SEcurities AND ExCHANGE COMMISSION
Washington, D.C. 20549

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INFORMATION STATEMENT
PURSUANT TO SECTION 14(f) OF THE
SEcurities EXCHANGE ACT OF 1934

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INTERFILM, INC.
(Name of Subject Company)

INTERFILM, INC.
(Name of Person(s) Filing Statement)

COMMON STOCK, PAR VALUE $.01 PER SHARE
(Title of Class of Securities)

45866R108
(CUSIP Number of Class of Securities)
INTERFILM, INC.

INFORMATION PURSUANT TO SECTION 14(F) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 14F-1 THEREUNDER

1. General

This information is being furnished in connection with the expected appointment to the Board of Directors of Interfilm, Inc., a Delaware corporation ("Interfilm" or the "Company"), of persons representing a majority of the members of the Board of Directors of the Company, other than at a meeting of the Company’s stockholders, pursuant to the terms of that certain Agreement and Plan of Reorganization, dated as of April 12, 1996 (the "Reorganization Agreement") by and among the Company, RhoMed Incorporated ("RhoMed") and Interfilm Acquisition Corp. ("InSub"). No action is required by the stockholders of the Company in connection with the appointment of such directors. However, Section 14(f) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the filing with the Securities and Exchange Commission (the "SEC") and the mailing to stockholders of the information set forth herein at least ten (10) days prior to a change in a majority of the directors.

2. The Merger

Pursuant to the Reorganization Agreement, InSub will merge with and into RhoMed (the "Merger") and the RhoMed Preferred Stock outstanding immediately prior to the effective date of the Merger (the "Effective Time") will be converted into the Series A Convertible Preferred Stock of Interfilm (the "Interfilm Series A Preferred"), and the RhoMed Common Stock outstanding immediately prior to the Effective Time will be converted into the Series B Convertible Preferred Stock of Interfilm (the "Interfilm Series B Preferred"). Additionally, all warrants and options to purchase the Common Stock of RhoMed
outstanding immediately prior to the Effective Time (the "RhoMed Derivative Securities"), including without limitation, any rights underlying RhoMed's qualified or non-qualified stock option plans, will be automatically converted into rights upon exercise to receive Interfilm capital stock in the same manner in which the shares of RhoMed Common Stock are to be converted at the Effective Time. Holders of each class of Interfilm Preferred Stock will be entitled to vote on matters submitted to a vote of stockholders of Interfilm as if the applicable shares of Preferred Stock were converted into shares of Common Stock.

Each share of the Interfilm Series A Preferred Stock will automatically convert into shares of Interfilm Common Stock and each share of the Interfilm Series B Preferred Stock will automatically convert into shares of Interfilm Common Stock upon the filing of an amendment to Interfilm’s Certificate of Incorporation increasing the number of authorized shares of Common Stock. The holders of at least 51% of the total outstanding shares of Interfilm Common Stock immediately prior to the Effective Time have agreed to vote to, among other things, increase the number of authorized shares of Interfilm Common Stock. After all conversions and exercises, each share of RhoMed Preferred Stock will convert into 4.6695604349 shares of Interfilm Common Stock, and each share of RhoMed Common Stock will convert into 1.84332593 shares of Interfilm Common Stock.

Immediately after the Merger, the present stockholders of Interfilm will retain an aggregate of approximately 8% of the outstanding capital stock of Interfilm (on a fully diluted basis) before giving effect to the Private Placement (See, Item 4 below) and certain shares which may be issuable pursuant to stock options of RhoMed to be assumed by Interfilm but after giving effect to the (a) shares of the Interfilm Series A Preferred and Interfilm Series B Preferred issuable pursuant to the Merger, and (b) shares of the capital stock of Interfilm issuable pursuant to the exercise or conversion of the RhoMed Derivative Securities.

As a result of the Merger, RhoMed will become a wholly owned subsidiary of Interfilm. The Merger will not affect any of the rights of the existing security holders of Interfilm except as set forth in Item 5 below.

No vote of the stockholders of Interfilm is required with respect to the Merger. A majority of the shares of each of RhoMed Preferred Stock and RhoMed Common Stock voting at a meeting called for that purpose is required to approve the Merger.

