NEOMEDIA TECHNOLOGIES INC
Form 8-K
March 19, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): March 7, 2003

NEOMEDIA TECHNOLOGIES, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	0-21743	36-3680347
(State or Other Jurisdiction Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2201 SECOND STREET, SUITE 402, FORT MYERS, FLORIDA	33901
(Address of Principal Executive Offices)	(Zip Code)

(239) - 337-3434
(Registrant's Telephone Number, including Area Code)

1

ITEM 5. OTHER EVENTS.

On March 7, 2003, NeoMedia Technologies, Inc., a Delaware corporation ("the Company") entered into a Memorandum of Terms to acquire and merge with Loch Energy, Inc. ("Loch"), an oil and gas provider based in Humble, Texas. Loch currently owns mineral and lease rights to five properties, totaling approximately 130 acres, near Houston, Texas. Loch's portion of the proven reserves on the five properties is estimated at 7,707,247 barrels. Loch's portion of the probable reserves on the five properties is estimated at an additional 5,963,748 barrels.

The merger would provide for one share of common stock of the Company to be exchanged for every four shares of Loch common stock on an adjusted basis, and additional "earn out" shares to be issued to Loch shareholders based on actual oil production in the first year after closing. Total shares to be issued to Loch shareholders will not exceed 50% of NeoMedia outstanding shares.

The merger is subject to negotiations of definitive contracts, corporate filing requirements, completion of due diligence and any required approval by the Boards of Directors and shareholders of each company. It is anticipated that closing would occur approximately 30 days after such conditions are satisfied.

2

SIGNATURES

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

NEOMEDIA TECHNOLOGIES, INC.

(Registrant)

Date: MARCH 17, 2003

By:/s/ CHARLES T. JENSEN

Charles T. Jensen, President,
Chief Operating Officer,
Acting Chief Executive
Officer and Director

3

EXHIBIT INDEX

SEQUENTIAL PAGE NUMBER	EXHIBIT DOCUMENT	
5	03.1	Memorandum of Terms for proposed transaction between NeoMedia Technologies, Inc., and Loch Energy, Inc.
11	03.2	Press release dated March 13, 2003

4

EXHIBIT 03.1

MEMORANDUM OF TERMS

PROPOSED TRANASACTION BETWEEN

NEOMEDIA TECHNOLOGIES, INC.

AND

LOCH ENERGY

THE TERMS SET FORTH ON THE MEMORANDUM OF TERMS ARE INTERDEPENDENT, AND NO SINGLE ASPECT OF THE MEMORANDUM OF TERMS SHOULD BE CONSIDERED OR VALUED ON A STAND-ALONE BASIS.

Loch Energy and NeoMedia intend to complete a transaction to substantially enhance their respective shareholder values. Loch Energy and NeoMedia seek to:

1. Merge Loch Energy with NeoMedia Technologies in an exchange of common stock.

2. Centralize administrative and management functions.

3. Enhance shareholder value through the increase of cash flow from oilfield operations, patent licensing and value added reseller operations as well as by decreasing expenditures through centralization.

To effectuate these goals, NeoMedia and Loch Energy would:

ACTION STEPS	NEOMEDIA WOULD	LOCH ENERGY WOULD
	1. EXCHANGE OF SHARES:	
	Obtain shareholder approvals as required. Additionally, NeoMedia would obtain from Loch Energy shareholders a legal majority of its shares to be exchanged for shares of common stock in NeoMedia Technologies, Inc. NeoMedia will initially exchange twenty-five of its shares for every one hundred shares of Loch Energy with a potential maximum exchange rate of one share of NeoMedia technologies common stock for each share of Loch Energy common stock.	Obtain the necessary a shareholders in order with NeoMedia Technolo convert all outstandin trade payables, and al stocks into shares of Energy prior to the me Technologies. In accom Energy will, in conjun calculate a ratio of i of common stock to tha form a 1:1 ratio of sh companies ("ratio adju if NeoMedia Technologi

ACTION STEPS	NEOMEDIA WOULD	LOCH ENERGY WOULD
		common stock outstandi 500 shares of common s ratio would be 0.5:1. 1:1 ratio would be two Technologies common st Loch Energy common sto also be true. If Loch of common stock outsta Technologies has 500 s outstanding, the ratio is to say that a 1:1 r shares of Loch Stock f

NeoMedia Technologies.

