# FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2000-08-17** | Period of Report: **2000-06-30**
**SEC Accession No.** 0001093094-00-000188

(HTML Version on secdatabase.com)

## FILER

**SYNTHONICS TECHNOLOGIES INC**

CIK:**1038370**| IRS No.: **870302620** | State of Incorp.:**UT** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-24109** | Film No.: **704539**
SIC: **7371** Computer programming services

Mailing Address
*31324 VIA COLINAS SUTIE 106*
*WEST LAKE VILLAGE CA 91362*

Business Address
*31324 VIA COLINAS SUITE 106*
*WESTLAKE VILLAGE CA 91362*
*8187076000*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended: June 30, 2000; or

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

For the transition period _________ to __________

Commission File Number: 0-24109

SYNTHONICS TECHNOLOGIES, INC.
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| Delaware | 87-0302620 |
| State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 31324 Via Colinas, Suite 106, Westlake Village, CA | 91362 |
| (Address of principal executive offices) | Zip Code) |

(818) 707-6000
(Registrant's telephone number, including area code)

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

On June 30, 2000 there were 28,561,679 shares of the registrant's Common Stock, $0.01 par value, issued and outstanding.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

This Form 10-QSB has 29 pages, the Exhibit Index is located at page 28.

## PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The financial statements included herein have been prepared by the Company, without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the financial position of the Company as of June 30, 2000 and the results of its operations and changes in its financial position from inception through June 30, 2000 have been made. The results of operations for such interim period is not necessarily indicative of the results to be expected for the entire year.

Index to Financial Statements



All other schedules are not submitted because they are not applicable or not required or because the information is included in the financial statements or notes thereto.

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SYNTHONICS TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

<TABLE>
<CAPTION>

ASSETS

| <S> | June 30, 2000 (Unaudited) <C> | December 31, 1999 <C> |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 16,239 | $ 294,583 |
| Accounts receivable, net | 1,316 | 302 |
| Accounts receivable, related (Note 2) | - | 31,620 |
| Total Current Assets | 17,555 | 326,505 |
| PROPERTY AND EQUIPMENT (Net) (Note 3) | 16,302 | 34,444 |
| OTHER ASSETS | | |
| Deferred financing costs (Note 7) | 82,441 | 82,441 |
| Deposits | 4,495 | 4,495 |
| Intangibles, net (Note 4) | 162,878 | 181,314 |
| Total Other Assets | 249,814 | 268,250 |
| TOTAL ASSETS | $ 283,671 | $ 629,199 |

</TABLE>

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



SYNTHONICS TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

<TABLE>
<CAPTION>

| <S> | June 30, 2000 (Unaudited) <C> | December 31, 1999 <C> |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 561,739 | $ 215,534 |
| Accounts payable, related (Note 6) | 181,733 | 195,661 |
| Unearned revenue | 50,000 | - |
| Accrued expenses | 20,605 | 14,440 |
| Total Current Liabilities | 814,077 | 925,635 |
| NON-CURRENT LIABILITIES | | |
| Convertible notes payable (Note 7) | 500,000 | 500,000 |

| | | |
|---|---|---|
| Total Non-Current Liabilities | 500,000 | 500,000 |
| Total Liabilities | 1,314,077 | 925,635 |
| COMMITMENTS AND CONTINGENCIES (Note 5) | | |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Preferred stock, Class A; $10.00 par value, 550,000 shares authorized, 10,000 shares issued and outstanding | 100,000 | 100,000 |
| Preferred stock, Class B; $0.01 par value, 20,000,000 shares authorized, no shares issued and outstanding | - | - |
| Common stock; 100,000,000 shares authorized of $0.01 par value, 28,561,679 and 19,951,279 shares issued and outstanding, respectively | 285,617 | 284,217 |
| Additional paid-in capital | 6,334,492 | 6,299,725 |
| Accumulated deficit | (7,750,515) | (6,980,378) |
| Total Stockholders' Equity (Deficit) | (1,030,406) | (296,436) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | $ 283,671 | $ 629,199 |

</TABLE>

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



SYNTHONICS TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)

<TABLE>
<CAPTION>

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| <S> | <C> | <C> | <C> | <C> |
| REVENUE | | | | |
| Net sales | $ 8,277 | $ 62,474 | $ 51,027 | $ 124,966 |
| Total Revenue | 8,277 | 62,474 | 51,027 | 124,966 |
| EXPENSES | | | | |
| Cost of goods sold | 7,338 | 30,058 | 14,746 | 72,038 |
| Research and development | 164,167 | 46,779 | 307,912 | 90,353 |
| Production costs | 7,000 | 12,312 | 19,022 | 33,682 |
| General and administrative | 82,588 | 57,732 | 410,906 | 169,574 |
| Bad debt expense | 31,620 | - | 31,620 | - |
| Depreciation and amortization | 16,306 | 22,320 | 36,578 | 44,219 |
| Total Expenses | 309,019 | 169,201 | 820,784 | 409,866 |
| Loss From Operations | (300,742) | (106,727) | (769,757) | (284,900) |
| OTHER INCOME (EXPENSE) | | | | |
| Interest income | 8 | 9 | 875 | 960 |
| Interest expense | (1,054) | (11,993) | (1,255) | (35,538) |
| Total Other Income (Expense) | (1,046) | (11,984) | (380) | (34,578) |
| NET LOSS | (301,788) | (118,711) | (770,137) | (319,478) |
| DIVIDENDS ON PREFERRED STOCK | 3,000 | 3,000 | 6,000 | 6,000 |

| | | | | |
|---|---|---|---|---|
| NET LOSS APPLICABLE TO COMMON SHAREHOLDERS | $ (304,788) | $ (121,711) | $ (776,137) | $ (325,478) |
| BASIC LOSS PER SHARE | $ (0.01) | $ (0.01) | $ (0.03) | $ (0.02) |
| FULLY DILUTED LOSS PER SHARE | $ (0.01) | $ (0.01) | $ (0.03) | $ (0.02) |

</TABLE>

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



SYNTHONICS TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Deficit)

<TABLE>
<CAPTION>

| | Preferred Stock | | Common Stock | | Additional Paid-In | Accumulated |
|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Deficit |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Balance, December 31, 1998 | 10,000 | $ 100,000 | 19,951,279 | $ 199,513 | $ 5,083,791 | $(5,997,101) |
| Common stock issued in lieu of debt at $0.18 per share | - | - | 5,015,400 | 50,154 | 846,946 | - |
| Common stock issued for cash at $0.10 per share, net of stock offering costs at $13,692 | - | - | 2,535,000 | 25,350 | 214,188 | - |
| Common stock issued upon exercise of options and warrants | - | - | 920,000 | 9,200 | 94,800 | - |
| Compensation expense for options issued for services rendered | - | - | - | - | 72,000 | - |
| Dividends declared on preferred stock at $1.20 per share | - | - | - | - | (12,000) | - |
| Net loss for the year ending December 31, 1999 | - | - | - | - | - | (983,277) |
| Balance, December 31, 1999 | 10,000 | 100,000 | 28,421,679 | 284,217 | 6,299,725 | (6,980,378) |
| Common stock issued at $0.05 per share upon exercise of warrants (unaudited) | - | - | 140,000 | 1,400 | 5,600 | - |
| Dividends declared on preferred stock (unaudited) | - | - | - | - | (6,000) | - |
| Additional capital contributed (unaudited) | - | - | - | - | 35,167 | - |
| Net loss for the six months ended June 30, 2000 (unaudited) | - | - | - | - | - | (770,137) |
| Balance, June 30, 2000 (unaudited) | 10,000 | $ 100,000 | 28,561,679 | $ 285,617 | $ 6,334,492 | $(7,750,515) |

</TABLE>

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



SYNTHONICS TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

<TABLE>
<CAPTION>

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |

<S> <C> <C> <C> <C>

| | | | | |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net loss | $ (301,788) | $ (118,711) | $ (770,137) | $ (319,478) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | | | |
| Depreciation and amortization | 16,306 | 22,320 | 36,578 | 44,219 |
| Bad debt expense | 31,620 | - | 31,620 | - |
| (Increase) decrease in accounts receivable | 9,136 | (9,523) | (1,014) | (31,000) |
| (Increase) decrease in deposits | - | - | - | 2,080 |
| Increase (decrease) in accounts payable and accounts payable - related | 153,687 | 19,367 | 332,277 | (64,999) |
| Increase (decrease) in unearned revenue | 50,000 | - | 50,000 | - |
| Increase (decrease) in accrued expenses | 6,165 | 14,791 | 6,165 | 41,291 |
| Net Cash (Used) by Operating Activities | (34,874) | (71,756) | (314,511) | (327,887) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Sale of fixed assets | - | - | - | 211 |
| Patent costs | - | (8,846) | - | (20,632) |
| Net Cash (Used) by Investing Activities | - | (8,846) | - | (20,421) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Dividends declared | (3,000) | (3,000) | (6,000) | (6,000) |
| Additional capital contributed | 35,167 | - | 35,167 | - |
| Common stock issued for cash | 7,000 | 260,308 | 7,000 | 260,308 |
| Net Cash Provided by Financing Activities | 39,167 | 257,308 | 36,167 | 254,308 |
| NET INCREASE (DECREASE) IN CASH | 4,293 | 176,706 | (278,344) | (94,000) |
| CASH, BEGINNING OF PERIOD | 11,946 | 959 | 294,583 | 271,665 |
| CASH, END OF PERIOD | $ 16,239 | $ 177,665 | $ 16,239 | $ 177,665 |

</TABLE>

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



SYNTHONICS TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
(Unaudited)

<TABLE>
<CAPTION>

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| <S> | <C> | <C> | <C> | <C> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | | | |
| CASH PAID FOR: | | | | |
| Interest | $ 1,054 | $ 156 | $ 1,255 | $ 201 |
| Income Taxes | $ - | $ - | $ - | $ - |
| NON-CASH FINANCING ACTIVITIES: | | | | |
| Common stock issued in lieu of debt | $ - | $ 894,500 | $ - | $ 897,100 |

</TABLE>

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





NOTE 1 - ORGANIZATION AND DESCRIPTION OF OPERATIONS

a. Organization

Synthonics Technologies, Inc. (STI) was incorporated on March 27, 1974 under the state laws of Utah and was reincorporated in the state of Delaware in December 1999. STI engages in the design, development and marketing of computer-interactive and computer-automated image analysis software and hardware products. The consolidated financial statements presented are those of STI and its wholly-owned subsidiaries, Synthonics Incorporated (Synthonics) and Christopher Raphael, Inc. (CRI). All material intercompany accounts and transactions have been eliminated.

On October 1, 1997, STI purchased CRI, a general design and print brokerage company, for $5,200 by issuing 10,000 shares of its common stock in exchange for 100% of the issued and outstanding stock of CRI. The common stock issued was valued at its trading price on the date of acquisition of $0.52 per share. The acquisition was accounted for as a purchase. The Company recorded $98,184 as the excess of the purchase price over the fair value of the net tangible assets of CRI. The excess was amortized over a two year period resulting in amortization expense in the amounts of $-0-, $48,092 and $48,092 for the years ended December 31, 1999, 1998 and 1997, respectively.

b. Going Concern

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has historically incurred significant losses while accumulating minimal offsetting realizable assets, which raises substantial doubt about the Company's ability to continue as a going concern. The continued losses have resulted in an accumulated deficit of $7,750,515 at June 30, 2000. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities resulting from the outcome of this uncertainty. It is the intent of management to create additional revenues through the development and sales of its image analysis software and to obtain additional equity or debt financing, if required, to sustain operations until revenues are adequate to cover the costs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Methods

The Company's consolidated financial statements are prepared using the accrual method of accounting. The Company has elected a December 31 year end.





NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with maturities of three months or less at the time of acquisition. Cash and cash equivalents consist of cash on hand, cash held in money market funds and demand deposit accounts. The carrying amount reported in the consolidated balance sheet for cash and cash equivalents approximates its fair value.

The Company maintains its corporate cash balances at various banks. Corporate cash accounts at banks are insured by the FDIC for up to $100,000. No amounts in excess of insured limits were maintained in any accounts by the Company as of June 30, 2000.

d. Concentration of Credit Risk and Major Customers

Revenues are derived from sales to customers primarily located in the United States. The Company generally does not require collateral from customers. Credit losses have been within management's expectations.

e. Computer Software Development Costs

Costs related to the research and development of new software products and enhancements to existing software products are expensed as incurred until technological feasibility of the product has been established, at which time such costs are capitalized, subject to expected recoverability. To date, the Company has not capitalized any development costs related to its software product since the time between technological feasibility and general release of a product and related costs during that period have not been significant. Costs to obtain or maintain patents for the Company's 3-D software technology are recorded as intangible assets. The costs are principally outside legal costs and are amortized over 7 years.

f. Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed on a straight- line basis over a period of five years.





NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Investments in Affiliates

Investments in affiliates owned more than 20% but not in excess of 50%, where the Company is not deemed able to exercise controlling influence, are recorded under the equity method. Under the equity method, investments are carried at acquisition costs and adjusted for the proportionate share of the affiliates' earnings or losses.

In 1996, the Company entered into a joint venture agreement with a few individuals to form Acuscape. Acuscape was formed to combine the proprietary technologies of the parties involved to develop and offer software products to the medical and dental professions. Acuscape was started with capital obtained from outside parties and contributions of proprietary technologies by the founding parties. The Company obtained an approximately 25% interest in Acuscape for its contributed technologies, which has not been valued by the Company due to the uncertainty of future benefits. Additionally, the Company is to receive a 3% royalty on gross revenues generated by Acuscape if and when such revenues are generated. The Company has recorded no losses related to its investment in Acuscape as the Company's investment is already recorded at zero and there are no future funding requirements. At June 30, 2000 and December 31, 1999, the Company has a receivable recorded from Acuscape in the amount of $-0- and $31,620, respectively, related to research and development work performed for Acuscape.

h. Long-Lived Assets

Long-lived assets, include, among others, costs in excess of fair value of assets acquired, intangible assets, investments in affiliates, joint venture investments and fixed assets. These assets are reviewed periodically to determine if the related carrying values are impaired. The Company considers the future undiscounted cash flows of the acquired companies in assessing the recoverability of these assets. If indicators of impairment are present, or if long-lived assets are expected to be disposed of, impairment losses are recorded. Any impairment is charged to expense in the period in which the impairment is incurred.

i. Revenue Recognition

Revenues are derived primarily from the sale of packaged products including the Company's software. Revenues are recognized when the products are shipped and collectibility is assured in these instances, as the Company has no further commitments to support or upgrade the software included in these packaged products.

