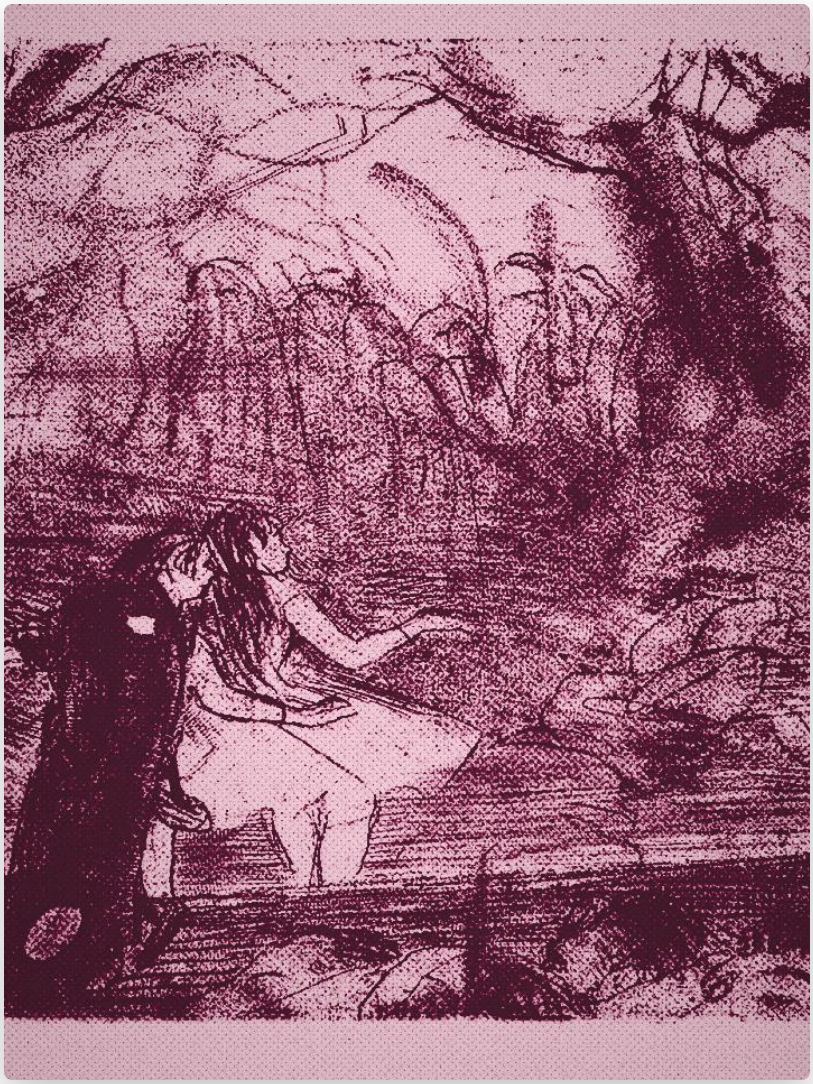
FORM S-1 · REGISTRATION STATEMENT

Intervu Inc

IPO priced 1997-11-20 · $9.50 a share · ITVU



From S1 Directory · www.s1directory.com/s1/intervu-inc/ · Source: https://www.sec.gov/Archives/edgar/data/1011418/000093639297001105/0000936392-97-001105.txt

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 13, 1997

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

INTERVU INC. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	7371	33-0680870
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

201 LOMAS SANTA FE DRIVE SOLANA BEACH, CA 92075 (619) 350-1600 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) HARRY E. GRUBER CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER INTERVU INC. 201 LOMAS SANTA FE DRIVE SOLANA BEACH, CA 92075 (619) 350-1600 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

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(415) 392-1122

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX. [ ] IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, PLEASE CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [ ] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(C) UNDER THE SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [ ] IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Common Stock, $.001 par value.....	shares	$	$25,300,000	$7,667

(1) INCLUDES SHARES SUBJECT TO THE UNDERWRITERS' OPTION TO COVER OVER-ALLOTMENTS.

(2) ESTIMATED SOLELY FOR THE PURPOSE OF COMPUTING THE REGISTRATION FEE PURSUANT TO RULE 457 UNDER THE SECURITIES ACT OF 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED AUGUST 13, 1997 PROSPECTUS

SHARES LOGO

INTERVU INC.

COMMON STOCK

INTERVU INC. ("INTERVU" OR THE "COMPANY") HEREBY OFFERS SHARES OF COMMON STOCK, $.001 PAR VALUE PER SHARE (THE "COMMON STOCK"). PRIOR TO THE OFFERING (THE "OFFERING"), THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK AND THERE CAN BE NO ASSURANCE THAT SUCH A MARKET WILL DEVELOP AFTER COMPLETION OF THE OFFERING, OR IF DEVELOPED, THAT IT WILL BE SUSTAINED. IT IS PRESENTLY ANTICIPATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $ AND $ PER SHARE. SEE "UNDERWRITING" FOR INFORMATION RELATING TO THE DETERMINATION OF THE INITIAL PUBLIC OFFERING PRICE. THE COMPANY HAS APPLIED TO HAVE THE COMMON STOCK APPROVED FOR LISTING AND TRADING, SUBJECT TO OFFICIAL NOTICE OF ISSUANCE, ON THE AMERICAN STOCK EXCHANGE ("AMEX") UNDER THE SYMBOL IVU.

SEE "RISK FACTORS" BEGINNING ON PAGE 6 FOR CERTAIN INFORMATION WHICH SHOULD BE CAREFULLY CONSIDERED BEFORE PURCHASING SHARES OF THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS(1)	PROCEEDS TO COMPANY(2)
Per Share.....	$	$	$
Total(3).....	$	$	$

(1) DOES NOT INCLUDE A NON-ACCOUNTABLE EXPENSE ALLOWANCE PAYABLE TO JOSEPHTHAL LYON & ROSS INCORPORATED ("JOSEPHTHAL") AND , REPRESENTATIVES OF THE SEVERAL UNDERWRITERS (THE "REPRESENTATIVES"). IN ADDITION, SEE "UNDERWRITING" FOR FURTHER INFORMATION CONCERNING INDEMNIFICATION AND CONTRIBUTION ARRANGEMENTS WITH, AND OTHER COMPENSATION PAYABLE TO, THE UNDERWRITERS.

(2) BEFORE DEDUCTING OFFERING EXPENSES ESTIMATED TO BE $850,000, INCLUDING THE REPRESENTATIVES' NON-ACCOUNTABLE EXPENSE ALLOWANCE.

(3) THE COMPANY HAS GRANTED THE UNDERWRITERS AN OPTION (THE "OVER-ALLOTMENT OPTION"), EXERCISABLE FOR A PERIOD OF 30 DAYS AFTER THE DATE OF THIS PROSPECTUS, TO PURCHASE UP TO AN ADDITIONAL SHARES OF COMMON STOCK UPON THE SAME TERMS AND CONDITIONS SET FORTH ABOVE, SOLELY TO COVER OVER-ALLOTMENTS, IF ANY. IF THE OVER-ALLOTMENT OPTION IS EXERCISED IN FULL, THE TOTAL PRICE TO PUBLIC, UNDERWRITING DISCOUNTS AND PROCEEDS TO COMPANY WILL BE $, $ AND $, RESPECTIVELY. SEE "UNDERWRITING."

THE SHARES OF COMMON STOCK ARE OFFERED BY THE UNDERWRITERS, SUBJECT TO PRIOR SALE, WHEN, AS AND IF DELIVERED TO AND ACCEPTED BY THE UNDERWRITERS, AND SUBJECT TO THE APPROVAL OF CERTAIN LEGAL MATTERS BY THEIR COUNSEL AND TO CERTAIN OTHER CONDITIONS. THE UNDERWRITERS RESERVE THE RIGHT TO WITHDRAW, CANCEL OR MODIFY THE OFFERING WITHOUT NOTICE AND TO REJECT ANY ORDER IN WHOLE OR IN PART. IT IS EXPECTED THAT DELIVERY OF THE COMMON STOCK OFFERED HEREBY WILL BE MADE AGAINST PAYMENT THEREFOR AT THE OFFICES OF JOSEPHTHAL LYON & ROSS INCORPORATED, NEW YORK, NEW YORK, ON OR ABOUT , 1997.

JOSEPHTHAL LYON & ROSS

THE DATE OF THIS PROSPECTUS IS , 1997.

INFORMATION CONTAINED IN THE COMPANY'S WEB SITE SHALL NOT BE DEEMED TO BE A PART OF THIS PROSPECTUS.

INTERVU(TM), INSTAVU(TM), V-BANNER(TM), ALL EYES(TM), FAST TRACK(TM), EYEQ(TM), GET SMART(TM), SMART SEEK(TM), INTERVU PLAYER(TM), INSTAVU PLAYER(TM), INTERVU NETWORK(TM), SMART MIRROR(TM), SMARTVU(TM), VIRTUAL URL(TM), VIRTUAL HOP(TM) AND THE INTERVU LOGO ARE TRADEMARKS OF THE COMPANY. THE COMPANY HAS FILED APPLICATIONS FOR TRADEMARK REGISTRATION ON THE FOLLOWING TRADEMARKS: ALL EYES, INSTAVU, INTERVU, SMART MIRROR, SMARTVU, VIRTUAL HOP AND VIRTUAL URL. THE COMPANY HAS APPLIED FOR SERVICEMARK REGISTRATION ON VUTOPIA. THIS PROSPECTUS ALSO INCLUDES TRADEMARKS OF COMPANIES OTHER THAN THE COMPANY.

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING ENTERING STABILIZING BIDS, EFFECTING SYNDICATE COVERING TRANSACTIONS OR IMPOSING PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

Prospectus Summary

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Investors should carefully consider the information set forth under the heading "Risk Factors." Except as otherwise indicated, all information in this Prospectus (i) assumes that the Over-Allotment Option will not be exercised; (ii) assumes no exercise of the warrants to be issued by the Company to the Representatives to purchase up to shares of Common Stock (the "Advisors' Warrants"); (iii) has been adjusted to give effect to the two-for-one stock split in July 1997 and the -for-one reverse stock split in 1997 (the "Stock Splits"); and (iv) reflects the automatic conversion of all outstanding shares of the Company's Preferred Stock into Common Stock upon the closing of the Offering.

The Company

InterVU Inc. is a specialized service company seeking to establish a leadership position in the Internet video delivery market. The Company utilizes a proprietary software system for routing and distributing high quality video over the Internet at rapid speeds. Unlike traditional Web site based video delivery solutions, the Company's system moves the video delivery mechanism away from the owner's Web site and on to the Company's network of specialized video servers strategically situated on the Internet (the "InterVU Network"). The InterVU Network allows the Company to deliver video quickly to end-users and allows Web site owners and advertisers to provide video on the Internet without having to invest in costly hardware and software or to maintain a staff of employees with video delivery expertise.

The Company's target customers are the increasing number of Web site owners that seek a means of adding video presentations to their Web pages in an easily implemented and cost effective manner and advertisers that wish to incorporate video into banners and other Internet advertisements. The

Company believes that multimedia-rich Web sites, capable of delivering high quality video content quickly to the end-user, can generate significant marketing differentiation and "top of mind" awareness in consumer buying decisions. Web site owners that have used the Company's services include Major League Baseball, the Lifetime Television Network (Hearst/ABC-Viacom Entertainment Service), Yachting Magazine (Times Mirror Magazines), Turner Classic Movies (Turner Broadcasting System), Court TV, Speedvision Online (Cable Network Services) and NET-Political Talk. The Company currently has a video banner advertisement promoting Goldwin Golf and, on the Yahoo! Web site, a video banner advertisement for the recently released Columbia Pictures movie "Air Force One."

The Internet and most Internet software, hardware and service providers have experienced dramatic growth over the last three years. Unprecedented commercial and end-user interest in the Internet has been spurred by the introduction of key technologies, including Web browsers and powerful search engines. These technologies, along with consistent usage of Universal Resource Locators ("URLs"), have enabled end-users of the Internet to quickly and smoothly navigate to sites around the world. International Data Corporation has estimated that as of the end of 1996 there were approximately 35 million end-users of the Internet and that there would be approximately 175 million end-users by the year 2001. According to a Netcraft survey, as of July 1997 there were approximately 1.2 million Web sites.

Traditional Internet video delivery mechanisms have been adversely affected by traffic congestion on the Internet and the limitations of video server storage and delivery resources, desktop storage capabilities and desktop processing power available for video decoding and playback. In addition, many Web site owners and advertisers have been reluctant to make the significant investments in hardware and software necessary to deliver video over the Internet from their own sites. As a result, most Web site owners and advertisers have been slow to utilize video on the Internet.

The Company's network solution, by contrast, provides high throughput delivery of video messages to end-users over the Internet and allows Web site owners and advertisers to use video on the Internet without incurring substantial start-up costs. Video messages are hosted on the InterVU Network but accessed from customers' Web sites. Upon the request of an end-user at a participating Web site, the InterVU Network transmits video messages directly to the viewer. In the case of video banner advertisements, the video is displayed automatically to end-users with video player capability that visit the Web site containing the advertisement. The InterVU Network is designed to be platform, browser and software player independent, allowing Web site owners and advertisers to use a variety of digital video encoding formats with the assurance that such formats will be compatible with most platforms, browsers and software players an end-user may be utilizing. The InterVU Network utilizes a number of proprietary technologies, including the Company's Smart Mirror technology, All Eyes software, InstaVU video player and EyeQ software, which together are designed to deliver video to the end-user from the "electronically closest" server, provide Web site owners or advertisers with the ability to reach an increased number of end-users with their video content and improve end-users' video viewing experience.

The Company offers its services to Web site owners and advertisers for fees based on the volume of video content delivered, for flat fees or for a combination thereof. The Company expects to generate additional revenues in the future from selling advertising space on Web pages when Web site owners offer such space on their pages in exchange for a sharing of fees or for video encoding and delivery services performed by the Company. In addition, the Company generally charges its customers fees for encoding analog video into digital form for transmission over the Internet. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

InterVU was incorporated in Delaware in August 1995. The Company's principal executive offices are located at 201 Lomas Santa Fe Drive, Solana Beach, California 92075, and its telephone number is (619) 350-1600.

The Offering

Common Stock offered..... shares Common Stock to be outstanding after the Offering..... shares(1) Use of proceeds..... Expansion of marketing and sales efforts, additional research and development expenditures, capital expenditures and working capital and other general corporate purposes. See "Use of Proceeds."

Risk factors..... The securities offered hereby are speculative in nature and involve a high degree of risk. See "Risk Factors."

Proposed AMEX symbol..... IVU

(1) Excludes shares of Common Stock issuable upon exercise of the Advisors' Warrants and shares of Common Stock issuable upon exercise of outstanding options under the 1996 Stock Plan of InterVU Inc. (the "1996 Stock Plan").

Summary Financial Information (In Thousands, Except Share and Per Share Data)

	PERIOD FROM INCEPTION (AUGUST 2, 1995) TO DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30,	
			1996	1997
STATEMENT OF OPERATIONS DATA:				
Revenues	$ --	$ --	$ --	$ 31
Operating expenses:				
Research and development	33	1,420	497	891
Selling, general and administrative	16	910	231	1,364
Total operating expenses	49	2,330	728	2,255
Loss from operations	(49)	(2,330)	(728)	(2,224)
Interest income	3	52	19	42
Net loss	(46)	(2,278)	(709)	(2,182)
Pro forma net loss per share (1)		$		$
Shares used in computing pro forma net loss per share (1)				

	JUNE 30, 1997	PRO FORMA	ACTUAL PRO FORMA(2)	AS ADJUSTED(3)
BALANCE SHEET DATA:				
Cash and cash equivalents	$3,453	$ 5,773		$
Working capital	3,230	5,550		
Total assets	3,860	6,180		
Long-term debt	2,024	14		
Total stockholders' equity	1,583	5,913		

(1) See Note 1 of Notes to Financial Statements for an explanation of the number of shares used in computing pro forma net loss per share.

(2) Gives effect to the conversion of $2.0 million in stockholder advances at June 30, 1997, and additional proceeds of $2.3 million received in July and August 1997, related to the issuance of an aggregate of shares of Series F Convertible Preferred Stock in July and August 1997.

(3) As adjusted to reflect the sale by the Company of shares of Common Stock at an assumed initial public offering price of $ per share, and the receipt of the net proceeds therefrom. See "Use of Proceeds" and "Capitalization."

Risk Factors

An investment in the shares of Common Stock offered hereby is speculative in nature and involves a high degree of risk. In addition to the other information contained in this Prospectus, the following factors should be considered carefully in evaluating the Company and its business before purchasing the shares of Common Stock offered hereby. This Prospectus contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed in the forward-looking statements as a result of certain factors, including, but not limited to, those discussed below as well as those discussed elsewhere in this Prospectus.

Limited Operating History; Accumulated Deficit; Anticipated Losses

The Company was incorporated in August 1995 and launched the InterVU Network in December 1996. Accordingly, the Company has a limited operating history on which to base an evaluation of its business and prospects. The Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets such as the delivery of video over the Internet. Such risks for the Company include, but are not limited to, an evolving and unproven business model and the management of growth. To address these risks, the Company must, among other things, maintain and significantly increase its customer base, implement and successfully execute its business and marketing strategy, continue to develop and upgrade its technology, provide superior customer service, respond to competitive developments, and attract, retain and motivate qualified personnel. There can

be no assurance that the Company will be successful in addressing these risks, and the failure to do so could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Since inception, the Company has incurred significant losses and, as of June 30, 1997, the Company had an accumulated deficit of approximately $4.5 million. To date, the Company has not generated any significant revenues and, as a result of the significant expenditures that the Company plans to make in sales and marketing, research and development and general and administrative activities over the near term, the Company expects to continue to incur significant operating losses on both a quarterly and annual basis for the foreseeable future. For these and other reasons, there can be no assurance that the Company will ever achieve or be able to sustain profitability. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business -- Strategy."