The Interfilm Common Stock is publicly traded. There are currently no shares of any Interfilm Preferred Stock outstanding. The RhoMed Common Stock is held by approximately 225 holders, and the shares of RhoMed Preferred Stock are held by approximately 12 holders. None of the RhoMed capital stock is publicly traded.


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RhoMed, incorporated in New Mexico on January 28, 1986, is a development stage biopharmaceutical company which has developed a platform technology for the design and
synthesis of novel peptides that it believes may represent a proprietary pathway to drug design and development.

This platform technology, MIDAS (Metal Ion-induced Distinctive Array of Structures), is designed to allow for the design and development of receptor-specific metallopeptide mimics of native peptides, as well as other types of molecules, such as steroids and hormones. RhoMed believes that the MIDAS technology could enable the design of novel peptide analogs or mimics for a broad range of diagnostic and therapeutic applications.

The following unaudited pro forma consolidated balance sheet of the Company as of February 29, 1996 gives effect to the proposed Merger as if it had occurred on that date. The following unaudited pro forma consolidated statement of operations of the Company for the six months ended February 29, 1996 gives effect to the proposed Merger as if it had occurred on September 1, 1995.

The proposed Merger will be accounted as a recapitalization of Interfilm with RhoMed being deemed the acquirer for accounting purposes (reverse acquisition). The unaudited pro forma consolidated financial information does not purport to represent what the Company's financial position would actually have been had the Merger in fact occurred on the dates indicated above, or to project the Company's financial position for any future date or period.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
As of February 29, 1996
### Adjustments

<table>
<thead>
<tr>
<th></th>
<th>RhoMed</th>
<th>Interfilm</th>
<th>(Adjusted)</th>
<th>Pro Forma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase</td>
<td>(Decrease)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### ASSETS

| Current assets | $ 16,204 | $ 162,000 | $(162,000) | $ 16,204 |
| Net property, plant, and equipment | 119,404 | -- | -- | 119,404 |
| Other non-current assets | 315,519 | -- | -- | 315,519 |

#### LIABILITIES AND SHAREHOLDER’S DEFICIT

| Current liabilities | $ 2,634,584 | $ 999,000 | $(599,000) | $ 3,034,584 |
| Long-term debt | 1,981,488 | -- | -- | 1,981,488 |
| Shareholder’s deficit | (4,164,945) | (837,000) | 437,000 | (4,564,945) |

### NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following adjustments were made:

**Note (1)** Immediately after the Effective Time, certain Interfilm assets and liabilities, except for $50,000 of current liabilities, will be transferred to a limited partnership for the benefit of the stockholders of Interfilm as of a record date immediately prior to the closing date (See, Item 5 below).

**Note (2)** Transaction fees and finders fees amounted to approximately $350,000.

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**

For the six months ended February 29, 1996
### Adjustments

<table>
<thead>
<tr>
<th></th>
<th>RhoMed</th>
<th>Interfilm</th>
<th>(Decrease)</th>
<th>Pro Forma</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenues</strong></td>
<td>$ 9,516</td>
<td>$</td>
<td>$</td>
<td>$ 9,516</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>411,133</td>
<td></td>
<td>411,133</td>
<td></td>
</tr>
<tr>
<td>Net write down of game business</td>
<td>-- (683,000)</td>
<td>683,000 (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>684,887</td>
<td>690,000</td>
<td>(690,000)(1)</td>
<td>684,887</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,096,021</td>
<td>7,000</td>
<td>(7,000)</td>
<td>1,096,021</td>
</tr>
<tr>
<td><strong>Other income (expenses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>58</td>
<td>18,000</td>
<td>(18,000)(1)</td>
<td>58</td>
</tr>
<tr>
<td>Interest (expense)</td>
<td>(260,940)</td>
<td></td>
<td>(260,940)</td>
<td></td>
</tr>
<tr>
<td>Placement agent commissions and fees</td>
<td>(138,959)</td>
<td></td>
<td>(138,959)</td>
<td></td>
</tr>
<tr>
<td><strong>Total other (expense)(Net)</strong></td>
<td>(399,842)</td>
<td>18,000</td>
<td>(18,000)(1)</td>
<td>(399,842)</td>
</tr>
<tr>
<td><strong>Discontinued operations</strong></td>
<td></td>
<td>(603,000)</td>
<td>603,000 (1)</td>
<td></td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(1,486,352)</td>
<td>$(592,000)</td>
<td>$(592,000)</td>
<td>$(1,486,352)</td>
</tr>
</tbody>
</table>

**Loss per common stock**

### NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENT.

The following adjustment was made:

**Note (1)** Immediately after the Effective Time, certain Interfilm assets and liabilities, except for $50,000 of current liabilities, will be transferred to a limited partnership for the benefit of the stockholders of Interfilm as of a record date immediately prior to the closing date (See, Item 5 below).