Revenues are also derived from software licenses. The Company recognizes revenues from software licenses upon persuasive evidence of an arrangement, delivery of software to a customer, determination that there are no significant post-delivery obligations and collection of a fixed and determinable license fee is considered probable.





NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Stock-Based Compensation and Other Equity Instruments

The Company accounts for employee and director stock option grants using the intrinsic value method. Generally, the exercise price of the Company's employee and director stock option grants equal or exceed the market price of the underlying stock on the date of grant and no compensation expense is recognized. If the option price is less than fair value, the Company records compensation expense over the vesting period of the option. The Company has also awarded stock options vesting upon the achievement of certain milestones. Such options are accounted for as variable stock options and as such deferred compensation is recorded in an amount equal to the difference between the fair market value of the common stock on the date of determination less the option exercise price and is adjusted from period to period to reflect changes in the market value of the common stock until the milestone is achieved (but only after achievement of the milestone is determined to be probable). No deferred compensation amounts or expense have been recorded for these variable stock options as of June 30, 2000 as the fair value of the common stock is not significantly different than the exercise price.

The Company also has granted and continues to grant options and warrants to various consultants of the Company. These options and warrants are generally in lieu of cash compensation and, as such, compensation expense is recorded related to these grants. The compensation for these options and warrants is determined as the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measured. The compensation expense is recorded over the period the services are performed, which is generally the vesting period.

k. Income Taxes

The Company uses the liability method to record income taxes.

l. Basic Net Loss Per Common Share

Basic loss per share excludes any dilutive effects of options, warrants and convertible securities. Diluted loss per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted to common stock. Common stock equivalents from all stock options, warrants and convertible securities for all years presented have been excluded from this computation as their effect is antidilutive.

Basic loss per common share is computed by dividing the net loss by the weighted average of shares outstanding during the periods presented. Since the effect of the assumed exercise of common stock options, warrants and other convertible securities for all periods presented was antidilutive, basic and diluted loss per common share as presented on the consolidated statements of operations are the same. Dilutive securities amounted to 28,561,679 at June 30, 2000.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<TABLE>
<CAPTION>

| | June 30, 2000 (Unaudited) | December 31, 1999 |
|---|---|---|
| Computer equipment | $ 174,369 | $ 174,369 |
| Furniture and fixtures | 17,850 | 17,850 |
| Photographic equipment | 56,237 | 56,237 |
| | 248,456 | 248,456 |
| Less: accumulated depreciation | (232,154) | (214,012) |
| Net property and equipment | $ 16,302 | $ 34,444 |

NOTE 4 - INTANGIBLES

Intangibles costs incurred are as follows:

| | June 30, 2000 (Unaudited) | December 31, 1999 |
|---|---|---|
| Trademarks | $ 1,484 | $ 1,484 |
| Patents | 304,909 | 302,598 |
| | 306,393 | 304,082 |
| Less: accumulated amortization | (143,515) | (122,768) |
| Total | $ 162,878 | $ 181,314 |

NOTE 5 - COMMITMENTS AND CONTINGENCIES

a. Leases

The Company is party to leases and other operating commitments, principally for facilities and equipment. Under the terms of certain of the leases, the Company is required to pay additional expenses such as maintenance, taxes, insurance, and other operating costs. Certain leases contain renewal or purchase options and certain leases provide for rental increases based on defined formulas.

Future minimum payments by year and in the aggregate for non-cancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 1999:

| | |
|---|---|
| 2000 | $ 29,980 |
| 2001 | 3,739 |
| Total minimum lease payments | $ 33,719 |

</TABLE>





NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

b. Employment Contracts

The Company has entered into employment agreement with certain officers of the Company. The Company has agreed to pay its Chief Executive Officer and Chief Technical Officer a base annual salary of $240,000 each, beginning on July 1, 1996 and ending on December 31, 2000. The Company had also agreed to pay its Vice- President of Marketing and Sales, who resigned in April 1999, a base annual salary of $60,000 plus commissions. During 1999 and 1998, the Company's Board of Directors approved a reduction in these salaries for the entire 1999 and 1998 years due to a cash shortage. The Company's Board of Directors may also authorize bonuses on an ad hoc basis.

c. Other Matters

On January 8, 1998, a default judgment was granted in favor of the Company for breach of a license agreement and misappropriation of trade secrets. The Company was awarded damages from the defendant in the amount of $300,000. It is unlikely, however, the Company will receive any amount from the judgment due to the poor financial condition of the other party and no income has been recognized for this judgment.

NOTE 6 - RELATED PARTY TRANSACTIONS

As of June 30, 2000, the Company owed $112,500 to certain of its officers and employees. These amounts represent accrued wages. As of December 31, 1999, the Company owed $65,000 to certain of its officers and shareholders. These amounts represent accrued wages. During 1998, $99,299 in debt was forgiven by an officer and was recorded as contributed capital at December 31, 1998. In addition, a previously forgiven debt of $9,290 was paid out during 1998 resulting in a reduction of contributed capital at December 31, 1998. The Company also owed certain related parties $132 and $130,661 as of June 30, 2000 and December 31, 1999, respectively, for costs incurred on the Company's behalf.

During 1998, the Company obtained operating funds from a related party in exchange for a $10.71 royalty on future sales of up to 7,000 units on a CD product. As of December 31, 1999, the Company had completed the sale of the 7,000 CD units and had paid the related party a total of $38,556. At June 30, 2000, the Company has $36,444 in accounts payable - related for the remaining obligation under this agreement.





NOTE 6 - RELATED PARTY TRANSACTIONS (Continued)

During 1998, the Company entered into an agreement with a related party whereby the related party funded the production of 50,000 CD's in exchange for a royalty upon future sales of 28,000 CD's. The agreement provides for $3.455 to be paid to the related party for every CD unit sold for up to 6,000 units and $6.91 to be paid to the related party for every CD unit for the remaining units. As of June 30, 2000, the Company had completed the sale of the 10,726 CD units and had paid the related party a total of $20,730, with a royalty obligation remaining on 17,274 units at $6.91 per unit. At June 30, 2000, the Company has $32,657 in accounts payable - related for their obligations under this agreement on units sold which had not been paid as of that date.

NOTE 7 - CONVERTIBLE NOTES PAYABLE

In December 1999, the Company entered into a Convertible Subordinated Promissory Note Agreement (Convertible Note) with Future Media Productions, Inc. (Future Media), a company owned by a related party, in the amount of $500,000. Interest accrues beginning at the first annual anniversary date of the Convertible Note at Future Media's borrowing rate. Future Media, at its option, may convert the Convertible Note into 11,518,096 shares of the Company's common stock within twelve months of the issuance date; otherwise, the Convertible Note and all accrued and unpaid interest is due on December 22, 2001. The Convertible Note is subordinated to any current or future indebtedness, or Senior Indebtedness as defined in the agreement, of the Company. The Company recorded $82,441 as deferred financing costs for amounts paid, or to be paid, to an investment adviser who assisted in obtaining the financing. These deferred financing costs will be amortized into interest expense over the term of the Convertible Note or, upon conversion of the note, included as a reduction of paid-in capital.

The Convertible Note agreement also provides the Company with up to 2.0 million replicated and packaged CDs without charge from Future Media and requires Future Media to establish, operate and fund a catalog subsidiary or division to develop and produce 3D interactive digital catalogs licensing the Company's technology. The Company will retain certain rights from catalog endeavors whereas Future Media will retain replication and packaging revenues from the catalog business. The Company has not recorded any amounts for the replication, packaging and other services to be performed, and will not record any amounts for these services until such services are rendered or upon conversion of the Convertible Note. Upon performance of the services or conversion of the Convertible Note, the Company will account for such services as a contribution to capital for the fair market value of the services performed or to be performed.





NOTE 8 - STOCK OPTIONS, WARRANTS AND RIGHTS

a. Common Stock Options

The Company has two stock-based compensation plans, the 1998 Plan and the 1999 Plan. Under the Company's stock-based compensation plans, employees, outside directors and consultants are able to participate in the Company's future performance through the awards of incentive and non-qualified stock options and stock purchase rights. The total number of shares reserved and available for grant and issuance pursuant to the 1998 Plan and 1999 Plan is 2,500,000 and 10,000,000, respectively. Each stock option is exercisable pursuant to the vesting schedule set forth in the stock option agreement granting such stock option. Unless the Board of Directors or a stock option agreement provides a shorter period, each stock option may be exercisable until December 31, 2009, the term of the option. No stock option shall be exercisable after the expiration of its option term. The exercise price of the option shall be 100% of the fair market value of a share of the Company's common stock on the date the stock option is granted, provided the option price granted to any owner of 10% or more of the total combined voting power of the Company shall be 110% of such fair market value. The aggregate fair market value of the Company's common stock with respect to which stock options are exercisable for the first time by an optionee during any calendar year shall not exceed $100,000.

In June 1999, in accordance with a private placement of common stock to an investor, the Company granted the investor stock options to purchase 1,448,445 shares of common stock at $0.10 per share. At June 30, 2000, 800,000 of these options had been exercised and 648,445 remain outstanding, which expire within ninety days of a $1,000,000 capital raise by the Company.

In September 1999, the Company issued 1,030,298 stock options, which immediately vested, to certain former employees, founders and officers at an exercise price of $0.10 per share in recognition of past services. The fair value of these grants was determined to be $0.07 per share and as a result the Company recorded compensation expense of $72,000 for the year ended December 31, 1999.

During 1997, certain of the Company's officers were granted stock options to purchase 588,290 shares of restricted common stock at $1.00 per share in return for their forgiveness of deferred compensation debt owed to them in the amount of $279,133. The Company also issued 501,000 shares of common stock during 1997 in exchange for the forfeiture of 750,000 common stock options. Of the stock options forfeited, 450,000 were valued at $0.22 per option, the market value of the shares at that time, and the remaining 300,000 were valued at $0.50 per option, the market value of the shares at that time. The amounts are recorded as contributed capital at December 31, 1997.





NOTE 8 - STOCK OPTIONS, WARRANTS AND RIGHTS (Continued)

The following table summarizes all stock option activity:

<TABLE>
<CAPTION>

| | Number of Shares | Price per Share | Weighted Average Exercise Price |
|---|---|---|---|
| <S> | <C> | <C> | <C> |

| | | | |
|---|---|---|---|
| Balances at December 31, 1998 | 7,435,030 | $0.22 - 1.00 | $ 0.60 |
| Options granted | 6,023,960 | 0.07 - 0.20 | 0.13 |
| Options exercised | (800,000) | 0.10 | 0.10 |
| Options canceled | (2,687,855) | 0.22 - 1.00 | 0.41 |
| Balances at December 31, 1999 | 9,971,135 | 0.07 - 1.00 | 0.42 |
| Options granted | 4,890,000 | 0.26 - 0.41 | 0.28 |
| Options exercised | - | - | - |
| Options canceled | (137,500) | 0.20 | 0.20 |
| Balances at June 30, 2000 | 14,723,635 | $0.07 - 1.00 | $ 0.32 |

The following table summarizes information concerning outstanding and exercisable options as of June 30, 2000:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Price | Number Outstanding as of June 30, 2000 | Weighted Average Remaining Contractual Life (In Years) | Weighted Average Exercise Price | Number Exercisable as of June 30, 2000 | Weighted - Average Exercise Price |
| $0.07 - 0.10 | 3,328,020 | 3.1 | $ 0.10 | 3,328,020 | $ 0.10 |
| 0.13 - 0.20 | 1,758,440 | 4.1 | 0.19 | 1,098,440 | 0.18 |
| 0.26 - 0.41 | 4,890,000 | 4.1 | 0.28 | 4,455,000 | 0.28 |
| 0.50 - 0.66 | 2,453,885 | 4.9 | 0.52 | 2,153,885 | 0.52 |
| 0.75 - 1.00 | 2,293,290 | 2.2 | 0.91 | 2,248,290 | 0.92 |
| | 14,723,635 | 3.7 | $ 0.32 | 13,283,635 | $ 0.30 |

</TABLE>





NOTE 8 - STOCK OPTIONS, WARRANTS AND RIGHTS (Continued)

The Company's policy is to disclose the proforma effect on operations of using the fair value method of valuing stock options. The fair value method of valuing stock options is based on the use of an option-pricing model. This model considers volatility, a risk free interest rate and an estimated life of the option. The Company used a zero expected dividend yield, expected stock price volatility of 266%, a risk free interest rate of 5.5% and estimated lives of two to five years. These assumptions resulted in a weighted average fair value of $0.13 for stock options granted in the year ended December 31, 1999. The proforma effect of using the fair value method would be to increase the consolidated net loss to $1,504,935, or $0.06 per common share, in the year ended December 31, 1999.

b. Stock "Rights" and Warrants

In connection with the Convertible Note placement and a private placement during 1999, the Company issued to a financial adviser warrants to purchase 2,667,349 shares of common stock at $0.11 per share. In accordance with an agreement with this adviser, the Company committed to continue to issue warrants to purchase shares of the Company's common stock to this adviser at $0.11 per share to allow the adviser to maintain a 5% equity interest in the Company on a fully diluted basis. Future issuances of these warrants are contingent upon the adviser continuing to find funding for the Company.

In connection with its acquisition of a predecessor company, the Company acquired from the predecessor company's stockholders, warrants and "rights" to acquire 1,369,190 shares of the predecessor company's common stock. In exchange, the Company granted the exchanging stockholders warrants and "rights" to purchase 6,161,355 shares of the Company's common stock. Of the 2,124,000 stock purchase warrants granted, 1,950,500 were exercised during 1996 and the remaining 173,500 warrants expired unexercised in 1996. There were 2,597,355 uncertificated "rights" with an exercise price of $0.11 per share outstanding at December 31, 1997, of which 562,500 expired January 1, 1998 and 2,034,855 expired May 31, 1999.

During 1996, 337,000 warrants to purchase shares of the Company's common stock were sold at $1.00 per warrant for $337,000. 168,500 of the warrants were "A" warrants and 168,500 were "B" warrants. They were redeemable at 50% of the average price of the Company's common stock during the month before being exercised. The "A" warrants were exercised during June 1997 and the "B" warrants were exercised during June 1998.