POTENTIAL FLUCTUATIONS IN QUARTERLY OPERATING RESULTS; UNPREDICTABILITY OF FUTURE REVENUES The Company's quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside the Company's control. Factors that may affect the Company's quarterly operating results include the future adoption rate of video content by Web site owners, the Company's ability to retain existing customers, attract new customers at a steady rate and maintain customer satisfaction, the level of use of the Internet and the growth of the market for video advertising on the Internet, the amount and timing of costs and expenditures relating to the expansion of the Company's business, the introduction or announcement of new Internet services by the Company and its competitors, price competition or pricing changes in the Internet, cable and telecommunications industries, technical difficulties or network downtime, general economic conditions and economic conditions specific to the Internet, Internet media, corporate intranet and cable industries. As a result of the Company's limited operating history and the emerging nature of the markets in which it competes, the Company is unable to accurately forecast its revenues. In addition, the Company plans to increase operating expenses to fund additional sales and marketing, research and development and general and administrative activities. To the extent that these expenses are not accompanied by an increase in revenues, the Company would have to decrease or cease such expenditures or the Company's operating results and financial condition could be materially adversely affected. Due to all of the foregoing factors, it is possible that the Company's operating results in one or more future quarters will fail to meet or exceed the expectations of securities analysts or investors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Unproven Acceptance of the Company's Fee Structure

The Company's business plan calls for it to generate revenues primarily from fees charged to customers for the volume of video content delivered. To date, however, the Company has generated most of its revenues from flat rate monthly fees charged to customers based upon video delivery and encoding services. In addition, certain of the Company's Web site customers have traded advertising space on their Web pages for video delivery services provided by the Company. Although monthly fees charged by the Company typically are based on estimates of the amounts such customers would pay under the

pay-per-delivery approach, flat rate billing exposes the Company to the risk that end-users will download customers' video content at higher-than-anticipated rates, causing the Company to incur bandwidth expenses in excess of revenues. Likewise, trading video delivery services for advertising space exposes the Company to the risk that it will not generate sufficient proceeds from sales of advertising to cover its costs of supplying video delivery services. The Company does not currently have the expertise or staffing necessary to liquidate significant amounts of Internet advertising inventory through the direct sale of advertising to clients or the sale of advertising space to a reseller of such space, and there can be no assurance that the Company will develop such expertise and staffing or that the Company will establish a strategic relationship with a company having such capacities. There can be no assurance that the Company's pay-per-delivery fee structure will become widely accepted by Web site owners and advertisers, and the failure of the Company to successfully implement its pay-per-delivery fee structure or a profitable monthly fee equivalent would have a material adverse effect on the Company's business, prospects, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Uncertain Acceptance of the Company's Services

The Company's ability to achieve and maintain a leadership position in Internet video delivery will depend, among other things, on the Company's success in providing high-speed, high-quality video over the Internet, the Company's marketing efforts and the reliability of the Company's networks and services, none of which can be assured. If Web site owners and advertisers do not perceive the Company's services to be of high quality, or if the Company introduces new services or enters into new business ventures that are not favorably received, the Company's business, prospects, financial condition and results of operations would be materially adversely affected.

In order to attract early customers and achieve penetration of the market for Internet video delivery, the Company initially provided up to 90 days of free trial service to certain customers. Of the 20 customers who received such discounts, eight customers have emerged from the free trial period and are currently paying for the Company's video delivery services, 11 customers remain in the trial period, and one customer discontinued the Company's video delivery service. There can be no assurance that the Company's customers will continue to utilize the Company's services or that the Company will be able to attract and retain new customers. The failure of the Company to retain customers after the free trial period or the inability of the Company to attract and retain new customers could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Use of the Internet by consumers is at a very early stage of development, and market acceptance of the Internet as a medium for information, entertainment, commerce and advertising is subject to a high level of uncertainty. The Company's success will depend in large part on the development and acceptance of the Internet as an advertising medium and, specifically, the use of advertising and Web sites which incorporate video. The Company's customers have only limited experience, if any, with the Internet as a marketing and advertising medium, and neither its customers nor their advertising agencies have devoted a significant portion of their advertising budgets to Internet-based marketing

and advertising activities in the past. In order for the Company to generate revenues from Web site owners and advertising customers, Web site owners, advertisers and advertising agencies must direct a portion of their budgets to Internet-based marketing and advertising activities which incorporate video. There can be no assurance that Web site owners, advertisers or advertising agencies will be persuaded to allocate or continue to allocate portions of their budgets to Internet-based marketing and advertising activities or, if so persuaded, that they will incorporate video in such marketing and advertising activities. If Internet-based marketing and advertising activities incorporating video are not widely accepted by advertisers and advertising agencies, the Company's business, prospects, financial condition and results of operations would be materially adversely affected. See "Business -- Marketing and Sales."

Competition

The market for Internet services is highly competitive, and the Company expects competition to increase significantly. In addition, the Company expects the market for the delivery of video over the Internet, to the extent it develops, to be intensely competitive. The Company faces substantial competition from companies that provide the hardware, digital video encoding software and know-how necessary to allow Web site owners and advertisers to utilize video in their Internet marketing and advertising activities. Several companies offer services that compete with those offered by the Company, including, among others, Progressive Networks, Inc. (RealVideo), VDOnet Corp. (VDOLive), VXtreme, Inc. (Web Theater), AudioNet Inc. (AudioNet) and At Home Corporation (@Home Experience). In August 1997, Progressive Networks and MCI Communications Corporation ("MCI") announced a strategic alliance involving the introduction of a service, called "RealNetwork," that will deliver audio and video broadcasts over the Internet. The RealNetwork will reportedly permit end-users to simultaneously receive video broadcasts by distributing copies of digital video programs to multiple points on MCI's Internet backbone. The strategic alliance between Progressive Networks and MCI appears to be a service-based marketing strategy similar to that being implemented by the Company. In addition, Microsoft Corporation ("Microsoft") has made significant investments in Internet video delivery technologies and has disclosed a multimedia strategy of broadening the market for video compression solutions. In August 1997, Microsoft announced (i) the release of its NetShow 2.0 multimedia server which incorporates technology for video and audio delivery over the Internet and corporate intranets, (ii) an agreement with leading video compression software companies, including Progressive Networks and VDOnet Corp., to cooperate in defining future standards based on the Microsoft Active Streaming Format and (iii) the acquisition of VXtreme, Inc. Microsoft also holds significant equity positions in Progressive Networks and VDOnet Corp. In addition, as was the case with VXtreme, Inc., Progressive Networks and VDOnet Corp., providers of Internet delivery video services may be acquired by, receive investments from or enter into other commercial relationships with, larger, well-established and well-financed companies, such as Microsoft and MCI. Greater competition resulting from such relationships could have a material adverse effect on the Company's

business, prospects, financial condition and results of operations. Because the operations and strategic plans of existing and future competitors are undergoing rapid change, it is extremely difficult for the Company to anticipate which companies are likely to offer competitive services in the future.

The bases of competition in markets for video delivery include transmission speed, reliability of service, ease of access, price/performance, ease-of-use, content quality, quality of presentation, timeliness of content, customer support, brand recognition and operating experience. The Company believes that it compares favorably with its competitors with respect to each of these factors, except brand recognition and operating experience, both of which have been limited as a result of the Company's early stage of development. However, many of the Company's competitors and potential competitors have substantially greater financial, technical, managerial and marketing resources, longer operating histories, greater name recognition and/or more established relationships with advertisers and content and application providers than the Company. Such competitors may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies and devote substantially more resources to developing Internet services or online content than the Company. There can be no assurance that the Company will be able to compete successfully against current or future competitors or that competitive pressures faced by the Company will not materially adversely affect the Company's business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, the Company may make certain pricing, service or marketing decisions or enter into acquisitions or new ventures that could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Dependence on Key Personnel

The Company's future performance and development will depend, in large part, upon the efforts and abilities of certain members of senior management, including Harry E. Gruber, its Chief Executive Officer and Chairman of the Board, and Brian Kenner, its Vice President and Chief Technology Officer. Dr. Gruber is also serving as the Company's Chief Financial Officer until the Company determines to retain an individual for that position. The Company has not entered into any employment agreements. The loss of service of one or more members of senior management could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. In addition, the Company believes that its future success will depend upon its continuing ability to identify, attract, motivate, train and retain other highly skilled managerial, financial, engineering, sales and marketing and other personnel. Competition for such personnel is intense. There can be no assurance that the Company will be successful in identifying, attracting, motivating, training and retaining the necessary personnel, and the failure to do so could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. See "Management."

Dependence on Increased Usage and Stability of the Internet

The future of the Internet as a center for information exchange, advertising, entertainment and commerce will depend in significant part on continued rapid growth in the number of households and commercial, educational and government institutions with access to the Internet, in the level of usage by individuals and businesses, and in the number and quality of products and services designed for use on the Internet. Because usage of the Internet as a medium for on-line exchange of information, advertising, entertainment and commerce is a recent phenomenon, it is difficult to predict whether the number of users drawn to the Internet will continue to increase. There can be no assurance that Internet usage patterns will not decline as the novelty of the medium recedes or that the quality of products and services offered on-line will improve sufficiently to continue to support user interest.

Moreover, critical issues regarding the stability of the Internet's infrastructure remain unresolved. The rapid rise in the number of Internet users and increased transmission of audio, video, graphical and other multimedia content over the Web has placed increasing strains on the Internet's communications and transmission infrastructures. Continuation of such trends could lead to significant deterioration in transmission speeds and reliability of the Internet and could reduce the usage of the Internet by businesses and individuals. Any failure of the Internet to support the ever-increasing number of users due to inadequate infrastructure, or otherwise, could materially and adversely affect the acceptance of the Company's products and services which would, in turn, materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Risks of Technological Change

The markets for Internet services are characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The emerging nature of Internet products and services and their rapid evolution will require that the Company continually improve the performance, features and reliability of the InterVU Network and the Company's customer service, particularly in response to competitive offerings. There can be no assurance that the Company will be successful in responding quickly, cost effectively and sufficiently to these developments. There can be no assurance that the Company will be successful in achieving widespread acceptance of its services before competitors offer products and services with speed and performance similar to the Company's current offerings. In addition, the widespread adoption of new Internet or telecommunications technologies or standards could require substantial expenditures by the Company to modify or adapt its video delivery service and could fundamentally affect the character, viability and frequency of Internet-based advertising, either of which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. In addition, new services or enhancements offered by the Company may contain design flaws or other defects that could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. See "Business -- Technology Overview" and "-- Customer Services."

Security Risks

Despite the implementation of security measures, the Company's networks may be vulnerable to unauthorized access, computer viruses and other disruptive problems. Internet Service Providers ("ISPs") and On-line Service Providers ("OSPs") have in the past experienced, and may in the future experience, interruptions in service as a result of the accidental or intentional actions of Internet users, current and former employees or others. Although the Company intends to continue to implement industry-standard security measures, industry-standard security measures have been circumvented in the past, and there can be no assurance that measures implemented by the Company will not be circumvented in the future. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to the Company's customers and end-users, which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Risks of Encoding and Distributing Adult Video Content

While the Company does not currently provide its services to Web sites that host adult videos, the Company may in the future provide services to such sites. In determining whether to encode and/or deliver adult video content through the InterVU Network, the Company intends to take into account the overall costs of providing such services, including possible negative reaction from its existing and potential Web site and advertising customers. The loss of customers as a result of the Company's becoming associated with adult Web sites could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. In addition, the Company could be exposed to liability for encoding and hosting adult content deemed to be indecent or obscene. Although the United States Supreme Court has upheld lower court decisions declaring the anti-indecency provisions of the Telecommunications Act of 1996 unconstitutional, the law relating to liability for transmitting obscene or indecent material over the Internet remains unsettled.

Intellectual Property

The Company regards its technology as proprietary and attempts to protect it with copyrights, trademarks, trade secret laws, restrictions on disclosure and other methods. In addition, the Company has filed seven United States patent applications and one international patent application and is in the process of preparing additional patent applications with respect to its technology. There can be no assurance that any patent will issue from these applications or that, if issued, any claims allowed will be sufficiently broad to protect the Company's technology. In addition, there can be no assurance that any patents that may be issued will not be challenged, invalidated or circumvented, or that any rights granted thereunder would provide proprietary protection to the Company. Failure of any patents to provide protection to the Company's technology may make it easier for the Company's competitors to offer technology equivalent or superior to the Company's technology. The Company also generally enters into confidentiality and non-disclosure agreements with its employees and consultants, and

generally controls access to and distribution of its documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's services or technology without authorization, or to develop similar technology independently. There can be no assurance that the steps taken by the Company will prevent misappropriation or infringement of its technology. In addition, litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's intellectual property rights or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. The Company believes that, due to the rapid pace of technological innovation for Internet products and services, the Company's ability to establish and maintain a position of technology leadership in the industry depends more on the skills of its development personnel than upon the legal protections afforded its existing technology.

Anti-takeover Effects of Certain Charter Provisions

Certain provisions of the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws could discourage potential acquisition proposals, could delay or prevent a change in control of the Company and could make removal of management more difficult. Such provisions could diminish the opportunities for a stockholder to participate in tender offers, including tender offers that are priced above the then current market value of the Common Stock. The provisions also may inhibit increases in the market price of the Common Stock that could result from takeover attempts. These provisions include a Board of Directors consisting of three classes; a limitation which permits only the Board of Directors, the Chairman or the President of the Company to call a special meeting of stockholders; a prohibition against the stockholders acting by written consent; and certain advance notice procedures for nominating candidates for election to the Board of Directors and for proposing business before a meeting of stockholders. Additionally, the Board of Directors of the Company, without further stockholder approval, may issue up to shares of Preferred Stock, in one or more series, with such terms as the Board of Directors may determine, including rights such as voting, dividend and conversion rights which could adversely affect the voting power and other rights of the holders of Common Stock. Preferred Stock may be issued quickly with terms which delay or prevent the change in control of the Company or make removal of management more difficult. Also, the issuance of Preferred Stock may have the effect of decreasing the market price of the Common Stock. See "Description of Capital Stock -- Preferred Stock" and "-- Delaware Law and Certain Charter and Bylaw Provisions."

Shares Eligible for Future Sale

Sales of a substantial number of shares of Common Stock in the public market following the Offering could materially adversely affect the prevailing market price of the Company's Common Stock. Upon completion of the Offering, the Company will have shares of Common Stock outstanding. The shares

offered hereby (plus any shares issued upon exercise of the Over-Allotment Option) will be freely tradeable. Of the remaining shares, will be eligible for sale under Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), subject to certain volume and other limitations. In addition, following expiration of the nine-month lockup agreements with Josephthal, approximately additional shares will become eligible for sale, subject in most cases to compliance with certain volume limitations under Rule 144. Josephthal may, in its sole discretion, and at any time without notice, release all or any portion of the shares subject to such lock-up agreements. In addition, the Company intends to register on Form S-8 following the effective date of the Offering, a total of shares of Common Stock reserved for issuance or subject to outstanding options granted under the Company's 1996 Stock Plan. The Company has agreed to sell to the Representatives, for nominal consideration, the Advisors' Warrants to purchase from the Company shares of Common Stock. The Advisors' Warrants are initially exercisable at a price per share equal to 120% of the initial public offering price for a period of four years commencing one year after the date of this Prospectus and are restricted from sale, transfer, assignment or hypothecation for a period of twelve months from the date hereof, except to officers of the Representatives. The Advisors' Warrants also provide for adjustment in the number of shares of Common Stock issuable upon the exercise thereof as a result of certain subdivisions and combinations of the Common Stock. The Advisors' Warrants grant to the holders thereof certain rights of registration for the securities issuable upon exercise of the Advisors' Warrants. See "Management," "Description of Capital Stock," "Shares Eligible for Future Sale" and "Underwriting."

Management's Discretion Over Use of Proceeds of the Offering

The Company expects to use the net proceeds of the Offering for expansion of sales and marketing efforts, additional research and development expenditures and general corporate purposes, including working capital and capital expenditures. The Company may, if an opportunity arises, use an unspecified portion of the net proceeds to acquire or invest in complementary businesses, products and technologies. From time to time, in the ordinary course of business, the Company expects to evaluate potential acquisitions of such businesses, products or technologies. However, the Company has no present understandings, commitments or agreements with respect to any material acquisition or investment. Accordingly, management will have significant flexibility in applying the net proceeds of the Offering. The failure of management to apply such funds effectively could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. See "Use of Proceeds."

Governmental Regulation and Legal Uncertainties

The Company is not currently subject to direct regulation by any domestic or foreign governmental agency, other than regulations applicable to businesses generally, and laws or regulations directly applicable to the Internet. However, due to the increasing popularity and use of the Internet, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, pricing, content, copyrights, distribution and

characteristics and quality of products and services. Furthermore, the growth and development of Internet markets may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business online. The adoption of any additional laws or regulations may decrease the growth of Internet use, which could, in turn, decrease the demand for the Company's services or increase the cost of doing business, or otherwise have an adverse effect on the Company's business, prospects, financial condition and results of operations. Moreover, the applicability to the Internet of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, libel and personal privacy is uncertain and may take years to resolve. Any such new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to the Company's business, or the application of existing laws and regulations to the Internet could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Requirements for Additional Capital

The Company believes that the net proceeds from the Offering, together with existing cash, cash equivalents, short-term cash investments and capital lease financing, will be sufficient to meet its working capital and capital expenditure requirements through at least the end of 1998. However, the Company may need to raise substantial additional funds if its estimates of working capital and/or capital expenditures change or prove inaccurate or in order for the Company to respond to unforeseen technological or marketing hurdles or to take advantage of unanticipated opportunities. Over the longer term, it is likely that the Company will require substantial additional funds to continue to fund expansion of the InterVU Network, product development, marketing, sales and customer support needs. There can be no assurance that any such funds will be available at the time or times needed, or available on terms acceptable to the Company. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to continue to develop new technologies and services or otherwise respond to competitive pressures. Such inability could have a material adverse effect on the Company's business, prospects, financial condition and result of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

No Prior Trading Market; Possible Volatility of Stock Price

The trading price of the Common Stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as actual or anticipated variations in quarterly operating results, announcements of technological innovations, new sales formats or new products or services by the Company or its competitors, changes in financial estimates by securities analysts, conditions or trends in Internet markets, changes in the market valuations of other Internet companies, announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel, sales of Common Stock and other events or factors, many of which are beyond the Company's control. In addition, the stock market in general, and the market for Internet-related and technology companies in particular,

has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. The trading prices of many technology companies' stocks are at or near historical highs and reflect price earnings ratios substantially above historical levels. There can be no assurance that these trading prices and price earnings ratios will be sustained. These broad market and industry factors may materially and adversely affect the market price of the Common Stock, regardless of the Company's operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against such company. Such litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Immediate and Substantial Dilution

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     Investors participating in the Offering will incur immediate, substantial
dilution in the amount of $      per share, based on an assumed initial public
offering price of $      per share. To the extent that options and warrants to
purchase the Company's Common Stock are exercised, there may be further
substantial dilution. See "Dilution."
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Use of Proceeds

The net proceeds to be received the Company from the sale of the shares of Common Stock offered hereby, assuming an initial public offering price of $ per share, are estimated to be $ ($ if the Over-Allotment Option is exercised in full), after deducting the underwriting discounts, the non-accountable expense allowance and other estimated expenses of the Offering payable by the Company.