The initial exchange r
hundred of Loch Energy
twenty-five shares of
after application of t
However, this exchange
to a maximum of one sh
each share of NeoMedia
stock according to the
schedule, after applic
adjustment ratio. The
the earn-out will be m
signing of this letter

EARN-OUT:

365 days following the
or upon Loch achieving
listed below, whicheve
the closing the shareh
receive shares of NeoM
accordance with the fo

a) if the total
production by
share of tota
the Loch Ener
NeoMedia Tech
barrels or gr
of Loch Energ
of NeoMedia T
stock for eac
after applica
ratio;

6

ACTION STEPS	NEOMEDIA WOULD	LOCH ENERGY WOULD

b) if the total
production is
358,074 barre
of Loch Energ
shares of Neo
common stock
Energy, after
adjustment ra

c) if the total
production is
286,459 barre
Loch Energy w
of NeoMedia T
stock for eac
after applica
ratio;

d) if the total
production is
214,844 barre
of Loch Energ

shares of Neo
common stock
Energy, after
adjustment ra

e) if the total
production is
, the shareho
will receive
Technologies
share of Loch
application o
In no event w
Loch Energy r
shares of Neo
common stock
Energy common
application o

7

ACTION STEPS	NEOMEDIA WOULD	LOCH ENERGY WOULD
	2. MANAGEMENT AND ADMINISTRATION:	
	NeoMedia will consolidate all senior management and administrative functions. The accounting, legal, treasury, and Human Resources functions will be combined and headquartered at its Ft. Myers, Florida home office.	Loch Energy will turn management and adminis responsibilities for t entity to NeoMedia Tec Additionally, the Boar Directors of NeoMedia will remain the Board for the combined entit Drilling and Explorati operations will be ma Douglas Ashworth and b headquartered in Humbl
	3. LOCK-UP:	
	NeoMedia's officers and directors are subject to Rule 144 in regards to the sale of their shares.	Mr. Ashworth will repo Jensen. Loch Energy shareholde subject to Rule 144 in the sale of their sale common stock.
	4. STOCK OPTION PLAN:	
	The post merger NeoMedia Technologies will require a new stock option plan, which will have to be ratified by the Board of Directors and by the shareholders.	Former Loch Energy emp become NeoMedia Techno employees will be elig participate in the new stock option plan.
	5. DUE DILIGENCE:	
	NeoMedia will conduct its due diligence utilizing both internal and outside professionals, as it requires. It will	Loch Energy will condu diligence utilizing bo and outside profession

	bear the costs of its own due diligence, which will include, but not be limited to, legal and accounting costs.	requires. It will bear its own due diligence, include, but not be li legal and accounting c Additionally, Loch Ene required to complete, merger, audited financ last two fiscal years.
	6. MANAGEMENT CONTRACTS:	
	NeoMedia will have in place a management contract with its CEO of the combined entity.	Loch Energy will termi management contracts p merger.

ACTION STEPS	NEOMEDIA WOULD	LOCH ENERGY WOULD
	7. ISSUANCE OF SHARES:	
	NeoMedia will issue additional shares of its stock as required in the normal course of business.	Loch Energy will issue shares of its stock as the normal course of b exchange rate for shar Energy with NeoMedia T will be set by the dat signature of this Memo Terms based on NeoMedi outstanding common sto 30,746,968 and Lochs o common stock (estimate 47,000,000-final numbe provided by Loch). The must be the same as th the date of signature Memorandum of Terms.

DEFINITIVE AGREEMENT: The final agreement will set forth the terms and conditions for both NeoMedia and Loch Energy and contain representations and warranties, covenants and indemnities consistent with transactions of this type.

APPROVALS: This merger is subject to an affirmative vote from the board of directors of each company and the satisfactory completion of due diligence by both companies.

CLOSING: As soon as practicable, but no later than (TO BE MUTUALLY AGREED UPON), subject to extension by written mutual consent or to satisfy any regulatory requirements.

Upon completion of due diligence and definitive documentation, each party will be required to close absent unusual circumstances, such as the failure of NeoMedia to obtain any required stockholder approval, failure to deliver required documentation set forth under the definitive agreements, shareholder litigation, regulatory requirements and fraudulent disclosures.

Dated: 3-7-03	Dated: 3-6-03
/s/ Charles T. Jensen	/s/ Douglas Ashworth
CHARLES T. JENSEN	DOUGLAS ASHWORTH
CEO, NEOMEDIA TECHNOLOGIES	CEO, LOCH ENERGY

10

EXHIBIT 03.1

FOR IMMEDIATE RELEASE

PRESS CONTACTS:	Charles T. Jensen	David A. Kaminer
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	cjensen@neom.com	
	dkaminer@kamgrp.com	

NEOMEDIA REACHES AGREEMENT IN PRINCIPAL TO ACQUIRE LOCH ENERGY, INC., HOUSTON-BASED COMPANY WITH $410 MILLION IN PROVEN AND PROBABLE OIL RESERVES

FT. MYERS, FL, and HOUSTON, TX, March 13, 2003 -- NeoMedia Technologies, Inc. (OTCBB: NEOM), said today that it has reached an agreement in principal to acquire and merge with Loch Energy, Inc., of Houston, an energy company with $410 million in PROVEN and PROBABLE reserves.

