

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

1998

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) nonexempt charitable trust

This Form is Open to Public Inspection

Note: The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 1998 calendar year, OR tax year period beginning **1998**, and ending **12**

B Check if:

Change of address
 Initial return
 Final return
 Amended return (required also for late reporting)

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
INTERNET MULTICASTING SERVICE, INC.
C/O INVISIBLE WORLDS

D Employer identification number
52-1827912

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
660 YORK STREET

City or town, state or country, and ZIP+4
SAN FRANCISCO, CA 94110

E Telephone number
(415) 695-3975

F Check If exemption application is pending

G Type of organization \rightarrow Exempt under 501(c) (**3**) \leftarrow (insert number) OR section 4947(a)(1) nonexempt charitable trust

Note: Section 501(c)(3) exempt organizations and 4947(a)(1) nonexempt charitable trusts MUST attach a completed Schedule A (Form 990).

H(a) Is this a group return filed for affiliates? Yes No

(b) If "Yes," enter the number of affiliates for which this return is filed:

(c) Is this a separate return filed by an organization covered by a group ruling? Yes No

I If either box in H is checked "Yes," enter four-digit group exemption number (GEN)

J Accounting method: Cash Accrual Other (specify)

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if it received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

Note: Form 990-EZ may be used by organizations with gross receipts less than \$100,000 and total assets less than \$250,000 at end of year.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1 Contributions, gifts, grants, and similar amounts received:			
	a Direct public support	1a	200,426.	
	b Indirect public support	1b		
	c Government contributions (grants)	1c		
	d Total (add lines 1a through 1c) (attach schedule of contributors) (cash \$ 200,426. noncash \$)	1d	200,426.	
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2		
	3 Membership dues and assessments	3		
	4 Interest on savings and temporary cash investments	4		
	5 Dividends and interest from securities	5		
	6a Gross rents	6a		
	b Less: rental expenses	6b		
	c Net rental income or (loss) (subtract line 6b from line 6a)	6c		
7 Other investment income (describe INTEREST INCOME)	7	21.		
	8a Gross amount from sale of assets other than inventory	(A) Securities	(B) Other	
		8a	100,000.	
	b Less: cost or other basis and sales expenses	8b		
	c Gain or (loss) (attach schedule)	8c	100,000.	
	d Net gain or (loss) (combine line 8c, columns (A) and (B))	8d	STMT 1	100,000.
	9 Special events and activities (attach schedule):			
	a Gross revenue (not including \$ of contributions reported on line 1a)	9a		
	b Less: direct expenses other than fundraising expenses	9b		
	c Net income or (loss) from special events (subtract line 9b from line 9a)	9c		
	10a Gross sales of inventory, less returns and allowances	10a		
	b Less: cost of goods sold	10b		
	c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c		
	11 Other revenue (from Part VII, line 103)	11		
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	300,447.	
Expenses	13 Program services (from line 44, column (B))	13	220,779.	
	14 Management and general (from line 44, column (C))	14	13,462.	
	15 Fundraising (from line 44, column (D))	15		
	16 Payments to affiliates (attach schedule)	16		
	17 Total expenses (add lines 16 and 44, column (A))	17	234,241.	
	18 Excess or (deficit) for the year (subtract line 17 from line 12)	18	66,206.	
Net Assets	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	34,740.	
	20 Other changes in net assets or fund balances (attach explanation)	20	0.	
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	100,946.	

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Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 5b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule)				
	cash \$ _____ noncash \$ _____				
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25	Compensation of officers, directors, etc.	53,109.	53,109.	0.	0.
26	Other salaries and wages				
27	Pension plan contributions				
28	Other employee benefits				
29	Payroll taxes	5,925.	5,925.		
30	Professional fundraising fees				
31	Accounting fees	1,800.		1,800.	
32	Legal fees	1,942.	1,942.		
33	Supplies	2,955.	2,378.	577.	
34	Telephone	3,935.	3,935.		
35	Postage and shipping				
36	Occupancy	41,032.	33,000.	8,032.	
37	Equipment rental and maintenance	674.		674.	
38	Printing and publications	966.	966.		
39	Travel	14,910.	14,910.		
40	Conferences, conventions, and meetings	78.		78.	
41	Interest				
42	Depreciation, depletion, etc. (attach schedule)				
43	Other expenses (itemize):				
a					
b					
c					
d					
e	SEE STATEMENT 2	103,257.	100,956.	2,301.	
44	Total functional expenses (add lines 22 through 43) <small>Organizations completing columns (B)-(D), carry these totals to lines 13-15</small>	234,241.	220,779.	13,462.	0.