The Company anticipates that the net proceeds will be used for increased marketing and sales efforts, additional research and development expenditures and capital expenditures. The balance of the net proceeds will be used for working capital and other general corporate purposes. Furthermore, from time to time the Company expects to evaluate possible acquisitions of or investments in businesses, products and technologies that are complementary to those of the Company, for which a portion of the net proceeds from the Offering may be used. While the Company engages from time to time in discussions with respect to potential investments or acquisitions, the Company has no plans, commitments, or agreements with respect to any such investments or acquisitions. Pending such uses, the Company intends to invest the net proceeds of the Offering in short-term, investment-grade, interest-bearing securities.

Dividend Policy

The Company has never declared or paid any cash dividends on its capital stock. The Company currently intends to retain all future earnings, if any, for use in the operation and development of its business and, therefore, does not expect to declare or pay any cash dividends on its Common Stock in

the foreseeable future.

Dilution

The pro forma net tangible book value of the Company as of June 30, 1997 was $1,582,778 or $ per share after giving effect to the Stock Splits and the conversion of all outstanding shares of Preferred Stock into Common Stock upon the closing of the Offering. Pro forma net tangible book value per share represents the amount of total tangible assets of the Company reduced by the amount of its total liabilities, divided by the total pro forma number of shares of Common Stock outstanding. After giving effect to the sale by the Company of the shares of Common Stock offered hereby at an assumed initial public offering price of $ per share (after deducting estimated underwriting discounts, the non-accountable expense allowance and other estimated expenses of the Offering), the pro forma net tangible book value of the Company as of June 30, 1997 would have been $, or $ per share of Common Stock. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors. The following table illustrates the per share dilution in net tangible book value to new investors:

```
Assumed initial public offering price.............................          $
  Pro forma net tangible book value per share as of June 30, 1997....  $
  Increase per share attributable to new investors..................
Pro forma net tangible book value per share after the Offering.......
Dilution per share to new investors...............................          $
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The following table summarizes as of June 30, 1997 on a pro forma basis after giving effect to the Stock Splits and the conversion of all outstanding shares of preferred stock into Common Stock upon the closing of the Offering, the differences in total consideration paid and the average price per share paid by existing stockholders and new investors with respect to the number of shares of Common Stock purchased from the Company.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE
	NUMBER	PERCENT	AMOUNT	PERCENT	PRICE PAID PER SHARE
Existing stockholders.....		%	$	%	$
New investors(1).....					
Total(1).....		100.0%	$	100.0%	

(1) If the Over-Allotment Option is exercised in full, the Company will issue an additional shares to new investors (% of the total of shares outstanding) and the total consideration from new investors will be $ (% of the total of $ consideration paid for all shares outstanding).

The information presented with respect to existing stockholders assumes no exercise of the Advisors' Warrants to purchase shares of Common Stock and no exercise of outstanding options to purchase shares of Common Stock granted under the 1996 Stock Plan. The issuance of Common Stock upon exercise of the Advisors' Warrants and options granted under the 1996 Stock Plan will result in further dilution to new investors. See "Management" and Note 4 of Notes to Financial Statements.

Capitalization

The following table sets forth as of June 30, 1997, (i) the actual capitalization of the Company (as if the Stock Splits had occurred prior to June 30, 1997); (ii) the pro forma capitalization as of such date after giving effect to the conversion of all convertible preferred shares outstanding at June 30, 1997, and the conversion of $2.0 million in stockholder advances at June 30, 1997, and additional proceeds of $2.3 million received in July and August 1997, related to the issuance of an aggregate of shares of Series F Convertible Preferred Stock in July and August 1997; and (iii) the pro forma capitalization as adjusted to give effect to the sale of shares of Common Stock offered hereby (at an assumed initial public offering price of $ per share and after deducting the underwriting discounts, the non-accountable expense allowance and other estimated expenses of the Offering) and the receipt of the net proceeds therefrom. The table should be read in conjunction with the financial statements and the related notes appearing elsewhere in this Prospectus.

JUNE 30, 1997 PRO FORMA AS ACTUAL PRO FORMA ADJUSTED Lease commitments..... $ $ $ Advances to stockholders..... Stockholders' equity: Preferred Stock, $.001 par value; shares authorized, shares issued and outstanding, actual; shares authorized and no shares outstanding, pro forma and as adjusted..... Common Stock, $.001 par value; shares authorized, shares issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding as adjusted(1)..... Additional paid-in capital..... Deferred compensation..... Deficit accumulated during the development stage..... Total stockholders' equity..... Total capitalization..... $ $ $

(1) Excludes shares of Common Stock issuable upon exercise of the Advisors' Warrants and shares of Common Stock issuable upon exercise of outstanding options under the 1996 Stock Plan.

Selected Financial Data (In Thousands, Except Share and Per Share Data)

The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and Notes thereto included elsewhere in this Prospectus. The statement of operations data for the period from the date of inception (August 2, 1995) through December 31, 1995 and for the year ended December 31, 1996 and the balance sheet data as of December 31, 1995 and 1996 are derived from the Company's financial statements audited by Ernst & Young LLP, independent auditors, included elsewhere in this Prospectus. The statement of operations data for the six months ended June 30, 1996 and 1997 have been derived from unaudited financial statements of the Company and include all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the financial data for such periods and as of such date. The results for the six months ended June 30, 1997 are not necessarily indicative of the results to be expected for the full fiscal year.

	PERIOD FROM INCEPTION (AUGUST 2, 1995) TO DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30,	
			1996	1997
STATEMENT OF OPERATIONS DATA:				
Total revenues	$ --	$ --	$ --	$ 31
Operating expenses:				
Research and development	33	1,420	497	891
Selling, general and administrative	16	910	231	1,364
Total operating expenses	49	2,330	728	2,255
Loss from operations	(49)	(2,330)	(728)	(2,224)
Interest income	3	52	19	42
Net loss	(46)	(2,278)	(709)	(2,182)
Pro forma net loss per share		$		$
Shares used in computing pro forma net loss per share(1)				

	DECEMBER 31,		JUNE 30,
	1995	1996	1997
BALANCE SHEET DATA:			
Cash and cash equivalents	$509	$2,508	$3,453
Working capital	509	2,365	3,230
Total assets	521	2,776	3,860
Long-term debt	411	27	2,024
Total stockholders' equity	110	2,597	1,583

(1) See Note 1 of Notes to Financial Statements for an explanation of the number of shares used in computing pro forma net loss per share.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains forward-looking statements regarding the Company, its business, prospects and results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause the Company's actual business, prospects and results of operations to differ materially from those that may be expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, the risks detailed in the "Risk Factors" section of this Prospectus.

Overview

The Company was incorporated in August 1995 and launched the InterVU Network in December 1996. The Company began recognizing revenue during the first six months of 1997 through the delivery of video content over the InterVU Network and the provision of related services to the Company's initial customers.

The Company offers its services to Web site owners and advertisers for fees based on the volume of video content delivered, for flat fees based on estimates of video to be delivered or for a combination thereof. The Company expects to generate additional revenues in the future from selling advertising space on Web pages when Web site owners trade such space on their pages for video encoding and delivery services performed by the Company. The Company also generally charges its customers fees for encoding analog video into digital form for transmission over the Internet. See "Risk Factors -- Unproven Acceptance of the Company's Fee Structure."

The Company has incurred net losses in each fiscal period since its inception and, as of June 30, 1997, had an accumulated deficit of $4.5 million. The Company currently intends to increase its sales and marketing and research and development expenditures to increase market share. As a result, the Company expects to incur additional significant net losses for the foreseeable future. The Company is in the early stages of executing its business model, and the profit potential of the Company's fee based model for the delivery of video content or advertising is unproven in the Internet industry. Because its success is dependent on the growth of the video market on the Internet, as well as the growth of the Internet industry, the Company must, among other things, develop services that are widely accepted by Web site owners, advertisers and end-users at prices that will yield a profit. There can be no assurance that the Company's services will achieve broad commercial or consumer acceptance. See "Risk Factors -- Limited Operating History; Accumulated Deficit; Anticipated Losses," "-- Potential Fluctuations in Quarterly Operating Results; Unpredictability of Future Revenues," "-- Unproven Acceptance of the Company's Fee Structure" and "-- Uncertain Acceptance of the Company's Services."

The Company's economic model is predicated upon achieving significant economies of scale relative to variable and, to a lesser extent, fixed telecommunications costs. The Company has developed a series of software tools and a software system to analyze Internet performance, specifically related to congestion points on the Internet. The Company's operating strategy is to reduce the number of congestion points experienced by end-users through the redirection of an individual's request for video content to the optimal server location. To date, the Company has contracted for telecommunications capacity and services primarily from major Internet Service Providers ("ISPs"). It is the Company's intention to continue to contract with selected ISPs in the future for Internet services as well as to procure and install selected servers over a variety of Internet backbones and regional Points of Presence ("POPs"). In addition, the Company may incur significant capital equipment expenditures and lease commitments for additional servers to expand the InterVU Network, although these expenditures would be less significant than those required of ISPs. The Company believes that as customer adoption rates for the Company's service increases, the corresponding levels of video delivery volumes will allow the Company to generate economies of scale relative to the expenses it incurs with ISPs as well as the expenses emanating from the maintenance and amortization of its servers. To the extent that such economies of scale are not realized, the Company's business, prospects, financial condition and results of operations will be materially adversely affected.

Results of Operations

The financial results for the period from August 2, 1995 (inception) to June 30, 1997 reflect the Company's initial organizational efforts, research and development activities, capital raising activities and initial deployment of the Company's video delivery service. The Company believes that its limited operating history makes prediction of future results of operations difficult and, accordingly, that its operating results should not be relied upon as an indication of future performance. The Company began to recognize revenue during the first six months of 1997. As such, the Company believes that any comparison of the results of operations for the period from August 2, 1995 (inception) to December 31, 1995 with the results for the year ended December 31, 1996 or of the results for the six months ended June 30, 1996 with the results for the six months ended June 30, 1997 is not meaningful.

Total revenues consist of fees for delivery of video content over the InterVU Network and related customer services. Revenues from fees from video delivery are recognized at the time of delivery. Revenues from related customer services are recognized during the period in which services are provided. Total revenues were $31,000 for the six months ended June 30, 1997, most of which was derived from delivery fees and customer services provided to the Company's initial customers. In order to attract early customers and achieve penetration of the market for Internet video delivery, the Company initially provided up to 90 days of free trial service to certain customers. Of the 20 customers who received such discounts, eight customers have emerged from the free trial period and are currently paying for the Company's video delivery services, 11 customers remain in the trial period, and one customer discontinued the Company's video delivery service. There can be no assurance that the Company's customers will continue to utilize the Company's services or that the Company will be able to attract and retain new customers. The failure of the Company to retain customers after the free trial period or the inability of the Company to attract and retain new customers could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. The Company may elect to continue this or other sales practices in the future if it determines they are warranted.

Research and development expenses consist primarily of salaries and related expenses for personnel, fees to outside contractors and consultants, the allocated costs of facilities, and the depreciation and amortization of capital equipment. Research and development expenses for the year ended December 31, 1996, the six months ended June 30, 1996 and the six months ended June 30, 1997 were $1.4 million, $497,000 and $891,000, respectively. The increase in expenses for the first six months of 1997 over the comparable period in 1996 was attributable to the increase in personnel and related expenses. Research and development expenses to date have focused in three areas: the development of software tools and enabling platforms for the distribution of video content, the development of tools to analyze Internet performance to subsequently redirect individual end users to optimal servers, and the development of new media player software. Research and development expenses have been expensed as incurred.

Selling, general and administrative expenses consist primarily of salaries, commissions, promotional expenses, professional services and general operating costs. Also included are costs the Company incurs for Internet access and telecommunications transport costs ("bandwidth"). These costs have both fixed and variable factors. The Company believes that it will be able to negotiate lower bandwidth charges as the InterVU Network expands. The expansion of the InterVU Network will in some cases require capital equipment expenditures, the cost of which will be amortized over the useful life of the asset. Selling, general and administrative expenses were $910,000, $231,000 and $1.4 million for the year ended December 31, 1996, the six months ended June 30, 1996 and the six months ended June 30, 1997, respectively. The increase in selling, general and administrative expenses for the first six months of 1997 over the comparable period in 1996 was attributable primarily to the development of the Company's sales force, related travel and entertainment expenses, expenditures for trade shows, increased marketing activities, general operating expenses necessary to support the Company's business and bandwidth costs.

Interest income was $52,000, $19,000 and $42,000 for the year ended December 31, 1996, the six months ended June 30, 1996 and the six months ended June 30, 1997, respectively. Interest income represents interest earned by the Company on its cash and cash equivalents. The increase in interest income for the first six months of 1997 over the comparable period in 1996 was the result of higher cash and cash equivalents balances resulting from sales of equity securities.

The Company has not recorded any income tax benefit for net losses incurred for any period from inception to June 30, 1997 due to the lack of earnings history of the Company and the uncertainty as to the timing and amount of future earnings, if any. See Note 6 of Notes to Financial Statements.

The Company's net loss was $2.3 million, $709,000 and $2.2 million for the year ended December 31, 1996, the six months ended June 30, 1996 and the six months ended June 30, 1997, respectively.

Liquidity and Capital Resources

Since inception, the Company has financed its operations primarily through private sales of equity securities. Through August 8, 1997, the Company had raised $10.3 million from the sale and issuance of preferred stock and common stock. At June 30, 1997, the principal source of liquidity for the Company was $3.5 million of cash and cash equivalents (which included $2.0 million of advances from stockholders received in connection with a convertible preferred stock financing transaction consummated in July 1997). Included in the $10.3 million raised are additional proceeds of approximately $2.3 million from the sale of convertible preferred stock in July and August 1997.

The Company has had significant negative cash flows from operating activities since inception. Cash used in operating activities for the year ended December 31, 1996 and the six months ended June 30, 1997 was $2.1 million and $2.0 million, respectively. Cash used in operating activities in each of these periods was primarily the result of increased business activity and related operating expenses.

Cash used in investing activities for the year ended December 31, 1996 and the six months ended June 30, 1997 was $305,000 and $161,000, respectively, primarily representing capital expenditures for equipment, software, and furniture and fixtures. Although the Company has no material commitments for capital expenditures, the Company expects to expend significant amounts for equipment, software and fixtures over the next 24 months to expand the InterVU Network, much of which it plans to finance through capital leases.

Cash provided by financing activities for the year ended December 31, 1996 and the six months ended June 30, 1997 was $4.4 million and $3.1 million, respectively, resulting primarily from the net proceeds received by the Company from the sale of preferred stock.

The Company believes that the net proceeds from the Offering, together with existing cash and cash equivalents, will be sufficient to meet its working capital and capital expenditure requirements through at least the end of 1998. Thereafter, if cash generated by operations is insufficient to satisfy the Company's liquidity requirements, the Company may need to sell additional equity or debt securities or obtain credit facilities. The sale of additional equity or convertible debt securities may result in additional dilution to the Company's stockholders. There can be no assurance that the Company will be able to raise any such capital on terms acceptable to the Company or at all. See "Risk Factors -- Requirements for Additional Capital."

Business Introduction

InterVU Inc. is a specialized service company seeking to establish a leadership position in the Internet video delivery market. The Company utilizes a proprietary software system for routing and distributing high quality video over the Internet at rapid speeds. Unlike traditional Web site based video delivery solutions, the Company's system moves the video delivery mechanism away from the owner's Web site and on to the Company's network of specialized video servers strategically situated on the InterVU Network. The Company's proprietary approach allows the Company to deliver video quickly to end-users and allows Web site owners and advertisers to provide video on the Internet without having to invest in costly hardware and software or to maintain a staff of employees with video delivery expertise.

InterVU's technologies decrease the time required for video transmission over the Internet. The InterVU Network is made up of specialized video servers which have been strategically situated on the Internet and which have been designed to deliver video quickly to the greatest number of end-users. Among other things, InterVU's All Eyes and EyeQ technologies allow end-users to view video in a variety of digital encoding formats regardless of the specific hardware or software end-users might have. Other innovations, such as the Company's InstaVU video player software, allow real-time multimedia transmissions to end-users using 28.8 Kbps or faster modems over the Internet. The Company believes that the long wait time traditionally associated with video transmission over the Internet is one of the primary barriers to widespread adoption of Internet video. As a result, the Company believes that its technological solutions could play a significant role in increasing Internet video use.

The Company's target customers are the increasing number of Web site owners that seek a means of adding video presentations to their Web pages in an easily implemented and cost effective manner and advertisers that wish to incorporate video into banners and other Internet advertisements. The Company believes that multimedia-rich Web sites, capable of delivering high quality video content quickly to the end-user, can generate significant marketing differentiation and "top of mind" awareness in consumer buying decisions. Web site owners that have used the Company's services include Major League Baseball, the Lifetime Television Network (Hearst/ABC-Viacom Entertainment Service), Yachting Magazine (Times Mirror Magazines), Turner Classic Movies (Turner Broadcasting System), Court TV, Speedvision Online (Cable Network Services) and NET-Political Talk. The Company currently has a video banner advertisement promoting Goldwin Golf and, on the Yahoo! Web site, a video banner advertisement for the recently released Columbia Pictures movie "Air Force One."