4. **Private Placement**

RhoMed is currently undertaking a private placement of RhoMed Common
Stock (the "Financing") for a maximum of $10,750,000. Certain stockholders of Interfilm and third parties have committed to purchase an aggregate of $750,000 of RhoMed Common Stock in the Financing. Such purchase is a condition precedent to the closing of the Merger. Additionally, RhoMed will issue warrants to purchase shares of RhoMed Common Stock (the "Financing Warrants") to certain parties in connection with their participation in the Financing. The shares of RhoMed Common Stock issued in the Financing will be converted at the Effective Time into shares of the Interfilm Series B Preferred and the Financing Warrants will be treated identically to the other RhoMed Derivative Securities.

5. Transfer of Certain Assets to Limited Partnership

On the date of the Merger, immediately after the Effective Time, certain of the assets of Interfilm (collectively, the "Interfilm Assets") will be transferred to a limited partnership (the "Partnership") for the benefit of the stockholders of Interfilm as of a record date immediately prior to the Effective Time (the "Old Interfilm Stockholders"). The Interfilm Assets consist principally of funds which may be recoverable from a lawsuit filed against Sony Corporation of America ("Sony") and certain intellectual property rights of Interfilm. The Interfilm Assets will be available to secure the indemnification obligations of Interfilm pursuant to the Reorganization Agreement, including taxes (including interest and penalties), if any, imposed on Interfilm arising from the transfer of the Interfilm Assets.

The interest of the Old Interfilm Stockholders in the Partnership will be held either directly or through a liquidation trust (the "Trust"). The general partner of the Partnership is expected to be Fab Five, Inc., a New Jersey corporation, wholly owned by William Franzblau, Interfilm's current Executive Vice President. The sole trustee of the Trust will be Mr. Franzblau.

The Company's estimate of the fair market value of the beneficial interest in the Trust (as to those stockholders who are beneficiaries of the Trust) and of the Partnership interest in the Partnership (as to those stockholders who are partners in the Partnership), will be reported to the relevant stockholders and to the Internal Revenue Service ("IRS"). That amount should be reported as dividend income under applicable tax law. Thus, stockholders may have taxable income in the year the Trust and Partnership are established without receipt of cash at that time. The IRS may assert that the actual fair market value of the beneficial interest in the Trust or of the partnership interest in the Partnership exceeds the Company's valuation. The IRS may make such assertion in a later year, prior to the expiration of the applicable statute of limitations. If the IRS were successful in such an assertion, additional tax, interest, and penalties could be assessed against such stockholders.

The Partnership intends to report for federal income tax purposes that it is taxable as a partnership as opposed to a corporation. Each year, all the taxable income of the Partnership, if any, will be allocated among the partners of the Partnership, one of which will be the Trust, and reported to them...
and to the IRS. Thus, partners may have taxable income in a given year without receipt of cash at that time.

The trustee of the Trust intends to treat the Trust as a grantor trust for federal income tax purposes. Each year, all the taxable income of the Trust, if any, will be allocated among the holders of beneficial interests and reported to them and to the IRS. Thus, holders of beneficial interests may have taxable income in a given year without receipt of cash at that time. The IRS may assert that the Trust is an association taxable as a corporation. If the IRS were successful in such an assertion, the Trust itself could be subject to corporate tax, as well as interest and penalties. Under that argument, the Trust’s recovery of monies from a lawsuit in excess of tax basis, collection of royalties, and any other taxable income would be subject to “double taxation,” which means that the Trust would be subject to corporate tax upon collection of such amounts and then the shareholders could be subject to a second tax on Trust distributions to them which would be characterized as dividends.