Reporting of Joint Costs. - Did you report in column (B) (Program services) any joint costs from a combined educational campaign and fundraising solicitation? Yes No

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____; (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? **SEE STATEMENT 3**

What is the organization's primary exempt purpose?	Program Service Expenses <small>(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)</small>
a MAINTAINED A 40 GIGABYTE ARCHIVE OF KEY INTERNET DATA WHICH RECEIVED HIT RATES OF 25,000 VISITORS PER DAY.	55,195.
b WORKED WITH THE U.S. GOVERNMENT TO PROVIDE AN ADVOCACY PROGRAM AND SOLUTION TO PLACING ALL U.S. PATENTS AND TRADEMARKS ON-LINE.	77,273.
c SEE STATEMENT 4	88,311.
d	
e Other program services (attach schedule)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services)	220,779.

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Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year	(B) End of year
45 Cash - non-interest-bearing		27,221.	946.
46 Savings and temporary cash investments			
47 a Accounts receivable			
b Less: allowance for doubtful accounts			
48 a Pledges receivable			
b Less: allowance for doubtful accounts			
49 Grants receivable			
50 Receivables from officers, directors, trustees, and key employees (attach schedule)			
51 a Other notes and loans receivable			
b Less: allowance for doubtful accounts			
52 Inventories for sale or use			
53 Prepaid expenses and deferred charges			
54 Investments - securities (attach schedule)			
55 a Investments - land, buildings, and equipment: basis			
b Less: accumulated depreciation (attach schedule)			
56 Investments - other		0.	50,000.
57 a Land, buildings, and equipment: basis			
b Less: accumulated depreciation			
58 Other assets (describe ► NOTES RECEIVABLE)		7,519.	50,000.
59 Total assets (add lines 45 through 58) (must equal line 74)		34,740.	100,946.
60 Accounts payable and accrued expenses			
61 Grants payable			
62 Deferred revenue			
63 Loans from officers, directors, trustees, and key employees			
64 a Tax-exempt bond liabilities			
b Mortgages and other notes payable			
65 Other liabilities (describe ►)			
66 Total liabilities (add lines 60 through 65)		0.	0.
Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74			
67 Unrestricted			
68 Temporarily restricted			
69 Permanently restricted			
Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 70 through 74			
70 Capital stock, trust principal, or current funds		0.	0.
71 Paid-in or capital surplus, or land, building, and equipment fund		0.	0.
72 Retained earnings, endowment, accumulated income, or other funds		34,740.	100,946.
73 Total net assets or fund balances (add lines 67 through 69 OR lines 70 through 72; column (A) must equal line 19 and column (B) must equal line 21)		34,740.	100,946.
74 Total liabilities and net assets / fund balances (add lines 66 and 73)		34,740.	100,946.

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return

a	Total revenue, gains, and other support per audited financial statements	a	N/A
b	Amounts included on line a but not on line 12, Form 990:		
(1)	Net unrealized gains on investments \$		
(2)	Donated services and use of facilities \$		
(3)	Recoveries of prior year grants \$		
(4)	Other (specify): \$		
	Add amounts on lines (1) through (4)	b	
c	Line a minus line b	c	
d	Amounts included on line 12, Form 990 but not on line a:		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify): \$		
	Add amounts on lines (1) and (2)	d	
e	Total revenue per line 12, Form 990 (line c plus line d)	e	

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

a	Total expenses and losses per audited financial statements	a	N/A
b	Amounts included on line a but not on line 17, Form 990:		
(1)	Donated services and use of facilities \$		
(2)	Prior year adjustments reported on line 20, Form 990 \$		
(3)	Losses reported on line 20, Form 990 \$		
(4)	Other (specify): \$		
	Add amounts on lines (1) and (2)	b	
	Add amounts on lines (3) and (4)	c	
d	Total expenses per line 17, Form 990 (line b plus line c)	d	

Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated.)				
(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
CARL A. MALAMUD C/O INVISIBLE WORLDS, 660 YORK STREET SAN FRANCISCO, CA 94110	CHAIRMAN 40+ HRS/WK	53,109.	0.	0.
DR. MARSHALL T. ROSE C/O INVISIBLE WORLDS, 660 YORK STREET SAN FRANCISCO, CA 94110	VICE-CHAIRMAN AS NEEDED	0.	0.	0.