The Company offers its services to Web site owners and advertisers for fees based on the volume of video content delivered, for flat fees or for a combination thereof. The Company expects to generate additional revenues in the future from selling advertising space on Web pages when Web site owners offer such space on their pages in exchange for a sharing of fees or for video encoding and delivery services performed by the Company. The Company also generally charges its customers fees for encoding analog video into digital form for transmission over the Internet.

Industry Background

Growth of Internet Usage and Content. The Internet and many Internet software, hardware and service providers have experienced dramatic growth over the last three years. Unprecedented commercial and end-user interest in the Internet has been spurred by the introduction of key technologies including Web browsers and powerful search engines. These technologies, along with consistent usage of URLs, have enabled end-users of the Internet to quickly and smoothly navigate to sites around the world. Accordingly, the Internet has been widely accepted as a communications medium. International Data Corporation has estimated that as of the end of 1996 there were approximately 35 million end-users of the Internet and that there would be approximately 175 million end-users by the year 2001. According to a Netcraft survey, as of July 1997 there were approximately 1.2 million Web sites.

Existing Internet Video Technologies. Until recently, Internet video delivery has been of low quality and slow speed due to traffic congestion on the Internet and the limitations of video server storage and delivery resources, desktop storage capabilities and desktop processing power available for video decoding and playback. As a result, most commercial Web site owners have been reluctant to employ video on their sites and most advertisers have been reluctant to add video to their advertisements because existing technologies have not provided sufficient quality and cost-effective results.

The primary barrier to achieving interactive video delivery over the Internet is a function of the large size of video files relative to standard hypertext markup language ("HTML") data files. The large size of video files exacerbates four distinct challenges to quality, high speed delivery: (i) transmission time delays from Web server to end-user which are due to the Internet's infrastructure, (ii) the capacity of

the end-user's modem, (iii) logistical problems and costs attendant to maintaining video delivery at the Web site, and (iv) the potential for overloading a Web site owner's server due to increased video file delivery.

The primary approaches pursued to date by others to address video file delivery challenges have focused on the ongoing development of compression/decompression algorithms ("codecs"), and to a lesser extent, a variety of strategies for optimizing server capacities and reducing Internet traffic congestion such as the development of specialized transmission protocols.

Codecs are used to compress and decompress video files, effectively reducing the size of a video file so that it can be transmitted or downloaded with increased speed and quality. Codecs were introduced during the evolution of the CD-ROM market to enable dynamic video presentations. Codecs, however, have technological limitations in that they alone cannot optimize all of the variables required to produce high quality video.

Although the continued development of codecs and other technologies to improve transmission of video data over the Internet has led to significant improvements in Internet video delivery, the Company believes that such technologies do not address bottlenecks inherent in the Internet's infrastructure. In fact, the Company believes that Internet technologies that improve transmission speed and quality ultimately will increase end-user use of the Internet, placing more stress on the most frequently used Internet transmission channels. As a result, the Company believes that video delivered from single sites will continue to be subject to delays associated with transmission of such video over the Internet.

The Intervu Solution

Unlike companies that have introduced video delivery mechanisms requiring a Web site owner to purchase proprietary software and hardware in order to deliver video from a single site, InterVU has moved the video delivery mechanism away from the owner's Web site and into Company servers dedicated to video delivery. The Company has developed a software system for routing and distributing video on the Internet that allows the Company to link the Company's specialized video servers to one another, to Web sites and to Internet end-users, creating the InterVU Network. The Company has strategically placed its video servers on the Internet to minimize the number of routers or "hops" video content must traverse before reaching the end-user.

The InterVU Network is designed to be platform, browser and software player independent, which allows Web site owners to use a variety of codecs with the assurance that such codecs will be compatible with most platforms, browsers and software players an end-user may be utilizing. The InterVU Network is also scalable which will allow the Company to accommodate additional content from customers as demand increases. In addition, the InterVU Network is Internet connection independent, which allows the Company to support a variety of telecommunication, cable, wireless and

intranet solutions in order to maximize the number of end-users who may wish to view video messages. The InterVU Network provides high throughput delivery of video messages to end-users through the Internet over a range of connection speeds (ranging from 28.8 Kbps modems to cable modems).

The Company also has developed its own video player software, InstaVU, to improve end-users' viewing experiences. Among other things, InstaVU provides users with a preview of the full video in the form of a slide show synchronized to real-time audio that plays during the download of the remainder of the video file to the end-user's personal computer.

Strategy

The Company's objective is to leverage its technology and market focus to become a leading Internet video delivery company. The Company's strategy includes the following key elements:

Achieve Significant Market Penetration and Promote Market Expansion. The Company intends to attract and retain Web site owners with significant video delivery volume requirements in the sports, entertainment, information/education, advertising and sales promotions and Internet video product sales industries. By using the InterVU Network, Web site owners and advertisers can deliver video without the start-up costs associated with software and hardware and the recurring maintenance costs associated with delivering video from one delivery site. The Company has begun to develop relationships with Web site developers to increase awareness of the Company's services. Web site developers, in turn, will be able to use the Company's video delivery technology to expand their product offerings to Web site owners. The Company's sales force has begun to promote V-Banners (real time audio and video in the space of an Internet advertising banner) to advertisers and advertising agencies. The Company intends to increase its in-house sales force and expand its marketing and sales efforts to Web site owners, Web site developers, advertisers and advertising agencies. In addition, the Company intends to develop strategic alliances with leading advertising agencies to promote video advertising over the Internet. The Company expects demand for its services to increase as more companies learn about the Company's video delivery services.

Maintain Technological Leadership. The Company's strategy is to continue to develop advanced technological solutions to increase the speed and quality of Internet video delivery. The Company continually works to develop its proprietary InterVU Network to further reduce the number of network bottlenecks that video content must traverse before it reaches the end-user. The Company also seeks to refine, among other things, its Smart Mirror technology, All Eyes software, InstaVU video player and EyeQ software, which together deliver video to the end user from the "electronically closest" server, increase the number of end-users a Web site owner or advertiser can reach with its video content and improve end-users' video viewing experience. The Company intends to extend the functionality and uses of its core video delivery technologies by continuing to invest in research and development.

Offer Full-Service Approach to Video Delivery. The Company's strategy is to offer Web site owners and advertisers a simple, cost-effective method of adding video to their Internet presentations. The Company's network approach allows customers to display video on the Internet without having to invest in hardware and software or to hire a staff to establish and maintain a system for video delivery. Instead, the Company offers a simple, turn-key solution for video delivery. Customers need only send the Company video tapes containing video to be included on their Web sites and the Company will place the video on the InterVU Network and establish a link between the customer's Web site or advertisement site and the InterVU Network. Upon the request of an end-user at a participating Web site, the Company's network transmits video messages directly to the viewer.

Maintain Internet Connection Independence. The Company's strategy is to continue to develop and maintain Internet video delivery products and services that support a variety of Internet connections. The Company currently supports major telecommunication, cable, wireless and intranet connections to the Internet. The Company intends to maintain the functionality of its video delivery technologies as new Internet connections are developed in order to reach the maximum number of end-users.

Build Brand Awareness. The Company's marketing strategy is to penetrate markets for Internet video delivery services by creating awareness for the "InterVU" brand. The Company seeks to make the "InterVU" name synonymous with fast, high quality video on the Internet. The Company intends to promote, advertise and increase its brand visibility through excellent service and a variety of marketing and promotional techniques, including advertising, trade show involvement, the InterVU Web site, various marketing and sales materials and Internet promotions to market the Company's services.

Technology Overview

The Company has designed the InterVU Network to meet the needs of Web site owners and advertisers who wish to deliver video content over the Internet. The Company believes that the InterVU Network provides an attractive service to Web site owners and advertisers by accelerating video transmission and reception times and by providing a method to incorporate video presentations into Web pages easily and in a cost-effective manner. InterVU's technology is based on a proprietary software operating system which links a distributed network of servers, using open communication standards and commercially available components. The use of open standards allows the Company to accommodate a variety of customer hardware and software configurations.

Network Solution. The InterVU Network and the Company's Virtual URL(TM) technology allow Web site owners and advertisers to provide video content to end-users without the costs and inconvenience usually associated with video on the Internet. Instead of managing large video files and maintaining expensive hardware, Web site owners and advertisers deliver video directly to the Company. The Company then digitizes the video and places it on the InterVU Network. To an end-user visiting a Web site, the video appears to come from the Web site because of software code the Company places on the customer's Web site to link the end-user to the InterVU Network. The Virtual URL technology makes such redirection of video invisible to the end-user.

Avoiding Transmission Bottlenecks. The Company's configuration of distributed video servers located along the Internet provides significant advantages in video delivery. The InterVU Network is designed to ensure that once an end-user requests video from a Web site, the video is transmitted from the server on the InterVU Network that can deliver the data most quickly. This result is achieved through the use of the Company's proprietary Smart Mirror technology. The InterVU Network helps users bypass bottlenecks on the Internet by determining which of its servers is electronically closest to the end-user and sending the video from that location.

Another significant component of the Company's video delivery system is the Fast Track Network Analyzer, which allows end-users to optimize video delivery performance. The Fast Track Analyzer "polls" selected servers on the InterVU Network to determine which server will provide the end-user with the best overall video performance. From information based on end-users who have downloaded approximately 555,000 copies of InterVU's Fast Track end-user client software as of July 1997, the Company has created a model of Internet data flow which allows the Company to accelerate video delivery over the InterVU Network by storing video files on servers at strategically located primary Internet sites.

Optimizing and Managing the InterVU Network Servers. The servers on the InterVU Network consist of a title manager and multiple video pumps which are designed to optimize and manage the delivery of video over the Internet. The video pumps are computers that have been customized to accelerate video delivery. The title manager optimizes the amount of replication of video content on each video pump and directs end-users' requests for video content to the video pump capable of responding most quickly to the request.

Reaching Maximum End-Users. The Company has designed its proprietary All Eyes software to allow its customers to reach almost all end-users, regardless of the video player software used. All Eyes is an intelligent software application written in the Java and JavaScript programming language that determines the capabilities of the end-user's software and ensures that any video sent out can be played by the end-user's video player software. Even end-users with no multimedia capabilities will usually receive a graphic image, instead of a broken icon signifying the presence of content that they cannot see. By contrast, traditional methods of video delivery limit the number of end-users able to view video content to those who have the appropriate software for a specific encoding format. In addition, All Eyes is designed to deliver video in the appropriate format even if the end-user has not downloaded any InterVU software.

End-User Software Technologies. InterVU's EyeQ multimedia manager software package includes the Company's InstaVU and MPEG video players, as well as a software utility called Get Smart. InstaVU allows multimedia streaming on a 28.8 Kbps or faster modem. The InstaVU multimedia streaming algorithm displays a pre-selected slide show of video frames at the same time as real-time audio while the remainder of the video is downloaded to the end-user's computer for subsequent viewings. Get Smart installs and manages the EyeQ multimedia software and keeps end-users' computers current with other multimedia capabilities to take advantage of InterVU's service. With a single mouse click, Get Smart downloads and installs software updates to the end-user's computer from the Internet.

Customer Services

The Company employs a full service approach to providing its video delivery services which includes (i) ease of integration of video content into Web presentations, (ii) encoding services, (iii) network distribution, hosting and delivery and (iv) usage reports providing delivery volume and other data.

To date, the Company has generated most of its revenues from monthly fees charged to customers for video delivery and encoding services. Certain of the Company's Web site customers also have traded advertising space on their pages for video delivery services. The Company's economic model, however, calls for the Company to generate substantially all of its revenues from charging Web site owners and advertisers volume-based fees for video delivery services. By providing customers with a variable cost structure which is a function only of the amount of video content delivered, the Company plans to relieve Web site owners of the challenge of generating economies of scale relative to fixed costs (bandwidth), capital investments (hardware and software), and incremental logistical staffing. The rate structure is variable, with the Company's customers receiving reduced per-megabyte costs as delivery volumes surpass certain average daily levels. Although the Company believes its rate structure offers significant value to its customers, the Company's pay-per-delivery concept remains unproven. See "Risk Factors -- Unproven Acceptance of the Company's Fee Structure."

To allow Web site owners and advertisers to more easily integrate video into Web sites, InterVU has developed the V-Banner, which turns the ordinary Internet advertising banner into a video display. With V-Banners, advertisers can provide real time video and audio through their advertising banners instead of just a few static pictures. The Company believes that it is currently the only company to offer banners that include video. The Company has incorporated its All Eyes technology into its V-Banners to make them compatible with most video players currently used by end-users. As a result, the Company offers its advertising customers the ability to reach a wide variety of end-users with their video advertisements. The Company can create V-Banners using video supplied by its customers in digital or analog format.

When using the Company's video delivery services, Web site owners may digitize and compress video messages themselves or send analog VHS or Beta tapes to InterVU for encoding services using a variety of different codec formats. All major codec standards, such as MPEG, Quicktime and AVI, are supported by InterVU. The Company also offers its InstaVU format, an advanced digital encoding technique specifically designed for the delivery of enjoyable, high quality audio and video messages. Customers' video files are dynamically balanced to provide high quality video and audio, full audio/video synchronization and flexible encoding rates to match specific requirements.

Marketing and Sales

Marketing Strategy

The Company's marketing strategy is to position InterVU as a leading Internet company providing video delivery services. The Company employs a full-service approach to marketing which focuses on Internet video delivery from a network rather than from one delivery site or Internet backbone. Additionally, by offering a full-service approach, the Company presents Web site owners and advertisers with the opportunity to not only forego their own capital and fixed cost investments in new technologies, but to be placed in the continuum of receiving the Company's most current enhancements as they become available. The Company employs a mix of techniques including advertising, trade show involvement, the InterVU Web site, various marketing and sales materials and Internet promotions to market the Company's services. The Company has identified four target markets for its services: (i) content providers (Web site owners), (ii) advertisers, (iii) advertising agencies and (iv) Web site developers.

Content Providers. One of the Company's primary markets is delivering video for content providers such as Web site owners. The Company believes that video can be successfully employed by content providers to increase Web site promotional effectiveness to consumers. The Company's network offers content providers the opportunity to provide such video fast enough and at high enough quality to capture consumers' attention. In addition, the Company gives its customers the ability to reach end-users almost without regard to the video player software used by such end-users. The Company's All Eyes technology intelligently determines which of a number of digital video formats will be compatible with a particular end-user's video player software and sends the content provider's video presentation to the end user in the appropriate format.

The Company believes its approach to video delivery appeals to content providers because the Company eliminates the need for content providers to purchase software servers, hardware servers or communication bandwidth. The Company also gives Web site owners the ability to deliver video without first acquiring digital video expertise. The Company can create a digital video presentation from an analog video tape. In addition, the Company allows Web site owners to experiment with using video because the Company typically charges only for video delivered, thereby obviating the need for Web site owners to make a commitment to delivering video before they have an opportunity to gauge end-user response.

Advertisers. The Company believes that Internet advertisements that include video will be entertaining to consumers and, as a result, valuable to advertisers. The Company's V-Banners automatically display a small video presentation in a portion of the banner when an end-user visits a Web page. The Company believes its V-Banners will be especially appealing to advertisers because consumers with video player capability need not take any affirmative steps to view the video or wait for it to download. Moreover, the Company believes that many of the advantages the Company offers to Web site owners also apply to advertisers. Advertisers can use video on their Internet advertisements without having to learn how to work with video delivery technologies and without burdening their servers or those of their host Web site with video.

Advertising Agencies. The Company has begun to establish relationships with certain major advertising agencies in an effort to make advertisers more aware of the services the Company offers. The Company believes that advertising agencies will want to market themselves and the Company to advertisers by incorporating Internet video promotions into their media proposals to clients.