As of June 30, 2000, the total number of warrants outstanding was 2,843,349 with exercise prices ranging from $0.11 to $2.00 per share and expiration dates from May 2000 through March 2004.





NOTE 9 - PROVISION FOR INCOME TAXES

The provision for income taxes for the years ended December 31, 1999, 1998 and 1997, consists of the following:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| State Franchise Taxes | $ 6,665 | $ 2,400 | $ 1,700 |

At December 31, 1999, the Company has net operating loss carryforwards for federal income tax purposes of $5,705,869 which expire in the years 2004 to 2019. The Company also has state net operating loss carryforwards of $2,473,069 which expire in the years 2003 to 2004. No tax benefit has been reported in the consolidated financial statements because the Company does not have a history of profitable operations. Accordingly, the potential tax benefits of these net operating loss carryforwards have been offset by a valuation allowance of the same amount.

NOTE 10 - PREFERRED STOCK

At December 31, 1997, the Company had 50,000 outstanding shares of Class A cumulative convertible preferred stock. During 1998, 40,000 of the shares were converted early into 615,200 shares of common stock. The early conversion was 15.38 shares of common to 1 share of preferred conversion rate, as an incentive for the preferred shareholders to give up their future dividends from the preferred stock. Thus, at December 31, 1999 and 1998, the Company has 10,000 outstanding shares of Class A cumulative convertible preferred stock. The remaining Class A preferred stock is convertible at the option of the holder into five shares of the Company's common stock for each share of preferred stock, are non-voting, and feature a 12% annual dividend, paid quarterly. The Class A cumulative convertible preferred stock may be redeemed at the option of the Company after December 31, 1998 at $10.50 per share. The accrued dividends unpaid as of December 31, 1999 and 1998 were $12,000 and $-0-, respectively.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash and cash equivalents: the carrying amount approximates fair value.

Accounts receivable and accounts payable: the carrying amount approximates fair value.

Debt: The fair value of the Company's convertible notes payable is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. At December 31, 1999, the fair value of the convertible notes payable was $450,000.



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

The following discussion and analysis should be read together with the Annual Report of Synthonics, Consolidated Financial Statements of Synthonics and the notes to the Consolidated Financial Statements included elsewhere in this Form 10-QSB.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity and cash flows of Synthonics for the six months ended June 30, 2000 and June 30, 1999. Except for historical information, the matters discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations are forward looking statements that involve risks and uncertainties and are based upon judgments concerning various factors that are beyond our control. Actual results could differ materially from those projected in the forward-looking statements as a result of, among other things, the factors described below under the caption "Cautionary Statements and Risk Factors."

## Overview

Synthonics Technologies, Inc. has been a pioneer in developing desktop photogrammetry technology since the inception of Synthonics Incorporated (a wholly owned subsidiary of Synthonics Technologies, Inc.) in August 1993. Photogrammetry is the art and science of making measurements from photographs. The Company's patented technologies are capable of "extracting" real objects from common photographs and re-creating those objects as dimensionally-accurate, photorealistic, 3D computer graphic models. The Company's core competency is related to creating 3D content for computer graphic presentations.

## Business Model

Since late 1994, the Company's business model has been associated with licensing custom implementations of its 3D content-creation technology to various marketing and sales partners. The Company is a technology development company, more than it is a marketing and sales company. Management has long realized that the Company could not cost-effectively develop internal marketing expertise to address all of the diverse markets available to the technology. Marketing 3D models and application software to the medical industry requires personnel with a different background and a different set of skills than those of personnel marketing 3D products to the apparel industry. The Company prefers to find qualified marketing partners rather than try to build expertise within the Company structure.

To date, the Company has formed business alliances with Acuscape, Inc., a privately held medical imaging company, the Smithsonian Institution in Washington, DC and Evan & Sutherland, a publicly held corporation that was instrumental in the early-stage development of modern computer graphics. Licensing and strategic alliance discussions and negotiations with other independent organizations are ongoing and in various stages of development in the areas of (a) Internet e-commerce of apparel items, (b) Internet e-commerce of home furnishing items, (c) collaboration on interactive 3D viewers for conventional-connectivity Internet browser applications, (d) fire-protections and insurance applications for commercial real estate, and (e) development of new technologies for use in Wireless Mobile Internet "m-commerce" (Mobile commerce) applications with emphasis on "push" technologies used in wireless broadcast advertising.

The Acuscape alliance is the business relationship preferred by the Company. (See "Investments in Affiliates" in the "Notes to Consolidated Financial Statements" section of this Form 10-QSB). In this type of alliance, the Company licenses certain intellectual properties to a start-up business partner on a "conditionally exclusive" basis in exchange for an equity position in the new company and a modest royalty stream from revenues. Successful performance of the new company is measured in terms of its ability to develop an adequate royalty stream for the Company. If the new company is not successful, as measured by royalty payment schedules, then the exclusivity of technology license lapses and the Company is free to enter into new agreements with other entities.



Currently, the Company is seeking multiple marketing partners to address various vertical markets in the rapidly developing e-commerce and Internet sectors and for the emerging "wireless Internet" market.

In order to better understand commercial potential associated with the Company's technology and the Company's performance to date, it is first necessary to understand (a) the broad scope of applications that can be addressed by the Company's technology and (b) certain limitations imposed by computer processing and data delivery infrastructure elements.

## Commercial Potential

3D computer graphic models have utility in a broad range of applications, including science, medicine, education, entertainment and retail sales. Scientific and medical applications require dimensional accuracy. Educational and entertainment applications require interactive features with moving parts. Retail sales applications require photographic realism and small files sizes. In each case, there is a universal requirement for low production costs. All of these requirements are met routinely through the use of Company's technology.

There are virtually no limits to the size, shape, type or complexity of real life object that can be converted to a 3D computer graphic model using the Company's technology. Objects ranging in size from ants to aircraft carriers are easily modeled using the Company's patented techniques. In a grand sense, the Company's technology is capable of "digitizing the world" for use in computer graphic presentations. Thus, the Company's business potential may arguably be viewed as extremely large and limited, in part, by the Company's ability to form financially successful business alliances that adequately address diverse markets.

Business Performance
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In assessing the Company's business performance, it is important to understand certain constraints to growth that have been imposed by PC processing power and data delivery technologies, technologies that are outside of Company control or influence. 3D graphics require both (a) high-performance PC processors to view the interactive 3D graphic content and (b) broadband communication links to distribute the 3D content to remote computers quickly and efficiently.

Management believes that today's PC processing power is generally adequate for viewing the Company's 3D graphic content. However, it further believes that the problem of distribution of 3D graphics over the Internet is just now finding a viable solution through the use of various data streaming techniques and the deployment of various high-bandwidth Internet delivery systems, such as home-based Digital Subscriber Lines (DSL), cable modems and satellite download links.

In 1993 and 1994, the Company saw a limited demand for 3D content, coming primarily from scientific and engineering business sectors. During these years the demand for Computer Aided Design (CAD) wireframe models was low and the demand for the Company's patented phototextured 3D models for computer animation was low to modest.

From 1995 to 1998, the Company saw an increase in demand for 3D content, coming from educational, entertainment, and architectural sectors. The pioneering work with the Smithsonian Institution (interactive CD tour of museums), Acuscape (medical imaging) , and Evans & Sutherland (architecture and urban planning) took place or was initiated during these years. The Company expanded the use of industry-specific generic primitive structures to lower production costs and shorten 3D content creation times, thus making 3D graphic content generation more competitive with traditional CAD techniques. Toward the end of this period, the Company was beginning to demonstrate the commercially competitive nature of its technology.

In 1999, the Company experienced the initiation of interest in 3D content coming from Internet and other e-commerce related sectors. Marketing concepts demonstrated through the Company's e-commerce apparel initiative has received a strong positive response from "e-tailers" who wish to market their wares electronically via the Internet. The primary obstacle to industry acceptance of the Company's Internet e-commerce concepts has been associated with excessive file download times over relatively slow modem connections to the Internet. In the first quarter of year 2000, the Company successfully demonstrated a ten-fold improvement in download times (from 60 seconds per model to approximately 6 seconds per model) by employing model optimization techniques and utilizing various data streaming techniques. In the second quarter of year 2000, the



Company supplied "Internet-friendly" 3D models to several different companies for marketing evaluation and business development purposes. (At the time of this 10QSB submission, Synthonics 3D models can be viewed at the web pages linked to the following Internet URLs:

http://www.limitedtoo.com/shop/index.asp and http://www.jigsoft.com/.)

In a forward-looking statement (see "Forward-Looking Statements"), Management believes the demand for 3D content has just begun and will continue to increase to commercially viable levels in the years 2000 and beyond, with emphasis shifting toward "mobile wireless Internet", "m-commerce" and "portable appliance" applications in the year 2001 and beyond. The major technology element supporting the Company's projected growth in demand for 3D content is the proliferation of high speed broadband communication channels via many forms, including (a) cable modems, (b) DSL (digital subscriber lines) telephone connections, (c) download-only and two-way satellite based Internet communication links, and (d) broadband land-based tower and space satellite "data push" broadcasting, such as "digital radio". The deployment of Internet appliances in automobiles, is expected to provide an additional boost in the demand for interactive 3D content.

Continued Business Losses
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Since the inception of Synthonics Incorporated, a wholly-owned subsidiary formed in 1993, the Company has been required to demonstrate its technological capabilities in addressing various and diverse markets. This activity has been costly but necessary in order to prove the viability of the Company's technology. These activities have yielded only modest revenues to date and have not reached levels that provide the Company with a self-sustaining revenue stream.

Management has raised and spent over $7M developing and demonstrating the Company's technology since August 1993. Management believes it may be necessary to raise and spend up to an addition $4M over the next two years before reaching a point of sustainable profitability, with some of the projected expenditure going toward the development of demonstrations for "wireless Internet" applications.

Even though the business potential for 3D graphic content is great, the risk of being able to maintain development and growth to exploit the anticipated potential is equally great.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED WITH SIX MONTHS ENDED JUNE 30, 1999.

NET SALES decreased 59.2% for the six months ended June 30, 2000 to $51,027 from $124,966 for the six months ended June 30, 1999. The majority of sales during the six months ended June 30, 2000 were from ongoing revenues related to sales of the Smithsonian CD-ROM. [The Company actually had $50,000 more income for the three months ended June 30, 2000 than indicated in "Net Sales" line item as a result of non-refundable advanced royalty payments from licensing activities. However, Generally Accepted Accounting Principles ("GAAP") rules do not allow that additional income to be listed as sales revenue for the current reporting period. Had the additional license-related revenue been tallied as current reporting period sales revenues, the Net Sales for the six months ended June 30, 2000 would have decreased only 19.2% from the same period in 1999.]

GROSS PROFIT (defined as Net Sales minus Cost of Goods Sold, and not a line item in the Consolidated Statements of Operations Report) for the six months ended June 30, 2000 decrease by 31.5% to $36,281 from $52,928 for the six months ended June 30, 1999. [Had GAAP allowed the additional $50,000 license-related revenue to have been tallied as current reporting period sales revenues, the GROSS PROFIT would have increased by 63% for the six months ended June 30, 2000 to $86,281 from $52,928 for the six months ended June 30, 1999.]

GROSS PROFIT as a percent of NET SALES (defined as GROSS PROFIT divided by NET SALES, and not shown as a line item in the Consolidated Statements of Operations) increased by 67.9% for the six months ended June 30, 2000 to 71.1% from 42.4% for the six months ended June 30, 1999.



OPERATING EXPENSES increased 100.3% to $820,784 for the six months ended June 30, 2000 from $409,866 for the six months ended June 30, 1999. The increase in operating expense is primarily due to an increase in staffing during the first quarter of fiscal 2000 while pursuing the Internet e-commerce apparel initiative. The initiative was curtailed due to a lack of development funding during the second quarter of fiscal 2000, immediately following major changes in management personnel and management structure.

Production costs decreased by 43.5% to $19,022 for the six months ended June 30, 2000 from $33,682 for the six months ended June 30, 1999. The Company was operating more in a development mode while addressing the e-commerce initiative than in a production mode for the first five months of the current reporting period.

General and administrative expenses totaled $410,906 and $169,574 for the six months ended June 30, 2000 and 1999, respectively. The increase in expense reflects additional costs incurred as a result of activities associated with the Company's Internet e-commerce initiative in apparel and the fact that upper management personnel did not reduce salary levels in favor of receiving stock options in the year 2000 as they had in 1999.

Research and development expenses totaled $307,912 and $90,353 for the six months ended June 30, 2000 and 1999, respectively. The increase is primarily the result of increased expenditures associated with the Company's Internet e-commerce initiative in apparel, as incurred during the first five months of the current reporting period.

The Company incurred a one-time BAD DEBT EXPENSE in the amount of $31,620 in June of year 2000. The debt was a receivable billing associated with certain object code development done for Acuscape, Inc. in 1997. Acuscape disputed the bill because the overall project, of which the Company's object code was one component, was never completed and the project was eventually abandoned in favor of other technological developments. Company management felt the cost of reviving old code to complete the project was more costly than the amount due and therefore decided to expense the debt. The forgiveness of the Acuscape receivable was done in conjunction with a renegotiation of the Acuscape license agreement, an event that brought forward to the Company's benefit a non-refundable royalty payment of $50,000.

As a result of the foregoing factors, we had a net loss of $770,137 for the six months ended June 30, 2000 as compared to a net loss of $319,478 for the six months ended June 30, 1999.

LIQUIDITY AND CAPITAL RESOURCES
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The Company's primary needs for funds are to provide working capital associated with (a) management of increased license activity, (b) legal, and R&D expenses associated with developing new patents and other intellectual properties, (c) growth in sales of products via the Internet and (d) litigation expenses. Working capital for the six months ended June 30, 1999 was funded primarily through the sale of equity, receipt of advanced royalty payments and the collection of accounts receivable.

Net cash used in operating activities during the six months ended June 30, 1999 was primarily attributable to a net loss of $720,137. Net cash provided by financing activities for the six months ended June 30, 2000 was $36,167 compared to $254,308 during the six months ended June 30, 1999. In June 2000 two warrants were exercised for 120,000 shares of Common Stock at $0.05 per share providing $6,000 in cash, and in June 2000 a stock option was exercised at $0.05 per share providing $1,000 in billed financial services.