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? If "Yes," attach schedule. Yes No

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Part VI Other Information

Yes No

76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77		X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a		X
b	If "Yes," has it filed a tax return on Form 990-T for this year? N/A	78b		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement;	79		X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a		X
b	If "Yes," enter the name of the organization _____ and check whether it is <input type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt.			
81 a	Enter the amount of political expenditures, direct or indirect, as described in the instructions for line 81	81a	0.	
b	Did the organization file Form 1120-POL for this year?	81b		X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions for reporting in Part III)	82b	N/A	
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b		
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b		
85	501(c)(4), (5), or (6) organizations. - a Were substantially all dues nondeductible by members? N/A	85a		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? N/A	85b		
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.			
c	Dues, assessments, and similar amounts from members	85c	N/A	
d	Section 162(e) lobbying and political expenditures	85d	N/A	
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	N/A	
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	N/A	
g	Does the organization elect to pay the section 6033(e) tax on the amount in 85f?	85g		
h	If section 6033(e)(1)(A) dues notice were sent, does the organization agree to add the amount in 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h		
86	501(c)(7) organizations. - Enter:			
a	Initiation fees and capital contributions included on line 12	86a	N/A	
b	Gross receipts, included on line 12, for public use of club facilities	86b	N/A	
87	501(c)(12) organizations. - Enter: a Gross income from members or shareholders	87a	N/A	
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	87b	N/A	
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership? If "Yes," complete Part IX	88		X
89 a	501(c)(3) organizations. - Enter: Amount of tax imposed during the year under: section 4911 <u>0.</u> ; section 4912 <u>0.</u> ; section 4955 <u>0.</u>			
b	501(c)(3) and 501(c)(4) organizations. - Did the organization engage in any section 4958 excess benefit transaction during the year? If "Yes," attach a statement explaining each transaction	89b		X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958			0.
d	Enter: Amount of tax in 89c, above, reimbursed by the organization			0.
90 a	List the states with which a copy of this return is filed <u>NONE</u>			
b	Number of employees employed in the pay period that includes March 12, 1998	90b		1

91 The books are in care of CARL MALAMUD Telephone no. (415) 695-3975
Located at 660 YORK STREET, SAN FRANCISCO, CA ZIP +4 94110

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041. - Check here
and enter the amount of tax-exempt interest received or accrued during the tax year N/A

Part VII Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
(a) _____					
(b) _____					
(c) _____					
(d) _____					
(e) _____					
(f) Medicare/Medicaid payments					
(g) Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
(a) debt-financed property					
(b) not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income			14	21.	
100 Gain or (loss) from sales of assets other than inventory			18	100,000.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue:					
a _____					
b _____					
c _____					
d _____					
e _____					
104 Subtotal (add columns (B), (D), and (E))		0.		100,021.	0.
105 TOTAL (add line 104, columns (B), (D), and (E))					100,021.

Note: (Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.)

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes

Line No. ▼	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).

Part IX Information Regarding Taxable Subsidiaries (Complete this Part if the "Yes" box on 88 is checked.)

Name, address, and employer identification number of corporation or partnership	Percentage of ownership interest	Nature of business activities	Total income	End-of-year assets
N/A	%			
	%			
	%			
	%			

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer: Jill A. Leland Date: 8/10/99 Type or print name and title: _____

Paid Preparer's Use Only

Preparer's signature: Jill A. Leland Date: 8/10/99 Check if self-employed Preparer's SSN: 570-94-4411

Firm's name (or yours if self-employed) and address: FRANK, RIMERMAN & CO. LLP
2882 SAND HILL ROAD
MENLO PARK, CA

EIN: _____ ZIP + 4: 94025-7057

**SCHEDULE A
(Form 990)**

Organization Exempt Under Section 501(c)(3)

OMB No. 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

1998

Supplementary Information

▶ Must be completed by the above organizations and attached to their Form 990 or 990EZ.