Web Site Developers. The Company's approach to video delivery allows Web site developers to add video to Web pages without the need for extensive video delivery expertise. The Company manages encoding, recommends codecs and handles distribution. As a result, Web site developers that work with the Company can offer a broader range of services to their customers without investing time and money into learning and applying video delivery technologies.

Sales Strategy

The Company's sales strategy is to attract and retain Web site owners with significant video delivery volume requirements in the entertainment, information/education, advertising and sales promotions and Internet video product sales industries. The Company currently has targeted the entertainment industry, specifically cable TV, broadcast programmers and sports leagues, as a primary customer group. The Company believes that cable TV and broadcast programmers currently (i) have the best understanding of the InterVU Network capability, (ii) are dedicated to achieving differentiation in their Web site offerings by delivering video that they have developed or otherwise possess, (iii) are in a position to quickly expand their video delivery volumes once they are satisfied with delivery results and (iv) serve as highly credible references for the Company. The Company's sales force also has begun actively to promote its V-Banners to advertisers and advertising agencies.

VUTOPIA Service

Although InterVU currently provides global delivery of video messages, the Company intends to introduce a complementary, more distributed regional service (the "VUTOPIA Service") which the Company believes will be an attractive vehicle for the delivery of localized content. The VUTOPIA Service will utilize the existing InterVU Network to offer faster delivery of high quality video messages and is designed to include a home channel specifically tailored to individual markets which will allow Web site owners to target their video programs to specific market areas. VUTOPIA Service will allow the Company's customers to obtain further enhancements in video delivery speed and incur lower delivery costs relative to global delivery rates.

The VUTOPIA Service will utilize the Company's Virtual URL technology which re-directs each viewer's mouse click request for video messages to regionally distributed servers which are expected to be located directly at the viewer's dial up point or POP. By hosting content on multiple distributed servers located at various POPs, the Company intends to deliver video messages over local access lines, thereby eliminating Internet bandwidth charges and avoiding other Internet congestion challenges. The Company is currently testing the VUTOPIA Service with a cable provider and a cellular service provider.

Competition

The market for Internet services is highly competitive, and the Company expects competition to increase significantly. In addition, the Company expects the market for the delivery of video over the Internet, to the extent it develops, to be intensely competitive. The Company faces substantial competition from companies that provide the hardware, digital video encoding software and know-how necessary to allow Web site owners and advertisers to utilize video in their Internet marketing and advertising activities. Several companies offer services that compete with those offered by the Company, including, among others, Progressive Networks, Inc. (RealVideo), VDOnet Corp. (VDOLive), and VXtreme, Inc. (Web Theater), AudioNet Inc. (AudioNet) and At Home Corporation (@Home Experience). In August 1997, Progressive Networks and MCI Communications Corporation ("MCI") announced a strategic alliance involving the introduction of a service, called "RealNetwork," that will deliver audio and video broadcasts over the Internet. The RealNetwork will reportedly permit end-users to simultaneously receive video broadcasts by distributing copies of digital video programs to multiple points on MCI's Internet backbone. The strategic alliance between Progressive Networks and MCI appears to be a service-based marketing strategy similar to that being implemented by the Company. In addition, Microsoft Corporation ("Microsoft") has made significant investments in Internet video delivery technologies and has disclosed a multimedia strategy of broadening the market for video compression solutions. In August 1997, Microsoft announced (i) the release of its NetShow 2.0 multimedia server which incorporates technology for video and audio delivery over the Internet and corporate intranets, (ii) an agreement with leading video compression software companies, including Progressive Networks and VDOnet Corp., to cooperate in defining future standards based on the Microsoft Active Streaming Format and (iii) the acquisition of VXtreme, Inc. Microsoft also holds significant equity positions in Progressive Networks and VDOnet Corp. In addition, as was the case with VXtreme, Inc., Progressive Networks and VDOnet Corp., providers of Internet delivery video services may be acquired by, receive investments from or enter into other commercial relationships with, larger, well-established and well-financed companies, such as Microsoft and MCI. Greater competition resulting from such relationships could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. Because the operations and strategic plans of existing and future competitors are undergoing rapid change, it is extremely difficult for the Company to anticipate which companies are likely to offer competitive services in the future.

The bases of competition in markets for video delivery include transmission speed, reliability of service, ease of access, price/performance, ease-of-use, content quality, quality of presentation, timeliness of content, customer support, brand recognition and operating experience. The Company believes that it compares favorably with its competitors with respect to each of these factors, except brand recognition and operating experience, both of which have been limited as a result of the Company's early stage of development. However, many of the Company's competitors and potential competitors have substantially greater financial, technical, managerial and marketing resources, longer operating histories, greater name recognition and/or more established relationships with advertisers and content and application providers than the Company. Such competitors may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies and devote substantially

more resources to developing Internet services or online content than the Company. There can be no assurance that the Company will be able to compete successfully against current or future competitors or that competitive pressures faced by the Company will not materially adversely affect the Company's business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, the Company may make certain pricing, service or marketing decisions or enter into acquisitions or new ventures that could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Research and Development

The market for the Company's services is characterized by rapidly changing technology, evolving industry standards, and frequent new product introductions. The Company believes that it can continue to improve its existing technologies and services as well as develop new technologies and services. The Company develops most of its technologies in house and maintains a highly trained research and development staff that designs and develops InterVU's new services. The Company had research and development expenses of $33,000, $1.4 million and $891,000 for the period from August 2, 1995 (inception) to December 31, 1995, the year ended December 31, 1996 and the six months ended June 30, 1997, respectively. The Company's primary objectives are to develop and maintain the Company's position in Internet video delivery by being at the forefront of product and services development. Additionally, the Company seeks to incorporate customer preferences identified by InterVU's marketing and sales groups into development plans. The Company attempts to integrate new enhancements into the Company's existing services. These enhancements include extending the reach of InterVU's video delivery, reducing the cost per megabyte of video delivered, developing new methods of scaling existing services to changing client demands, and increasing the robustness and reliability of all software and components created by InterVU.

Intellectual Property

The Company regards its technology as proprietary and attempts to protect it with copyrights, trademarks, trade secret laws, restrictions on disclosure and other methods. In addition, the Company has filed seven United States patent applications and one international patent application and is in the process of preparing additional patent applications with respect to its technology. There can be no assurance that any patent will issue from these applications or that, if issued, any claims allowed will be sufficiently broad to protect the Company's technology. In addition, there can be no assurance that any patents that may be issued will not be challenged, invalidated or circumvented, or that any rights granted thereunder would provide proprietary protection to the Company. Failure of any patents to provide protection to the Company's technology may make it easier for the Company's competitors to offer technology equivalent or superior to the Company's technology. The Company also generally enters into confidentiality and non-disclosure agreements with its employees and consultants, and generally controls access to and distribution of its documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the

Company's products, services or technology without authorization, or to develop similar technology independently. There can be no assurance that the steps taken by the Company will prevent misappropriation or infringement of its technology. In addition, litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's intellectual property rights or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. The Company believes that, due to the rapid pace of technological innovation for Internet products and services the Company's ability to establish and maintain a position of technology leadership in the industry depends more on the skills of its development personnel than upon the legal protections afforded its existing technology.

Employees

As of August 1, 1997, the Company employed 34 full-time and four part-time people, of whom 24 were employed in research and development, ten were employed in sales and marketing and four were employed in administration. None of the Company's employees is represented by a labor union, and the Company considers its relations with its employees to be good. The Company's ability to achieve its financial and operational objectives depends in large part upon the continued service of its senior management and key technical personnel and its continuing ability to attract and retain highly qualified technical and managerial personnel. Competition for such qualified personnel in the Company's industry is intense, particularly in software development, network engineering and product management personnel. See "Risk Factors -- Dependence on Key Personnel."

Facilities

The Company is headquartered in facilities consisting of approximately 7,000 square feet in Solana Beach, California, which the Company occupies under two leases, both of which expire in 1999. The Company anticipates opening a select number of regional sales offices in the future to address the demand for its video delivery services. Other than such regional sales offices, the Company anticipates that the Solana Beach facilities will be adequate for the foreseeable future.

Legal Proceedings

The Company is not a party to any legal proceedings.

Management

Executive Officers and Directors

The following table sets forth certain information with respect to the Company's executive officers and directors:

Name Age Position

Harry E. Gruber	45	Chairman, Chief Executive Officer and Chief Financial Officer
Douglas A. Augustine	39	Vice President, Marketing and Sales
Kenneth W. Colby	48	Vice President, Engineering
Brian Kenner	38	Vice President and Chief Technology Officer
Stephen Klein	34	Vice President, Sales
Marcia M. Berman	42	Secretary and Director
Edward David	72	Director
Mark Dowley	32	Director
Isaac Willis	57	Director

HARRY E. GRUBER is a founder of InterVU, and has served as Chairman and Chief Executive Officer of the Company since July 1996. From July 1996 to July 1997, Dr. Gruber also served as the Company's President. In addition, he has served as the Company's Chief Financial Officer since July 1997. Prior to founding the Company, Dr. Gruber founded two start-up biotech ventures, Gensia Inc. and Viagene Inc., which completed initial public offerings in 1990 and 1993, respectively. From July 1995 to July 1996, Dr. Gruber served as Chief Scientific Officer of Gensia, and from 1988 to July 1995, he served as Vice President, Research of Gensia. Dr. Gruber serves as a director of Vascular Genomics, Inc., a privately held company, and as a director of the UCSD Foundation and a member of the Board of Overseers for the University of Pennsylvania College of Arts and Sciences. Dr. Gruber obtained his M.D. and B.A. degrees from the University of Pennsylvania.

DOUGLAS A. AUGUSTINE joined the Company in August 1996 as Director of Corporate Development, and has served as Vice President, Marketing & Sales since December 1996. Prior to joining the Company, Mr. Augustine was Chief Operating Officer for Ad:vent Strategic Event Marketing, a division of N.W. Ayert Partners, a national advertising firm from February 1996 to August 1996. From June 1989 to July 1993 and from September 1995 to January 1996, Mr. Augustine served as President of Arlen Marketing, a company he founded in June 1989. Arlen Marketing served as marketing and licensing agent for the 1992 America's Cup and later provided services to Ad:vent Strategic Event Marketing in connection with Ad:vent's Olympics projects. From July 1993 through August 1995, Mr. Augustine served as Director of Development and Fundraising for America(3), an America's Cup Syndicate. Mr. Augustine obtained a J.D. degree from the University of San Diego School of Law, and a B.A. degree from the University of California, Berkeley.

KENNETH W. COLBY joined the Company in July 1996 as Director of Engineering and has served as Vice President, Engineering since March 1997. Mr. Colby has over 20 years experience in software development and programming and was a former Director of Research and Development at Integrated Software, a mainframe graphics company. Mr. Colby has received patents for a variety of programs. He also founded Sedona Software, a research and development company. Mr. Colby obtained a B.S. in Electrical Engineering from Purdue University.

BRIAN KENNER is a founder of InterVU, and has served as Vice President and Chief Technology Officer of the Company since February 1996. From 1989 to January 1996, Mr. Kenner was a Project Engineer at Science Applications International Corporation ("SAIC"), an advanced-technology development and research organization. As Project Engineer, Mr. Kenner had responsibility for products ranging from advanced hand-held instrumentation to devices which digitize, compress, and transmit both moving and still images over public and proprietary communications networks. Mr. Kenner obtained a B.S. in Electrical Engineering from the University of California, San Diego.

STEVE KLEIN joined the Company in May 1996 as Director of Business Development and Sales and has served as Vice President, Sales since March 1997. From 1994 to 1996, he served as New Business Development Manager for General Instrument Corporation where he was one of the originating founders of the SURFboard Program, General Instrument's Internet cable modem technology and product line. From 1988 to 1992, Mr. Klein held various product management and technical management positions at General Instrument's VideoCipher Division. Mr. Klein obtained an M.B.A. from San Diego State University and a B.S. in Engineering from Ohio State University.

MARCIA M. BERMAN has served as Secretary and a director of the Company since its inception in August 1995. She is the Managing Director of Westchester Group LLC, a stockholder in the Company. Ms. Berman obtained an M.S.W. degree from the University of Pennsylvania and a B.A. in Psychology from Simmons College. Ms. Berman serves as a director of Vascular Genomics, Inc., a privately held company.

EDWARD DAVID has served as a director of the Company since its inception in August 1995, and is President of Edward E. David, Inc., a telecommunications consulting firm. He has been Science Advisor to the President of the United States, and Director of the White House Office of Science and Technology. Dr. David was also President of Exxon Research and Engineering Company and Executive Director of Bell Telephone Laboratories. Mr. David serves as a director for Intermagnetics General Corporation, Spacehab, Inc., California Microwave and Protein Polymar Technologies, all of which are publicly traded companies. Until recently, he served as the U.S. Representative to the NATO Science Committee.

MARK DOWLEY joined the Company as a director in January 1997 and is the Chief Executive Officer of Momentum IMC, an advertising agency division of McCann-Erickson, a national advertising firm. Mr. Dowley has over ten years experience in major event management, promotion, and sponsorship. Mr. Dowley's past and current clients include the NBA, the PGA Tour, NCAA, The Walt Disney Company and Universal Studios. Mr. Dowley is also a member of McCann-Erickson's board of directors. Mr. Dowley received a B.A. degree in Economics from the College of Wooster.

ISAAC WILLIS has served as a director of the Company since November 1995. Dr. Willis is a private investor with experience in venture financing and banking, including the founding of Heritage Bank, Commercial Bank of Georgia and Commercial Bank of Gwinnett. Dr. Willis has been a Professor and Director of Dermatology Research at Morehouse School of Medicine since 1983 and was a Past Commander of the 3297th U.S. Army Hospital. Dr. Willis obtained a M.D. from Howard University and a B.S. in Chemistry and Mathematics from Morehouse College.

Classified Board of Directors

Classified Board of Directors. The Company's Amended and Restated Certificate to be adopted prior to the closing of the Offering will provide for the Company's Board to be divided into three classes of directors, with each class as nearly equal in number as possible, serving staggered three-year terms. As a result, approximately one-third of the Company's Board will be elected each year. The director in Class I will be , whose term will expire at the annual stockholders meeting in 1998. The directors in Class II will be and , whose terms will expire at the annual stockholders meeting in 1999. The directors in Class III will be and , whose terms will expire at the annual stockholders meeting in 2000. The classified board provision will help to assure the continuity and stability of the Company's Board and the business strategies and policies of the Company as determined by the Board.

Committees of the Board of Directors

Audit Committee. Concurrently with the closing of the Offering, the Board of Directors will establish an audit committee (the "Audit Committee") which will consist of Mr. David and Dr. Willis. The Audit Committee will be established to make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the plans and results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of the Company's internal accounting controls.

Compensation Committee. Concurrently with the closing of the Offering, the Board of Directors will establish a compensation committee (the "Compensation Committee"), which will consist of Mr. Dowley and Ms. Berman, to determine compensation for the Company's senior executive officers and to administer the 1996 Stock Plan.

The Board of Directors of the Company initially will not have a nominating committee or any other committee.

Compensation of Directors

The directors of the Company have never received any cash compensation from the Company for services rendered as directors. Each of the non-management directors has received compensation in the form of restricted stock awards or non-statutory stock options to purchase up to 40,000 Common

Stock shares of the Company. Dr. Willis received an additional option to purchase up to 40,000 shares. Such stock awards and options are subject to repurchase rights or vesting schedules.

Compensation Committee Interlocks and Insider Participation

During 1996, the Stock Committee of the Company's Board of Directors, which administered the 1996 Stock Plan, consisted of Dr. Gruber, the Company's President and Chief Executive Officer, and Ms. Berman, the Company's Secretary. No options were granted to Dr. Gruber or to Ms. Berman while such individuals served on the Stock Committee.

Executive Compensation

The following table sets forth certain information concerning compensation for the fiscal year ended December 31, 1996 received by the Chief Executive Officer. No other executive officer of the Company meets the definition of "highly compensated" within the meaning of the executive compensation disclosure rules of the Securities and Exchange Commission (the "Commission").

Summary Compensation Table

		ANNUAL COMPENSATION	
NAME AND PRINCIPAL POSITIONS	SALARY($)	BONUS($)	OTHER ANNUAL COMPENSATION($)
Harry E. Gruber, Chief Executive Officer and Chairman of the Board.....	$87,450	$--	$ --

1996 Stock Plan

The Company adopted the 1996 Stock Plan in December 1996 to enable key employees, offices and consultants of the Company to acquire a proprietary interest in the Company, and thus to create in such persons an increased interest in and a greater concern for the welfare of the Company. The 1996 Stock Plan provided for aggregate option grants of up to shares. As of August 8, 1997, options to purchase an aggregate of shares of Common Stock at prices ranging from $ to $ were outstanding under the 1996 Stock Plan.

Certain Transactions

Through January 1996, the Company issued an aggregate of shares of Common Stock ("Restricted Stock") to certain of its founders for aggregate consideration of $2,712. In connection with such issuance, the Company entered into Vesting Agreements, dated March 4, 1996, with such individuals and the other founders of the Company (collectively, the "Founders"). Each Vesting Agreement grants