On June 19, 2000, Future Media Productions, Inc. ("Future Media") initiated legal proceedings against the Company by filing a Complaint For Damages For Breach of Written Contract in the Superior Court of the State of California in and for the Count of Los Angeles Central District, Case No. BC232013, claiming the Company was in default on an alleged Note in the amount of $500,000, in part as a result of an alleged admission of Company insolvency based on a "Operating Cash Shortfall Warning" disclosure made in the Company's 10QSBA for the three months ended March 31, 2000 submitted on June 01, 2000. Future Media attempted to force premature repayment of an alleged Convertible Note in the amount of $500,000, the principal of which otherwise would not have been due until



December 2001. The Company's defense to the Future Media litigation has, as of June 30, 2000, cost the Company in excess of approximately $14,000 in legal fees. The Company expects to encounter additional legal costs associated with defending against the actions initiated by Future Media and further expects additional legal costs associated with pursuing a cross-complaint against Future Media in which the Company is seeking damages in excess of $12,000,000. The litigation defense and cross-complaint action filed by the Company against Future Media and others subsequent to June 30, 2000 will have some impact on the Company's financial status in subsequent reporting periods the magnitude of which cannot be predicted at the time of this submission. [Investors should review (a) the Company's characterization of debt as disclosed in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. Risk Factors", of the previous 10QSB/A filed on June 06, 2000 for the fiscal quarter ended March 31, 2000, (b) "Risk Factors" in this 10QSB submission and (c) "Part II, Other Information, Item 1. Legal Proceedings" in this 10QSB submission for more detail information relating to the litigation.]

At present, our anticipated capital requirements are primarily for servicing existing debt, litigation expenses, and maintaining office facilities. Subject to negotiations with existing creditors to settle our existing debt, we estimate that the Company's current cash balance is sufficient to meet the Company's needs through the third quarter of fiscal 2000. Based on committed and pending license and royalty payments, Company management is confident that there will be sufficient available cash to meet the Company's needs through the end of the current fiscal year.

On May 25, 2000, the Company's Board of Directors approved a plan to increase the Company's cash reserves by bringing cash forward from option holders and warrant holders. Under a temporary plan, options and warrants could be exercised at a discount to the stated exercise price associated with the options and warrants on a case-by-case basis. On the same date, the Board also approved a temporary plan that allowed management to offer stock options to creditors as an inducement to settle existing debt. Under these plans, Company Management expects to improve the Company's cash-to-debt position by more than $300,000. The impact on existing shareholders will be two-fold: (1) options and warrants that might have been exercised at a higher price at a future date may now be exercised at a discount in the immediate future, thus increasing cash immediately available to meet operating expenses at the cost of foregoing an opportunity for greater cash infusion at a future date, and (2) any options issued as part of a plan to reduce debt may ultimately lead to further shareholder dilution if the options are actually exercised.

Based on our current operating plan, we anticipate that modest amounts of further capital will be required during the next twelve months to reduce existing debt, pay for expected increased litigation expenses and to complete the preliminary development work for initial demonstrations of the Company's "Wireless Mobil Internet" capabilities.

We are currently exploring alternatives to fulfill our financing requirements. No assurance can be given that additional financing will be available when needed or that, if available, it will be on terms favorable to our stockholders and us. If needed funds are not available, we may be required to further curtail our operations, which could have a material adverse effect on our business, operating results and financial condition. There can be no assurance that our working capital requirements during this period will not exceed its available resources or that these funds will be sufficient to meet the Company's longer-term cash requirements for operations.



## CAUTIONARY FORWARD - LOOKING STATEMENT

Statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations, and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases and in oral statements made with the approval of an authorized executive officer which are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The following important factors, among others, in some cases have affected and in the future could affect the Company's actual results and could cause the Company's actual financial performance to differ materially from that expressed in any forward-looking statement: (i) the extremely competitive conditions that currently exist in the three dimensional software development marketplace are expected to continue, placing further pressure on pricing which could adversely impact sales and erode profit margins; (ii) many of the Company's major competitors in its channels of distribution have significantly greater financial resources than the Company; and (iii) the inability to carry out marketing and sales plans would have a materially adverse impact on the Company's projections. The foregoing list should not be construed as exhaustive and the Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

## YEAR 2000 ISSUES

Synthonics products have successfully transitioned to the year 2000. We did not incur any significant expenses during 1999 in conjunction with remediating our systems. We are not aware of any material problems resulting from Year 2000 issues, either with our products, internal systems, or the products and services of third parties. We will continue to monitor our mission critical computer applications and those of our suppliers and vendors throughout the year 2000 to ensure any latent Year 2000 matters arising are addressed promptly.

Effective March 31, 2000 the Company decided to permanently discontinue its public web pages containing Year 2000 Readiness information regarding Synthonics and its products.

## RISK FACTORS

Several of the matters discussed in this document contain forward-looking statements that involve risks and uncertainties. Factors associated with the forward-looking statements that could cause actual results to differ materially from those projected or forecast appear in the statements below. In addition to other information contained in this document, readers should carefully consider the following cautionary statements and risk factors:

RISK OF BANKRUPTCY. The Company wishes to fully disclose elements that adequately define risks associated with potential voluntary and involuntary bankruptcy proceedings. The Company has a long history (since August 1993) of being under-funded, unable to demonstrate a sustainable revenue stream from sales and on many occasions has operated from a position of debt with insufficient funds or other liquid assets to meet a demand for payment of debt. Currently, as a result of (a) a significant effort to demonstrate the Company's ability to address the Internet e-commerce market, (b) reincorporate in Delaware, and (c) taking other costly measures to improve the "investment profile" of the Company in the eyes of potential institutional investors and other accredited investors, the Company has incurred considerable current and short-term debt in excess of approximately $750,000 and an additional alleged $500,000 of longer term debt as of June 30, 2000. This is the largest potential debt figure (approximately $1,250,000) incurred by the Company since August 1993.

Currently, Company debt is characterized by Management into four debt categories: (i) insider-related debt (unpaid salaries and other debt associated with officers, directors, former officers and former directors who are now, or have been in the recent past, familiar with the Company's financial condition), (ii) negotiable corporate and corporate-affiliate debt (certain unpaid advertising fees due current business partners, and certain public relations fees owed to current shareholders), (iii) current operating debt (unpaid consultant programmer fees, manufacturing fees, normal short-term operational debt for services and supplies, and other non-corporate and non-affiliate operational debt, and (iv) disputed debt.

Management feels that a majority of the full potential debt, approximately $776,054, is "disputed debt" and approximately $423,000 of the Company's total debt is undisputed. Of the undisputed debt, Management feels that approximately $235,000 is "friendly debt" and $187,000 cannot be characterized clearly as "friendly debt". Of the $187,000 of undisputed, potentially non-"friendly debt", approximately $71,000 requires payment within the next fiscal quarter that ends September 31, 2000.

"Disputed debt", as used here, is characterized primarily as debt associated with former insiders and former affiliates, whose billing and loan debt is currently disputed and the subject of current litigation.

"Friendly debt", as used here, is characterized as being owed to creditors that have, or have had in the recent past, an affiliate relationship with the Company and that have little to gain by pressing for immediate debt reconciliation. This type of debt also potentially "negotiable debt".

"Negotiable debt", as used here, is characterized as being owed to creditors that have extended credit and carried the debt for a relatively long period of time in the past, knowing of the Company's poor liquidity condition and further knowing that they have little to gain by pressing for immediate debt reconciliation. Negotiable debt can sometimes be restructured as partial payment with equity and extended to a longer term debt structure.

The Company's risk of insolvency can be viewed in two slightly different ways, depending on the definition of "insolvency". One definition of insolvency is (1) "unable to pay debts as they fall due in the usual course of business" and another is (2) "having liabilities in excess of a reasonable market value of assets held".

By the first definition, the Company is only insolvent if it cannot negotiate payment of its debts as they fall due. Payment may be made in cash or some other financial instrument. Under this definition, the Company has been at risk of being made insolvent by creditors, almost from its inception, yet it has never technically been in a state of insolvency.

By the second definition, Management feels that the Company is a long way from being insolvent, since the market value of the Company's assets are arguably estimated to be $22,000,000 (nine patents, ownership in other business entities, valuations of contracts and agreements) and the total maximum liabilities are conservatively placed at $1,198,000.

In June 2000, and again subsequently in August 2000, one previously assumed "friendly" creditor and former insider attempted, unsuccessfully, to claim the Company was insolvent for purposed of forcing early repayment on an alleged Note that had never been authenticated in a legal sense. (See "Item 1. Legal Proceedings" in this report.) This is the first case of any creditor taking a hostile action against the Company, but the Company cannot guarantee that other instances of hostility will not arise in the future. Until the Company debt is completely eliminated, there will always a potential for some creditor to take aggressive steps in an attempt to collect debt.

Management expects to be able to work out of its current debt profile over the course of the next nine months, and thus work out of any inherent bankruptcy threat, but it cannot guarantee that it will be successful in that endeavor. Investors should consider the risk of both voluntary bankruptcy and involuntary bankruptcy proceedings as a major element of their investment decision.



IF WE ARE UNABLE TO RAISE SUFFICIENT CAPITAL. Our future success depends largely on the ability to secure outside capital funding. We cannot be certain that additional financing will be available at the time we need additional funds or that, if available, it can be obtained on terms that we deem favorable. If adequate capital funding cannot be secured, we will have to curtail operations and our business will be adversely affected. Additionally, the sale of stock to raise additional funds may dilute our stockholders.

WE HAVE A LIMITED RELEVANT OPERATING HISTORY UPON WHICH TO EVALUATE THE LIKELIHOOD OF OUR SUCCESS. Factors such as the risks, expenses and difficulties frequently encountered in the operation and expansion of a relatively new business and the development and marketing of new products must be considered in evaluating the likelihood of success of our company.

WE HAVE A HISTORY OF LOSSES AND ACCUMULATED DEFICIT AND THIS TREND OF LOSSES MAY CONTINUE IN THE FUTURE. For the period January 1, 2000 to June 30, 2000 we incurred a net loss of $720,137. For the fiscal year ended December 31, 1999 we had a net loss of $983,277. Taking into consideration the fact that the e-commerce initiative was curtailed heavily in April 2000, the rate of net loss for the six months ended June 30, 2000 had increased by approximately 76% over the rate of net loss for the fiscal year ended December 31, 1999, thus indicating the extent of the impact that the e-commerce ramp-up had on overall operations during the first part of fiscal year 2000. At June 30, 2000 our accumulated deficit was $6,980,378. Our ability to obtain and sustain profitability will depend, in part, upon the successful development and marketing of our existing products, licensing our technologies to independent companies and the successful and timely introduction of new products.

OUR PROPRIETARY TECHNOLOGY MAY NOT BE ADEQUATELY PROTECTED FROM COPYING BY OTHERS. Our future success and ability to compete depends in part upon our proprietary technology. We rely on trademark, trade secret, patent laws, and copyright laws to protect our technology, and require all employees and third-party developers to sign nondisclosure agreements. We cannot be certain, however, that these precautions will provide meaningful protection from competition or that competitors will not be able to develop similar or superior technology independently. We do not copy-protect our software, so it may be possible for unauthorized third parties to copy our products or to reverse engineer or otherwise obtain and use information that we regard as proprietary. Our customers may take inadequate precautions to protect our proprietary information. If we must pursue litigation in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others, we may not prevail and will likely make substantial expenditures and divert valuable resources. In addition, many foreign countries' laws may not protect us from improper use of our proprietary technologies overseas. We may not have adequate remedies if our proprietary rights are breached or our trade secrets are disclosed.

IF WE DO NOT ACHIEVE COMMERCIAL ACCEPTANCE OF OUR INTERNET 3D E-COMMERCE SOLUTION PRODUCTS. We are currently re-focusing the Company to provide 3D e-commerce solutions for the Internet that take advantage of our patented 3D technology. We believe both consumers and businesses, participating in e-commerce on the Internet, will benefit substantially from the products that we will develop therefore creating market demand for these products. In designing our products for e-commerce on the Internet, we will have to make certain assumptions about consumer preferences, retailers needs, and the availability of anticipated Internet related technology advances. Inaccurate assumptions on our behalf, for any of these categories, will likely downgrade market acceptance of our Internet 3D e-commerce solution products. If market acceptance of these products is less than we have forecasted, future results of the company will be adversely affected.

IF EMERGING TECHNOLOGIES PROVIDE ALTERNATIVES WITH EQUAL OR BETTER BENEFITS THAN OUR TECHNOLOGY. We believe that our current level of 3D technology for the creation of 3D content provides businesses and consumers with benefits that are unavailable from competitive technologies. We can only make this evaluation against other products that have been released and available for public consumption. Our competitive analysis cannot evaluate products that are currently under development by other companies. The explosive growth of e-commerce over the Internet is sufficient incentive for many companies to invest in technologies that may provide products that offer similar or better consumer and business benefits than will our products. It is essential that we execute our Internet e-commerce solution strategy very quickly in order to stay ahead of the competition's product offerings in this marketplace. Our time to market with our future products is dependent on our ability to raise adequate capital funding as described above.



IF WE ARE UNABLE TO IDENTIFY AND SECURE REQUIRED RESOURCES. Our future results depend largely on our ability to identify and secure resources including:

* Technical staff
* Business development staff
* Strategic partners
* Outside contractors

Our capabilities will be expanded by combining internal staffing with the formation of strategic partnerships and with the selection of outside contractors such as software program developers. If we are either unable to identify or to secure these resources in a timely fashion, our future results will be adversely affected.

IF WE ARE UNABLE TO RETAIN AND UTILIZE KEY PERSONNEL. As an early stage company, we are particularly dependent on a limited number of individuals to execute our business plan. At present, all our officers and directors fall in to the category of key individuals as each is counted upon for contributions to our success. We have an employment contract with our Chief Executive Officer, Charles S. Palm that expires on December 31, 2000. We have been unable to pay Dr. Palm the compensation amount called for in his employment contract during the past several years. If Dr. Palm were to terminate his employment in the near future, or if he elected not to extend his employment agreement with the Company into the year 2001 and beyond, it may have an adverse affect on our financial performance.

If we are unable to manage our expansion and growth. We are planning to expand the business licensing activities in order to entrench ourselves in, what we believe is a very lucrative e-commerce market. Effectively managing this expansion could be complex and require the addition of key management personnel as well as the incorporation of management support systems. Either the failure to identify and attract key personnel or the delayed incorporation of required management support systems will adversely affect our future financial results.

