Fund and Spark Founders Fund invests alongside Spark Capital in investments made by Spark Capital. This information is based solely on a Schedule 13G filed with the Commission on February 21, 2008 by Spark Capital, L.P. ("Spark Capital"), Spark Management Partners, LLC ("Spark Management"), Spark Member Fund, L.P. ("Spark Member Fund"), Spark Capital Founders' Fund, L.P. ("Spark Founders Fund"), Todd Dagres, Santo Politi, Dennis A. Miller, Bijan R. Sabet and Paul J. Conaway. The address for Spark Capital is 137 Newbury Street, Boston, Massachusetts 02116.

(8) The address of the beneficial owner is 11355 W. Olympic Blvd., Los Angeles, CA 90064.

(9) James Lefkowitz is the beneficial owner of 537,500 shares of the common stock, which consists of 37,500 shares of common stock and 500,000 shares of common stock underlying options. The securities indicated are held directly by Mr. Lefkowitz. Mr. Lefkowitz disclaims beneficial ownership of these securities except to the extent of his pecuniary interest. Mr. Lefkowitz shall have the sole power to vote or to direct the vote and to dispose or to direct the disposition of 500,000 shares of common stock underlying the options granted to Mr. Lefkowitz on February 21, 2011 at an exercise price of $0.25 per share, upon their exercise.

(10) David Mandell is the beneficial owner of 630,000 shares of the common stock, which consists of 60,000 shares of common stock and 570,000 shares of common stock underlying options.

(11) Lyrical Corp. I, LLC, Lyrical Partners, L.P. and Jeffrey Keswin share beneficial ownership of 2,538,921 shares of common stock. The address for the beneficial owners is 405 Park Avenue, 6th Floor, New York, NY 1002. The information set forth herein is based solely on a Schedule 13D filed by the beneficial owners with the Commission on February 14, 2011.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

NeuMedia

Management Agreement

On September 14, 2006, we entered into a management agreement (the “Management Agreement”) with Trinad Management, the manager of Trinad Capital Master Fund, which is one of our principal stockholders. Pursuant to the terms of the Management Agreement, which is for a term of five years, Trinad Management will provide certain management services, including without limitation the sourcing, structuring and negotiation of a potential business combination transaction involving the Company. We have agreed to pay Trinad Management a management fee of $90,000 per quarter, plus reimbursement of all expenses reasonably incurred by Trinad Management in connection with the provision of management services. Either party may terminate with prior written notice. However, in the event the Company terminates the Management Agreement, we shall pay to Trinad Management a termination fee of $1,000,000. For the year ended March 31, 2011 the Company paid management fees under the agreement of $225,000.

In March 2008, the Company entered into a month to month lease for office space with Trinad Management for rent of $9,000 per month subsequently reduced to $5,000 per month. Rent expense in connection with this lease was $40,000 for the year ended March 31, 2011. This lease was terminated in December 2010 when the Company moved to a new location.

Robert Ellin, our director, is the managing director of and portfolio manager for Trinad Management.

Senior Secured Convertible Notes

On June 21, 2010, we sold and issued $2,500,000 of Senior Secured Convertible Notes due June 21, 2013 (the "New Senior Secured Notes") to certain significant stockholders, comprised of a $1,500,000 New Senior Secured Note sold and issued to Trinad Capital Master Fund and a $1,000,000 New Senior Secured Note sold and issued to the Guber Family Trust (the "Offering"). Trinad Capital Master Fund is one of our principal stockholders and an affiliate of our director Robert Ellin. Peter Guber, our director, serves as trustee of the Guber Family Trust. 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 $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 our common stock at an exercise price of $0.25 per share, subject to adjustment. For each $50,000 of New Senior Secured Notes purchased, the purchaser received a Warrant to purchase 166,667 shares of common stock. Each Warrant has a five year term.

In connection with the Offering, certain of our significant stockholders, Spark Capital and Lyrical Multi-Manager Fund L.P., have the right to purchase on or prior to July 15, 2010, up to an aggregate of $600,000 of the New Senior Secured Notes purchased by Trinad Capital Master Fund and the Guber Family Trust, upon the same the same terms and conditions described above.

Twistbox

Twistbox engages in various business relationships with its stockholders and officers and their related entities. The significant relationships are as follows:

Loans

As part of the Merger, NeuMedia agreed to guarantee up to $8,250,000 of Twistbox's outstanding debt to 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 the ValueAct Note in the amount of $16,500,000 and the Warrant which entitled ValueAct to purchase from Twistbox up to a total of 2,401,747 shares of Twistbox's common stock. In connection therewith, Twistbox and ValueAct had 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. 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. Both warrants were scheduled to expire on July 30, 2011. We also entered into a 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. The financial covenants of the ValueAct Note were also amended, pursuant to which Twistbox is required maintain a cash balance of not less than $2,500,000 at all times and NeuMedia was required to maintain a cash balance of not less than $4,000,000 at all times. ValueAct is one of our greater than 5% stockholders.

On October 23, 2008, in connection with the AMV Acquisition, NeuMedia, Twistbox and ValueAct entered into a Second Amendment to the ValueAct Note in the amount of $16,500,000, 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 provides 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.

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.

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 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 $23,000,000 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. In connection with the Restructure, the 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, former directors of the Company, 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.

The above description of the Restructure does not purport to be complete and is qualified in its entirety by reference to the Current Report on Form 8-K filed by us on June 23, 2010, which is incorporated by reference herein.

Director Independence

Of the three members on our Board of Directors, none of the directors are independent directors based on the listing standards of the NYSE Alternext.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Effective May 28, 2008, the Board approved the engagement of Grobstein Horwath & Company LLP (“Grobstein”) as the Company’s new independent registered public accounting firm to provide audit services for the Company. We engaged Grobstein to audit our financial statements for the Transition Period Ended March 31, 2008. Raiche Ende Malter & Co. LLP conducted the reviews of our annual financial statements and other audit related services for the fiscal years ended December 31, 2007 and 2006.

Effective February 15, 2009, the Company's Board of Directors approved the engagement of Crowe Horwath LLP ("Crowe") as the Company's new independent certified registered public accounting firm due to the acquisition of certain assets of Grobstein, the Company's former independent certified public accounting firm. Grobstein resigned as the Company's independent certified public accounting firm simultaneous with the engagement of Crowe.

On June 2, 2009, the Company dismissed Crowe as the Company's independent registered public accounting firm. The decision to change accountants was approved by the Company's Board of Directors. No reports issued by Crowe during the time that it served as the Company's principal accountant, from February 15, 2009 to June 2, 2009, contained an adverse opinion or disclaimer of opinion, nor were any reports issued by Crowe qualified or modified as to uncertainty, audit scope, or accounting principles. During the time that Crowe served as the Company's principal accountant, there were no disagreements with Crowe on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Crowe, would have caused Crowe to make reference to the subject matter of the disagreements in connection with its reports on the Company's financial statements during such periods. None of the events described in Item 304(a)(1)(iv) or (v) of Regulation S-K occurred during the period that Crowe served as the Company's principal accountant.

Effective June 2, 2009, the Company engaged Singer Lewak, LLP ("Singer") as the Company's new independent registered public accounting firm to provide audit services for the Company. During the period that Crowe served as the Company's principal accountant, the Company did not consult with Singer regarding the application of accounting principles to a specific transaction, or type of audit opinion that might be rendered on the Company's financial statements and no written or oral advice was provided by Singer that was a factor considered by the Company in reaching a decision as to accounting, auditing or financial reporting issues, and the Company did not consult with Singer on or regarding any of the matters set forth in Item 304(a)(2)(i) or (ii) of Regulation S-K.