to the Company the right to repurchase at the original issue price all unvested shares of a Founder's Restricted Stock upon each Founder's death or disability or his or her unwillingness to provide the services requested by the Company in such Founder's Vesting Agreement. The Vesting Agreements currently provide for daily vesting of Restricted Stock over a five-year period (with no shares vesting until March 4, 1997. The Vesting Agreements also grant the Company rights of first refusal to purchase vested shares of Restricted Stock before such shares may be sold to third parties. The Vesting Agreements do not contain termination provisions and will not terminate by their terms upon completion of the Offering. The Company, however, expects to amend the vesting and other provisions of such agreements prior to the closing of the Offering.

Principal Stockholders

The following table sets forth certain information regarding the beneficial ownership of the Common Stock as of August 8, 1997 and as adjusted after the Offering by (i) each of the Company's directors, (ii) each of the Company's executive officers, (iii) each person who is known by the Company to own beneficially more than 5% of the Common Stock and (iv) all directors and executive officers as a group.

		PERCENTAGE OF CLASS(3)	
NAME AND ADDRESS(1)	NUMBER OF SHARES BENEFICIALLY OWNED(2)	BEFORE OFFERING	AFTER OFFERING
Harry Gruber(4)	%	%	
Brian Kenner(5)			
Alan Gruber(6)			
Isaac Willis(7)			
Marcia Berman(8)			
Edward David(9)			
Mark Dowley			
Douglas Augustine(10)			
Stephen Klein(11)			
Kenneth Colby(12)			
All directors and executive officers as a group(9 persons)(13)		%	%

* Less than one percent (1%).

(1) Except as indicated, the address of each person named in the table is c/o InterVU Inc., 201 Lomas Santa Fe Drive, Solana Beach, CA 92075.

(2) Beneficial ownership of directors, officers and 5% or more stockholders includes both outstanding Common Stock and shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after the date of this table. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

(3) Assumes no exercise of the Over-Allotment Option.

(4) Includes shares subject to the Company's repurchase right under a Vesting Agreement.

(5) Includes shares subject to the Company's repurchase right under a Vesting Agreement.

(6) Includes shares subject to the Company's repurchase right under a Vesting Agreement.

(7) Includes shares subject to the Company's repurchase right under a Vesting Agreement.

(8) Includes shares held by Westchester Group LLC, a Delaware limited liability company, the members of which are Ms. Berman, individually with respect to % of the LLC interests, and as custodian for her minor children under the New York Uniform Gifts to Minors Act with respect to % of the LLC interests. shares held by Westchester Group LLC are subject to the Company's repurchase right under a Vesting Agreement.

(9) Includes shares subject to the Company's repurchase right under a Vesting Agreement. Includes shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(10) Includes shares subject to the Company's repurchase right under a Vesting Agreement. Includes shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(11) Includes shares subject to the Company's repurchase right under a Vesting Agreement.

(12) Includes shares subject to the Company's repurchase right under a Vesting Agreement. Includes shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(13) Includes the shares described in notes ( ) through ( ).

Certain of the shares of the Company's Common Stock held by principal stockholders are subject to the terms of Vesting Agreements described under "Certain Transactions."

Description of Capital Stock

The following summary description of the capital stock of the Company does not purport to be complete and is subject to the provisions of the Company's Amended and Restated Certificate of Incorporation (the "Certificate") and Amended and Restated Bylaws (the "Bylaws"), which are included as exhibits to the Registration Statement of which this Prospectus forms a part, and by the provisions of applicable law.

Upon the closing of the Offering, the authorized capital stock of the Company will consist of shares of Common Stock, par value $.001 per share, and shares of preferred stock, par value $.001 per share, after giving effect to amendments to the Company's Certificate that have been approved by the Company's Board of Directors and stockholders.

Common Stock

As of August 8, 1997, there were shares of Common Stock outstanding held of record by 37 stockholders.

Holders of Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders of the Company. Subject to the preferences that may be applicable to any outstanding preferred stock, the holders of Common Stock are entitled to a ratable distribution of any dividends that may be declared by the Board of Directors out of funds legally available therefor. In the event of a

liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the prior liquidation rights of any outstanding preferred stock. The Common Stock has no preemptive, redemption or conversion rights. The outstanding shares of Common Stock are, and the shares offered by the Company in the Offering, when issued and paid for, will be, fully paid and nonassessable. The rights, preferences and privileges of holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any preferred stock which the Company may designate and issue in the future.

Preferred Stock

Upon the closing of the Offering, each outstanding share of preferred stock will be converted into Common Stock, and such shares of preferred stock will be automatically retired. Thereafter, the Board of Directors will be authorized, without further stockholder approval, to issue up to shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions granted or imposed upon any unissued shares of preferred stock and to fix the number of shares constituting any series and the designations of such series.

The issuance of preferred stock may have the effect of delaying or preventing a change in control of the Company. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to the holders of Common Stock or could adversely affect the rights and powers, including voting rights, of the holders of the Common Stock. In certain circumstances, such issuance could have the effect of decreasing the market price of the Common Stock. As of the closing of the Offering, no shares of preferred stock will be outstanding, and the Company currently has no plans to issue any shares of preferred stock.

Delaware Law and Certain Charter and Bylaw Provisions

The following is a description of certain provisions of the Delaware General Corporation Law (the "DGCL") and the Company's Certificate and Bylaws. This summary does not purport to be complete and is qualified in its entirety by reference to the DGCL, the Certificate and the Bylaws.

InterVU is subject to the provisions of Section 203 of the DGCL. Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within the past three years did own, 15% of the corporation's voting stock.

Certain provisions of the Certificate and the Bylaws could have anti-takeover effects. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the policies formulated by InterVU's Board. In addition, these provisions are intended to ensure that the Board will have sufficient time to act in what the Board of Directors believes to be in the best interests of the Company and its stockholders. These provisions also are designed to reduce the vulnerability of the Company to an unsolicited proposal for a takeover of the Company that does not contemplate the acquisition of all of its outstanding shares or an unsolicited proposal for the restructuring or sale of all or part of the Company. The provisions are also intended to discourage certain tactics that may be used in proxy fights.

Classified Board of Directors. The Certificate provides for the Company's Board to be divided into three classes of directors, with each class as nearly equal in number as possible, serving staggered three-year terms. As a result, approximately one-third of the Company's Board will be elected each year. The director in Class I will be , whose term will expire at the annual stockholders meeting in 1998. The directors in Class II will be and , whose terms will expire at the annual stockholders meeting in 1999. The directors in Class III will be and , whose terms will expire at the annual stockholders meeting in 2000. The classified board provision will help to assure the continuity and stability of the Company's Board and the business strategies and policies of the Company as determined by the Board. The classified board provision could have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of the Company. In addition, the classified board provision could delay stockholders who do not like the policies of the Company's Board from removing a majority of the Board for two years.

No Stockholder Action by Written Consent; Special Meetings. The Certificate provides that stockholder action can only be taken at an annual or special meeting of stockholders and prohibits stockholder action by written consent in lieu of a meeting. The Bylaws provide that special meetings of stockholders may be called only by the Board, its Chairman or the President of the Company. Stockholders are not permitted to call a special meeting of stockholders or to require that the Board call a special meeting.

Advance Notice Requirements for Stockholder Proposals and Director Nominees. The Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of stockholders of the Company (the "Stockholder Notice Procedure"). The Stockholder Notice Procedure provides that only persons who are nominated by, or at the direction of, the Company's Board or its Chairman, or by a stockholder who has given timely written notice to the Secretary of the Company prior to the meeting at which directors are to be elected, will be eligible for election as directors of the Company. The Stockholder Notice Procedure also provides that at an annual meeting only such business may be conducted as has been brought before the meeting by, or at the direction of, the Board or its Chairman or by a stockholder who has given timely written notice to the Secretary of the Company of such stockholder's intention to bring such business before such meeting. Under the Stockholder Notice Procedure, if a stockholder desires to submit a proposal or nominate persons for election as directors at an annual meeting, the stockholder must submit written notice to the Company not less than 60 days nor more than 90 days

prior to the first anniversary of the previous year's annual meeting (or if the date of the annual meeting is not within 30 days before or after such anniversary date, then, to be timely, notice must be received no later than the 10th day after notice of the meeting was mailed or after public announcement of the date of such meeting is first made). In addition, under the Stockholder Notice Procedure, a stockholder's notice to the Company proposing to nominate a person for election as a director or relating to the conduct of business other than the nomination of directors must contain certain specified information. If the chairman of a meeting determines that business was not properly brought before the meeting, in accordance with the Stockholder Notice Procedure, such business shall not be discussed or transacted.

Number of Directors; Removal; Filling Vacancies. The Bylaws provide that the Company's Board will consist of between and members, the exact number to be fixed from time to time by resolution adopted by the directors of the Company. The Board currently consists of five directors. Further, subject to the rights of the holders of any series of preferred stock then outstanding, the Bylaws authorize the Board to fill newly created directorships. Accordingly, this provision could prevent a stockholder from obtaining majority representation on the Board by permitting the Board to enlarge the size of the Board and fill the new directorships with its own nominees. A director so elected by the Board holds office until the next election of the class for which such director has been chosen and until his successor is elected and qualified. Subject to the rights of the holders of any series of preferred stock then outstanding, the Bylaws also provide that directors may be removed only for cause and only by the affirmative vote of holders of 66% of the outstanding shares of voting securities. The effect of these provisions is to preclude a stockholder from removing incumbent directors without cause and simultaneously gaining control of the Company's Board by filling the vacancies created by such removal with its own nominees.

Indemnification. The Company has included in its Certificate and Bylaws provisions to (i) eliminate the personal liability of its directors for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by the DGCL and (ii) indemnify its directors and officers to the fullest extent permitted by Section 145 of the DGCL, including circumstances in which indemnification is otherwise discretionary. The Company believes that these provisions are necessary to attract and retain qualified persons as directors and officers.

Bylaws. The Certificate provides that the Bylaws are subject to adoption, amendment, alteration, repeal or rescission either by (a) a majority of the authorized number of directors or (b) the affirmative vote of the holders of not less than two-thirds of the outstanding shares of voting securities. This provision will make it more difficult for stockholders to make changes in the Bylaws by allowing the holders of a minority of the voting securities to prevent the holders of a majority of voting securities from amending the Bylaws.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's Common Stock is .

Shares Eligible for Future Sale

Upon completion of the Offering, the Company will have outstanding shares of Common Stock. Of these shares, the shares sold in the Offering (plus any shares issued upon exercise of the Over-Allotment Option) will be freely tradeable without restriction under the Securities Act, unless purchased by "affiliates" of the Company as that term is defined in Rule 144 under the Securities Act (an "Affiliate").

In general, under Rule 144 as currently in effect, if a period of at least one year has elapsed since the later of the date the "restricted shares" (as that phrase is defined in Rule 144) were acquired from the Company and the date they were acquired from an Affiliate, then the holder of such restricted shares (including an Affiliate) is entitled to sell a number of shares within any three-month period that does not exceed the greater of 1% of the then outstanding shares of the Common Stock or the average weekly reported volume of trading of the Common Stock on AMEX during the four calendar weeks preceding such sale. The holder may only sell such shares through unsolicited brokers' transactions or directly to market makers. Sales under Rule 144 are also subject to certain requirements pertaining to the manner of such sales, notices of such sales and the availability of current public information concerning the Company. Affiliates may sell shares not constituting restricted shares in accordance with the foregoing volume limitations and other requirements but without regard to the one-year holding period.

Under Rule 144(k), if a period of at least two years has elapsed between the later of the date restricted shares were acquired from the Company and the date they were acquired from an Affiliate, as applicable, a holder of such restricted shares who is not an Affiliate at the time of the sale and has not been an Affiliate for at least three months prior to the sale would be entitled to sell the shares immediately without regard to the volume limitations and other conditions described above.

The Company's executive officers, directors and stockholders who collectively own an aggregate of shares of Common Stock have agreed that they will not directly or indirectly, offer to sell, sell, grant an option for the sale of, assign, transfer, pledge, hypothecate or otherwise encumber or dispose of any securities issued by the Company, including Common Stock or securities convertible into or exchangeable or exercisable for or evidence any right to purchase or subscribe for any shares of Common Stock whether or not beneficially owned by them, or dispose of any beneficial interest therein, for a period of nine months after the date of this Prospectus, without the prior written consent of Josephthal. Josephthal may, in its sole discretion, and at any time without notice, release all or any portion of the shares subject to such lock-up agreements. After the nine month period, of the shares subject to the sale restriction will be eligible for sale in the public market pursuant to Rule 144 under the Securities Act, subject to the volume limitations and other restrictions contained in Rule 144. The remaining shares of Common Stock subject to the restrictions on sale will become eligible for public sale under Rule 144 within one year from the date of this Prospectus.

Prior to the Offering, there has been no public market for the Common Stock of the Company and no predictions can be made as to the effect, if any, that sales of shares of Common Stock will have on the market price of the Common Stock prevailing from time to time. Nevertheless, sales of significant

numbers of shares of the Common Stock in the public market, or the perception that such sales may occur, could adversely affect the market price of the Common Stock and could impair the Company's future ability to raise capital through an offering of its equity securities. See "Risk Factors -- Shares Eligible for Future Sale" and "-- No Prior Trading Market; Possible Volatility of Stock Price."

Underwriting

The Underwriters named below (the"Underwriters"), for whom Josephthal Lyon & Ross Incorporated ("Josephthal") and are acting as the Representatives (the "Representatives"), have severally agreed, subject to the terms and conditions of the Underwriting Agreement (the "Underwriting Agreement"), to purchase from the Company, and the Company has agreed to sell to the Underwriters on a firm commitment basis, the respective number of shares of Common Stock set forth below opposite their names:

Underwriter Number of Shares

Josephthal Lyon & Ross Incorporated..... Total.....

The Underwriters are committed to purchase all the shares of Common Stock offered hereby, if any of such shares are purchased. The Underwriting Agreement provides that the obligations of the several Underwriters are subject to the conditions precedent specified therein.

The Company has been advised by the Representatives that the Underwriters initially propose to offer the Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less concessions of not in excess of $ per share of Common Stock. Such dealers may re-allow a concession not in excess of $ per share of Common Stock to other dealers. After the commencement of the Offering, the public offering price, concession and reallowance may be changed.

The Representatives have advised the Company that they do not anticipate sales to discretionary accounts by the Underwriters to exceed five percent of the total number of shares of Common Stock offered hereby.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act. The Company has also agreed to pay the Representatives an expense allowance on a non-accountable basis equal to one percent (1%) of the gross proceeds of the Offering.

The Underwriters have been granted an option by the Company, exercisable within 30 days of the date of this Prospectus, to purchase up to an additional shares of Common Stock at the initial public offering price per share of Common Stock offered hereby, less underwriting discounts and the non-accountable expense allowance. Such option may be exercised only for the purpose of covering over-allotments, if any, incurred in the sale of the shares offered hereby. To the extent such option is

exercised, in whole or in part, each Underwriter will have a firm commitment, subject to certain conditions, to purchase the number of the additional shares of Common Stock proportionate to its initial commitment.

Holders of shares of the Company's Common Stock, including each officer, director and stockholder of the Company, have executed agreements pursuant to which they have agreed not to offer to sell, sell, grant an option for the sale of, assign, transfer, pledge, hypothecate or otherwise encumber or dispose of any securities issued by the Company, including Common Stock or securities convertible into or exchangeable or exercisable for or evidence any right to purchase or subscribe for any shares of Common Stock whether or not beneficially owned by them, or dispose of any beneficial interest therein, for a period of nine months from the date of this Prospectus without the prior written consent of Josephthal. An appropriate legend shall be marked on the face of the certificates representing all of such securities.

In connection with the Offering, the Company has agreed to sell to the Representatives, for nominal consideration, the Advisors' Warrants to purchase from the Company shares of Common Stock. The Advisors' Warrants are initially exercisable at a price per share equal to 120% of the initial public offering price for a period of four years commencing one year after the date of this Prospectus and are restricted from sale, transfer, assignment or hypothecation for a period of twelve months from the date hereof, except to officers of Josephthal. The Advisors' Warrants also provide for adjustment in the number of shares of Common Stock issuable upon the exercise thereof as a result of certain subdivisions and combinations of the Common Stock. The Advisors' Warrants grant to the holders thereof certain rights of registration for the securities issuable upon exercise of the Advisors' Warrants.

Prior to the Offering, there has been no public market for the Common Stock. Consequently, the initial public offering price for the Common Stock will be determined by negotiations between the Company and the Representatives and will not necessarily be related to the Company's asset value, net worth or other established criteria of value. The factors to be considered in such negotiations, in addition to prevailing market conditions, include the history of and prospects for the industry in which the Company competes, an assessment of the Company's management, the prospects of the Company, its capital structure and certain other factors deemed relevant.