If we are unable to adequately address internet download issues. We will be supplying 3D e-commerce solutions over the Internet. A major element of these future product solutions will be to require downloads of several 3D data files to consumers' sites. In order to be successful in this regard, we must be able to offer download times that do not detract from the e-commerce experience. We believe that our technology offers the best alternative available in terms of 3D file sizes. However, we have no assurances that this advantage will be adequate in the eyes of a consumer. We have no control over the modem type used by a consumer, the time of day a consumer will be accessing the Internet, the capacity of the consumer's Internet Service Provider (ISP), or the rate to which expanded bandwidth solutions will be practically available to consumers. Each of these can have a negative affect on the length of the download time. We are attempting to consider all these issues in the design of our 3D e-commerce solution products but we cannot assure that they will be adequately addressed. If consumers conclude that the download times are not sufficiently offset by the benefits provided, our future financial results will be adversely affected.



## PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On June 19, 2000, Future Media Productions, Inc. ("FMPI") initiated legal proceedings against the Company by filing a Complaint For Damages For Breach of Written Contract in the Superior Court of the State of California in and for the Count of Los Angeles Central District, Case No. BC232013, claiming the Company was in default on an alleged Note in the amount of $500,000, in part as a result of an alleged admission of Company insolvency based on a "Operating Cash Shortfall Warning" disclosure made in the Company's 10QSBA for the three months ended March 31, 2000 and submitted to the Securities and Exchange Commission ("SEC") on June 01, 2000.

On or about June 27, 2000, the Company was informed that FMPI had filed an application for an Ex Parte Writ of Attachment to be applied against the Company's assets in an attempt to secure immediate repayment for an alleged $500,000 Note that, if valid, would not have come due until December 2001. The Company successfully defended against such an attachment of assets in the Los Angeles Superior Court on June 28, 2000. However, the court did impose a Temporary Protective Order ("TPO") on the Company restricting the use of assets for a period of 40 days to allow time for a formal hearing on the matter to occur. The TPO expired on August 08, 2000.

On or about August 07, 2000 the Company was informed that FMPI intended to file a second application for an Ex Parte Writ of Attachment, based on the same alleged Note as mentioned above. The Company successfully defended against the second such attempt at attachment of assets in the Los Angeles Superior Court on August 09, 2000. The court did not apply any additional TPO action against the Company. A full hearing on the FMPI Writ of Attachment litigation is scheduled for August 21, 2000, when both sides will present all evidence related to the case.

Management feels the litigation initiated by FMPI against the Company is unfounded, vexatious in nature and represents a malicious and oppressive attempt by former insiders to drive the Company into a state of insolvency. The Company responded to the litigation brought by FMPI with (a) an Answer to the original complaint against the Company and (b) a Cross-complaint filed against FMPI for damages suffered by the Company in an amount in excess of $12,000,000. At the time of the submission of this report, there has been no date set for a hearing on the Company's Cross-complaint against FMPI.

Item 2. Changes in Securities.

Not Required.

Item 3. Defaults Upon Senior Securities.

For the last six quarters ended March 31, 1999, June 30, 1999, September 30, 1999, December 31, 1999, March 31, 2000 and June 30, 2000 the Company has failed to pay the quarterly dividends on the Preferred Stock in the amount of total $3,000 per quarter bringing the total amount in arrears to $18,000.

Item 4. Submission of Matters to a Vote of Security Holders.

None.



Item 5. Other Information.

Subsequent events

Delay in Scheduling the Annual Shareholders Meeting

Several events, disclosed above, and the advanced notice to shareholders requirement caused the Board of Directors to delay in setting a date for the Annual Shareholder's Meeting that is normally held in April or May of each calendar year. The events most responsible for causing the delay in meeting were the late completion of the independent audit of the Company's financial statements for the 10KSB 1999 filing, a series of resignations from the Company's Board of Directors, and a series of vexatious litigation-related events perpetrated against the Company by a former insider (See Item 1: Legal Proceedings in this report).

Renegotiated License Agreement with Acuscape

The Company is an approximately 25% shareholder in the privately held medical diagnostics and medical imaging company, Acuscape, Inc. of Glendora, CA. In June 2000, the Company renegotiated an intellectual property "field of use" license agreement with Acuscape that provided Acuscape with a better defined field of use in medical fields and gave Acuscape access to source code that expresses the utility of the intellectual properties contained in certain Company patents. Acuscape will use the source code as a starting point for developing new products under the new license agreement. Prior to renegotiating the license agreement, Acuscape had access only to dated object code programs. The Company entered into the previous license agreement with Acuscape prior to receiving any patents from the U. S. Patent and Trademark Office and was therefore precluded from licensing full access to intellectual properties owned by the Company. At the time of renegotiating the Acuscape license, a previous debt of approximately $32,000 owed to the Company by Acuscape, and in dispute due to a contested state of completion on product delivered to Acuscape by the Company, was forgiven by the Company. As consideration for renegotiating the license agreement, Acuscape made an advanced payment on royalties due in the amount of $50,000 and pledged to make another advance payment on royalties due in the amount of $50,000 by December 31, 2000. A copy of the Acuscape License Agreement is include as an attachment to this report.



Item 6. Exhibits and Reports on Form 8-K.

(a) List of Exhibits attached or incorporated by referenced pursuant to Item 601 of Regulation S-B.

(3) Articles of Incorporation and By-Laws.

3.1 Articles of Incorporation of the Registrant filed on March 27, 1994, (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

3.2 Restated Articles of Incorporation of the Registrant dated May 18, 1995, (incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

3.3 Articles of Amendment to Articles of Incorporation of the Registrant, filed on September 16, 1996, (incorporated by reference to Exhibit 3.3 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

3.4 Statement of Designation of Foreign Corporation in California filed November 4, 1996, (incorporated by reference to Exhibit 3.4 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

3.5 Certificate of Amendment to Articles of Incorporation filed September 6, 1997, (incorporated by reference to Exhibit 3.5 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

3.6 Amended and Restated Articles of Incorporation filed April 23, 1998, (incorporated by reference to Exhibit 3.6 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

3.6(a) Restated Articles of Incorporation dated effective as of April 22, 1999, (incorporated by reference to Exhibit 10.20 of the Quarterly Report on Form 10-QSB filed on May 13, 1999.

3.7 By-Laws of the Registrant (incorporated by reference to Exhibit 3.7 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

(4) Instruments defining the rights of holders.

4.1 Statement of Rights, Preferences and Privileges of Common and Preferred Stock of the Registrant as of September 6, 1997, (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

(10) Material Contracts

10.1 Management Cash Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

10.2 1998 Stock Option Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form 10-SB dated April 28, 1998; Commission File No. 0-24109).

10.3 Acuscape License Agreement (incorporated by reference to Exhibit 10.3 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).



10.4 Smithsonian License Agreement dated October 2, 1997 (incorporated by reference to Exhibit 10.4 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.5 Amendment No. 1 to Smithsonian License Agreement (incorporated by reference to Exhibit 10.5 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.6 Centro Alameda Inc. Contract Agreement dated December 19, 1997 (incorporated by reference to Exhibit 10.6 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.7 Knowledge LINK Strategic Alliance Agreement (incorporated by reference to Exhibit 10.7 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.8 Synthonics Technologies - Industrial Lease Agreement (incorporated by reference to Exhibit 10.8 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.9 Joseph Maher - Industrial Lease Agreement (incorporated by reference to Exhibit 10.9 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.10 Dell Financial Lease No. 004591649-001 (incorporated by reference to Exhibit 10.10 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.11 Dell Financial Lease No. 004591649-002 (incorporated by reference to Exhibit 10.11 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.12 Americorp Financial Inc. - Lease 6976-2 (incorporated by reference to Exhibit 10.12 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.13 Sanwa Leasing Corporation - Lease Agreement (incorporated by reference to Exhibit 10.13 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.14 AT & T Equipment Lease - 003866952 (incorporated by reference to Exhibit 10.14 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.15 AT & T Equipment Lease - 003871854 (incorporated by reference to Exhibit 10.15 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.16 F. Michael Budd Employment Agreement (incorporated by reference to Exhibit 10.16 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.17 Charles S. Palm Employment Agreement (incorporated by reference to Exhibit 10.3 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).



10.18 First Colony Life Insurance Policy (incorporated by reference to Exhibit 10.18 of the Registrant's Amendment No. 1 to the Registration Statement on Form 10-SB filed on November 6, 1998; Commission File No. 0-24109).

10.19 Software Remarketing Agreement between Synhonics Technologies, Inc. and Evans & Sutherland Computer Corporation (incorporated by reference to Exhibit 10.19 of the Annual Report on Form 10-KSB filed on March 11, 1999.

10.20 Engagement Letter between the Company and Averil & Associates dated April 1, 1999, (incorporated by reference to Exhibit 10.20 of the Quarterly Report on Form 10-QSB filed on August 13, 1999.

10.21 Equity Agreement between the Company and Alex Sandel dated June 2, 1999, (incorporated by reference to Exhibit 10.21 of the Quarterly Report on Form 10-QSB filed on August 13, 1999.

10.22 Subscription Agreement for Convertible Note of Synthonics Technologies, Inc., dated December 22, 1999. (incorporated by reference to Exhibit 10.22 of the Annual Report on Form 10-KSB for the year ended December 31, 1999.

10.23 Convertible Subordinated Promissory Note of Synthonics Technologies, Inc., dated December 22, 1999. (incorporated by reference to Exhibit 10.22 of the Annual Report on Form 10-KSB for the year ended December 31, 1999.

10.24 License Agreement with Acuscape International, Inc.

(27) Financial Data Schedule

27.1.Financial Data Schedule (submitted electronically for SEC information only).

(b) The Registrant filed a Form 8-K on February 1, 2000. There were no other reports on Form 8-K filed during the quarter of the period covered.

The following Exhibit Index sets forth the Exhibits attached hereto

EXHIBIT INDEX

| Exhibit | Description |
|---|---|

10.24 License Agreement with Acuscape International, Inc.



SIGNATURES
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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the Undersigned, thereunto duly authorized.

SYNTHONICS TECHNOLOGIES, INC.
A Delaware Corporation

Dated: August 16, 2000 /s/ Charles S. Palm

By: Charles S.Palm
Its: President and Chief Executive Officer

Intellectual Property License Agreement
between
Synthonics Technologies, Inc.
and
Acuscape, Inc.
Dated
02 June 2000

This Agreement is effective as of 02 June 2000 ("Effective Date") between Acuscape, Inc., a Delaware Corporation, with its principal place of business at 1200 East Alosta Avenue, Suite 206, Glendora, California, USA, 91740, (626)-963-3699 ("LICENSEE") and Synthonics Technologies, Inc. a Delaware corporation, with its principal place of business at 31324 Via Colinas, Suite106, Westlake Village, California, USA 91362, (818)-707-6000 ("COMPANY").

RECITALS

Whereas COMPANY, as licensor,

a. is the owner of intellectual property rights associated with certain patented technologies dealing, in general, with the construction, modification, transmission and display of digital 3D computer graphic models, and

b. has the right to exclude others from making, using, offering for sale or selling or importing the inventions contained in COMPANY's patents, and no one else may do any of these things in the United States and certain other geographical locations without COMPANY's permission, and

c. may grant licenses to others, such license agreements being in essence nothing more than a promise by COMPANY not to sue the licensees for infringing on intellectual properties owned by COMPANY, and

d. desires to license certain rights to use COMPANY's patented intellectual properties to multiple third parties at reasonable royalty rates and in a fashion that reduces the possibility of piracy and unauthorized use of COMPANY's intellectual properties, and

Whereas LICENSEE

e. desires to obtain a license to use certain COMPANY intellectual properties, related to

    a. "phototexturing via photogrammetric techniques" and

    b. "morphing of generic surface structures to match photogrammetrically derived data sets", on an exclusive basis, to develop and market new LICENSEE-developed products and services, specifically for

i. Medical and

ii. Medical Forensics

iii. Veterinary Medical, and

iv. Veterinary Medical Forensics markets, and



f. desires to utilize COMPANY intellectual property in a manner that protects COMPANY from unauthorized, non-royalty-paying distribution of LICENSEE-developed products and services that contain, rely on or are derived from COMPANY's intellectual properties, and

Whereas COMPANY desires to provide assistance to LICENSEE for the development of

a. LICENSEE-developed source code,

b. LICENSEE-developed object code, and

c. Other LICENSEE-developed intellectual properties

in a manner that protects LICENSEE from unauthorized distribution of LICENSEE intellectual properties and trade secrets to other entities, and

Whereas both COMPANY and LICENSEE acknowledge

a. each license issued by COMPANY is a contract and may include whatever provisions the parties to the contract agree upon, including the payment of royalties, and other considerations, and

b. that any "know-how", "training", "source code", "object code" and other potentially valuable assets that may be associated with, expressions of, or derived from COMPANY's intellectual property are not a material part of this Agreement, except as specifically identified herein, and

c. that COMPANY is, at the time of the Effective Date of this Agreement, a shareholder in Acuscape, Inc., with expectations of Acuscape's success in business that will, in turn, have benefit to COMPANY and COMPANY's shareholders, and

Whereas both COMPANY and LICENSEE acknowledge

d. the existence of a previous license agreement between the parties, identified as "License Agreement Between Synthonics Incorporated and Medscape, LLC", dated "September 2, 1996", and

e. said previous license agreement was drafted prior to the issuance of any patents to COMPANY, and prior to various company name changes and company structural changes and

f. said previous license was restricted to specific object code that gave utility and form to then un-patented COMPANY intellectual properties, and

g. that both parties intend this Agreement to supersede and replace said previous license agreement in full, and

h. that both parties agree that any obligations including but not limited to royalties and fees that arose pursuant to the previous license agreement are COMPLETELY EXCUSED,

NOW THEREFORE, COMPANY and LICENSEE enter into this Agreement ("Agreement") on the following terms:



AGREEMENT

i. DEFINITIONS. The following definitions shall apply to this Agreement:

a. "COMPANY Intellectual Property" means: (i) any and all patents listed in EXHIBIT A, an attachment to and integral part of this Agreement; (ii) all intellectual property that is directed to any and all improvements made to the technology covered by the patents listed in EXHIBIT A, as well as all reissues, reexaminations and extensions thereof, and all priority rights under all available International Agreements, Treaties and Conventions for the protection of intellectual property in its various forms in every participating country, and all applications for patents (including related rights such as utility-model registrations, inventor's certificates, and the like) heretofore or hereafter filed for said improvements in any foreign countries, and all patents (including all continuations, divisions, extensions, renewals, substitutes, and reissues thereof) granted for said improvements in any foreign countries; and (iii) any and all copyrights related to the software listed in EXHIBIT B, an attachment to and integral part of this Agreement.