The Company subsequently engaged Crowe to complete certain specific audit procedures related to amended historical filings.

Fees

Aggregate fees for professional services rendered to us by Singer and Crowe for the Years Ended March 31, 2011 and March 31, 2010 were:

	Year Ended March 31, 2011	Year Ended March 31, 2010
Audit fees	137,065	272,674
Audit related fees	-	137,971
Tax fees	-	-
All other fees	-	-
Total	$137,065	$410,645

Policy on Pre-Approval of Audit and Permissible Non-audit Services of Independent Auditors

Consistent with the SEC policies regarding auditor independence, the Board of Directors has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Board of Directors has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor.

Prior to engagement of the independent auditor for the next year's audit, management will submit an aggregate of services expected to be rendered during that year for each of the following four categories of services to the Board of Directors for approval.

1. ***Audit*** services include audit work performed in the preparation of financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

2. ***Audit-Related*** services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. ***Tax*** services include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

4. ***Other Fees*** are those associated with services not captured in the other categories.

Prior to engagement, the Board of Directors pre-approves these services by category of service. The fees are budgeted and the Board of Directors requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Board of Directors requires specific pre-approval before engaging the independent auditor.

The Board of Directors may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Board of Directors at its next scheduled meeting.

Our Board of Directors pre-approved the retention of the independent auditors for all audit and audit-related services during fiscal 2010 and 2011.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K.

(1)Financial Statements: The list of financial statements required by this item is set forth in Item 8.

(2)Financial Statement Schedules: All financial statement schedules called for under Regulation S-X are not required under the related instructions, are not material or are not applicable and, therefore, have been omitted or are included in the consolidated financial statements or notes thereto included elsewhere in this Annual Report on Form 10-K.

(3)Exhibits: See Item 15(b) below.

(b) The following documents are filed as exhibits to this Annual Report on Form 10-K or have been previously filed with the SEC as indicated and are incorporated herein by reference:

Exhibit No.	**Description**
2.1	Amended Disclosure Statement filed with the United States Bankruptcy Court for the Southern District of New York. [1]
2.2	Amended Plan of Reorganization filed with the United States Bankruptcy Court for the Southern District of New York [1]
2.3	Order Confirming Amended Plan of Reorganization issued by the United States Bankruptcy Court for the Southern District of New York. [1]
2.4	Plan and Agreement of Merger, dated September 27, 2007, of NeuMedia Media, Inc., a Delaware corporation, and Mediavest, Inc., a New Jersey corporation. [2]
2.5	Certificate of Merger merging Mediavest, Inc., a New Jersey corporation, with and into NeuMedia Media, Inc., a Delaware corporation, as filed with the Secretary of State of the State of Delaware. [2]
2.6	Certificate of Merger merging Mediavest, Inc., a New Jersey corporation, with and into NeuMedia Media, Inc., a Delaware corporation, as filed with the Secretary of State of the State of New Jersey. [2]
2.7	Agreement and Plan of Merger, dated as of December 31, 2007, by and among NeuMedia Media, Inc., Twistbox Acquisition, Inc., Twistbox Entertainment, Inc. and Adi McAbian and Spark Capital, L.P. [3]

2.8	Amendment to Agreement and Plan of Merger, dated as of February 12, 2008, by and among NeuMedia Media, Inc., Twistbox Acquisition, Inc., Twistbox Entertainment, Inc. and Adi McAbian and Spark Capital, L.P. [4]
3.1	Certificate of Incorporation. [2]
3.2	Bylaws. [2]
4.1	Form of Warrant to Purchase Common Stock dated September 14, 2006. [5]
4.2	Form of Warrant to Purchase Common Stock dated October 12, 2006. [6]
4.3	Form of Warrant to Purchase Common Stock dated December 26, 2006. [7]
4.4	Form of Warrant Issued to David Chazen to Purchase Common Stock dated August 3, 2006. [8]
4.5	Form of Warrant issued to Investors, dated October 23, 2008. [9]
4.6	Warrant dated September 23, 2008 issued to Vivid Entertainment, LLC. [23]
4.7	Form of Warrant issued to Investors, dated June 21, 2010. [25]
4.8	Form of Senior Secured Convertible Note due June 21, 213. [25]
4.9	Amended and Restated Senior Subordinated Secured Note due June 21, 2013, by Twistbox Entertainment, Inc. in favor of ValueAct SmallCap Master Fund, L.P. [25]
10.1	2007 Employee, Director and Consultant Stock Plan. [2†]
10.1.1	Form of Non-Qualified Stock Option Agreement. [2†]
10.2	Amendment to 2007 Employee, Director and Consultant Stock Plan. [4†]
10.3	Second Amendment to 2007 Employee, Director and Consultant Stock Plan. [10†]
10.4	Form of Restricted Stock Agreement. [11†]
10.5	Twistbox 2006 Stock Incentive Plan. [4†]
10.6	Form of Stock Option Agreement for Twistbox 2006 Stock Incentive Plan. [4†]
10.7	Loan Agreement with Trinad Capital Master Fund, Ltd., dated March 20, 2006. [12]
10.8	Form of Subscription Agreement between the Company and certain investors listed thereto dated September 14, 2006. [5]
10.9	Form of Subscription Agreement between the Company and certain investors listed thereto dated October 12, 2006. [6]
10.10	Series A Convertible Preferred Stock Purchase Agreement dated October 12, 2006 between the Company and Trinad Management, LLC. [6]
10.11	Form of Subscription Agreement between the Company and certain investors listed thereto dated December 26, 2006. [7]

10.12 Form of Subscription Agreement between the Company and certain investors listed thereto. [13]

10.13 Employment Letter, by and between the Company and James Lefkowitz, dated as of June 28, 2007. [14†]

10.14 Salary Reduction Letter by and between Mandalay Media, Inc. and James Lefkowitz, dated March 16, 2009. [11†]

10.15 Securities Purchase Agreement, dated July 30, 2007, by and among Twistbox Entertainment, Inc., the Subsidiary Guarantors and ValueAct SmallCap Master Fund, L.P. [4]

10.16 Guarantee and Security Agreement, dated July 30, 2007 by and among Twistbox Entertainment, Inc., each of the Subsidiaries party thereto, the Investor party thereto and ValueAct SmallCap Master Fund, L.P. [4]

10.17 Control Agreement, dated July 30, 2007, by and among Twistbox Entertainment. Inc. and ValueAct SmallCap Master Fund, L.P. to East West Bank. [4]

10.18 Trademark Security Agreement, dated July 30, 2007, by Twistbox, in favor of ValueAct SmallCap Master Fund, L.P. [4]

10.19 Copyright Security Agreement, dated July 30, 2007, by Twistbox in favor of ValueAct SmallCap Master Fund, L.P. [4]

10.20 Guaranty given as of February 12, 2008, by Mandalay Media, Inc. to ValueAct SmallCap Master Fund, L.P. [4]

10.21 Termination Agreement, dated as of February 12, 2008, by and between Twistbox Entertainment, Inc. and ValueAct SmallCap Master Fund, L.P. [4]

10.22 Waiver to Guarantee and Security Agreement, dated February 12, 2008, by and between Twistbox Entertainment, Inc. and ValueAct SmallCap Master Fund, L.P. [4]

10.23 Standard Industrial/Commercial Multi-Tenant Lease, dated July 1, 2005, by and between Berkshire Holdings, LLC and The WAAT Corp. [4]

10.24 Letter Agreement, dated May 16, 2006, between The WAAT Corp. and Adi McAbian. [4†]

10.25 Amendment to Employment Agreement by and between Twistbox Entertainment, Inc. and Adi McAbian, dated as of December 31, 2007. [4†]