In connection with the Offering, certain Underwriters and selling group members and their respective affiliates may engage in transactions that stabilize, maintain or otherwise affect the market price of the Common Stock. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M, pursuant to which such persons may bid for or purchase Common Stock for the purpose of stabilizing its market price. The Underwriters also may create a short position for the account of the Underwriters by selling more Common Stock in connection with the Offering than they are committed to purchase from the Company, and in such case may purchase Common Stock in the open market following completion of the Offering to cover all or a portion of such short position. The Underwriters may also cover all or a portion of such short position, up to shares of Common Stock, by exercising the Over-Allotment Option. In addition, the Representatives may impose "penalty bids" under contractual arrangements with the Underwriters, where they may reclaim from an Underwriter

(or dealer participating in the Offering) for the account of other Underwriters, the selling concession with respect to Common Stock that is distributed in the Offering but subsequently purchased for the account of the Underwriters in the open market. Any of the transactions described in this paragraph may result in the maintenance of the price of the Common Stock at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph is required, and, if they are undertaken, they may be discontinued at any time.

The foregoing is a summary of the principal terms of the agreements described above and does not purport to be complete. Reference is made to a copy of each such agreement which are filed as exhibits to the Registration Statement. See "Available Information."

Legal Matters

The legality of the Common Stock offered hereby will be passed upon for the Company by Latham & Watkins, San Diego, California. Certain legal matters in connection with the Offering will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

Experts

The financial statements of the Company as of December 31, 1995 and 1996 and for the period from August 2, 1995 (inception) to December 31, 1995, the year ended December 31, 1996 and the period from August 2, 1995 to December 31, 1996 appearing in this Prospectus and the Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

Available Information

The Company has filed with the Commission a Registration Statement (of which this Prospectus is a part and which term shall encompass any amendments thereto) on Form S-1 pursuant to the Securities Act with respect to the Common Stock being offered in the Offering. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits thereto, certain portions of which are omitted as permitted by the rules and regulations of the Commission. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete; with respect to any such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by reference to the Registration Statement exhibits filed as a part thereof.

This Registration Statement and all other information filed by the Company with the Commission may be inspected without charge at the principal reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices at Citicorp Center,

500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and at 7 World Trade Center, 13th Floor, New York, New York 10048. Copies of all or any part thereof may be obtained upon payment of fees prescribed by the Commission from the Public Reference Section of the Commission at its principal office in Washington, D.C. set forth above. Such material may also be accessed electronically by means of the Commission's home page on the Internet at http://www.sec.gov.

Intervu Inc. (A Development Stage Company)

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Report of Ernst & Young Llp, Independent Auditors

The Board of Directors and Stockholders Intervu Inc.

We have audited the accompanying balance sheets of InterVU Inc. (a development stage company) as of December 31, 1995 and 1996, and the related statements of operations, stockholders' equity and cash flows for the period from August 2, 1995 (inception) to December 31, 1995, the year ended December 31, 1996 and for the period from August 2, 1995 (inception) to December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence

supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InterVU Inc. (a development stage company) at December 31, 1995 and 1996, and the results of its operations and its cash flows for the period from August 2, 1995 (inception) to December 31, 1995, the year ended December 31, 1996, and for the period from August 2, 1995 (inception) to December 31, 1996, in conformity with generally accepted accounting principles.

Ernst & Young Llp

San Diego, California May 2, 1997, except for Note 8, as to which the date is August , 1997 The foregoing report is in the form that will be signed upon completion of certain events as described in Note 8 to the financial statements.

San Diego, California August 11, 1997

Intervu Inc. (A Development Stage Company)

Balance Sheets

Assets

	DECEMBER 31,			PRO FORMA STOCKHOLDERS' EQUITY AT JUNE 30,	JUNE 30,
	1995	1996	1997	1997	
				(UNAUDITED)	(UNAUDITED)
Current assets: Cash and cash equivalents	$508,754	$2,507,822	$3,452,902		
Accounts receivable	--	--	19,069		
Prepaid and other current assets	--	10,095	11,270		
Total current assets	508,754	2,517,917	3,483,241		
Property and equipment, net	12,666	252,286	370,645		
Other assets	--	6,274	6,274		
Total assets	$521,420	$2,776,477	$3,860,160		
LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities:					
Accounts payable	$ --	$ 87,084	$ 98,104		
Accrued					

liabilities..... -- 65,970 143,711 Current portion, lease commitments..... -- -- 11,814 Total current liabilities..... -- 153,054 253,629 Lease commitments..... -- -- 13,753 Advances from stockholders..... 411,241 26,500 2,010,000 Stockholders' equity: Series A convertible preferred stock, $0.001 par value Authorized shares -- 250,000 Issued and outstanding shares -- 172,500 at December 31, 1995 and 1996 and June 30, 1997 Liquidation preference -- $172,500 at December 31, 1995 and 1996 and June 30, 1997..... 173 173 173 $ -- Series B convertible preferred stock, $0.001 par value Authorized shares -- 400,000 Issued and outstanding shares -- 339,562 at December 31, 1996 and June 30, 1997 Liquidation preference -- $431,243 at December 31, 1996 and June 30, 1997..... -- 340 340 -- Series C convertible preferred stock, $0.001 par value Authorized shares -- 400,000 Issued and outstanding shares -- 296,147 at December 31, 1996 and June 30, 1997 Liquidation preference -- $814,404 at December 31, 1996 and June 30, 1997..... -- 296 296 -- Series D convertible preferred stock, $0.001 par value Authorized shares -- 200,000 Issued and outstanding shares -- 96,429 at December 31, 1996 and June 30, 1997 Liquidation preference -- $675,003 at December 31, 1996 and June 30, 1997..... -- 96 96 -- Series E convertible preferred stock, $0.001 par value Authorized shares -- 400,000 Issued and outstanding shares -- 289,500 and 400,000 at December 31, 1996 and June 30, 1997, respectively Liquidation preference -- $2,895,000 at December 31, 1996 and $4,000,000 at June 30, 1997..... -- 290 400 -- Common stock, $0.001 par value Authorized shares -- 13,000,000 Issued and outstanding shares -- 3,808,000 at December 31, 1995 and 6,362,000 at December 31, 1996 and June 30, 1997 (10,780,552 shares unaudited pro forma)..... 3,808 6,362 6,362 10,781 Additional paid-in capital..... 152,218 5,322,236 6,961,561 6,958,447 Notes receivable from common stockholders..... -- (5,570) (4,000) (4,000) Deferred compensation..... -- (403,202) (876,787) (876,787) Deficit accumulated during the development stage..... (46,020) (2,324,098) (4,505,663) (4,505,663) Total stockholders' equity..... 110,179 2,596,923 1,582,778 $ 1,582,778 Total liabilities and stockholders' equity..... $521,420 $2,776,477 $3,860,160 See accompanying notes.

Intervu Inc. (A Development Stage Company)

Statements of Operations

PERIOD FROM AUGUST 2, 1995 (INCEPTION) TO JUNE 30, 1997				SIX MONTHS ENDED JUNE 30,	
	PERIOD FROM AUGUST 2, 1995 (INCEPTION) TO DECEMBER 31,	YEAR ENDED DECEMBER 31,	PERIOD FROM AUGUST 2, 1995 (INCEPTION) TO DECEMBER 31,	1996	1997

	1995	1996	1996			
				(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Revenues	$ --	$ --	$ --	$ --	$ 31,513	$ 31,513
Operating expenses:						
Research and development	32,632	1,420,483	1,453,115	496,512	891,321	2,344,436
Selling, general and administrative	16,542	910,040	926,582	231,349	1,363,921	2,290,503
Total operating expenses	49,174	2,330,523	2,379,697	727,861	2,255,242	4,634,939
Loss from operations	(49,174)	(2,330,523)	(2,379,697)	(727,861)	(2,223,729)	(4,603,426)
Interest income	3,154	52,445	55,599	19,023	42,164	97,763
Net loss	$ (46,020)	$(2,278,078)	$(2,324,098)	$(708,838)	$(2,181,565)	$(4,505,663)
Pro forma net loss per share		$			$	
Shares used in computing pro forma net loss per share						

See accompanying notes.

Intervu Inc. (A Development Stage Company)

Statement of Stockholders' Equity

	PREFERRED STOCK		COMMON STOCK		NOTES RECEIVABLE FROM	ADDITIONAL PAID-IN	
	SHARES	AMOUNT	SHARES	AMOUNT	COMMON STOCKHOLDERS	CAPITAL	
Issuance of common stock at $.00025 per share to founders for cash in August 1995	--	$ --	3,808,000	$3,808	$ (2,856)	$ --	
Issuance of Series A convertible preferred stock at $1.00 per share for cash in August 1995, net of issuance costs of $17,253	172,500	173	--	--	155,074	--	
Net loss	--	--	--	--	--	--	
Balance at December 31, 1995	172,500	173	3,808,000	3,808	152,218	--	
Issuance of common stock at $.00125 per share to founders for cash in January 1996	--	--	1,408,000	1,408	352	--	
Issuance of common stock at $.0025 per share for cash							

and notes receivable in January 1996.....	--	--	234,000	234	351	(70)			
Issuance of Series B convertible preferred stock at $1.27 per share for cash in February 1996, net of issuance costs of $12,758.....	339,562	340	--	--	418,146	--			
Issuance of Series C convertible preferred stock at $2.75 per share for cash in March 1996, net of issuance costs of $21,067.....	296,147	296	--	--	793,041	--			
Issuance of Series D convertible preferred stock at $7.00 per share for cash in April 1996, net of issuance costs of $18,931.....	96,429	96	--	--	655,976	--			
Issuance of common stock at $.015 per share for cash and notes receivable in April 1996.....	--	--	706,000	706	9,884	(1,500)			
Issuance of Series E convertible preferred stock at $10.00 per share for cash in December 1996, net of issuance costs of $28,659.....	289,500	290	--	--	2,866,051	--			
Issuance of common stock at $.025 per share for cash and notes receivable in December 1996.....	--	--	206,000	206	4,944	(4,000)			
Deferred compensation.....	--	--	--	--	421,273	--			
Amortization of deferred compensation.....	--	--	--	--	--	--			
Net loss.....	--	--	--	--	--	--			
Balance at December 31, 1996.....	1,194,138	1,195	6,362,000	6,362	5,322,236	(5,570)			
Issuance of Series E convertible preferred stock at $10.00 per share for cash in January 1997, net of issuance costs of $3,967 (unaudited).....	13,500	13	--	--	131,020	--			
Issuance of Series E convertible preferred stock at $10.00 per share for cash in February 1997, net of issuance cost of $24,417 (unaudited).....	97,000	97	--	--	945,486	--			
Repayments of notes receivable from common shareholders (unaudited).....	--	--	--	--	--	1,570			
Deferred compensation (unaudited).....	--	--	--	--	562,819	--			
Amortization of deferred compensation (unaudited).....	--	--	--	--	--	--			
Net loss (unaudited).....	--	--	--	--	--	--			
Balance at June 30, 1997 (unaudited).....	1,304,638	$1,305	6,362,000	$6,362	$6,961,561	$ (4,000)			

	DEFERRED COMPENSATION	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	TOTAL STOCKHOLDERS' EQUITY
Issuance of common stock at $.00025 per share to founders for cash in August 1995.....	$ --	$ --	$ 952
Issuance of Series A convertible preferred stock at $1.00 per share for cash in August 1995, net of issuance costs of $17,253.....	--	--	155,247
Net loss.....	--	(46,020)	(46,020)
Balance at December 31, 1995.....		(46,020)	110,179

Issuance of common stock at $.00125 per share to founders for cash in January 1996	--	--	1,760
Issuance of common stock at $.0025 per share for cash and notes receivable in January 1996	--	--	515
Issuance of Series B convertible preferred stock at $1.27 per share for cash in February 1996, net of issuance costs of $12,758	--	--	418,486
Issuance of Series C convertible preferred stock at $2.75 per share for cash in March 1996, net of issuance costs of $21,067	--	--	793,337
Issuance of Series D convertible preferred stock at $7.00 per share for cash in April 1996, net of issuance costs of $18,931	--	--	656,072
Issuance of common stock at $.015 per share for cash and notes receivable in April 1996	--	--	9,090
Issuance of Series E convertible preferred stock at $10.00 per share for cash in December 1996, net of issuance costs of $28,659	--	--	2,866,341
Issuance of common stock at $.025 per share for cash and notes receivable in December 1996	--	--	1,150
Deferred compensation	(421,273)	--	--
Amortization of deferred compensation	18,071	--	18,071
Net loss	--	(2,278,078)	(2,278,078)
Balance at December 31, 1996	(403,202)	(2,324,098)	2,596,923
Issuance of Series E convertible preferred stock at $10.00 per share for cash in January 1997, net of issuance costs of $3,967 (unaudited)	--	--	131,033
Issuance of Series E convertible preferred stock at $10.00 per share for cash in February 1997, net of issuance cost of $24,417 (unaudited)	--	--	945,583
Repayments of notes receivable from common shareholders (unaudited)		--	1,570
Deferred compensation (unaudited)	(562,819)	--	--
Amortization of deferred compensation (unaudited)	89,234	--	89,234
Net loss (unaudited)	--	(2,181,565)	(2,181,565)
Balance at June 30, 1997 (unaudited)	$ (876,787)	$(4,505,663)	$ 1,582,778

See accompanying notes.

Intervu Inc. (A Development Stage Company)

Statements of Cash Flows

	PERIOD FROM AUGUST 2, 1995 TO DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1996	PERIOD FROM AUGUST 2, 1995 TO DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30, 1997 (UNAUDITED)	PERIOD FROM AUGUST 2, 1995 TO JUNE 30, 1997 (UNAUDITED)
OPERATING ACTIVITIES					
Net loss	$(46,020)	$(2,278,078)	$(2,324,098)	$ (708,838)	

$(2,181,565)	$(4,505,663)											
Adjustments to reconcile net loss to net cash used in operating activities:												
Amortization of deferred compensation...	--	18,071	18,071	--	89,234	107,305						
Depreciation and amortization.....	678	59,305	59,983	16,504	69,851	129,834						
Changes in operating assets and liabilities:												
Accounts receivable.....	--	--	--	--	(19,069)	(19,069)						
Prepaid and other current assets.....	--	(10,095)	(10,095)	(9,195)	(1,175)	(11,270)						
Accounts payable.....	--	87,084	87,084	40,954	11,020	98,104						
Accrued liabilities.....	--	65,970	65,970	23,949	77,741	143,711						
Net cash used in operating activities.....	(45,342)	(2,057,743)	(2,103,085)	(636,626)	(1,953,963)	(4,057,048)						
INVESTING ACTIVITIES												
Purchases of property and equipment.....	(13,344)	(298,925)	(312,269)	(186,712)	(160,724)	(472,993)						
Other assets.....	--	(6,274)	(6,274)	--	--	(6,274)						
Net cash used in investing activities.....	(13,344)	(305,199)	(318,543)	(186,712)	(160,724)	(479,267)						
FINANCING ACTIVITIES												
Payments on capital leases.....	--	--	--	--	(1,919)	(1,919)						
Issuance of common stock.....	952	12,515	13,467	11,365	--	13,467						
Issuance of preferred stock.....	155,247	4,322,995	4,478,242	1,456,654	1,050,116	5,528,358						
Advances from stockholders.....	411,241	26,500	437,741	539,083	2,010,000	2,447,741						
Repayment of stockholder notes receivable.....	--	--	--	--	1,570	1,570						
Net cash provided by financing activities.....	567,440	4,362,010	4,929,450	2,007,102	3,059,767	7,989,217						
Net increase in cash and cash equivalents.....	508,754	1,999,068	2,507,822	1,183,764	945,080	3,452,902						
Cash and cash equivalents at beginning of period.....	--	508,754	--	508,754	2,507,822	--						
Cash and cash equivalents at end of period.....	$508,754	$ 2,507,822	$ 2,507,822	$1,692,518	$ 3,452,902	$ 3,452,902						
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:												
Capital lease obligations entered into for equipment.....	$ --	$ --	$ --	$ --	$ 27,486	$ 27,486						
Conversion of advances from stockholders to convertible preferred stock.....	$ --	$ 411,241	$ 411,241	$ 411,241	$ 26,500	$ 437,741						
Issuance of common stock in exchange for notes receivable.....	$ --	$ 5,570	$ 5,570	$ 1,570	$ --	$ 5,570						

See accompanying notes.

Intervu Inc. (A Development Stage Company)

Notes to Financial Statements

(INFORMATION AS OF JUNE 30, 1997 AND FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997 IS UNAUDITED)

1. the Company and Summary of Significant Accounting Policies

InterVU Inc. (the "Company") was incorporated in Delaware on August 2, 1995 to develop and market proprietary technologies and systems for delivering video on the internet. The Company utilizes a proprietary operating system for routing and distributing high quality video over the Internet at high speeds. The Company has commenced planned principal operations, however, as there has been no significant revenue therefrom, the Company is considered to be in the development stage.

Basis of Presentation

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of business. Since inception, the Company has been engaged in organizational activities, including recruiting personnel, establishing office facilities, research and development and obtaining financing. Through June 30, 1997, the Company had incurred accumulated losses of $4,505,663. Successful completion of the Company's development program and its transition to attaining profitable operations is dependent upon obtaining financing adequate to fulfill its research, development and market introduction activities, and achieving a level of revenues adequate to support the Company's cost structure. Management believes that the funds necessary to meets its capital requirements for the next twelve months will be raised either from the offering contemplated by this Prospectus or by private equity or debt financing. Without the additional financing, the Company will be required to delay, reduce the scope of or eliminate one or more of its research and development projects or market introduction activities and significantly reduce its expenditures on infrastructure and product upgrade programs that enhance the InterVU network architecture.

Interim Financial Data

The financial statements for the six months ended June 30, 1996 and 1997 and for the period from August 2, 1995 (inception) to June 30, 1997 are unaudited. The unaudited financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of

management, include all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial information set forth therein, in accordance with generally accepted accounting principles.

The results of operations for the interim period ended June 30, 1997 are not necessarily indicative of the results which may be reported for any other interim period or for the year ended December 31, 1997.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds, and other highly liquid investments with maturities of three months or less when purchased. The carrying value of these instruments approximates fair value. Such investments are made in accordance with the Company's investment policy, which establishes guidelines relative to diversification and maturities designed to maintain safety and liquidity. The Company has not experienced any losses on its cash and cash equivalents.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and depreciated over the estimated useful lives of the assets, ranging from three to five years, using the straight-line method. Leasehold improvements are stated at cost and amortized using the straight-line method over the shorter of the estimated

Intervu Inc. (A Development Stage Company)

Notes to Financial Statements (Continued)

(INFORMATION AS OF JUNE 30, 1997 AND FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997 IS UNAUDITED) 1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) useful lives of the assets or the lease term. Amortization of equipment under capital leases is reported with depreciation of property and equipment.

Software Development Costs

Financial accounting standards provide for the capitalization of certain software development costs after technological feasibility of the software is attained. No such costs have been capitalized to date because costs incurred subsequent to reaching technological feasibility have not been material.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. Actual results could differ from those estimates.

Revenue Recognition

Revenue is generated primarily from video encoding and distribution services. Revenue from video encoding services is recognized as the service is provided and revenue from video distribution services is recognized at the time of delivery.

Concentration of Credit Risk

Credit is extended based on an evaluation of the customer's financial condition and collateral is generally not required. Credit losses have been minimal and such losses have been within management's expectations.

Research and Development Costs

Costs incurred in connection with research and development are charged to operations as incurred.

Impairment of Long-lived Assets

In 1996, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. SFAS No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The adoption had no impact on the Company's financial statements.

Stock Options

In 1996, the Company adopted SFAS No. 123, Accounting for Stock-Based Compensation, which establishes the use of the fair value based method of accounting for stock-based compensation arrangements, under which compensation cost is determined using the fair value of stock-based compensation determined as of the grant date, and is recognized over the periods in which the related

services are rendered. SFAS No. 123 also permits companies to elect to continue using the current intrinsic value accounting method specified in Accounting Principles Board (APB) Opinion No. 25 to account for stock-based compensation. The Company

(INFORMATION AS OF JUNE 30, 1997 AND FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997 IS UNAUDITED) 1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) has decided to retain the current intrinsic value based method, and has disclosed the pro forma effect of using the fair value based method to account for its stock-based compensation (Note 4).

Pro Forma Net Loss Per Share