Department of the Treasury
Internal Revenue Service

Name of the organization **INTERNET MULTICASTING SERVICE, INC.
C/O INVISIBLE WORLDS**

Employer identification number
52 1827912

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
CARL A. MALAMUD 660 YORK ST, SAN FRANCISCO, CA 94110	CHAIRMAN 40+ PER WEEK	53,109.		
Total number of other employees paid over \$50,000 ▶	0			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services ▶	0	

Part III Statement About Activities

	Yes	No
During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum?		X
If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities. ▶ \$		
Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		
During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any of its trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:		
a Sale, exchange, or leasing of property?	X	
b Lending of money or other extension of credit?	X	
c Furnishing of goods, services, or facilities?		X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?		X
e Transfer of any part of its income or assets?		X
If the answer to any question is "Yes," attach a detailed statement explaining the transactions. SEE STATEMENT 6		
3 Does the organization make grants for scholarships, fellowships, student loans, etc.?		X
4 a Do you have a section 403(b) annuity plan for your employees?		
b Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs qualify to receive payments. (See instructions.)		

Part IV Reason for Non-Private Foundation Status (See instructions.)

- The organization is not a private foundation because it is (Please check only ONE applicable box):
- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
 - 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 4.)
 - 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
 - 8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
 - 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ▶
 - 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
 - 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
 - 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
 - 12 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
 - 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See instructions on page 4.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions on page 4.)

INTERNET MULTICASTING SERVICE, INC.
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Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12 above.) Use cash method of accounting.
Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 1997	(b) 1996	(c) 1995	(d) 1994	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	147,307.	831,785.	927,850.	797,191.	2,704,133.
16 Membership fees received					
18					
21					
			SEE STATEMENT 7 11,883.		11,883.
23	147,307.	831,785.	939,733.	797,191.	2,716,016.
	147,307.	831,785.	939,733.	797,191.	2,716,016.
	1,473.	8,318.	9,397.	7,972.	

26 Organizations described in lines 10 or 11: a Enter 2% of amount in column (e), line 24	26a	54,320.
b Attach a list (which is not open to public inspection) showing the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1994 through 1997 exceeded the amount shown in line 26a. Enter the sum of all these excess amounts SEE STATEMENT 8	26b	1,172,298.
c Total support for section 509(a)(1) test: Enter line 24, column (e)	26c	2,716,016.
d Add: Amounts from column (e) for lines: 18 11,883. 19 1,172,298.	26d	1,184,181.
e Public support (line 26c minus line 26d total)	26e	1,531,835.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))	26f	56.4001%

27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," attach a list to show the name of, and total amounts received in each year from, each "disqualified person." Enter the sum of such amounts for each year. N/A	(1997)	(1996)	(1995)	(1994)
b For any amount included in line 17 that was received from a nondisqualified person, attach a list to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: N/A	(1997)	(1996)	(1995)	(1994)
c Add: Amounts from column (e) for lines: 15 17 20 21	27c	N/A		
d Add: Line 27a total and line 27b total	27d	N/A		
e Public support (line 27c, total minus line 27d total)	27e	N/A		
f Total support for section 509(a)(2) test: Enter amount on line 23, column (e)	27f	N/A		
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))	27g	N/A %		
h Investment income percentage (line 18 column (e) (numerator) divided by line 27f (denominator))	27h	N/A %		

28 Unusual Grants: For an organization described in line 10, 11, or 12, that received any unusual grants during 1994 through 1997, attach a list (which is not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15. (See instructions.)

NONE

Part V Private School Questionnaire

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

N/A

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves?		
	If "Yes," please describe. If "No," please explain. (If you need more space, attach a separate statement.)		
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d	Copies of all material used by the organization or on its behalf to solicit contributions?		
	If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)		
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?		
b	Admissions policies?		
c	Employment of faculty or administrative staff?		
d	Scholarships or other financial assistance?		
e	Educational policies?		
f	Use of facilities?		
g	Athletic programs?		
h	Other extracurricular activities?		
	If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)		
34 a	Does the organization receive any financial aid or assistance from a governmental agency?		
b	Has the organization's right to such aid ever been revoked or suspended?		
	If you answered "Yes" to either 34a or b, please explain using an attached statement.		
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation		

Part VI-A Lobbying Expenditures by Electing Public Charities

(To be completed ONLY by an eligible organization that filed Form 5768)