10.26 Second Amendment to Employment Agreement, dated February 12, 2008, by and between Twistbox Entertainment, Inc. and Adi McAbian. [4†]

10.27 Letter Agreement, dated May 16, 2006 between The WAAT Corp. and Ian Aaron. [4†]

10.28 Salary Reduction Letter by and between Mandalay Media, Inc. and Ian Aaron, dated March 16, 2009. [11†]

10.29 Amendment to Employment Agreement, by and between Twistbox Entertainment, Inc. and Ian Aaron, dated as of December 31, 2007. [4†]

10.30 Second Amendment to Employment Agreement by and between Twistbox Entertainment, Inc. and Ian Aaron, dated February 12, 2008. [4†]

10.31 Employment Agreement, dated May 9, 2006, between Charismatix and Eugen Barteska. [4†]

10.32 Employment Agreement, dated June 5, 2006, between The WAAT Corp. and David Mandell. [4†]

10.33 First Amendment to Employment Agreement, by and between Twistbox Entertainment, Inc. and David Mandell, dated February 12, 2008. [4†]

10.34 Employment Agreement, dated December 11, 2006 between Twistbox and Russell Burke. [4†]

10.35 First Amendment to Employment Agreement by and between Twistbox Entertainment, Inc. and Russell Burke, dated February 12, 2008. [4†]

10.36 Directory Agreement, dated as of May 1, 2003, between Vodafone Global Content Services Limited and The WAAT Corporation. [4]

10.37 Contract Acceptance Notice - Master Global Content Reseller Agreement by Vodafone Hungary Ltd. [4]

10.38 Master Global Content Agency Agreement, effective as of December 17, 2004, between Vodafone Group Services Limited and The WAAT Media Corporation. [4]

10.39 Letter of Amendment, dated February 27, 2007, by and between WAAT Media Corporation and Vodafone UK Content Services Limited. [4]

10.40 Content Schedule, dated December 17, 2004, by and between WAAT Media Corporation and Vodafone Group Services Limited. [4]

10.41 Contract Acceptance Notice - Master Global Content Agency Agreement by Vodafone D2 GmbH. [4]

10.42 Contract Acceptance Notice - Master Global Content Agency Agreement by Vodafone Sverige AB. [4]

10.43 Master Global Content Reseller Agreement, effective January 17, 2005, between Vodafone Group Services Limited and The WAAT Corporation. [4]

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(22) Incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on October 14, 2009.
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(26) Incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 22, 2011.

(c) Financial Statement Schedules. Reference is made to Item 15(a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NeuMedia, Inc.

Dated: July 25, 2011

By: /s/ James Lefkowitz
James Lefkowitz
(Principal Executive Officer)

Pursuant to the requirements of the Exchange Act, this Report has been signed below by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Robert S. Ellin Robert S. Ellin	Co- Chairman of the Board	July 25, 2011
/s/ Peter Guber Peter Guber	Co-Chairman of the Board	July 25, 2011
/s/ James Lefkowitz James Lefkowitz	Chief Operating Officer (Principal Executive Officer)	July 25, 2011
/s/ Lisa Lucero Lisa Lucero	Chief Financial Officer, Twistbox (Principal Financial Officer and Principal Accounting Officer)	July 25, 2011
/s/ Paul Schaeffer Paul Schaeffer	Director	July 25, 2011

EXHIBIT INDEX

Exhibit No.	Description
2.1	Amended Disclosure Statement filed with the United States Bankruptcy Court for the Southern District of New York. [1]
2.2	Amended Plan of Reorganization filed with the United States Bankruptcy Court for the Southern District of New York [1]
2.3	Order Confirming Amended Plan of Reorganization issued by the United States Bankruptcy Court for the Southern District of New York. [1]
2.4	Plan and Agreement of Merger, dated September 27, 2007, of NeuMedia Media, Inc., a Delaware corporation, and Mediavest, Inc., a New Jersey corporation. [2]
2.5	Certificate of Merger merging Mediavest, Inc., a New Jersey corporation, with and into NeuMedia Media, Inc., a Delaware corporation, as filed with the Secretary of State of the State of Delaware. [2]
2.6	Certificate of Merger merging Mediavest, Inc., a New Jersey corporation, with and into NeuMedia Media, Inc., a Delaware corporation, as filed with the Secretary of State of the State of New Jersey. [2]
2.7	Agreement and Plan of Merger, dated as of December 31, 2007, by and among NeuMedia Media, Inc., Twistbox Acquisition, Inc., Twistbox Entertainment, Inc. and Adi McAbian and Spark Capital, L.P. [3]
2.8	Amendment to Agreement and Plan of Merger, dated as of February 12, 2008, by and among NeuMedia Media, Inc., Twistbox Acquisition, Inc., Twistbox Entertainment, Inc. and Adi McAbian and Spark Capital, L.P. [4]
3.1	Certificate of Incorporation. [2]
3.2	Bylaws. [2]
4.1	Form of Warrant to Purchase Common Stock dated September 14, 2006. [5]
4.2	Form of Warrant to Purchase Common Stock dated October 12, 2006. [6]
4.3	Form of Warrant to Purchase Common Stock dated December 26, 2006. [7]
4.4	Form of Warrant Issued to David Chazen to Purchase Common Stock dated August 3, 2006. [8]
4.5	Form of Warrant issued to Investors, dated October 23, 2008. [9]
4.6	Warrant dated September 23, 2008 issued to Vivid Entertainment, LLC. [23]
4.7	Form of Warrant issued to Investors, dated June 21, 2010. [25]
4.8	Form of Senior Secured Convertible Note due June 21, 213. [25]
4.9	Amended and Restated Senior Subordinated Secured Note due June 21, 2013, by Twistbox Entertainment, Inc. in favor of ValueAct SmallCap Master Fund, L.P. [25]

10.1	2007 Employee, Director and Consultant Stock Plan. [2†]
10.1.1	Form of Non-Qualified Stock Option Agreement. [2†]
10.2	Amendment to 2007 Employee, Director and Consultant Stock Plan. [4†]
10.3	Second Amendment to 2007 Employee, Director and Consultant Stock Plan. [10†]
10.4	Form of Restricted Stock Agreement. [11†]
10.5	Twistbox 2006 Stock Incentive Plan. [4†]
10.6	Form of Stock Option Agreement for Twistbox 2006 Stock Incentive Plan. [4†]
10.7	Loan Agreement with Trinad Capital Master Fund, Ltd., dated March 20, 2006. [12]
10.8	Form of Subscription Agreement between the Company and certain investors listed thereto dated September 14, 2006. [5]
10.9	Form of Subscription Agreement between the Company and certain investors listed thereto dated October 12, 2006. [6]
10.10	Series A Convertible Preferred Stock Purchase Agreement dated October 12, 2006 between the Company and Trinad Management, LLC. [6]
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10.12	Form of Subscription Agreement between the Company and certain investors listed thereto. [13]
10.13	Employment Letter, by and between the Company and James Lefkowitz, dated as of June 28, 2007. [14†]
10.14	Salary Reduction Letter by and between Mandalay Media, Inc. and James Lefkowitz, dated March 16, 2009. [11†]
10.15	Securities Purchase Agreement, dated July 30, 2007, by and among Twistbox Entertainment, Inc., the Subsidiary Guarantors and ValueAct SmallCap Master Fund, L.P. [4]
10.16	Guarantee and Security Agreement, dated July 30, 2007 by and among Twistbox Entertainment, Inc., each of the Subsidiaries party thereto, the Investor party thereto and ValueAct SmallCap Master Fund, L.P. [4]
10.17	Control Agreement, dated July 30, 2007, by and among Twistbox Entertainment. Inc. and ValueAct SmallCap Master Fund, L.P. to East West Bank. [4]
10.18	Trademark Security Agreement, dated July 30, 2007, by Twistbox, in favor of ValueAct SmallCap Master Fund, L.P. [4]
10.19	Copyright Security Agreement, dated July 30, 2007, by Twistbox in favor of ValueAct SmallCap Master Fund, L.P. [4]
10.20	Guaranty given as of February 12, 2008, by Mandalay Media, Inc. to ValueAct SmallCap Master Fund, L.P. [4]