The Company's pro forma net loss per share calculations are based upon the weighted average number of shares of common stock outstanding. Pursuant to the requirements of the Securities and Exchange Commission Staff Accounting Bulletin No. 83, convertible preferred stock, convertible preferred stock warrants, common stock, and options to purchase common stock issued at prices below the estimated initial public offering price during the twelve months immediately preceding the contemplated initial filing of the registration statement relating to the initial public offering ("IPO"), have been included in the computation of net loss per share as if they were outstanding for all periods presented (using the treasury method assuming repurchase of common stock at the estimated IPO price). The pro forma calculation also gives effect to the conversion of convertible preferred shares not included above that will automatically convert upon completion of the Company's IPO (using the if-converted method) from the original date of issuance. Other shares issuable upon the exercise of stock options have been excluded from the computation because the effect of their inclusion would be antidilutive. Subsequent to the Company's IPO, options under the treasury stock method will be included to the extent they are dilutive. Net loss per share prior to 1996 has not been presented since such amounts are not deemed meaningful due to the significant change in the Company's capital structure that will occur in connection with the IPO.

Pro Forma Stockholders' Equity

If the offering contemplated by this Prospectus is consummated, all of the convertible preferred stock outstanding will automatically be converted into 4,418,552 shares of common stock, based on the shares of convertible preferred stock outstanding as of June 30, 1997 and assuming no antidilution adjustments are necessary. Pro forma stockholders' equity at June 30, 1997, as adjusted for the conversion of preferred stock, is disclosed on the balance sheet.

New Accounting Standard

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, Earnings per Share, which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. Application of the statement is expected to have no impact on primary or fully diluted loss per share for the six months ended June 30, 1997.

Intervu Inc. (A Development Stage Company)

Notes to Financial Statements (Continued)

(INFORMATION AS OF JUNE 30, 1997 AND FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997 IS UNAUDITED)

2. Property and Equipment

Property and equipment consisted of the following:

	DECEMBER 31,		JUNE 30,
	1995	1996	1997 (UNAUDITED)
Computers	$13,344	$228,729	$ 323,517
Furniture and fixtures	--	61,676	104,113
Equipment under capital lease	--	--	27,486
Leasehold improvements	--	11,936	22,692
Purchased software	--	9,928	22,671
	13,344	312,269	500,479
Less accumulated depreciation	(678)	(59,983)	(129,834)
	$12,666	$252,286	$ 370,645

3. Stockholder Advances

In December 1995, the Company received $411,241 in cash advances from certain stockholders that was subsequently converted to Series B convertible preferred stock in February 1996 at a per share price of $1.27. In December 1996, the Company received $26,500 in cash advances from certain stockholders that was subsequently converted into Series E convertible preferred stock in January 1997 at a per share price of $10.00. In June 1997, the Company received $2,010,000 in cash advances from certain stockholders that was subsequently converted into Series F convertible preferred stock in July 1997 at a per share price of $6.00.

4. Stockholders' Equity

Convertible Preferred Stock

A summary of convertible preferred stock at June 30, 1997 is as follows:

SERIES	SHARES AUTHORIZED	SHARES ISSUED AND OUTSTANDING	PREFERENCE IN LIQUIDATION	NUMBER OF SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION	PER SHARE DIVIDEND RATE
A.....	250,000	172,500	$ 172,500	690,000	$ .08
B.....	400,000	339,562	431,243	1,358,248	.10
C.....	400,000	296,147	814,404	1,184,588	.22
D.....	200,000	96,429	675,003	385,716	.56
E.....	400,000	400,000	4,000,000	800,000	.80

Convertible preferred shares convert, at the option of the holder, into common shares at a rate determined by dividing the original issue price by the conversion price. The conversion price is subject to adjustment for antidilution. The convertible preferred shares automatically convert to common shares on the closing of an underwritten public offering of common stock under the Securities Act of 1933 in which the Company receives at least $7,500,000 in gross proceeds.

In the event of a liquidation of the Company, the holders of convertible preferred stock are entitled to a liquidation preference equal to the sum of (i) the original issue price for each share of convertible preferred stock, and (ii) an amount equal to all declared but unpaid dividends on each such share. If upon the

occurrence of such event, the assets and funds thus distributed among the holders of the convertible preferred stock are insufficient to permit the payment to such holders of the full aforesaid preferential amounts, the entire assets and funds of the corporation legally available for distribution must be distributed ratably among the holders of the convertible preferred stock in proportion to the aggregate liquidation preferences of the respective shares, and ratably among the holders of that series in proportion to the amount of such stock owned by each such holder. Any remaining assets of the Company are to be distributed to the common stockholders.

The holders of convertible preferred stock are entitled to receive annual noncumulative dividends, when, as and if declared by the Board of Directors, prior to and in preference to stockholders of common stock. As of June 30, 1997, no cash dividends had been declared.

Common Stock

In August 1995, 3,808,000 shares of common stock were issued to the founders of the Company at a price of $.00025 per share under founder stock purchase agreements. In January 1996, an additional 1,408,000 shares of common stock were issued to three of the founders at a price of $.00125 per share under the founder stock purchase agreements. In January 1996, the Company issued 234,000 shares of common stock to employees at $.0025 per share under restricted stock agreements. Also, in April and December 1996, the Company issued 706,000 and 206,000 shares of common stock, respectively, to employees at $.015 and $.025 per share, respectively, under restricted stock agreements. In connection with the founder stock purchase agreements and the restricted stock agreements, the Company has the option to repurchase, at the original issue price, unvested common shares in the event of termination of employment. Shares issued under the agreements generally vest 20% on the first anniversary of the employee's hire date and daily thereafter for four years. At June 30, 1997, 4,465,211 shares were subject to repurchase by the Company.

In April 1996, the Board of Directors declared a two-for-one stock dividend of the Company's common stock, effectuated as a stock split. All applicable share and stock option information has been restated to reflect the split.

Stock Options

The Company has established a stock option plan to grant options to purchase common stock to consultants, employees, officers and directors of the Company. The Company has authorized for grant under the plan stock options to purchase up to 1,500,000 shares of its common stock.

Under the terms of the plan, non-qualified and incentive options may be granted to consultants, employees, officers and directors at prices not less than 100% of the fair market value on the date of grant. Options generally vest 20% after the first year of employment and daily thereafter for four years. The options expire ten years from the date of grant.

4. Stockholders' Equity (Continued)

The following table summarizes the stock option activity for the period from August 2, 1995 (inception) to June 30, 1997:

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Granted	249,000	$ 0.025
Balance at December 31, 1996	249,000	0.025
Granted	805,200	0.830
Canceled	(140,000)	0.025
Balance at June 30, 1997	914,200	$ 0.730

As of June 30, 1997, options for 19,343 common shares were exercisable. The weighted average remaining contractual life of outstanding options was approximately 4.7 years at June 30, 1997.

Pro forma information regarding net income or loss is required to be disclosed in accordance with SFAS No. 123, and has been determined as if the Company has accounted for its employee stock options under the fair value method prescribed in that Statement. The fair value of these options was estimated at the date of grant using the minimal value pricing model with the following weighted average assumptions for 1995 and 1996: risk free interest rate of 6.0%; dividend yield of 0%; and a weighted-average option life of 7 years.

The minimum value pricing model is similar to the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable, except that it excludes the factor for volatility. In addition, option valuation models require the input of highly speculative assumptions.

Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period of the related options. The Company's pro forma net loss was $46,020 for the period from August 2, 1995 (inception) to December 31, 1995, $2,278,002 for the year ended December 31, 1996, $2,324,022 for the period from August 2, 1995 (inception) to December 31, 1996, $708,838 and $2,176,717 for the six months ended June 30, 1996 and 1997, respectively, and $4,500,739 for the period from August 2, 1995 (inception) to June 30, 1997.

Deferred Compensation

Through June 30, 1997, the Company recorded deferred compensation for the difference between the price per share of restricted stock issued or the exercise price of stock options granted and the deemed fair value for financial statement presentation purposes of the Company's common stock at the date of

issuance or grant. The deferred compensation will be amortized over the vesting period of the related restricted stock or options, which is generally five years. Gross deferred compensation at December 31, 1996 and June 30, 1997 totaled $421,273 and $984,092, respectively, and related amortization expense totaled $18,071 and $89,234 in 1996 and 1997, respectively, and $107,305 for the period from August 2, 1995 (inception) to June 30, 1997.

Intervu Inc. (A Development Stage Company)

Notes to Financial Statements (Continued)

(INFORMATION AS OF JUNE 30, 1997 AND FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997 IS UNAUDITED)

4. Stockholders' Equity (Continued)

Shares Reserved for Future Issuance

At June 30, 1997, the Company had reserved 7.3 million common shares for the conversion of preferred stock, the exercise of stock options and for stock options available for future grant.

5. Commitments

The Company leases its principal facilities under two noncancelable operating leases which expire in 1999 with options to renew the leases for up to two years. Total rent expense was $47,648 for the year ended December 31, 1996, $15,349 and $60,354 for the six months ended June 30, 1996 and 1997, respectively, and $108,002 for the period from August 2, 1995 (inception) to June 30, 1997.

Future minimum payments under noncancelable capital and operating leases (with initial lease terms in excess of one year) consisted of the following at June 30, 1997:

	OPERATING LEASES	CAPITAL LEASES
1997	$ 37,806	$ 9,413
1998	57,648	13,790
1999	27,450	8,353
Total minimum lease payments	$ 122,904	31,556
Less amounts representing interest		(5,989)
Present value of future minimum lease payments		25,567
Less current portion		(11,814)
Capital lease obligation, net of current portion		$ 13,753

6. Income Taxes

Significant components of the Company's deferred tax assets as of December 31, 1996 are shown below. A valuation allowance of $1,008,000 has been recorded at December 31, 1996 to offset the net deferred tax assets as realization is uncertain.

December 31, 1995 1996

Deferred tax assets:		
Net operating loss carryforwards	$ 17,000	$ 920,000
Research tax credit carryforwards	400	71,000
Other	1,000	17,000
Total deferred tax assets	18,400	1,008,000
Valuation allowance	(18,400)	(1,008,000)
Net deferred tax assets	$ --	$ --

The Company had federal and California tax net operating loss carryforwards at December 31, 1996 of approximately $2.3 million. The federal and California tax loss carryforwards will begin to expire in 2010 and 2003, respectively, unless previously utilized. The Company also has federal and California research tax credit carryforwards of approximately $47,000 and $38,000, respectively, which will begin to expire in 2010 unless previously utilized.

Intervu Inc. (A Development Stage Company)

Notes to Financial Statements (Continued)

(INFORMATION AS OF JUNE 30, 1997 AND FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997 IS UNAUDITED) 6. INCOME TAXES (CONTINUED) Pursuant to Internal Revenue Service Code Sections 382 and 383, use of the Company's net operating loss carryforwards may be limited because of a cumulative change in ownership of more than 50% which occurred during 1996. However, the Company does not believe such limitations will have a material impact on the Company's ability to use these carryforwards.

7. Employee Benefits

In 1996, the Company established a cafeteria benefits plan whereby it contributes for each employee an amount equal to $3,000 plus a percentage of each employee's base salary, as approved by the Board of Directors, up to a maximum contribution of $9,000. The employer contribution goes towards the purchase of various benefit packages selected by the employee. The employee may contribute additional amounts as desired. Benefit packages include health care reimbursement, dependent care assistance, various insurance premium payments and a 401(k) plan. Company contributions to the

cafeteria benefits plan were $101,832 for the year ended December 31, 1996, $25,061 and $97,985 for the six months ended June 30, 1996 and 1997, respectively, and $101,832 and $199,817 for the period from August 2, 1995 (inception) to June 30, 1997.

8. Subsequent Events

On July 16, 1997, the Company declared a two-for-one stock split of the Company's common stock. All applicable share and stock option information have been restated to reflect the split.

On July 16, 1997, the Company issued 677,498 shares of Series F preferred stock at a price of $6.00 per share on conversion of $2,010,000 in advances from stockholders received prior to June 30, 1997 as well as additional cash proceeds of $2,054,988 received in July 1997. Additionally, on August 8, 1997, the Company issued 44,166 shares of Series F preferred stock at $6.00 per share for proceeds of $264,996. As of August 8, 1997, the Company had issued and outstanding an aggregate of 721,665 shares of Series F convertible preferred stock ($.001 par value) for aggregate proceeds of $4,329,984 with an aggregate liquidation preference of $4,329,984, a dividend rate of $.48 per share, and a one-for-one conversion rate to common stock, subject to adjustment for antidilution.

In August 1997, the Board of Directors authorized management of the Company to file a registration statement with the SEC permitting the Company to sell shares of its common stock to the public. If the initial public offering is closed under the terms presently anticipated, all of the preferred stock outstanding, including 721,665 shares of Series F convertible preferred stock, will automatically convert into 5,140,217 shares of common stock.

Also in August 1997, the Board of Directors authorized, and the stockholders approved, a reverse stock split to be effected concurrently with the closing of the initial public offering, in which shares of common stock are exchanged for one share of common stock. All applicable share and stock option information have been restated to reflect the split.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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UNTIL , 1997 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

Shares

Logo

Intervu Inc.

Common Stock

Prospectus

Josephthal Lyon & Ross , 1997

Part Ii

Information Not Required in the Prospectus

Item 13. Other Expenses of Issuance and Distribution.

The following is an itemized statement of expenses incurred in connection with this Registration Statement. All such expenses will be paid by the Company.

Securities and Exchange Commission registration fee	$ 7,667
NASD filing fee	3,030
AMEX listing fee	42,500
Non-accountable expense allowance	253,000
Legal fees and expenses	225,000
Accounting fees and expenses	153,000
Printing and engraving expenses	125,000
Blue Sky fees and expenses	5,000
Transfer agent and registrar fees	5,000
Miscellaneous	30,803
TOTAL	$850,000

All of the above items are estimates, except the Securities and Exchange Commission registration fee and the NASD filing fee.

Item 14. Indemnification of Directors and Officers.

Under Section 145 of the Delaware General Corporation Law, the Company has broad powers to indemnify its directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act.

The Company's Restated Certificate and Bylaws provide that the Company will indemnify its directors and officers to the fullest extent permitted by Delaware law. Delaware law permits, but does not require, a corporation to indemnify officers, directors, employees or agents and expressly provides that the indemnification provided for under Delaware law shall not be deemed exclusive of any indemnification right under any bylaw, vote of stockholders or disinterested directors, or otherwise. Delaware law permits indemnification against expenses and certain other liabilities arising out of legal actions brought or threatened against such persons for their conduct on behalf of the Company, provided that each such person acted in good faith and in a manner that he or she reasonably believed was in or not opposed to the Company's best interests and in the case of a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. Delaware law does not allow indemnification of directors in the case of an action by or in the right of the Company (including stockholder derivative suits) unless the directors successfully defend the action or indemnification is ordered by the court.

The Company is a party to indemnification agreements with each of its directors and officers. In addition, the form of Underwriting Agreement filed as Exhibit 1.1 hereto provides for the indemnification of the Company and its directors and officers against certain liabilities, including liabilities under the Securities Act.

The Company, with the approval of its Board of Directors, has applied for, and expects to obtain, directors' and officers' liability insurance.

Item 15. Recent Sales of Unregistered Securities.

(a) Securities sold.

The following table sets forth the date of sale, title and amount of shares of Preferred and Common Stock sold by the Company within the past three years which were not registered under the Securities Act:

Date of Sale Title No. of Shares Offering Price

08/25/95	Common Stock	3,808,000	$ 952
08/30/95	Series A Preferred Stock	172,500	172,500
01/17/96	Common Stock	1,408,000	1,760
01/17/96	Common Stock	234,000	585
02/04/96	Series B Preferred Stock	339,562	431,244
03/07/96	Series C Preferred Stock	296,147	814,404
04/16/96	Common Stock	706,000	10,590
04/17/96	Series D Preferred Stock	96,429	675,003
12/04/96	Series E Preferred Stock	289,500	2,895,000
12/16/96	Common Stock	206,000	5,150

01/24/97	Series E Preferred Stock	13,500	135,000
02/04/97	Series E Preferred Stock	97,000	970,000
07/16/97	Series F Preferred Stock	677,498	4,064,988
08/08/97	Series F Preferred Stock	44,166	264,996

In addition, the Company has granted stock options under the 1996 Stock Plan since such plan's inception. For a description of these options granted to employees, officers and consultants of the Company, see "Management -- 1996 Stock Option Plan."

(b) Underwriters and other purchasers.

Underwriters were not retained in connection with the sale of any of the Company's currently outstanding securities. All sales were made in private placements to employees or directors of the Company or to accredited individual investors.

(c) Consideration.

The shares of capital stock were sold by the Company for cash and notes receivable in the amounts set forth in Item 15(a) above.

(d) Exemption from registration claimed.

The Company relied upon an exemption from registration under Section 4(2) of the Securities Act in connection with each of these transactions. All sales were made through private placements to employees or directors of the Company or to accredited individual investors.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

Exhibit Numbers Description of Exhibit

1.1	Form of Underwriting Agreement.(2)
3.1	Restated Certificate of Incorporation and all amendments thereto.(2)
3.2	Form of Amended and Restated Certificate of Incorporation.(2)
3.3	Form of Amended and Restated Bylaws.(2)
4.1	Form of Common Stock Certificate.(2)
4.2	Form of Representatives' Warrant Agreement including form of Representatives' Warrants.(2)
5.1	Opinion of Latham & Watkins.(2)
10.1	1996 Stock Plan of InterVU Inc.(2)
10.2	Form of Indemnification Agreement.(2)
10.3	Form of Restricted Stock Purchase Agreement.(2)
10.4	Form of Vesting Agreement.(2)
11.1	Statement re: computation of per share losses.(2)
23.1	Consent of Ernst & Young LLP, Independent Auditors.(1)
23.2	Consent of Latham & Watkins (to be contained in Exhibit 5.1).(2)
24.1	Power of Attorney (contained on signature page).
27.1	Financial Data Schedule.(1)

(1) Filed herewith.

(2) To be filed by amendment.

(b) Financial Statement Schedules.

All required information is set forth in the financial statements included in the Prospectus constituting part of this Registration Statement.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the Offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on August 13, 1997.

InterVU Inc.

By: /s/ HARRY E. GRUBER Harry E. Gruber Chairman, Chief Executive Officer and Chief Financial Officer

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Harry E. Gruber his true and lawful attorney-in-fact, acting alone, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all amendments including post-effective amendments and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933 to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact or his substitute, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature Title Date

/s/ HARRY E. GRUBER - ---------- Harry E. Gruber	Chairman of the Board, Chief Executive Officer and Chief Financial Officer (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	August 13, 1997

Director August 13, 1997 Marcia Berman /s/ EDWARD DAVID Director August 13, 1997 Edward David /s/ MARK DOWLEY Director August 13, 1997 Mark Dowley /s/ ISAAC WILLIS Director August 13, 1997 Isaac Willis

Exhibit Index

The following exhibits are filed as part of this Form S-1 Registration Statement.

Exhibit Numbers Description of Exhibit

1.1	Form of Underwriting Agreement.(2)
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