N/A

- Check here a If the organization belongs to an affiliated group.
Check here b If you checked "a" above and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred)		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
		N/A	
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount. Enter the amount from the following table -		
	If the amount on line 40 is -		
	The lobbying nontaxable amount is -		
	Not over \$500,000 20% of the amount on line 40		
	Over \$500,000 but not over \$1,000,000 \$100,000 plus 15% of the excess over \$500,000		
	Over \$1,000,000 but not over \$1,500,000 \$175,000 plus 10% of the excess over \$1,000,000	41	
	Over \$1,500,000 but not over \$17,000,000 \$225,000 plus 5% of the excess over \$1,500,000		
	Over \$17,000,000 \$1,000,000		
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				N/A (e) Total
	(a) 1998	(b) 1997	(c) 1996	(d) 1995	
45	Lobbying nontaxable amount				0.
46	Lobbying ceiling amount (150% of line 45(e))				0.
47	Total lobbying expenditures				0.
48	Grassroots nontaxable amount				0.
49	Grassroots ceiling amount (150% of line 48(e))				0.
50	Grassroots lobbying expenditures				0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

- a Volunteers
- b Paid staff or management (include compensation in expenses reported on lines c through h)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (add lines c through h)

Yes	Amount
	0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

a Transfers from the reporting organization to a noncharitable exempt organization of:

- (i) Cash
- (ii) Other assets
- b** Other transactions:
 - (i) Sales of assets to a noncharitable exempt organization
 - (ii) Purchases of assets from a noncharitable exempt organization
 - (iii) Rental of facilities or equipment
 - (iv) Reimbursement arrangements
 - (v) Loans or loan guarantees
 - (vi) Performance of services or membership or fundraising solicitations
- c** Sharing of facilities, equipment, mailing lists, other assets, or paid employees

	Yes	No
(i) Cash		X
(ii) Other assets		X
b(i) Sales of assets to a noncharitable exempt organization		X
b(ii) Purchases of assets from a noncharitable exempt organization		X
b(iii) Rental of facilities or equipment		X
b(iv) Reimbursement arrangements		X
b(v) Loans or loan guarantees		X
b(vi) Performance of services or membership or fundraising solicitations		X
c Sharing of facilities, equipment, mailing lists, other assets, or paid employees		X

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always indicate the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.

N/A

(a) Line no.	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements

52 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? Yes No

b If "Yes," complete the following schedule. N/A

(a) Name of organization	(b) Type of organization	(c) Description of relationship

FORM 990 GAIN (LOSS) FROM SALE OF OTHER ASSETS STATEMENT 1

DESCRIPTION	DATE ACQUIRED	DATE SOLD	METHOD ACQUIRED
COMPUTER EQUIPMENT	VARIOUS	12/31/98	PURCHASED

NAME OF BUYER	GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	DEPREC	NET GAIN OR (LOSS)
INVISIBLE WORLDS	50,000.	0.	0.	0.	50,000.

DESCRIPTION	DATE ACQUIRED	DATE SOLD	METHOD ACQUIRED
INTELLECTUAL PROPERTY	VARIOUS	12/31/98	PURCHASED

NAME OF BUYER	GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	DEPREC	NET GAIN OR (LOSS)
INVISIBLE WORLDS	50,000.	0.	0.	0.	50,000.
TO FM 990, PART I, LN 8	100,000.	0.	0.	0.	100,000.

FORM 990 OTHER EXPENSES STATEMENT 2

DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
LODGING	17,676.	17,676.		
PUBLICATIONS AND FEES	5,218.	4,517.	701.	
CONTRACTORS	63,349.	63,349.		
RIPE NCC	15,414.	15,414.		
STORAGE	1,375.		1,375.	
UTILITIES	225.		225.	
TOTAL TO FM 990, LN 43	103,257.	100,956.	2,301.	

SCHEDULE A	OTHER INCOME			STATEMENT 7
DESCRIPTION	1997 AMOUNT	1996 AMOUNT	1995 AMOUNT	1994 AMOUNT
SPEECHES			11,883.	
TOTAL TO SCHEDULE A, LINE 22			11,883.	

Agreement for the Sale of Intangible Assets

This agreement is between the Internet Multicasting Service, a 501(c)(3) corporation incorporated in Delaware with a principal place of business at 4875 Eisenhower Avenue, Suite 250, Alexandria, Virginia, and Invisible Worlds, a corporation incorporated in Delaware with a principal place of business at 950 Charter Street, Redwood City, California, 94063.