b. "Derivative Work(s)" means a work based upon one or more preexisting works, such as any revision, modification, translation, abridgment, condensation, expansion, collection, compilation, elaborations, or other form in which an existing work may be recast, transformed, ported or adapted and which is a "derivative work" under U.S. copyright law.

c. "Effective Date" means the calendar date governing the initiation of this Agreement as first entered above.

d. "End-user Customer" means any single end-user electronic device belonging to or used by a direct or indirect customer of LICENSEE who obtains LICENSEE Products for use on said single electronic device.

e. "Independent third party(s)" means, for purposes of this Agreement, an entity free from the influence, guidance, or control of the LICENSEE and one for which there is no beneficial ownership ties to LICENSEE or any officer(s) or director(s) of LICENSEE to an extent that exceeds 10%, in aggregate, of said independent third party's equity, financial or business interests.

f. "Intellectual Property Rights" means all intellectual property rights arising under statutory or common law, and whether or not perfected, including, without limitation, to all information contained in (i) patents listed in EXHIBIT A; (ii) all worldwide rights to trade secrets and confidential information; (iii) as all intellectual property that is directed to any and all improvements made to the technology covered by the patents listed in EXHIBIT A all reissues, reexaminations and extensions thereof, and all priority rights under all available International Agreements, Treaties and Conventions for the protection of intellectual property in its various forms in every participating country, and all applications for patents (including related rights such as utility-model registrations, inventor's certificates, and the like) heretofore or hereafter filed for said improvements in any foreign countries, and all patents (including all continuations, divisions, extensions, renewals, substitutes, and reissues thereof) granted for said improvements in any foreign countries; and any all copyrights related to the software listed in EXHIBIT D.



g. "Market(s)" means the field-of-use, territorial, and other specifications that define the extent, boundaries and limitations associated with the use of COMPANY intellectual property by LICENSEE.

h. "Field of Use" means any and all of the Medical, Medical Forensic and Veterinary Medical markets.

i. "Medical" is a field-of-use specification that defines certain aspects of the LICENSEE's Market under this agreement. Specifically, "medical" means all things directly associated with human health care, related diagnostics, treatment plans and remedies to heal and otherwise treat the human body.

j. "Medical Forensics" is a field-of-use specification that defines certain aspects of the LICENSEE's Market under this agreement. Specifically, "medical forensics" means all things directly associated with the application of scientific knowledge of human anatomy or Medical (as defined herein) elements of a legal nature for purposes that are suitable to courts of judicature or legal debate in public forums.

k. "Veterinary Medical" is a field-of-use specification that defines certain aspects of the LICENSEE's Market under this agreement. Specifically, " veterinary medical" means all things directly associated with animal health care, related diagnostics, treatment plans and remedies to heal and otherwise treat animals, especially domestic animals, that would normally receive treatment from practicing Veterinarians.

l. "Veterinary Medical Forensics" is a field-of-use specification that defines certain aspects of the LICENSEE's Market under this agreement. Specifically, "veterinary medical forensics" means all things directly associated with the application of scientific knowledge of animal anatomy or Veterinary Medical (as defined herein) elements of a legal nature for purposes that are suitable to courts of judicature or legal debate in public forums.

m. "Nested isolation" means any concept whereby the LICENSEE isolates, or attempts to isolate, COMPANY Intellectual Property into one or more Products, while other products, that do not contain, or are not Derivative Works of, COMPANY Intellectual Property, derive benefit or function from the Product. Thus the COMPANY's Intellectual Property is essentially isolated, while other products access the output or utility from Product via a nested programming or nested data access structure.

n. "Perpetual" means continuous in time from the Effective Date until a time that is coincident with the expiration date of the last patent expiration date for all patents listed in EXHIBIT A.



o. "Product(s)" means any of LICENSEE's existing products or services and LICENSEE's future products or services, which may incorporate, implement, integrate, use, derive benefit from, or embody, in whole or in part, COMPANY Intellectual Property, or Derivative Works based upon, derived from, or using COMPANY Intellectual Property.

p. "Timely", unless specifically defined otherwise, means with thirty (30) days of an event or action, such as the distribution of a new product or notice provided by one party to the other party.

q. "Improvements" mean each and every modification of existing Technology or new Technology and/or Product developed by COMPANY or LICENSEE within the Field of Use that provides an improved Product or an enhanced or higher degree of efficiency or decreased cost in producing a Product.

r. "US Patent" means the grant of an intellectual property right to the inventor, issued by the United States Patent and Trademark Office.

s. "Technology" all intellectual property rights relating to the field of use.

t. "Patent Rights" all of the COMPANY's patents covered by this agreement.

j. GRANT OF LICENSE TO INTELLECTUAL PROPERTY RIGHT. COMPANY hereby grants to LICENSEE, and LICENSEE hereby accepts from COMPANY a

a. Assignable, as provided for herein,

b. Perpetual, as defined herein,

c. Worldwide, where such rights can be granted by COMPANY,

d. Irrevocable, exclusive (subject to minimum royalty payment, breach and other terms described herein),

license to use COMPANY patented technologies as embodied and expressed in those patents listed in EXHIBIT A, an attachment to and integral part of this Agreement, and a

e. Assignable, as provided for herein

f. Perpetual, as defined herein,

g. Worldwide, where such rights can be granted by COMPANY,

h. Irrevocable, exclusive (subject to minimum royalty payment, breach and other terms described herein),

license to use COMPANY-supplied object code associated with software programs listed in EXHIBIT D, an attachment to and integral part of this Agreement, for the purposes of developing new, LICENSEE-developed Products and for enhancing existing LICENSEE-developed Products, and

i. Assignable, as provided for herein,

j. Perpetual, as defined herein,

k. Worldwide, where such rights can be granted by COMPANY,

l. Irrevocable, exclusive (subject to minimum royalty payment, breach and other terms described herein),

license to use COMPANY-supplied source code, in combination with all of the above, for the purpose of addressing only and specifically the following field-of-use applications and markets



i. Medical, and

ii. Medical Forensics,

iii. Veterinary Medical, and

iv. Veterinary Medical Forensics

subject to all terms and conditions contained herein.

k. TERM, Termination, and Remedies.

a. Term. This Agreement takes effect as of the Effective Date. This Agreement is Perpetual and irrevocable unless terminated at an earlier date by mechanisms described in

i. Termination for lack of royalty payment, Subsection 3.2,

ii. Termination by COMPANY, Subsection 3.3,

iii. Termination by LICENSEE, Subsection 3.4.

b. Termination for lack of royalty payment. While this Agreement is in effect, LICENSEE will be obligated to make royalty payments to COMPANY as described herein. LICENSEE agrees that if, at any time during the term of this Agreement, LICENSEE fails to comply with royalty payment provisions, then COMPANY shall have the right to terminate this Agreement.

c. Termination by COMPANY. LICENSEE agrees that if, at any time during the term of this Agreement, LICENSEE breaches a material provision of this Agreement and LICENSEE fails to cure such breach within a period of thirty (30) days after the date that COMPANY provides LICENSEE with written notice thereof, then COMPANY shall have the right to terminate this Agreement, terminate the license rights granted in Section 2, GRANT OF LICENSE , and LICENSEE shall be obligated to cease the sale, sublicensing and/or distribution of all LICENSEE Products or LICENSEE-derived Products subject to this Agreement.

d. Termination by LICENSEE. LICENSEE may terminate this Agreement at any time, except when in a condition of breach by LICENSEE, by:

i. Ceasing the sale, sublicensing and/or distribution of all LICENSEE Products subject to this Agreement, providing timely written notice to COMPANY, and allowing COMPANY to conduct a closing audit of LICENSEE's books and records, as deemed appropriate by COMPANY.

ii. Demonstrating to the satisfaction of COMPANY that no LICENSEE Products contain, are derived from, or rely on COMPANY Intellectual Property as expressed herein, in accordance with "Burden of Proof" requirements of Subsection 8.11, Burden on LICENSEE, of this Agreement.

iii. Purchasing a fully-paid, perpetual, irrevocable license to use COMPANY's Intellectual Property Rights, as described herein, for the larger of



e. $10,000,000, or

f. five times the largest, audited, annual royalty payment made by LICENSEE to COMPANY during the five years prior to the election to prepay royalties made by LICENSEE.

g. Remedy for Royalty Payment on Default by LICENSEE. LICENSEE agrees that if, at any time during the Term of this Agreement, LICENSEE uses any COMPANY intellectual properties in products, the revenues from which are excluded from royalty payments to COMPANY, and the dollar amount of royalty payments not properly reported to COMPANY exceeds 10% of the reported royalty payments made by LICENSEE, then LICENSEE shall be immediately obligated to pay COMPANY the amount of four (4) times the error in royalties normally due, in damages for each Product in which the COMPANY's Intellectual Property has been under-reported. This penalty payment is to be made in addition to all back royalty payments that should have been paid on offending Products.

h. Breach by Either Party. Except as expressly stated in

l. Subsection 3.5, Remedy for Royalty Payment on Default by LICENSEE, and in

m. Subsection 3.3, Termination by COMPANY,

the parties agree that in the event that either party breach any material term of this Agreement, the non-breaching party shall deliver notice thereof to the breaching party and the breaching party shall have thirty (30) days from receiving such notice to cure such breach. If the breach continues after such 30-day period, this License Agreement shall terminate, thus halting the sale, sublicensing and/or distribution of all LICENSEE Products or LICENSEE-derived Products subject to this Agreement.

n. Confidentiality. To assist in their performance under this Agreement, the parties may exchange certain information that the disclosing party deems confidential. All confidential information disclosed under this Agreement will be disclosed in ATTACHMENT 1 to EXHIBIT B and treated in accordance with the CONFIDENTIAL INFORMATION EXCHANGE AGREEMENT (CIEA) attached as EXHIBIT B of this Agreement. The CIEA shall remain in force during the term of this Agreement and for a period of five (5) years following termination of this Agreement.

o. License Survival. The license granted in Section 2, GRANT OF LICENSE to Intellectual Property Rights, , shall survive any transfer of ownership of the COMPANY and shall be subject to provisions in Subsection 5.1, COMPANY Bankruptcy, and Subsection 5.2, LICENSEE Bankruptcy, herein, as appropriate, through any bankruptcy proceeding involving COMPANY or LICENSEE, subject to legal obligations imposed by an appropriate bankruptcy Trustee.

   a. COMPANY Bankruptcy. COMPANY and LICENSEE agree that in the event a proceeding is commenced by or against COMPANY under the United States Bankruptcy Code (the "Code"), Section 365(n) of the Code will be applicable to this Agreement, and LICENSEE may, pursuant to 11 U.S.C. Sections 365(n)(1) and (2), retain any and all of LICENSEE's rights hereunder and thereunder, to the maximum extent permitted by law, subject to the payments specified herein and the conditions specified therein.



   b. LICENSEE Bankruptcy. COMPANY and LICENSEE agree that in the event a proceeding is commenced by or against LICENSEE under the United States Bankruptcy Code (the "Code"), Section 365(n) of the Code will be applicable to this Agreement, and LICENSEE may, pursuant to 11 U.S.C. Sections 365(n)(1) and (2), retain any and all of LICENSEE's rights hereunder and thereunder, to the maximum extent permitted by law, subject to the continuation of payments specified herein and the conditions specified therein. However, if for any reason, the continuation of royalty payments due COMPANY are either (a) not made (b) delayed or (c) reduced, without the express written consent of COMPANY, the License Rights granted herein are terminated, and LICENSEE will immediately cease to develop or distribute products affected by the grant of license as conveyed herein.

p. Use of Patent Markings.

   a. LICENSEE is required to prominently display the statement "under license from Synthonics Technologies, Inc." and reference all applicable COMPANY patents with the word "Patent" and the list of Patent Numbers of any and all applicable patents covered by this Agreement, in connection with the distribution of Products developed by LICENSEE and covered by COMPANY's Patent Rights, in such a manner that it protects COMPANY's claim of ownership of intellectual property rights. Failure to mark, as described, is a material breach of this Agreement.

b. LICENSEE may, at its option, use or apply its own name and trademarks in connection with the Products covered by this Agreement.

q. Title and Ownership.

a. LICENSEE Title and Ownership. Title to all LICENSEE Products (including content) and hardware, all LICENSEE patents and copyrights, and all copies thereof, and all specifications, designs, programs, utilities and trademarks, if any, provided by LICENSEE under this Agreement shall remain with LICENSEE.

b. COMPANY Title and Ownership. Title to all patents and copyrights, and all copies thereof, and all specifications, designs, programs, utilities and trademarks provided by COMPANY under this Agreement shall remain with COMPANY.

r. IMPROVEMENTS

a. COMPANY agrees that all Improvements in Technology developed by COMPANY during the term of this Agreement relating to the Field of Use, shall be made available to LICENSEE subject to the terms of this Agreement. COMPANY shall promptly notify LICENSEE of all such Improvements as they become available in communicable form.



b. COMPANY agrees that all Improvements developed by LICENSEE during the term of this Agreement shall be owned by the LICENSEE. LICENSEE shall promptly notify COMPANY of all such Improvements as they become available in communicable form.

s. Payment and Auditing Requirements.

a. Applicable Product Count. A license royalty payment shall be due COMPANY for the revenues associated with each Product delivered to each End-user Customer of LICENSEE.

b. Royalties. LICENSEE shall make royalty payments to COMPANY in the amount of 3% of all revenues received by LICENSEE from delivery to End-user Customer of LICENSEE Products or services that incorporate, rely on or are derived from COMPANY intellectual properties, regardless of the number of levels or branches in the distribution channel to End-user Customer employed by LICENSEE. Wholesale revenue terms are not permitted under this Agreement unless such wholesale royalty schedules are approved by COMPANY in writing to avoid Nested isolation breach problems. Legitimate wholesale pricing schedules to Independent third party(s) will not be unreasonably rejected by COMPANY. Payments are payable quarterly, beginning with the quarter in which the first shipment for revenue occurs, within 30 days following the end of each calendar quarter.