10.21 Termination Agreement, dated as of February 12, 2008, by and between Twistbox Entertainment, Inc. and ValueAct SmallCap Master Fund, L.P. [4]

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10.24 Letter Agreement, dated May 16, 2006, between The WAAT Corp. and Adi McAbian. [4†]

10.25 Amendment to Employment Agreement by and between Twistbox Entertainment, Inc. and Adi McAbian, dated as of December 31, 2007. [4†]

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(14) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-10039), filed with the Commission on July 3, 2007.
(15) Incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on October 15, 2008.
(16) Incorporated by reference to our Registrant's Transition Report on Form 10-KT (File No. 000-10039), filed with the Commission on July 15, 2008.
(17) Incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 16, 2007.
(18) Incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on June 2, 2008.
(19) Incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 23, 2009.
(20) Incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on June 4, 2009.
(21) Incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on August 14, 2009.
(22) Incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on October 14, 2009.
(23) Incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on November 16, 2009.
(24) Incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 28, 2010.
(25) Incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on June 23, 2010.
(26) Incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 22, 2011.

NeuMedia, Inc. and Subsidiaries

(formerly known as Mandalay Media, Inc.)

Consolidated Financial Statements

March 31, 2011

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

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

NeuMedia, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of NeuMedia, Inc. and subsidiaries (collectively, the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and is in a negative working capital position. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2 to the consolidated financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ SingerLewak LLP

Los Angeles, California

July 22, 2011

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

Consolidated Balance Sheets

(In thousands, except per share amounts)

	March 31, 2011	March 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 845	$ 640
Accounts receivable, net of allowances of $96 and $403, respectively	2,699	4,711
Prepaid expenses and other current assets	296	477
Net current assets of discontinued operations	-	7,377
Total current assets	3,840	13,205
Property and equipment, net	388	603
Intangible assets, net	3,366	8,195
Goodwill	6,609	8,155
Net non-current assets of discontinued operations	-	16,623
TOTAL ASSETS	**$ 14,203**	**$ 46,781**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,807	$ 4,011
Accrued license fees	1,189	1,814
Accrued compensation	371	537
Current portion of long term debt	115	26,082
Other current liabilities	1,959	1,638
Net current liabilities of discontinued operations	-	4,625
Total currrent liabilities	7,441	38,707
Long term debt and convertible debt, net of discount of $1,856 and 0, respectively	4,144	-
Total liabilities	$ 11,585	$ 38,707
Commitments and contingencies (Note 15)		
Stockholders' equity		
Preferred stock		
Series A convertible preferred stock at $0.0001 par value; 100,000 shares authorized,issued and outstanding (liquidation preference of $1,000,000)	100	100
Common stock, $0.0001 par value: 100,000,000 shares authorized; 41,274,225 issued and outstanding at March 31, 2011; 39,776,597 issued and outstanding at March 31, 2010;	4	4
Additional paid-in capital	99,541	95,741
Accumulated other comprehensive loss	(291)	(419)
Accumulated deficit	(96,736)	(87,352)
Total stockholders' equity	2,618	8,074
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 14,203**	**$ 46,781**

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

Consolidated Statements of Operations

(In thousands, except per share amounts)

	Year Ended March 31, 2011	Year Ended March 31, 2010
Net revenues	$ 9,186	$ 14,037
Cost of revenues		
License fees	2,915	2,780
Other direct cost of revenues	295	408
Total cost of revenues	3,210	3,188
Gross profit	5,976	10,849
Operating expenses		
Product development	3,528	4,194
Sales and marketing	2,142	2,428
General and administrative	5,698	7,729
Amortization of intangible assets	54	547
Impairment of goodwill and intangible assets	6,028	38,430
Total operating expenses	17,450	53,328
Loss from operations	(11,474)	(42,479)
Interest and other income / (expense)		
Interest income	2	9
Interest expense	(1,763)	(3,062)
Foreign exchange transaction gain / (loss)	(83)	155
Other income / (expense)	(866)	1,495
Interest and other expense	(2,710)	(1,403)
Loss from operations before income taxes	(14,184)	(43,882)
Income tax provision	(224)	(305)
Net loss from continuing operations net of taxes	(14,408)	(44,187)
Discontinued operations, net of taxes:		
Income from discontinued operations net of taxes	809	1,704
Gain on disposal of discontinued operations, net of taxes	4,215	-
Net income from discontinued operations, net of taxes	5,024	1,704
Net loss	$ (9,384)	$ (42,483)
Comprehensive loss	$ (9,256)	$ (42,773)
Basic and diluted net income / (loss) per common share	$ (0.25)	$ (1.07)
Continuing operations	$ (0.38)	$ (1.11)
Discontinued operations	$ 0.13	$ 0.04
Weighted average common shares outstanding, basic and diluted	37,664	39,837

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

Consolidated Statements of Stockholders' Equity and Comprehensive Loss

(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total	Comprehensive Loss
Balance at March 31, 2009	39,653,125	$ 4	100,000	$ 100	$ 93,918	$ (129)	$ (44,869)	$ 49,024	
Net Loss							(42,483)	(42,483)	(42,483)
Foreign currency translation						(290)		(290)	(290)
Issuance of common stock as part of compensation, net of forfeitures	123,472	$ -			572			572	
Deferred stock-based compensation					1,117			1,117	
Issuance of warrants to vendor for services rendered					134			134	
Comprehensive loss									$ (42,773)
Balance at March 31, 2010	39,776,597	$ 4	100,000	$ 100	$ 95,741	$ (419)	$ (87,352)	$ 8,074	
Net loss							(9,384)	(9,384)	(9,384)
Foreign currency translation						128		128	128
Deferred stock-based compensation					251			251	
Issuance of common stock as part of compensation	300,000				75			75	
Stock voided as part of disposal of subsidiary	(561,798)				(197)			(197)	
Stock acquired by company as part of disposal of subsidiary	(3,540,574)				(1,239)			(1,239)	
Issuance of convertible debt and associated warrants					2,500			2,500	
Repricing of options					113			113	
Issuance of warrants to vendor for services rendered					76			76	
Repricing of warrants					172			172	
Stock issued for services	5,300,000				2,049			2,049	
Comprehensive loss									$ (9,256)
Balance at March 31, 2011	41,274,225	4	100,000	100	99,541	(291)	(96,736)	2,618	

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

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended March 31, 2011	Year Ended March 31, 2010
Cash flows from operating activities		
Net loss	$ (9,384)	$ (42,483)
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	638	1,612
Amortization of debt discount	644	-
Allowance for doubtful accounts	(307)	229
Stock-based compensation	326	1,689
Impairment of goodwill and intangibles	6,028	38,430
Warrants issued as compensation for services	76	134
Repricing of options	113	-
Repricing of warrants	172	-
Stock issued for services	2,049	-
(Increase) / decrease in assets, net of effect of disposal of subsidiary:		
Accounts receivable	3,303	38
Prepaid expenses and other current assets	160	400
Increase / (decrease) in liabilities, net of effect of disposal of subsidiary:		
Accounts payable	(497)	(3,849)
Accrued license fees	(625)	(996)
Accrued compensation	(166)	(70)
Other liabilities and other items	(224)	1,396
Net cash used in operating activities	(1,909)	(3,470)
Cash flows from investing activities		
Purchase of property and equipment	(88)	(433)
Transaction costs	(906)	-
Cash remaining with disposed subsidiary	(641)	-
Net cash used in investing activities	(1,635)	(433)
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	(2)	(133)
Net change in cash and cash equivalents	(1,046)	(4,036)
Cash and cash equivalents, beginning of period	1,891	5,927
Cash and cash equivalents, end of period (2010 $1,247 included in assets held for sale)	$ 845	$ 1,891
Supplemental disclosure of cash flow information:		
Taxes paid	$ 226	$ 1,208
Interest paid	$ 1,763	$ 3,063

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 21, 2010 the Company changed its name to NeuMedia, Inc.