This is one of two agreements between the corporations. The other agreement is for the sale of tangible assets. The signer of this agreement is Carl Malamud, who is the sole board member of both corporations. By signing this, Carl Malamud states that he has consulted with counsel on the duties of a non-profit corporation for the disposal of assets and is aware of the intermediate dealings sanctions. This agreement shall be verified by an outside accounting firm and may be filed with the Attorneys General of the relevant states.

Background on This Agreement

The Internet Multicasting Service was incorporated in 1993 as a not-for-profit research organization. During the period 1993-1997, the corporation received approximately \$3 million in total revenues, the vast majority from firms in the computer industry, or groups representing such firms (such as Keio University in Japan, representing a coalition of 3 corporate sponsors).

During this period of time, the Internet Multicasting Service accomplished a large number of public service projects consistent with the Articles of Incorporation, including starting the first public radio station on the Internet and pioneering placement of large government databases on the Internet including data from the SEC, Patent, Trademark, and many other U.S. government bodies. In addition, the Internet Multicasting Service organized and ran the Internet 1996 World Exposition, a world's fair on the Internet that had the formal support of the President and Vice President and included participants from over 80 countries.

In 1997, all staff had been dismissed from the Internet Multicasting Service, except for Carl Malamud. In 1997, the world's fair was properly archived to insure that the data will last forever. This process included extensive web modifications as well as the publication of a full-color report with the MIT Press. Prior to starting the Internet Multicasting Service, Carl had spent a year at the University of Colorado developing ideas for an "Internet Atlas." During 1997, Carl attempted to build a team and corporate support to carry out this Internet Atlas Project, which would have been based in Japan at Keio University. Carl spent 6 months in residence at Keio University to try and create an institute to carry out the project, but despite 3 corporate sponsors and local faculty report, the Keio University administration was not prepared to carry out such an ambitious project.

At the end of 1997, Carl decided to make one more attempt at spinning up the Internet Atlas under the auspices of a nonprofit research institute. He reached an agreement with Sun Microsystems, a long-time sponsor, and with the Dutch RIPE NCC group. The RIPE NCC is an international coordinating body for IP addresses, and the Chairman of RIPE served as the Secretary-General of the Internet 1996 World Exposition.

Upon reaching Amsterdam in January, 1997, Carl proceeded to set up shop with a small office and to begin to organize a consensus among local and European officials to help support such a research institute. Unfortunately, in February, Sun Microsystems notified Carl that the 3-year agreement had been cancelled due to budgetary cutbacks in the laboratory system. After several months of negotiation, they did agree to a single \$100,000 payment to cover damages incurred by Internet Multicasting.

For the rest of the summer of 1997, we attempted to pull together financial support from other sources. This process was unsuccessful, including repeated queries to past sponsors of the Internet Multicasting Service. During the summer, we did submit a proposal for National Science Foundation support, and that grant was ultimately awarded in October. However, the \$465,000 from the NSF would have covered approximately 25% of a 2-year budget, and the only other money that was raised was a \$100,000 commitment from the RIPE NCC.

In July, it became clear that it would be incredibly difficult to build the Internet Atlas using a non-profit research model, and Carl began the process of establishing the Atlas project as a commercial operation.

Creation of Invisible Worlds, Inc. and Nature of the Assets

Based on firm commitments to participate from Becky and Larry Pranger (the graphic designers who supported the Internet Multicasting Service) and from Dr. Marshall T. Rose, Carl Malamud moved to Silicon Valley to begin full-time work on the creation of the corporation. Because some time was spent in 1998 thinking about the Atlas, and because many of the participants had worked with Carl for many years at Internet Multicasting Service, Carl decided to make the new company, Invisible Worlds, a commercial spin-off from the nonprofit. This model was picked because it is very similar to how a university spins off a corporation to commercialize an invention.

The creation of Invisible Worlds, Inc. as a spin-off also allowed us to recognize the contributions that Internet Multicasting Service had made towards paying Carl's salary while he thought about the concept and architecture of the Atlas. As such, a clean split was made whereas expenses such as Carl's move to Silicon Valley were picked up by the new company, Invisible Worlds.

