

BUSINESS PLAN

FOR

DIGITAL SIGHT/SOUND, INC.

PRESENTED TO:

This business plan ("Business Plan") is the confidential proprietary information of Digital Sight/Sound, Inc. This Business Plan is delivered to the individual or entity identified on the cover page ("Recipient") solely for the purpose of enabling the Recipient (and advisors of Recipient) to evaluate this Business Plan and to determine whether or not to pursue investment discussions with Digital Sight/Sound. By accepting delivery of this Business Plan, the Recipient (for itself and its advisors) agrees with Digital Sight/Sound, Inc. that the Recipient (and advisors of the Recipient) will not disclose or use all, or any portion of, this Business Plan except for the purpose of making such evaluation and determination. Should the Recipient choose not to pursue investment discussions with Digital Sight/Sound, Inc., the Recipient will return (and will cause each of Recipient's advisors to return) this Business Plan and all copies thereof to Digital Sight/Sound, Inc. upon request.

The information contained in this Business Plan is to serve as a basis of discussion only. Estimates, projections, forecasts, assumptions, etc., contained within this Business Plan are believed to be as accurate and reliable as possible, however, no guarantee to their validity is expressed or implied.

THIS BUSINESS PLAN DOES NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES. THIS BUSINESS PLAN IS BEING PROVIDED TO THE RECIPIENT TO ENABLE DIGITAL SIGHT/SOUND, INC. TO OBTAIN INDICATIONS OF INTEREST TO BE USED IN PREPARING POSSIBLE SUBSEQUENT OFFERING DOCUMENTATION. ANY OFFER TO SELL, OR SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES WILL ONLY BE MADE BY SUCH POSSIBLE SUBSEQUENT OFFERING DOCUMENTATION.

HIGHLY CONFIDENTIAL
ATTORNEYS' EYES ONLY
FINANCIAL INFORMATION

98-0118
000447A

CONFIDENTIAL

TABLE OF CONTENTS

| | | |
|------|---|--------|
| I. | <u>EXECUTIVE SUMMARY</u> Mission Statement Enabling Technology Entertainment Industry Product Line Required Capitalization | page 1 |
| II. | <u>COMPANY HISTORY</u> Patented Technology Corporate Formation | page 2 |
| III. | <u>THE BUSINESS</u> Core Business Virtual Video & Record Store Music Distribution Rights Market Penetration Strategy Advertising & Exposure | page 3 |
| IV. | <u>THE COMPETITION</u> Inefficient Distribution Model Lack of Action Competitive Advantage | page 4 |
| V. | <u>THE INTERNET</u> Initial Purpose of the Internet Creation of the Internet The World Wide Web Credit Card Transitions on the Internet | page 5 |
| VI. | <u>THE @HOME NETWORK</u> The Business The Technology The Market Investors in the @Home Network Benefit to Digital Sight/Sound | page 6 |
| VII. | <u>VIRTUAL VIDEO & RECORD STORE</u> Operations Customers and their Equipment Ease of Electronic Purchase Credit Card Payment | page 7 |

HIGHLY CONFIDENTIAL
ATTORNEYS' EYES ONLY
FINANCIAL INFORMATION

98-0118

000448A

CONFIDENTIAL

TABLE OF CONTENTS

[continued]

| | | |
|-------|--|---------|
| VIII. | <u>ENTERTAINMENT OPERATING SYSTEM</u> | page 8 |
| | Summary | |
| | Browser Add-On | |
| | Addressability | |
| | Encryption | |
| | Digital Compression | |
| | Player Functions | |
| | Rapid Play | |
| | User Configuration | |
| IX. | <u>MARKET ANALYSIS</u> | page 9 |
| | U.S. Home Video Market | |
| | U.S. Recorded Music Market | |
| | U.S. Home Computer Market | |
| X. | <u>STRUCTURE OF DIGITAL SIGHT/SOUND</u> | page 10 |
| | Owners & Board of Directors | |
| | Officers & Employees | |
| | Outside Advisors | |
| XI. | <u>BIOGRAPHIES</u> | page 11 |
| | Arthur R. Hair | |
| | Scott C. Sander | |
| | Ansel M. Schwartz, Esq. | |
| | Dennis Unkovic, Esq. | |
| | Grant M. Wirth | |