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 Holding Limited 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 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.

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 on 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, which contemplate continuation of the Company as a going concern. As reflected in the accompanying consolidated financial statements, the Company has losses from operations, 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 the following steps that it believes will be sufficient to provide the Company with the ability to continue in existence:

- restructure the Company and reduce ongoing operating expenses
- 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
- seeking to raise additional equity capital
- seeking strategic acquisitions

3. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“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:

	Year Ended March 31, 2011	Year Ended March 31, 2010
Potentially dilutive shares	11,992	100

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 $116 and ($485) in the years ended March 31, 2011 and 2010, respectively. Advertising expense for discontinued operations was $956 and $7,018 in the years ended March 31, 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 March 31, 2011 and March 31, 2010, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued license fees, accrued compensation and other current liabilities approximates fair value due to the short-term nature of such instruments. The carrying value of 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 (loss) of $128 in the year ended March 31, 2011 and ($290) in the year ended March 31, 2010 has been reported as a component of comprehensive loss in the consolidated statements of stockholders' equity and comprehensive income. 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 March 31, 2011, one major customer represented approximately 43 % of our gross accounts receivable outstanding, and 36% of gross accounts receivable outstanding as of March 31, 2010. This customer accounted for 49% of our gross revenues in the year ended March 31, 2011; and 44% in the year ended March 31, 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.

In the year ended March 31, 2010, the Company determined that there was an impairment of goodwill, amounting to $32,694. In the year ended March 31, 2011, the Company determined that there was an impairment of goodwill, amounting to $1,546. In performing the related valuation analysis, the Company used various valuation methodologies including probability weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison. The impairment is detailed in Note 8 below.

Impairment of Long-Lived Assets and Finite Life Intangibles

Long-lived assets, including, intangible assets subject to amortization primarily consist of customer lists, license agreements and software that have been acquired are amortized using the straight-line method over their useful 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 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 September 2009, the FASB issued Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements*—a consensus of the FASB Emerging Issues Task Force ” (ASU 2009-13). It updates the existing multiple-element revenue arrangements guidance currently included under ASC 605-25, which originated primarily from the guidance in EITF Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables” (EITF 00-21). The revised guidance primarily provides two significant changes: (1) eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting, and (2) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. ASU 2009-13 became effective for the first annual reporting period beginning on or after June 15, 2010, which was our year ended March 31, 2011. The adoption of this standard update did not impact the Company’s consolidated financial statements.

In October 2009, the FASB concurrently issued ASU No. 2009-14, Software (Topic 985): Certain Revenue Arrangements That Include Software Elements (a consensus of the FASB Emerging Issues Task Force). This new guidance amends the scope of existing software revenue recognition accounting. Tangible products containing software components and non-software components that function together to deliver the product’s essential functionality would be scoped out of the accounting guidance on software and accounted for based on other appropriate revenue recognition guidance. For the Company, this guidance is effective for all new or materially modified arrangements entered into on or after January 1, 2011, which was our year ended March 31, 2011. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

New 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 June 1, 2011. The Company is currently evaluating this guidance, but does not expect its adoption will 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 June 1, 2011. The Company is currently evaluating this guidance, but does not expect its adoption will have a material effect on its consolidated financial statements.

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 is currently evaluating this guidance, but does not expect its adoption will 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 Securities and Exchange Commission ("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 $223, using the Black-Scholes option pricing model and the following assumptions: expected life of 5.01 years, a risk free interest rate of 2.24%, a dividend yield of 0% and volatility of 75%.

At March 31, 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	(223)	-	(223)	-

The stock warrant –derivative liability is included in other current liabilities in the accompanying consolidated balance sheet, and is discussed further at Note 12.

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). The following table presents the assets and liabilities carried on the balance sheet by caption and by level within the fair value hierarchy (as described above) as of March 31, 2011, for which a nonrecurring change in fair value has been recorded during the year ended March 31, 2011.

	Carrying value at March 31, 2011				Cumulative losses
(in thousands)	Total	Level 1	Level 2	Level 3	as of March 31, 2011
Goodwill and other intangible assets	9,975	-	-	9,975	68,770

	Carrying value at March 31, 2010				Cumulative losses
(in thousands)	Total	Level 1	Level 2	Level 3	as of March 31, 2010
Goodwill and other intangible assets	16,350	-	-	16,350	62,742

Goodwill and other intangible assets measured at fair value on a nonrecurring basis relate to goodwill and intangible assets that were acquired in connection with an acquisition. Losses of $62,742 and $68,770 represent the cumulative impairment charge related to these intangible assets recorded in fiscal years 2010 and 2011, respectively. The fair value of these intangible assets was calculated based on the methods and criteria described in Note 7 – Goodwill.

The Company performs a review of the fair value of goodwill and intangible assets. 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".

5. Accounts Receivable

	March 31, 2011	March 31, 2010
Billed	$ 1,523	$ 2,567
Unbilled	1,272	2,547
Less: allowance for doubtful accounts	(96)	(403)
Net Accounts receivable of continuing operations	$ 2,699	$ 4,711
Net Accounts receivable of discontinued operations	$ -	$ 5,694

The Company had no significant write-offs or recoveries during the years ended March 31, 2011 and March 31, 2010.

6. Property and Equipment

	March 31, 2011	March 31, 2010
Equipment	$ 1,006	$ 829
Furniture & fixtures	328	$ 278
Leasehold improvements	140	$ 140
	1,474	$ 1,247
Accumulated depreciation	(1,086)	$ (644)
Net Property and Equipment of continuing operations	$ 388	$ 603
Net Property and Equipment of discontinued operations	$ -	$ 668

Depreciation expense for the years ended March 31, 2011 and 2010 was $291 and $354, respectively for continuing operations and $27 and $141 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 ISO's shall only be issued to employees. Generally, ISO's and NQO's shall be issued at prices not less than fair market value at the date of issuance, as defined, and for terms ranging up to ten years, as defined. All other terms of grants shall be determined by the board of directors of the Company, subject to the Plan.

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

Option Plans

The following table summarizes options granted for the years ended March 31, 2011 and 2010:

	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2009	6,960	$ 2.52
Granted	-	$ -
Canceled	(773)	$ 2.76
Exercised	-	$ -
Outstanding at March 31, 2010	6,187	$ 2.49
Granted	-	$ -
Canceled	-	$ -
Exercised	-	$ -
Outstanding at March 31, 2011	6,187	$ 1.79
Excercisable at March 31, 2011	6,182	$ 1.79

In February 2011, a former officer of the Company, agreed to cancel 300,000 shares underlying an option to purchase 350,000 shares of common stock of the Company, and the Company granted an option to purchase 300,000 shares of the Company's common stock at an exercise price of $0.25 per share. The Company determined the fair value of the options issued to be $37, using the Black-Scholes option pricing model and the following assumptions: expected life of 6.98 years, a risk free interest rate of 2.99%, a dividend yield of 0% and volatility of 75%.