The transfer of physical assets is a fairly straightforward process of valuation, and that was accomplished in the accompanying document to this agreement. Intangible assets, however, are much harder to value. A few assets, primarily domain names, have a market value (though it is often hard to establish that value without putting the name up for a bid). During 1997 and 1998, no programming on the Atlas was conducted, so there is very little in the way of programs or other code to value. Most of intellectual effort was spent on the NSF proposal.

The other major asset of the Internet Multicasting Service consists of the archives of the World Wide Web sites, approximately 28 gigabytes of material from 1993 onwards. Much of this material is encumbered by license agreements (as any radio station or other media outlet is encumbered by license restrictions on the use of their tape archive). License to use the HarperAudio material on the web site, for example, is restricted to serving the material at 8 khz encoding from the town.hall.org domain.

The web sites created by Internet Multicasting Service are fairly stable, in that they don't require a huge amount of maintenance to keep them available on the World Wide Web. However, some modification must be done each year to keep the links from going stale. In addition, there is a cost to the systems administration needed to keep web server software and other Unix components running properly, and there is an additional cost to maintaining appropriate Internet bandwidth to serve the data to the public.

Nature of the Transaction

After discussion with several attorneys and with representatives from the accounting firm of Ernst & Young, Carl Malamud decided to execute the following transaction that specifies the nature of the relationship between Internet Multicasting Service and Invisible Worlds.

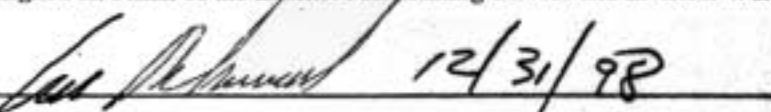
First, Internet Multicasting Service does sell all domain names it owns to Invisible Worlds and also sells all intellectual property rights it has in the Internet Atlas concept to Invisible Worlds.

Second, Invisible Worlds agrees to take over the World Wide Web archives of the Internet Multicasting Service and to maintain those archives on the web for a period of at least 10 years.

Third, Invisible Worlds agrees to grant to the Internet Multicasting Service a total of 500,000 shares of Common Stock. Internet Multicasting Service shall use the proceeds from the sale of those shares, should there be a market for those shares, to fulfill the same public benefit goals that are currently stated in the By-Laws, Articles of Incorporation, and other documents of the company. Carl Malamud shall remain sole director of the Internet Multicasting Service.

This agreement takes effect on December 31, 1998.

Signed on behalf of the Internet Multicasting Service and Invisible Worlds, Inc.



Carl Malamud
Chairman, the Internet Multicasting Service
CEO, Invisible Worlds, Inc.

Agreement for the Sale of Physical Assets

This agreement is between the Internet Multicasting Service, a 501(c)(3) corporation incorporated in Delaware with a principal place of business at 4875 Eisenhower Avenue, Suite 250, Alexandria, Virginia, and Invisible Worlds, a corporation incorporated in Delaware with a principal place of business at 950 Charter Street, Redwood City, California, 94063.

This is one of two agreements between the corporations. The other agreement is for the sale of intellectual property. The signer of this agreement is Carl Malamud, who is the sole board member of both corporations. By signing this, Carl Malamud states that he has consulted with counsel on the duties of a non-profit corporation for the disposal of assets and is aware of the intermediate dealings sanctions. This agreement shall be verified by an outside accounting firm and may be filed with the Attorneys General of the relevant states.

Whereas the Internet Multicasting Service is ceasing active operations and has decided to spin off a commercial corporation called Invisible Worlds, and whereas the Internet Multicasting Service has no need for functioning computer equipment, Internet Multicasting Service does hereby sell the following physical assets to Invisible Worlds for the sum of Fifty Thousand Dollars, (\$50,000), this being the fair market value of these physical assets.

The sale of equipment includes the following items:

- 1) A dual processor Sparcstation 20 from 1994, currently located in Alexandria Virginia, with a DLT backup device (value \$5000) and a 63-gigabyte disk array (value \$9000).
- 2) A Pentium 300 megahertz system (value \$3000) using the Linux operating system with a 63-gigabyte disk array (value \$9000).
- 3) A 4-processor Sparcstation 10 from 1994. We believe the fair market value for this system is under \$5000.
- 4) Miscellaneous equipment still owned by Internet Multicasting Service:

Items IMS Still Owns as of 12/31/1997
(Note "Estimated Resale Value Column" is as of 6/97)