c. Minimum Royalty Payments Required. LICENSEE shall be obligated to make minimum annual royalty payments to COMPANY as listed in EXHIBIT C, Schedule of Minimum Royalty Payments, an attachment to and an integral part of this Agreement. If LICENSEE fails to meet the requirements of the minimum royalty payment schedule, as listed in EXHIBIT C, then COMPANY has the right to cancel the exclusive nature of the rights granted herein by giving LICENSEE thirty (30) days written notice, and COMPANY is thereafter free to enter into any number of other licensing agreements for the same or similar purposes as granted to LICENSEE hereunder. If LICENSEE loses the exclusive nature of rights granted herein, COMPANY and LICENSEE shall be bound by all other provisions of this Agreement while operating on a non-exclusive license basis.

d. Nested isolation of Products is not allowed. Any attempt by LICENSEE to avoid or reduce royalty payments via a mechanism of Nested isolation or any similar scheme that has the same or similar effect on royalty payments, may be considered, by COMPANY, a material breach of this Agreement. LICENSEE has an obligation to disclose all possible Nested isolation circumstances and enter into a supplemental agreement that either alters this Agreement or waives the obligation to make royalty payments as appropriately agreed to in writing by both parties. Both parties, on a case-by-case basis, shall address all such possible cases of Nested isolation . The burden of prove (see Burden on LICENSEE) for disproving cases of suspected Nested isolation is a burden hereby accepted by LICENSEE.



e. LICENSEE Reporting of Revenues to COMPANY. LICENSEE shall provide a statement showing the number of End-user Customers of all Products subject to royalty payments during the calendar quarter for which a fee is owed, and a calculation of the fees due. Reporting to COMPANY is mandatory after the first applicable revenues are generated by LICENSEE. After initiation, reporting is to be continued for the duration of the Agreement, even for periods in which there were no applicable revenues or royalty fees due to COMPANY.

f. Independent Audit Requirement. COMPANY shall have the right to have independent auditors audit the accounting sales books, and records of LICENSEE relevant to this Agreement on a quarterly basis to ensure compliance with the terms of this Agreement. A representative of a COMPANY-specified, SEC-qualified, independent certified public accounting firm whose fee is paid by COMPANY shall conduct audits. LICENSEE shall be entitled to 30 days prior written notice to schedule an audit on a mutually convenient date. LICENSEE may, at LICENSEE's expense, engage a representative of an independent certified public accounting firm to be present at the time of the audit. If the audit reveals a condition of under-reporting of royalties to COMPANY that exceeds 5% of the total reported and paid by LICENSEE, the LICENSEE shall pay all audit fees and any legal fees incurred by COMPANY in establishing proof of the under-reporting discrepancy.

g. Confidentiality of Audit Information. COMPANY, LICENSEE, all participating independent accounting firms and representative of said accounting firms shall keep all audited information confidential, subject only to disclosure requirements imposed by rules and regulations of the SEC and other legal authorities. COMPANY will ensure that all such participating independent accounting firms and their representatives hired by the COMPANY agree to keep the audited information confidential. LICENSEE will ensure that all such participating independent accounting firms and their representatives hired by the LICENSEE agree to keep the audited information confidential.

h. Prepaid Royalty Fees. LICENSEE will prepay royalties in the amount of Fifty Thousand Dollars ($50,000) in United States currency immediately upon the successful execution of this Agreement. LICENSEE will prepay additional royalties of Fifty Thousand Dollars ($50,000) in United States currency on December 31, 2000, unless LICENSEE's on hand balance on December 30, 2000, is less than One Hundred and Fifty Thousand Dollars ($150,000) in United States Currency. In such case, the additional prepayment of royalties will be waived. These prepaid royalties will be applied as a credit against royalty payments due to COMPANY from LICENSEE. LICENSEE will make no additional royalty payments to COMPANY until this credit has been eliminated. These initial prepayments of royalty fees are non-refundable, even if LICENSEE never develops Products subject to royalty fees under this Agreement.

i. Continuous Payments Required. Royalty payments made to COMPANY by LICENSEE, per the terms and conditions contained herein, shall be continuous and without break for the term of the Agreement.



j. Termination or Diminishment of Royalty Payments by LICENSEE. LICENSEE shall be obligated to report and make appropriate royalty payments on all LICENSEE revenues from all Products, until this Agreement expires or is terminated per the mechanisms specified in Section 3, TERM, Termination, and Remedies, herein.

k. Burden on LICENSEE. It is assumed that all Products developed by LICENSEE after the Effective Date of this Agreement are subject to royalty payments to the COMPANY under the terms contained herein. The burden of providing accurate information to COMPANY, so COMPANY may maintain an accurate list of applicable Products and exceptions, is on the LICENSEE. Failure of LICENSEE to provide accurate and timely information to COMPANY may be considered by COMPANY to be a material breach of this Agreement.

t. Product DISTRIBUTION AND MARKETING.

a. LICENSEE Product Distribution. In order to diminish the likelihood of piracy of COMPANY's Intellectual Property Rights, LICENSEE shall use reasonable, currently recognized anti-piracy techniques to distribute all Products. LICENSEE shall have the right to distribute Products through whatever sales distribution channels that LICENSEE shall deem appropriate, including but not limited to telesales, Internet sales and independent sales organizations and distributors, so long as all channels utilized by LICENSEE or LICENSEE affiliates are subject to independent auditor tracking for purposes of calculating appropriate royalty payments.

b. Nested isolation of COMPANY Intellectual Property is specifically forbidden and any such act constitutes a material breach of this Agreement.

c. Marketing. LICENSEE makes no representations as to the level of marketing and sales effort it will provide or the number or volume of sales of LICENSEE Products that will be made under this Agreement.

u. Independent Development. Except as provided herein, nothing in this Agreement shall prohibit either party from establishing a business relationship with any other third party. LICENSEE is free to incorporate competitive technologies from other third party sources.

v. INTELLECTUAL PROPERTY PROTECTION

a. COMPANY agrees to diligently seek to provide and maintain patent protection for patents covered by this Agreement in the United States at COMPANY's expense, and COMPANY shall own any patents which issue. COMPANY may at his own option apply for patent protection elsewhere in the world. In the event LICENSEE requests COMPANY to obtain patent protection in any other country in the world and COMPANY declines to do so, LICENSEE shall then have the right to advance the cost of and to apply for patent protection in such country. LICENSEE may deduct the cost of seeking and obtaining such patent protection, including attorneys' and agents' fees, from future royalties payable for sales made in that country. COMPANY shall own any such applications and patents obtained in that country.



b. Each party will be entitled to file patent applications on its own Improvements at its own expense. In the event a party intends not to file a patent application on an Improvement that in the opinion of the other party's patent counsel has a reasonable probability of being patentable, it will notify the other party of this intent. Such other party will then have a right to file a patent application on any such Improvement at its own expense and receive an assignment of all right, title and interest in such patent application and any patents issuing thereon based on the improvement. The party making the Improvement will cooperate in filing and prosecuting any such patent application.

c. COMPANY agrees to keep LICENSEE advised of the filing, prosecution status, issuance and maintenance of COMPANY Patent Rights. Each of the parties will keep the other party informed of the status and general progress of patent applications and patents issuing thereon with respect to any Improvements

d. In the event COMPANY elects not to provide or maintain patent protection for any patent covered by this Agreement, COMPANY shall give notice of such election to LICENSEE and LICENSEE may thereafter seek to obtain and maintain such patent protection at its own expense. COMPANY shall assign any such patent rights to LICENSEE.

w. INFRINGEMENT OF COMPANY RIGHTS

a. The parties agree to promptly notify each other of any possible infringement by a third party of COMPANY Patent Rights of which they become aware. The parties further agree that LICENSEE will have the right, but not the obligation, to take action against any third party that may be infringing said COMPANY Patent Rights at its own expense and can settle in any way which does not adversely affect COMPANY's right to royalties under COMPANY Patent Rights. COMPANY agrees to be named a party in any Civil Action filed to enforce COMPANY Patent Rights

b. If LICENSEE fails to take action against said third party within six months of notification of the infringement, COMPANY shall have the right to enforce COMPANY Patent Rights against said third party, at its own expense ; provided however, no royalty shall be owed by LICENSEE under Section 9 of this Agreement from the time of LICENSEE's notice to COMPANY of LICENSEE's decision not to enforce COMPANY Patent Rights against said infringer until such time as an action is initiated against the infringer by COMPANY.

c. The enforcing party hereunder shall retain any awards received as a result of any action against said infringer and any proposed settlement of any infringement must be approved by LICENSEE. However, LICENSEE shall be reimbursed from such reward for lost revenues due to the infringment.



d. If any claim of any patent in COMPANY Patent Rights is held invalid by judgment of a court of competent jurisdiction, LICENSEE's obligation under this Agreement to make royalty payments to COMPANY pursuant to that claim shall thereupon be suspended until said judgment has been reversed or vacated as to that claim, and upon such reversal or vacation, the obligation of LICENSEE and its sublicensees to pay royalties pursuant to any such claim or claims shall be reinstated effective as of the date of suspension. It is understood, however, that nothing in this subsection shall relieve LICENSEE or its sublicensees of the obligation to keep books of account and make quarterly reports as provided in Paragraphs 8.5 and 8.6 hereof.

x. REPRESENTATIONS AND WARRANTIES.

a. Rights and Title. COMPANY represents and warrants that it has title to Intellectual Property disclosed in applicable U.S. and foreign Patents listed in Exhibit A, and the right to enter into and grant the licenses described in this Agreement. COMPANY represents that it is not precluded by any existing agreement from entering into or performing under this Agreement.

y. GENERAL PROVISIONS

a. Entire Agreement; Exhibits. This document, including its Exhibits and attachments, contain the entire Agreement between the parties relating to the subject matter contained in this Agreement. All prior or contemporaneous agreements, representations or warranties, written or oral, between the parties, specifically the "License Agreement Between Synthonics Incorporated and Medscape, LLC", dated "September 2, 1996", are superseded by this Agreement. This Agreement may not be modified except by written document signed by an authorized representative of each party. The following documents are attached as Exhibits to and made a part of this Agreement:

| | |
|---|---|
| EXHIBIT A | List of Applicable Patents |
| EXHIBIT B | Confidential Information Exchange Agreement |

| | |
|---|---|
| Exhibit B, ATTACHMENT 1 | Confidential Information Transmittal Form |
| EXHIBIT C | Schedule of Minimum Royalty Payments Required |
| EXHIBIT D | List of Licensed Software |

a. Notice. All notices required or authorized under this Agreement shall be given in writing and shall refer to this Agreement by the Effective Date. All notices shall be effective upon delivery if delivered in person or upon signed receipt if delivered via a delivery service (such as Federal Express or registered mail via the US Postal Service) to the addresses as follow or at such other address that either party provides by advance written notice to the other party.



| If to COMPANY: | If to LICENSEE: |
|---|---|
| Attn: President | Attn: President |
| Synthonics Technologies, Inc. | Acuscape, Inc. |
| 31324 Via Colinas #106 | 1200 East Alosta Avenue |
| Westlake Village, CA 91362 | Suite 206 |
| | Glendora, California 91740 |
| Phone: (818)-707-6000 | Phone: (626)-963-3699 |
| Fax: (818)-707-6016 | Fax: (626)-963-6199 |

a. Informal Dispute Resolution. If any dispute arises from or relates to this Agreement, authorized representatives of Company and LICENSEE shall meet no later than ten (10) working days after written receipt of notice by either party of request for dispute resolution and shall enter into good faith negotiations aimed at resolving the dispute. If the representatives are unable to resolve the dispute in a mutually satisfactory manner within the next five working days, the dispute shall be escalated to top management level and each party shall designate a top management executive to meet in an attempt to resolve the dispute for a period of 30 days prior to either party's instituting legal proceedings.

b. Publicity and Disclosure. The specific provisions of this Agreement are confidential and may not be disclosed to any third party without the prior written consent of the other party to this Agreement. However, either party may issue any news release or announcement concerning this Agreement without the prior written consent of the other party. Additionally, either party may disclose any and all provisions of this Agreement in order to satisfy SEC (Security and Exchange Commission) filing requirements or any other legally required disclosures.

c. Non-agency. Neither LICENSEE nor COMPANY is to be construed as an agent of the other party. This Agreement does not establish a joint venture, partnership or agency relationship. LICENSEE and COMPANY do not have any right or authority to create any obligation, representation or responsibility, express or implied on behalf of the other party in any manner whatsoever except as specifically set forth in this Agreement.

d. Assignment. This Agreement and any rights granted hereunder shall not be assigned by LICENSEE to any person, firm, corporation or other entity without the prior written consent of COMPANY, and such consent shall not be unreasonably withheld.

e. Sublicense. LICENSEE shall have a right to sublicense the rights licensed under this Agreement subject to the terms and conditions of this Agreement to any third party approved by the COMPANY, and such approval shall not be unreasonably withheld.

f. Waiver not to be construed as waiver of subsequent defaults. No provision of this Agreement shall be considered waived and no breach excused by either party unless made in writing. No consent, waiver, or excuse by either party, express or implied, shall constitute a consent, waiver or excuse for subsequent events. No waiver, consent or breach excused for one instance or event shall be deemed to be a continuing waiver breach or excuse for more than the initial instance or event.



g. Provisions. If any provision of this Agreement is held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

h. Controlling Law. This Agreement and all transactions under it shall be governed by the laws of the State of California, irrespective of the fact that a party hereto may not be a resident of or maintain a place of business in that State.

i. Legal Expenses. In the event either party takes legal action to enforce any of the terms of this Agreement, the prevailing party shall be entitled to reimbursement for its expenses, including court costs and reasonable attorneys' fees at trial, on appeal or in connection with any petition for review.

j. Survival of Provisions. The following sections shall survive termination of this Agreement for any reason:

Section 1, DEFINITIONS

The remedies from Section 3, TERM, Termination, and Remedies

Section 4, Confidentiality

Section 6, Use of Patent Markings,

Section 7, Title and Ownership,

Subsection 9.7, Confidentiality of Audit Information,

Section 11, Independent Development, Subsection 15.4, Publicity and Disclosure, EXHIBIT B, CONFIDENTIAL INFORMATION EXCHANGE AGREEMENT

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

| COMPANY | LICENSEE |
| --- | --- |
| By: ____________________________ | By: ____________________________ |
| (Authorized Representative) | (Authorized Representative) |
| Name: ____________________________ | Name: ____________________________ |
| (Print or Type) | (Print or Type) |
| Title: ____________________________ | Title: ____________________________ |
| Date: ____________________________ | Date: ____________________________ |



EXHIBIT A

LIST OF APPLICABLE PATENTS

US Patent#, Title/Description
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6,037,971 -- Methods and apparatus for the creation and transmission of 3-dimensional images 2 claims. Three-dimensional color images are produced by combining the red image plane from a left color camera and the blue and green image planes from a right color camera. Techniques for compensating for over or underexposure in a particular image plane are deployed as well as techniques for minimizing subjective disturbance when viewing relatively pure color regions of a 3-dimensional image and for transmission of

3-dimensional color television images to users. Filed: February 19, 1998. Issued: March 14, 2000.