The merger would provide for one share of common stock of NeoMedia to be exchanged for every four shares of Loch Energy common stock on an adjusted basis, and additional "earn out" shares to be issued to Loch shareholders based on actual oil production in the first year after closing. Total shares to be issued to Loch shareholders will not exceed 50% of NeoMedia outstanding shares.

Loch projects revenue of $800,000 per month in the near term, and forecasts an increase to $3.0 million per month over the next three years.

The merger is subject to negotiations of definitive contracts, corporate filing requirements, completion of due diligence and any required approval by the Boards of Directors and shareholders of each company. It is anticipated that closing would occur approximately 30 days after such conditions are satisfied.

Fort Myers-based NeoMedia has been an innovator and international leader in print-to-Internet and other technologies which make information faster and easier to access, with specific expertise in homeland security and e-authentication applications. Loch, headquartered in the Houston suburb of Humble, is a low-cost, environmentally-conscientious and safe producer of oil and gas properties with PROVEN and PROBABLE reserves estimated to be worth $410 million at the current average oil price of $30 per barrel.

'STRONGER BALANCE SHEETS FOR BOTH COMPANIES'

According to Charles T. Jensen, president, COO and acting CEO of NeoMedia, the planned merger "should result in overall stronger balance sheets for both companies.

"The new, merged NeoMedia Technologies will enhance shareholder value through the increase of cash flow from oilfield operations, and assist NeoMedia in funding a strong, core patent licensing business" he said. "We also believe

11

additional efficiencies should be achieved by centralized administrative and management functions at NeoMedia's offices in Fort Myers.

"While in the past NeoMedia has been a technology-based firm," said Jensen, "we saw this acquisition and merger as a unique opportunity which, we believe, can provide immediate and longer-term benefits to shareholders of both companies."

MERGER MAKES LOCH PART OF A PUBLICLY-HELD ENTITY

Loch CEO Douglas Ashworth said the acquisition/merger with NeoMedia "allows our shareholders to be part of a growing, publicly-held entity with a rich history in high-tech development and innovation, and which now is equally excited about the marketplace for energy products." Loch recently received what Ashworth called "a substantial private investment, which will help us develop existing well bores and continue our plans for expansion (see "Loch Energy, Inc., to Begin Workovers on 5 Existing Well Bores After Receipt of LOI for $485K Investment from Gen-Oil LLC," Business Wire, March 7, 2003)."

Ashworth said that Loch currently owns mineral and lease rights to five properties, totaling approximately 130 acres, near Houston.

"Oil specialists have evaluated and estimated Loch's position on these reserves to be extremely promising," he said. "Their studies show our PROVEN reserves to be some 7,707,247 barrels, or $231 million at the current average oil price of $30 per barrel, and our PROBABLE reserves an additional 5,963,748 barrels, or $179 million at $30 per barrel. Quite clearly, everyone involved with Loch is very excited," said Ashworth.

Expected GROSS barrels of oil to be produced from Lochs properties are 598,000 in Year 1, 1.4 million in Year 2, and 2.2 million per year thereafter until reserves are depleted. Loch's position is expected to be 358,000 in Year 1, 853,000 in Year 2, and 1.3 million per year thereafter as reserves hold. Ashworth said the expected GROSS revenue from the oil on Loch's properties is $16.5 million in Year 1, $39.2 million in Year 2, and $59.4 million per year thereafter until reserves are depleted. Loch's position is expected to be worth $9.8 million in Year 1, $23.5 million in Year 2, and $35.6 million per year thereafter as reserves hold.

Major shareholders in Loch include Dale Cohrs, Peter Wang, the Macha Family, Triway Assets, Eagle Consulting, and Glen Loch, the company's founder.

ABOUT NEOMEDIA TECHNOLOGIES

NeoMedia Technologies, Inc. (www.neom.com), is an innovator and international leader in print-to-Internet and other technologies which make information faster and easier to access, with expertise in homeland security and e-authentication applications. NeoMedia markets services which link physical information and objects to the Internet under the PaperClick(TM) trademark, and its Systems Integration Group specializes in Open and Storage System solutions and automating print production operations.

12

ABOUT LOCH ENERGY, INC.

Loch Energy, Inc., is a low-cost, environmentally-conscientious and safe producer of oil and gas properties, and a strong advocate of creating an environment in which the oil and gas industry, and related businesses, prosper and grow through responsible development of Texas's natural resources. Loch takes pride in its reputation for fostering an environment in which its employees work together as a diverse team, dedicated to continuous improvement, ensuring the future prosperity of the company and its investors.

THIS PRESS RELEASE CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. WITH THE EXCEPTION OF HISTORICAL INFORMATION CONTAINED HEREIN, THE MATTERS DISCUSSED IN THIS PRESS RELEASE INVOLVE RISK AND UNCERTAINTIES. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE EXPRESSED IN ANY FORWARD-LOOKING STATEMENT

PAPERCLICK IS A TRADEMARK OF NEOMEDIA TECHNOLOGIES, INC.

##

13