In February 2011, an officer of the Company, agreed to cancel 400,000 shares underlying an option to purchase 450,000 shares of common stock of the Company, and the Company granted an option to purchase 400,000 shares of the Company's common stock at an exercise price of $0.25 per share. The Company determined the fair value of the options issued to be $50, using the Black-Scholes option pricing model and the following assumptions: expected life of 6.98 years, a risk free interest rate of 2.99%, a dividend yield of 0% and volatility of 75%.

In February 2011, an officer of the Company, agreed to cancel an option to purchase 500,000 shares of common stock of the Company, and the Company granted an option to purchase 500,000 shares of the Company's common stock at an exercise price of $0.25 per share. The Company determined the fair value of the options issued to be $26, using the Black-Scholes option pricing model and the following assumptions: expected life of 3.00 years, a risk free interest rate of 1.02%, a dividend yield of 0% and volatility of 75%.

The exercise price for options outstanding at March 31, 2011 was as follows:

Range of Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Outsanding March 31, 2011	Weighted Average Exercise Price	Aggregate Intrinsic Value
$0 - $1.00	5.29	3,270	$ 0.49	$ 508,554
$2.00 - $3.00	7.19	2,117	$ 2.67	$ -
$4.00 - $5.00	6.88	800	$ 4.75	$ -
	6.15	6,187	$ 1.79	$ 508,554

The exercise price for options exercisable at March 31, 2011 was as follows:

Range of Exercise Price	Weighted Average Remaining Contractual Life (Years)	Options Exercisable March 31, 2011	Weighted Average Exercise Price	Aggregate Intrinsic Value
$0 - $1.00	5.29	3,265	$ 0.49	$ 508,554
$2.00 - $3.00	7.19	2,117	$ 2.67	$ -
$4.00 - $5.00	6.88	800	$ 4.75	$ -
	6.15	6,182	$ 1.79	508,554

Stock Plans

A summary of the status of the Company's nonvested shares as of March 31, 2011 and 2010 pursuant to the Plan, and changes during the years ended March 31, 2011 and 2010 is presented below:

Nonvested Shares	Number of Shares		Weighted Average Grant Date Fair Value
Nonvested at March 31, 2009	498,767	$	0.85
Granted	309,326	$	0.79
Vested	778,609	$	0.84
Exercised	29,484	$	0.85
Nonvested at March 31, 2010	-	$	-
Granted	5,600,000	$	0.38
Vested	5,600,000	$	0.38
Exercised	-	$	-
Nonvested at March 31, 2011	-	$	-
Cumulative forfeited	(218,379)	$	0.61

As of March 31, 2011, there was $0 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. The total fair value of shares vested during the year ended March 31, 2011 was $2,100, and $0 was forfeited to cover individual tax withholdings. The total fair value of shares vested during the year ended March 31, 2010 was $652, and $80 was forfeited to cover individual tax withholdings.

Option Plans and Stock Plans

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

		Year Ended March 31, 2011		**Year Ended March 31, 2010**
Product development	$	7	$	12
Sales and marketing	$	19	$	80
General and administrative	$	413	$	1,677
	$	439	$	1,769
Stock Options Forfeited	$	-	$	(80)

8. Discontinued Operations

The Company had been negotiating a restructuring of debt with its senior debt holder for some time. These negotiations were finalized on June 21, 2010. On that date, the Company signed and closed a number of transactions, which included the sale of AMV. Pursuant to the Agreement, ValueAct Small Cap Master Fund, L.P. ("ValueAct") and Nate MacLeitch and Jonathan Cresswell (the "AMV Founders"), acting through a newly formed company, acquired the operating subsidiaries of AMV in exchange for the release of $23,231 of secured indebtedness, which included a release of all amounts due and payable under the secured promissory note in the aggregate principal amount of $5,375 (the "AMV Note") and all of the amounts due and payable under the the Senior Secured Note, issued by Twistbox, due July 31, 2010, as amended on February 12, 2008 (the "ValueAct Note") except for $3,500 in principal, 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 $3.5 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	1,536	1,501
Property and Equipment, net	591	668
Goodwill and intangibles	15,948	15,955
Net Assets Sold	**$ 18,716**	**$ 19,375**
Direct costs associated with the sale	1,173	
Currency translation adjustment	234	
Other	5	
	$ 20,128	
Consideration	24,343	
Gain on sale, net of taxes	**$ 4,215**	

Goodwill

A reconciliation of the changes to the Company's carrying amount of goodwill for the years ended March 31, 2011 and 2010 was as follows:

Balance at March 31, 2009	$	55,833
Goodwill attributable to discontinued operations		(14,984)
Goodwill impairment		(32,694)
Balance at March 31, 2010		8,155
Goodwill impairment		(1,546)
Balance at March 30, 2011	$	6,609

The Company normally performs its annual review of the fair value of goodwill in the fourth quarter of each fiscal year, however, due to a decline in revenue and share price, the Company performed an interim review in the third quarter of fiscal year 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.

As a result of the assessment, the Company determined that its net book value exceeded the implied fair value; and recorded an impairment charge of $1,546 to write down goodwill. The impairment charge is included "Impairment of goodwill and intangible assets" within operating expenses in the statements of operations.

9. Other Intangible Assets

A reconciliation of the changes to the Company's carrying amount of intangible assets for the year ended March 31, 2011 and 2010 was as follows:

	Amortizable Intangible Assets		Unamortizable Intangible Assets		Total Intangible Assets	
Balance at March 31, 2009	$	6,297	$	9,824	$	16,121
Amortization		(1,219)		-		(1,219)
Intangibles attributable to discontinued operations		(237)		(734)		(971)
Impairment of intangibles		(3,137)		(2,599)		(5,736)
Balance at March 31, 2010		1,704		6,491		8,195
Amortization		(347)		-		(347)
Impairment of intangibles		(464)		(4,018)		(4,482)
Balance at March 31, 2011	$	893	$	2,473	$	3,366

The Company performed its annual review of the fair value of intangible assets in the third quarter of fiscal 2011. The Company separately considered a number of valuation methodologies for each intangible asset group. As a result of the assessment, the Company determined that its net book value exceeded the implied fair value; and recorded an impairment charge of $4,482 to write down intangible assets. The impairment charge is included "Impairment of goodwill and intangible assets" within operating expenses in the statements of operations.

The components of intangible assets as at March 31, 2011 and 2010 were as follows:

	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

	As of March 31, 2010		
	Cost	Accumulated Amortization	Net
		(in thousands)	
Software	$ 1,611	$ (490)	$ 1,121
Trade name / Trademark	6,491	-	6,491
Customer list	1,548	(1,166)	382
License agreements	579	(378)	201
	$ 10,229	$ (2,034)	$ 8,195

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 years ended March 31, 2011 and 2010, the Company recorded amortization expense for continuing operations in the amount of $295 and $408, respectively, in cost of revenues; and amortization expense in the amount of $54 and $547 respectively, in operating expenses. During the years ended March 31, 2011 and 2010 the Company recorded amortization expense for discontinued operations in the amount of $26 and $104, respectively, in cost of revenues; and amortization expense in the amount of $40 and $162, respectively, in operating expenses.