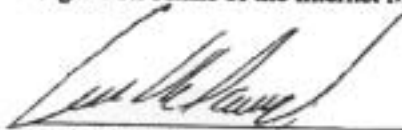
Item Description	Date Purchased	Value When Purchased	Estimated Replacement Value	Estimated Resale Value (Used)
<i>Sure VP88 Studio Microphone</i>	Jan. 1993	\$800	\$800	\$200
<i>Audio Technica Lavalier Microphone</i>	Feb. 1994	\$300	\$300	\$50
<i>JVC Digital Camera</i>	Dec. 1996	\$2000	\$2000	\$1000
Model Number GR-DV1U				
Serial Number 091H0971				
<i>Kodak DC50 Digital Camera</i>	Dec. 1996	\$500	\$400	\$250
Serial Number EKA63501340				
<i>Sure BG50 Condenser Microphone</i>	Dec. 1993	\$300	\$300	\$50
<i>Iomega Jaz Drive</i>	Jan. 1996	\$500	\$500	\$100
Model V1000S				
Serial Number W15T360LKX				
<i>AKG K240 Headphones</i>	Jan. 1994	\$100	\$100	\$20
<i>Teac DA-P20 DAT Recorder</i>	Jul. 1993	\$700	\$2000	\$350
Serial Number 008223				
<i>Audio Technica AT822 Stereo Microphone</i>	Dec. 1993	\$300	\$300	\$100

<i>Phillips D-C88 96KHz DAT Recorder</i> Serial Number PF8400186	Jan. 1996	\$3000	\$3000	\$1500
<i>Microsoft Developer Network CD-ROMs.</i> Approximately 300 discs in 3 binders. Note: Complimentary subscription granted to Media Lab faculty.	Dec. 1996	\$500	\$500	\$500
<i>Sony EVI D30 Camera, Experimental</i> Model from Sony Laboratories.	Jun. 1996	\$1000	\$1000	\$500
<i>Asante 10T Hub/8</i> Serial Number 439M1628	Jan. 1995	\$300	\$100	
<i>Sony Sprezza CD-R Drive</i> Model CSP-9411S Serial Number 1004174	Dec. 1996	\$500	\$500	\$250
<i>Mackie CR1604 Mixing Board with Otto</i> MIDI Automation Kit	Jan. 1995	\$1800	\$1800	\$500
<i>Denon 200-CD Disk Changer Unit</i> Serial Number 3091500370	Nov. 1993	\$2500	\$2000	
<u>Other Items</u>				
<i>26 Beta Tapes</i>		\$260	\$260	\$130
<i>84 Photo CDs</i>		\$840	\$840	\$420
<i>19 Jazz Drives</i>		\$1900	\$1900	\$800
<i>40 Floppy Discs</i>				
<i>85 Dat Tapes</i>		\$850	\$850	\$240
<i>Denon CD Player</i> Model DCD-610	Jan. 1994	\$600	\$600	\$200
<i>JBL Studio Monitors Model 4410A</i>	Jan. 1994	\$1500	\$1500	\$500
<i>QSC Model 1400 Power Amplifier</i>	Jan. 1994	\$500	\$500	\$100
<i>Casio LCD Camera Model QV10</i> (Purchased in Japan)	Dec. 1995	\$400	\$200	\$100
<i>Headphones. 3 sets of Tascam</i> Professional Intercom Headsets and one AKG Headphone.	Dec. 1995	\$400	\$400	\$200
<i>Asante 10BaseT Hub 8</i>	Jan. 1995	\$200	\$100	\$50
<i>Corel 200-CD Photo Clipart Collection</i>	Jan. 1995	\$1000	\$1000	\$300
<i>In Virginia: Sun Sparc 20 Workstation</i>	Jan. 1994	\$18,000	\$6,000	\$3,000
<i>2 Cisco Routers</i>	Jan. 1994	\$4,000	\$2,000	\$500
Total Estimated Resale Value				\$5,190.00

Total value of all items is estimated to be \$43,000. This agreement for \$50,000 is thus thought to be a conservative estimate that gives the Internet Multicasting Service a more-than-fair value for the equipment.

This agreement takes effect on December 31, 1998.

Signed on behalf of the Internet Multicasting Service and Invisible Worlds, Inc.



Carl Malamud
Chairman, the Internet Multicasting Service
CEO, Invisible Worlds, Inc.