Counsel has not expressed an opinion as to the tax status of the Partnership or of the Trust.

6. Fairness Hearing.

Approval of the issuance of the Interfilm securities pursuant to the Merger by the Commissioner of the California Department of Corporations is a condition precedent to the closing of the Merger. Interfilm has filed an Application for Qualification with the Commissioner requesting a hearing on the fairness of the offer and sale of the securities pursuant to Section 25142 of the California Corporation Code. The hearing is currently scheduled for June 12, 1996, at 10:00 a.m. (Pacific Time) at Hearing Room(s) A, B and C, 5th floor, 3700 Wilshire Boulevard, Los Angeles, California 90010. If the Commission finds the terms and conditions of the offer and sale to be fair to the shareholders of RhoMed, subject to the approval of the Merger by the shareholders of RhoMed, Interfilm will issue, to those security holders of RhoMed who have not perfected their dissenters’ rights of appraisal, shares of Interfilm Preferred Stock in accordance with the terms of the Reorganization Agreement. Interfilm intends to issue these shares of its Preferred Stock without registration under the Securities Act of 1933, as amended (the “Act”), based upon the exemption set forth in Section 3(a)(10) of the Act. Such issuance is proposed to be made without the assistance of any broker-dealers or similar agents.

7. Certain Information Concerning the Board of Directors.

Pursuant to the terms of the Reorganization Agreement, the Company will deliver resignations of each of its directors and officers.

Set forth below are the name, age, business address, present principal occupation and five year employment history of each of the persons expected to be appointed to the Board of Directors of the Company pursuant to the
MR. EDWARD J. QUILTY has been Chairman, Chief Executive Officer and a Director of RhoMed since November 1995. From July 1994 through November 1995, Mr. Quilty was President, Chief Executive Officer and a Director of MedChem Products, Inc., a publicly traded medical device company, which in September 1995 was merged into C.R. Bard, Inc. From March 1992 through July 1994, Mr. Quilty served as President and Chief Executive Officer of Life Medical Sciences, Inc., a publicly traded medical device company. From January 1987 through October 1991, Mr. Quilty served as Executive Vice President of McGaw Inc., a pharmaceutical company. Mr. Quilty is also Chairman of the Board and a Director of Derma Sciences, Inc., a publicly traded medical device company. Mr. Quilty received his M.B.A. from Ohio University, and a B.S. from Southwest Missouri State University.

BUCK A. RHODES, PH.D., has been a director of RhoMed since its inception in January 1986, and served as President until November 1995. Dr. Rhodes is currently a consultant to RhoMed. Since founding RhoMed, Dr. Rhodes has been responsible for discovering, evaluating and developing radiopharmaceutical drugs. Prior to founding RhoMed, he was Senior Vice President for Scientific Affairs at Summa Medical Corporation. Dr. Rhodes has held professorships at The Johns Hopkins Medical Institutions, the University of Kansas Medical Center, and the University of New Mexico in the areas of Diagnostic Radiology, Radiation Health and Pharmacy Practice. Dr. Rhodes received his Ph.D. in Radiological Sciences from The Johns Hopkins University and a B.S. from New Mexico State University.
MICHAEL S. WEISS, has been a Director of RhoMed since July 1995. Since November 1993, Mr. Weiss has been Associate General Counsel and then General Counsel of The Castle Group, LLC, and a Vice President and Senior Managing Director of Paramount Capital, Incorporated. From 1991-1993, Mr. Weiss was an attorney with Cravath, Swaine & Moore. Mr. Weiss serves on the Board of Directors of Xytronyx, Inc. and as Secretary of Atlantic Pharmaceuticals, Inc., both publicly traded biotechnology companies. Mr. Weiss received his J.D. from Columbia University School of Law and a B.S. in Finance from The State University of New York at Albany.