Based on the amortizable intangible assets as of March 31, 2011, we estimate amortization expense for the next five years to be as follows:

Year Ending March 31,	Amortization Expense
	(in thousands)
2012	$ 230
2013	230
2014	230
2015	203
	$ 893

10. Debt

	March 31, 2011	March 31, 2010
Short Term Debt		
Senior secured note, inclusive of accrued interest net of discount of $0 and $40, respectively	$ -	$ 19,749
Deferred purchase consideration inclusive of accrued interest	-	6,333
Note Payable	100	-
Equipment Leases inclusive of accrued interest	15	-
	$ 115	$ 26,082

	March 31, 2011	March 31, 2010
Long Term Debt		
Senior secured note, net of discount, of $1,856 and $0, respectively	$ 644	$ -
Secured note	3,500	-
	$ 4,144	$ -

Note Payable

As a part of settlement of debt, the Company incurred a Note Payable to a service provider of $100.

ValueAct Note

As described in Note 8, in connection with the disposal of AMV on June 21, 2010, all amounts due and payable under the AMV Note were released, and the ValueAct Note was amended and restated in its entirety and reduced to $3,500 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 year ended March 31, 2011, the Company amortized $644 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 management agreement (“Agreement”) with Trinad Management for five years. Pursuant to the terms of the Agreement, Trinad Management will provide certain management services, including, without limitation, the sourcing, structuring and negotiation of a potential business combination transaction involving the Company in exchange for a fee of $90 per quarter, plus reimbursements of all expenses reasonably incurred in connection with the provision of Agreement. The Agreement expires on September 14, 2011. Either party may terminate with prior written notice. However, if the Company terminates, it shall pay a termination fee of $1,000. For the years ended March 31, 2011 and 2010, the Company incurred management fees under the agreement of $360 and $360 respectively. At March 31, 2011 and March 31, 2010 the accrued payable to Trinad Management was $135 and $0 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 $40 and $99 respectively for the years ended March 31, 2011 and 2010.

12. Capital Stock Transactions

Preferred Stock

There are 100 shares of Series A Convertible Preferred Stock authorized, issued and outstanding. The stock has a par value of $0.0001 per share. The Series A holders shall be entitled to: (1) vote on an equal per share basis as common, (2) dividends 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 on an as if-converted basis. The holder of the preferred stock has agreed not to exercise certain rights until such time as the Amended ValueAct Note has been repaid in full.

Common Stock and Warrants

In September 2009, the Company granted warrants to purchase 1,200,000 shares of common stock of the Company to a vendor. The warrants are exercisable at $1.25 per share, through September 23, 2014 and were valued at $134 at the time of issue. The Company determined the fair value of the warrants issued using the Black-Scholes option pricing model and the following assumptions: expected life of 5.00 years, a risk free interest rate of 2.40%, a dividend yield of 0% and volatility of 53.34%. In January 2011, the Company amended the warrants to increase the number of shares underlying the warrants to 1,500,000. The amended warrants are exercisable at $0.25 per share, through September 23, 2014 and had an incremental value of $50. The Company determined the fair value of the amended warrants issued using the Black-Scholes option pricing model and the following assumptions: expected life of 3.73 years, a risk free interest rate of 1.02%, a dividend yield of 0% and volatility of 75%. In addition, the Company issued 2,500,000 shares of common stock to the vendor at the closing price at the date of the amendment of $0.29 per share, resulting in an overall value of $725.

In February 2011, 300,000 shares of restricted common stock of the Company were issued to a former officer and director of the Company as compensation for services rendered, at a purchase price of $0.25 per share, resulting in a total value of $75.

In connection with the restructuring described in Note 8, on June 21, 2010, 561,798 shares of common stock of the Company held by ValueAct were cancelled, and 3,540,574 shares of common stock of the Company held by certain founders of AMV were acquired by the Company at a price of $0.02 per share. In addition, a total of 2,185,000 warrants to purchase common stock of the Company held by ValueAct were cancelled. The shares were originally valued using the closing stock price at the acquisition date of $2.20 per share. The shares were disposed at the closing stock price at the date of disposition of $0.35 per share. The difference in the share price was included in the “gain on disposal of discontinued operations, net of taxes” for the year ended March 31, 2011 of $4,215.

In addition, in connection with the New Senior Secured Notes described in Note 10, on June 21, 2010, each purchaser of a New Senior Secured Note also received a warrant (“Warrant”) to purchase shares of common stock of the Company at an exercise price of $0.25 per share, subject to adjustment. For each $1 of New Senior Secured Notes purchased, the purchaser received a Warrant to purchase 3.33 shares of common stock of the Company. Each Warrant has a five year term. The warrants were valued at $1,678 using the Black Scholes pricing model (see Note 10) and were originally recorded as equity.

In February 2011, a former officer of the Company, agreed to cancel 300,000 shares underlying an option to purchase 350,000 shares of common stock of the Company, and the Company granted an option to purchase 300,000 shares of the Company's common stock at an exercise price of $0.25 per share. The Company determined the incremental fair value of the options issued to be $37, using the Black-Scholes option pricing model and the following assumptions: expected life of 6.98 years, a risk free interest rate of 2.99%, a dividend yield of 0% and volatility of 75%.

In February 2011, an officer of the Company, agreed to cancel 400,000 shares underlying an option to purchase 450,000 shares of common stock of the Company, and the Company granted an option to purchase 400,000 shares of the Company's common stock at an exercise price of $0.25 per share. The Company determined the incremental fair value of the options issued to be $50, using the Black-Scholes option pricing model and the following assumptions: expected life of 6.98 years, a risk free interest rate of 2.99%, a dividend yield of 0% and volatility of 75%.

On August 9, 2010, 500,000 shares of common stock of the Company were issued to a director of the Company, as compensation for services rendered, at the closing market price on that date of $0.35 per share, resulting in a total value of $175.

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. The Company determined the fair value of the warrants issued to be $26, using the Black-Scholes option pricing model and the following assumptions: expected life of 3.00 years, a risk free interest rate of 0.70%, a dividend yield of 0% and volatility of 75%.

In February 2011, an officer of the Company, agreed to cancel an option to purchase 500,000 shares of common stock of the Company, and the Company granted an option to purchase 500,000 shares of the Company's common stock at an exercise price of $0.25 per share. The Company determined the incremental fair value of the options issued to be $26, using the Black-Scholes option pricing model and the following assumptions: expected life of 3.00 years, a risk free interest rate of 1.02%, a dividend yield of 0% and volatility of 75%.

In January 2011, 2,500,000 shares of common stock of the Company were issued to a vendor as a settlement, at the closing market price on that date of $0.29 per share, resulting in a total value of $725.

On March 14, 2011, 2,300,000 shares of common stock of the Company were issued to a vendor as compensation for services rendered, at the closing market price on that date of $0.50 per share, resulting in a total value of $1,150.

On March 31, 2011, the Company issued warrants to purchase 500,000 shares of the Company's common stock to a vendor, as compensation for services rendered, at $0.25 per share. The Company determined the fair value of the warrants issued to be a $223, using the Black-Scholes option pricing model and the following assumptions: expected life of 5.01 years, a risk free interest rate of 2.24%, a dividend yield of 0% and volatility of 75%. These warrants have been considered a derivative liability and is discussed further at Note 4.

All issuances and repricing discussed above vested immediately.