5,969,722 -- Methods and apparatus for creation of three-dimensional wire frames and for three-dimensional stereo morphing 4 Claims. A 3-dimensional wire frame representation is derived from a real 3-dimensional objects, where the surface of the object is generally featureless, by projecting a non-uniform pattern of randomly colored spots onto the 3-dimensional object and capturing images of the object by two cameras located at different positions. A wire frame representation of the object is then reconstructed from corresponding colored spots on the images captured by the two cameras. Wire frame representations are rapidly created using generic wire frames which are prototypical of a class of objects and which are modifiable to correspond to a specific instance of the class. A set of generic wire frames are bundled as a tool kit with software for editing wire frames. A method of morphing from a source 3-dimensional stereo rendered wire frame to a target rendered wire frame is also disclosed and the apparent camera viewpoint can change during morphing. Filed: October 6, 1997. Issued: October 19, 1999.

5,793,372 -- Methods and apparatus for rapidly rendering photo-realistic surfaces on 3-dimensional wire frames automatically using user defined points 10 Claims. Automatic photographic color rendering of the surfaces of wire frame representation of 3-dimensional objects is described. Bit mapped information of surface areas is captured as part of image processing in the creation of wire frames into the computer. When a wire frame is transformed to a different orientation, the rendering surfaces are automatically transformed and the wire frame can be rendered in the new orientation with photographic quality. Filed: October 21, 1994. Issued: August 11, 1998.

5,742,330 -- Methods and apparatus for the creation and transmission of 3-dimensional images 2 Claims. Three-dimensional color images are produced by combining the red image plane from a left color camera and the blue and green image planes from a right color camera. Techniques for compensating for over or underexposure in a particular image plane are deployed as well as techniques for minimizing subjective disturbance when viewing relatively pure color regions of a 3-dimensional image and for transmission of 3-dimensional color television images to users. Filed: October 04, 1996. Issued: April 21, 1998.



5,742,291 -- Method and apparatus for creation of three-dimensional wire frames 8 Claims. Methods and apparatus are disclosed for the rapid creation of wire frame representations of 3-dimensional objects using generic wire frames which are prototypical of a class of objects and which are modifiable to correspond to a specific instance of the class. A set of generic wire frames are bundled as a tool kit with software for editing wire frames. A method of morphing from a source 3-dimensional stereo rendered wire frame to a target rendered wire frame is also disclosed and the apparent camera viewpoint can change during morphing. Filed: May 09,

1995. Issued: April 21, 1998.

5,699,444 -- Methods and apparatus for using image data to determine camera location and orientation 19 Claims. Methods and apparatus for accurately surveying and determining the physical location of objects in a scene are disclosed which use image data captured by one or more cameras and three points from the scene which may either be measured after the images are captured or may be included in the calibrated target placed in the scene at the time of image capture. Objects are located with respect to a three dimensional coordinate system defined with reference to the three points. The methods and apparatus permit rapid set up and capture of precise location data using simple apparatus and simple image processing. The precise location and orientation of the camera utilized to capture each scene is determined from image data, from the three point locations and from optical parameters of the camera. Filed: March 31, 1995. Issued: December 16, 1997.

5,661,518 -- Methods and apparatus for the creation and transmission of 3-dimensional images 1 Claim. Three-dimensional color images are produced by combining the red image plane from a left color camera and the blue and green image planes from a right color camera. Techniques for compensating for over or underexposure in a particular image plane are deployed as well as techniques for minimizing subjective disturbance when viewing relatively pure color regions of a 3-dimensional image and for transmission of 3-dimensional color television images to users. TDM and MPEG 2 transmission techniques for stereo image transmission are disclosed. Left and right images are caused to be epipolar to reduce adverse user reaction to extended viewing of stereo images. A three dimensional perspective view may be connected to a stereo view in accordance with the invention. Filed: June 07, 1995. Issued: April 26, 1997.



EXHIBIT B

Confidential Information Exchange Agreement

The parties agree as follows:

1. Purpose. To assist in their performance pursuant to the Intellectual Property License AGREEMENT between COMPANY and LICENSEE dated 02 June 2000, to which this Exhibit is an attachment and integral part of said Agreement, COMPANY and LICENSEE enter into this CONFIDENTIAL INFORMATION EXCHANGE AGREEMENT (CIEA) to establish a confidential relationship and to exchange confidential information which shall be protected by the receiving party from a disclosure or use that is not authorized by the disclosing party.

2. Designated Liaisons. The parties' designated liaisons for coordinating the receipt, disclosure or exchange of confidential information are:

For LICENSEE: President Located at: Acuscape, Inc.,1200 East Alosta

Avenue, Suite 206, Glendora, California 91740

For COMPANY: President Located at: 31324 Via Colinas, #106, Westlake Village, CA 91362

3. Confidential Information Transmittal Forms. The confidential information being disclosed under this CIEA shall be described in Transmittal Forms or otherwise marked as described in this CIEA. The initial Transmittal Form shall be signed by authorized representatives of both parties and attached to this CIEA as Attachment 1. Subsequent disclosures of confidential information under this CIEA for the purpose identified above may be described in additional Transmittal Forms which shall be signed by the Designated Liaisons for LICENSEE and COMPANY. Transmittal Forms may also be used for written confirmation of confidential information initially disclosed in intangible form, as further described in Paragraph 4.

4. Marking of Confidential Information. Confidential information which is disclosed in written or other tangible form shall be marked by the disclosing party as "Confidential" or by any other appropriate legend. Information that is to be confidential information under this CIEA and which is disclosed in oral, visual or other intangible form (including electronic transfers), shall be identified as confidential at the time of disclosure and confirmed in writing (by use of a Transmittal Form or other writing) by the disclosing party to the receiving party within 30 days of disclosure. Such written confirmation may be transmitted to the receiving party via mail or facsimile. The receiving party shall maintain all notices and legends included on information identified as confidential as received from the disclosing party.

5. Use and Protection of Confidential Information. In all cases, the confidential information disclosed shall remain the sole property of the disclosing party. The receiving party shall not use confidential information for any purpose other than the purpose for which disclosed. The receiving party shall disclose confidential information to its employees on a need-to-know basis only. Each party represents that it protects its own confidential information from unauthorized use or disclosure. Each party shall protect confidential information received under this CIEA with the same degree of care, but no less than a reasonable degree of care, which it regularly employs to protect its own confidential information from unauthorized use or disclosure.



6. Exceptions to Obligations of Confidentiality. The obligations of confidentiality imposed by this CIEA shall not apply to any information which: (a) is rightfully received by the receiving party from a third party without accompanying markings or disclosure restrictions; (b) is independently developed by the receiving party without use of the confidential information; (c) is or becomes publicly available through no wrongful act of the receiving party; (d) is already known by the receiving party without an obligation of confidentiality; (e) is disclosed without

identification and appropriate markings as further described in Paragraph 4; or (f) is approved for release in writing by an authorized representative of the disclosing party.

7. Disclosure of Confidential Information Pursuant to Judicial Order. Nothing in this CIEA shall restrict the right of a receiving party to disclose confidential information to the extent required by judicial order. A receiving party which is subject to a judicial order shall notify the disclosing party of such order in sufficient time to permit the disclosing party to respond to such order. All confidential markings shall be maintained on any confidential information which is disclosed pursuant to judicial order.

8. Independent Development. Each party understands that the other party may have already developed, or received from third parties, information or material similar to that received under this CIEA, or in the future may be internally developing, or receiving from third parties, information or material similar to that received under this CIEA. Provided that confidential information is not used in violation of this CIEA, nothing in this CIEA shall be construed as a representation or inference that either party has not or will not develop information, material, technology or products, for itself or for others, that is similar to information, material, or technology disclosed under this CIEA or that competes with products of the other party.

9. Network Access. To facilitate certain purposes for which this CIEA may be signed, LICENSEE may allow COMPANY access to LICENSEE's business or engineering computer networks. Such access may be given on site at LICENSEE or remotely via computer modem. To the extent such access is given to COMPANY, COMPANY agrees to protect such access, and all information, whether marked confidential or not, obtained via such access, in accordance with all terms of this CIEA. COMPANY agrees to limit such network access to those employees of COMPANY with a need-to-know. If COMPANY obtains network access through the use of COMPANY owned equipment, COMPANY shall physically and electronically secure such equipment to prevent unauthorized use. COMPANY acknowledges that LICENSEE will monitor COMPANY's network access and may terminate such access at any time.

10. Copying/Return/Destruction of Confidential Information. Copies of confidential information are limited to those reasonably necessary in connection with the use contemplated for such information. All confidential information and copies shall remain the property of the disclosing party and shall be destroyed or returned upon the request of the disclosing party.

11. Waiver/Non-Exclusive Remedies. The failure of either party to enforce any right under this CIEA shall not be deemed a waiver of any right. The rights and remedies of the parties under this CIEA are not exclusive and are in addition to any other rights and remedies provided in law or in equity. The invalidity in whole or in part of any term of this CIEA shall not affect the validity of any other term.

12. Entire Agreement/Amendment/Modification of CIEA. This CIEA and the Intellectual Property License AGREEMENT between COMPANY and LICENSEE dated 25 May 2000 to which this CIEA is attached, constitutes the entire Agreement between the parties with respect to the subject matter of this CIEA. No amendment or modification of this CIEA shall be valid or binding on the parties unless (a) approved in advance by the LICENSEE, (b) set forth in writing and (c) signed by an authorized representative of each party. This CIEA shall remain in force during the term of this Agreement and for a period of five years following termination of this Agreement.



13. Termination. This CIEA shall continue in effect until terminated by either party upon 30 days prior written notice. The period of confidentiality described in Paragraph 15 below shall survive such termination for a period of five (5) years after termination.

14. No Licenses. Neither this CIEA nor any disclosure of confidential information under this CIEA grants the receiving party any license under any patent, copyright or trade secret.

15. Period of Confidentiality. Unless a different period of confidentiality is specified in a Transmittal Form, the period for which the receiving party shall be obligated to protect the confidentiality of information disclosed under this CIEA shall commence on the date the information is received by the receiving party and end five (5) years following termination of this Agreement.

16. Successors and Assigns/Nonassignment. This CIEA shall be binding upon each party's successors and assigns. Neither party may assign this CIEA to any third party without the prior written consent of an authorized representative of the other party.

17. Controlling Law. This CIEA shall be construed in accordance with the laws of the State of California, exclusive of the conflict of laws provisions.



ATTACHMENT 1

Confidential Information Transmittal Form

Disclosure Date:
CIEA No.:

The parties identified below agree that the following confidential information shall be received, disclosed or exchanged in accordance with the terms of the Confidential Information Exchange Agreement (CIEA) identified above.

Describe confidential information disclosed. (Be specific. Include subject or product, any document title, drawing/document number, date, revision number, etc.) (Use additional sheets, if necessary.) (If a party is not disclosing information, indicate "none.")

LICENSEE's confidential information:

COMPANY's confidential information:

This Transmittal Form covers the above-described confidential information to be received, disclosed or exchanged on or after the Disclosure Date.

All other terms and conditions of the CIEA remain the same.

| | |
|---|---|
| COMPANY<br>Synthonics Technologies, Inc.<br>31324 Via Colinas #106<br>Westlake Village, CA 91362 | LICENSEE<br>Acuscape, Inc.<br>1200 East Alosta Avenue<br>Suite 206<br>Glendora, California 91740 |
| By: ____________________________<br>(Designated Liaison) | By: _________________________<br>(Designated Liaison) |
| Name: ____________________________<br>(Print or Type) | Name: ____________________________<br>(Print or Type) |
| Title: ____________________________ | Title: ___________________________ |
| Date: ________________________ | Date: ____________________________ |



EXHIBIT C

Schedule of Minimum Royalty Payments Required

LICENSEE is obligated to make minimum annual royalty payments to COMPANY or be subject to losing the exclusive nature of the licensed rights granted in this Agreement.

| Calendar Year ending 31 December of the year listed below | Minimum Royalty Payment Due COMPANY |
|---|---|
| 2000 | See Subsection 9.8: Prepaid Royalty Fees |
| 2001 | $200,000 |
| 2002 | $500,000 |
| 2003 | $1,500,000 |

| | |
|---|---|
| All subsequent years | $2,000,000 |



EXHIBIT D

LIST OF LICENSED SOFTWARE

| Name | Description |
|---|---|

Wireframe Express, Version 4.0

A COMPANY software product for constructing 3D models using photogrammetric means and containing the following software executable files:

a. WFE40AB.EXE (the main executable program);

b. Wmerge.dll (a dynamic link library that merges wireframe components);

c. WVRX.dll (a dynamic link library that creates VRX user-interactive files);

d. WL.dll and WF30QL.dll (dynamic link libraries that creates "QuickLook" photorendered images);

e. and various support libraries including Ddeml.dll, Cmdialog.vbx, gauge.vbx, ikcoll6.dll, ikdsp16.vbx, ikeng16.dll, Lead51n.dll, Muscle.vbx, Spin.vbx, Spread20.vbx, Vbrun300.dll and Ver.dll.

VRX04.EXE -- A real-time, user-interactive rendering viewer that is based on the Argonaut Brender game engine. This viewer can display wireframe models, surface models and phototextured models in standard 3D perspective views as well as stereoscopic 3D that convey depth perception when viewed through red-blue glasses.

Assign3.dll -- A software module that has yet to be incorporated in commercial products, but has the following operating characteristics: a utility for assigning a "generic wireframe model" to a photograph by means of assigning three known 3-dimensional locations on the generic model to three 2-dimensional perspective projection image points of that same object.

Assign4.dll -- A software module that has yet to be incorporated in commercial products, but has the following operating characteristics: a utility for fitting (by assignment and scaling) a "generic wireframe model" to a photograph by means of assigning four known 3-dimensional locations on the generic model to four 2-dimensional perspective projection image points of a similar object, thus creating a patient-specific wireframe model.

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