CARL SPANA, PH.D., has been a director of RhoMed since July 1995. Since June 1996, he has been Executive Vice President and Chief Scientific Officer of The Castle Group, LLC. Since joining The Castle Group, LLC, in June 1993, Dr. Spana has been responsible for discovering, evaluating, and commercializing new biotechnologies. Through his work at The Castle Group, LLC, Dr. Spana has been a co-founder of several private biotechnology firms. Prior to working at The Castle Group, LLC, Dr. Spana was a Research Associate at Bristol-Myers Squibb where he was involved in scientific research in the field of immunology. Dr. Spana is a Director and Interim President of Avax Technologies, Inc., and a Director of Gemini Technologies, Inc., both privately held biotechnology companies. Dr. Spana received his Ph.D. in Molecular Biology from The Johns Hopkins University and a B.S. in Biochemistry from Rutgers University.

None of the foregoing persons currently is a director of, or holds any position with, the Company. Except as set forth herein, to best knowledge of the Company, none of the above-listed persons beneficially owns any equity securities or rights to acquire any equity securities of the Company or has been involved in any transaction with the Company or any of its directors, executive officers or affiliates which are required to be disclosed pursuant to the rules and regulations of the Securities and Exchange Commission.

The following table provides information as of May 15, 1996, with respect to each of the Company's present directors and executive officers.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Company Since</th>
</tr>
</thead>
<tbody>
<tr>
<td>William Franzblau</td>
<td>42</td>
<td>Executive Vice President, and Chief Operating Officer &amp; Director</td>
<td>1993</td>
</tr>
<tr>
<td>Brian Cooper</td>
<td>31</td>
<td>Vice President of Finance</td>
<td>1993</td>
</tr>
<tr>
<td>Bob Bejan</td>
<td>36</td>
<td>Director</td>
<td>1993</td>
</tr>
</tbody>
</table>
Officers of the Company are elected annually by the Board of Directors.

The Board of Directors of the Company held seven meetings during the fiscal year ended December 31, 1995, and all action taken by the Board of Directors was done by telephone conference.

The Board of Directors has an Audit Committee which provides the opportunity for direct contact between the Company’s independent accountants and the Board. The Audit Committee meets at least once a year, and as often thereafter as necessary, to review the effectiveness of the auditors during the annual audit, to review the adequacy of financial statement disclosures, to discuss the Company’s internal control policies and procedures and to consider and recommend the selection of the Company’s independent accountants. During 1995, the Audit Committee met once. The members of the Audit Committee are Messrs. Franzblau and Hyman.

The Board of Directors also has a Compensation Committee which provides recommendations to the Board regarding compensation programs of the Company. The current member of the Compensation Committee is Mr. Hyman. During 1995, the Compensation Committee met once. The Board of Directors does not have a Nominating Committee.

8. Certain Information Concerning the Company.

The authorized capital stock of the Company consists of 10,000,000 shares of common stock, $.01 par value per share, of which 4,327,500 shares are issued and outstanding (without giving effect to the Reorganization Agreement and 2,000,000 shares of the Preferred Stock, $.01 par value per share, none of which are outstanding).

The Board of Directors is comprised of only one class. At each annual meeting of stockholders, the entire class of directors is elected to serve for a one year term. The term of office of the directors will expire at the next Annual Stockholders’ Meeting. The Board of Directors is expected to be comprised of four members immediately after the Closing.


The Company currently has two officers, William Franzblau serving as Executive Vice President and Chief Operating Officer, and Brian Cooper, serving
as Chief Financial Officer. Since October 1995, at the request of the Board of Directors, these officers, including David Goret serving as General Counsel who subsequently resigned in February 1996, were performing services for the Company while foregoing any compensation. Prior to curtailing its operations, the Company had entered into employment contracts with all of its executives that were to provide annual compensation totaling $660,000 in 1995 and $380,000 in 1996. Due to the lack of financial resources of the Company, certain officers have agreed to allow the amounts due under such agreements to accrue until there is a settlement or judgment from its litigation claims against Sony while other officers have rescinded their agreements.

On August 9, 1995, Bob Bejan, the Company's President and Chief Executive Officer, resigned. William Franzblau, the Company's then Executive Vice President and Chief Operating Officer, assumed the duties of the office previously held by Mr. Bejan. Mr. Bejan was paid $86,000 in 1995. Mr. Franzblau was paid $105,000 for the year ended December 31, 1995. Other than Mr. Franzblau, no officer of the Company received $100,000 or more in compensation for 1995. In 1995, no stock options were granted to or exercised by any officer of the Company.