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 difference between taxes at actual rates and the federal statutory rate was as follows:

	Year Ended March 31, 2011	Year Ended March 31, 2010
Statutory Federal Income Taxes	(2,528)	(14,920)
State income taxes, net of federal benefit	(440)	(645)
Write down of goodwill and other perm diff	535	11,157
Foreign Expense	(809)	903
Increase in Valuation Allowance	2,680	4,713
Income tax provision (benefit)	(562)	1,208
Less discontinued Operations	809	(903)
Income tax provision (benefit) for Continuing Ops	247	305

Deferred tax assets and liabilities consist of the following:

	Year Ended March 31, 2011	Year Ended March 31, 2010
Net Operating Loss Carryforward	22,891	22,352
Amortization of Intangible Asset	(1,404)	(3,259)
Stock-based compensation	3,358	2,602
Credit Carryforwards	-	553
Other	(15)	107
Deferred Tax Asset	24,830	22,355
Valuation Allowance	(24,830)	(22,355)

In accordance with ASC 740 and based on all available evidence on a jurisdictional basis, the Company believes that, it is more likely than not that its deferred tax assets will not be utilized, and has recorded a full valuation allowance against its net deferred tax assets in each jurisdiction.

As of March 31, 2011, the Company had net operating loss (NOL) carry-forwards to reduce future Federal income taxes of approximately $57,158, expiring in various years ranging through 2030. Utilization of the NOLs may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state limitations. These ownership changes may limit the amount of NOLs that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code, results from a transaction of series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock by a company by certain stockholders or public groups.

As of March 31, 2011, realization of the Company's net deferred tax asset of approximately $24,830 was not considered more likely than not and, accordingly, a valuation allowance of $24,830 has been provided. During the year ended March 31, 2011, the valuation allowance increased by $2,475.

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 at March 31, 2011 and March 31, 2010. The Company recognized no interest and penalties on income taxes in its statement of operations for the year ended March 31, 2011; or the year ended March 31, 2010. Management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements as of March 31, 2011.The Company's Federal and State income tax returns remain subject to examination for all tax years ended 2007 and 2006, respectively.

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 March 31, 2011:

	North America	Europe	Other Regions	Consolidated
Three Months ended March 31, 2011 Net sales to unaffiliated customers	92	1,681	429	$ 2,202
Twelve Months ended March 31, 2011 Net sales to unaffiliated customers	688	6,819	1,679	$ 9,186
Property and equipment, net at March 31, 2011	322	65	1	$ 388

Our largest customer accounted for 49% of gross revenues in the year ended March 31, 2011; and 44% in the year ended March 31, 2010.

16. Commitments and Contingencies

Operating Lease Obligations

The Company leases office facilities under noncancelable operating leases expiring in various years through 2012.

Following is a summary of future minimum payments under initial terms of leases at March 31, 2011:

Year Ending March 31,		
2012	$	30
2013 and thereafter		-
Total minimum lease payments	$	30

These amounts do not reflect future escalations for real estate taxes and building operating expenses. Rental expense for continuing operations amounted to $291 and $851, respectively, for the years ended March 31, 2011 and 2010.

Other Obligations

As of March 31, 2011, the Company was obligated for payments under various distribution agreements, equipment lease agreements, employment contracts and the management agreement described in Note 10 with initial terms greater than one year at March 31, 2011. As of March 31, 2011, accrued management fees payable to Trinad Management are $135,000. Annual payments relating to these commitments at March 31, 2011 are as follows:

Year Ending March 31,		
2011	$	318
2012		2
2013		1
Total minimum payments	$	321

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. 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 April 19, 2011, Jack Schneider, a former Managing Director of Allen & Co LLC, joined our Advisory Board.

As previously disclosed, on April 19, 2011, we issued an aggregate of 5,147,244 shares of common stock in private placements. The shares were issued on April 5, 2011 and April 11, 2011. The shares were issued to (1) a licensor of content to the Company as payment for past due license fees and amounts for related claims, (2) a service provider to the Company as payment for past services to the Company, and (3) to two former employees of a subsidiary of the Company as a severance payment. The aggregate value of the past due license fees and other amounts, fees to the service provider and the severance payments was approximately $1.95 million. In each case, the shares were issued in a private placement, without general solicitation or publicity, pursuant to Section 4(2) of the Securities Act of 1933.

As previously disclosed, on May 6, 2011, Adi McAbian resigned from the Board of Directors effective April 27, 2011.

On May 18 2011, the Company entered into a non-binding letter of intent to acquire Digital Turbine LLC, a technology platform that allows media companies, mobile carriers, and their OEM handset partners to take advantage of multiple mobile operating systems across multiple networks, while maintaining their own branding and their unique, personalized, one-to-one relationships with each end-user.

On May 19, 2011, Fred Goldring, entrepreneur, strategist, former attorney and co-founder of boutique Beverly Hills, CA-based entertainment law firm Goldring Hertz & Lichtenstein LLP, joined our Advisory Board.

On June 6, 2011, Mark Shapiro, Chief Executive Officer of Dick Clark Productions, joined our Advisory Board.

On June 23, 2011, the Company entered into a non-binding letter of intent to acquire Cameo Stars, LLC, a social media innovator headquartered in New York, that is a social marketing and entertainment company that has combined virtual goods and branded content to create a new content format known as the "social cameo", which is delivered in social media via the company's first-of-its-kind branded social content platform.

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 or may not occur on the terms currently set forth in the letter of intent. 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.

Exhibit 21

Entity	**Chief Executive Offices or Principal Place of Business**	**Jurisdiction of Organization**	**FEIN**	**Company Organizational Numbers**
Twistbox Entertainment, Inc.	14242 Ventura Blvd., 3rd Floor Sherman Oaks, CA 91423	Delaware	80-0058995	4207607
WAAT Media Corp.	14242 Ventura Blvd., 3rd Floor Sherman Oaks, CA 91423	Delaware		4253647
Twistbox Entertainment Ltd. (Russia)	Smolensky Passage, 3 Smolenskaya sq. 7th floor, Moscow 121099, Russia	Russian Federation		43909
Twistbox Entertainment Limited (UK)	Central Court 25 Southhampton Buildings Chancery Lane London WC2A 1AL-UK	United Kingdom		5418091
Twistbox Entertainment LTDA (Brazil)	Rua Frei Duarte Jorge de Mendonca, 100, 12 andar, Sao Paulo, SP 05725-060, Brazil	Brazil		09.091.052/00001-95
WAAT Media Chile SA	Moneda Nº 970, Piso 8, Santiago de Chile	Chile		76-615-370-4
WAAT Media Ltd Colombia	CI 69 No 11 A-53, Bogota, Colombia CP 1, Colombia	Colombia		76-615-370-4
Twistbox Games Ltd. & Co KG (DE)	Lohbachstr. 12 58239 Schwerte Germany	Germany		DE814164894
Twistbox Games Ltd (UK)	Central Court 25 Southhampton Buildings Chancery Lane London WC2A 1AL-UK	United Kingdom		05145811

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, James Lefkowitz, certify that:

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

2. Based on my knowledge, this annual 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 officers 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 fiscal 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: July 25, 2011

/s/ James Lefkowitz
James Lefkowitz
COO
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Lisa Lucero, certify that:

1. I have reviewed this Annual Report on Form 10-K of NeuMedia Media, Inc.;

2. Based on my knowledge, this annual 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 fiscal 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: July 25, 2011

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

EXHIBIT 32.1

Certification of Principal Executive Officer
Pursuant to 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 Annual Report on Form 10-K for the period ending March 31, 2011 of the Company (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 25, 2011

/s/ James Lefkowitz
James Lefkowitz
COO

EXHIBIT 32.2

Certification of Principal Financial Officer
Pursuant to 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 Annual Report on Form 10-K for the period ending March 31, 2011 of the Company (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 25, 2011

/s/ Lisa Lucero
Lisa Lucero
CFO, Twistbox Entertainment, Inc.