The following table sets forth certain information, as of May 15, 1996, with respect to the beneficial ownership of the Company's Common Stock by (i) each person known by the Company to own beneficially more than 5% of the outstanding shares of Common Stock; (ii) each present director; (iii) each executive officer referred to in Item 7 and (iv) all present directors and present executive officers of the Company as a group. The number of shares beneficially owned by each person is determined under the rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days of May 15, 1996 through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares set forth in the following table. The inclusion herein of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of those shares.

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>No. of Shares Beneficially Owned</th>
<th>Percent of Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawrence L. Kuppin</td>
<td>670,311</td>
<td>14.5%</td>
</tr>
<tr>
<td>c/o Fifth Avenue Entertainment</td>
<td>9615 Brighton way</td>
<td></td>
</tr>
</tbody>
</table>

Lawrence L. Kuppin(2)
Beverly Hills, CA 90210

Bob Bejan(3) 452,612 9.8%
c/o Interfilm, Inc.
110 Green Street
New York, NY 10012

William Franzblau(3) 452,612 9.8%
c/o Interfilm, Inc.
110 Green Street
New York, NY 10012

Irving Fuller(4) 282,580 6.1%
c/o Fullvest Corp.
8727 West 3rd Street
Los Angeles, CA 90048

Robert G. Rehme 213,437 4.6%
c/o Nuefeld Rehme Productions
5555 Melrose Avenue
Dressing Room Bldg. 112
Los Angeles, CA 90038

Brian T. Cooper(5) 98,153 2.1%
c/o Interfilm, Inc.
110 Green Street
New York, NY 10012

Myron A. Hyman -- --
Hyman, Levy & Freundlich, L.L.P.
501 Madison Avenue, 19th Fl.
New York, NY 10022

All present Executive Officers &
Directors as a Group (6 persons) 1,887,125

(1) For purposes of calculating percentage ownership, the total number of outstanding shares includes 308,611 shares of Common Stock issuable upon exercise of warrants held by certain exhibitors of Interfilm products. This table assumes no exercise of any convertible option on outstanding convertible notes, option, or stock purchase warrants, except as to the person set forth. Shares of the Company’s Common Stock which any person set forth in this table has a right to acquire, pursuant to the exercise of options or warrants, are deemed to be outstanding for the purpose of computing the percentage ownership of such person, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

(2) Includes 670,311 shares of Common Stock owned by Vivaldi Ltd. Mr. Kuppin is the general partner of Vivaldi Ltd.

(3) Includes 57,000 shares of Common Stock for which the holder thereof was
granted the option to purchase pursuant to the Company's 1993 Equity Incentive Plan.

(4) Includes 282,580 shares of Common Stock owned by the Fuller Family Trust of which Irving Fuller and Bonnie Fuller, Mr. Fuller's wife, are trustees.

(5) Includes 14,250 shares of Common Stock for which the holder thereof was granted the option to purchase pursuant to the Company's 1993 Equity Incentive Plan.


In connection with the restructuring of certain notes dated August 19, 1993 to two of the Company's stockholders, Irving Fuller (a 5% stockholder) and Paul Selwyn, in the original aggregate amount of $330,000, Messrs. Fuller and Selwyn will receive the aggregate amount of $264,000 if the Limited Partnership receives payment of not less than $3 million as a result of a settlement or judgment of the Sony Litigation (see Item 5) and/or from the sale or licensing of products. In the event that the Limited Partnership receives payment of less than $3 million, the amount due will be reduced by a factor which is equal to 1 minus a fraction, the numerator of which is the actual payment received and the denominator of which is $3 million.

During the year, the Company retained both Marshall, O'Toole, Gerstein, Murray & Borun, of which Allen H. Gerstein, a director of the Company, is a partner, and Hyman, Levy & Freundlich, L.L.P., of which Myron A. Hyman, a director of the Company, is a partner, to provide legal services on behalf of the Company.

12. Compliance with Section 16(a) of the Exchange Act.

Based solely on a review of Forms 3 and 4 and amendments thereto furnished to the Company during its most recent fiscal year and certain written representations, no persons who were either a director, officer, beneficial owner of more than 10% of the Company's common stock, failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during the most recent fiscal year.

----END PRIVACY-ENHANCED MESSAGE----