EXHIBITS

- "A" — Milestone Events
- "B" — Seven Year Financial Projections
- "C" — Start-Up Capital Source/Use of Funds
- "D" — Digital Sight/Sound's Internet Web Site
- "E" — The @Home Network
- "F" — 'Future Shocks: The End of the Music Business As We Know It'
- "G" — 'Why the Internet Chews Up Business Models'
- "H" — United States Patent 5,191,573
- "I" — Terms for Investment in Digital Sight/Sound, Inc.

HIGHLY CONFIDENTIAL
ATTORNEYS' EYES ONLY
FINANCIAL INFORMATION

98-0118
000449A

I. EXECUTIVE SUMMARY

Mission Statement — *Foster an intimate relationship between artist and audience through technology.*

Enabling Technology — Digital Sight/Sound, Inc. was established on August 1, 1995, for the purpose of electronically selling digital video [movies] and digital audio [albums] recordings via the Internet. Digital Sight/Sound currently operates a *virtual video & record store* connected to the Internet which required Digital Sight/Sound to license technology owned by Parsec Sight/Sound, Inc. ["Parsec"]. The technology owned by Parsec is centered around United States Patent 5,191,573 ["Patent", see Exhibit "H"] which protects a method whereby digital video and digital audio recordings can be electronically sold via telecommunications lines. Digital Sight/Sound is the exclusive licensee of the technology protected by the Patent for use on the Internet. Commencing in April 1996, Digital Sight/Sound will connect to the @Home Network [see Section VI] to take advantage of their 10 Megabit per second service to residential customers.

Entertainment Industry — Digital Sight/Sound will initially concentrate efforts on penetrating the \$9 billion recorded music market [see Section XI] through the electronic sale of digital albums. In early 1997, and once the customer base possessing adequate computer storage memory reaches adequate levels, Digital Sight/Sound will focus efforts on penetrating the \$17 billion recorded video market [see Section IX] through the electronic sale of digital videos.

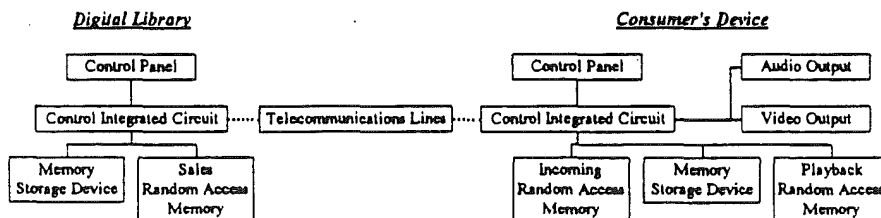
Product Line — Digital Sight/Sound directly represents one band [The Gathering Field] and expects to represent other "up and coming", which have not yet contracted with a traditional recording label, for electronic sales via the Internet [see Section V]. Digital Sight/Sound will seek out and sign these previously unsigned bands for the express purpose of selling their music electronically via the Internet. Digital Sight/Sound will approach "unsigned" bands via global advertising on the Web Site, trade magazine advertising, and direct solicitation of managers and agents. With only one copy of the band's digital recording [either CD or DAT], Digital Sight/Sound can sell an infinite number of electronic copies of that recording, world wide via Digital Sight/Sound's *virtual record store* on the Internet. Additionally, Digital Sight/Sound plans to negotiate electronic distribution agreements with record labels and other owners of "content" to increase the "library" of products offered, and commencing in 1997, Digital Sight/Sound plans to offer digital videos as well.

Required Capitalization — Digital Sight/Sound requires \$700,000 of equity financing [see Exhibit "C"] to fund the company's immediate expansion necessary to commence operations on April 1, 1996, on the @Home Network [see Section VI]. Shortly thereafter, Digital Sight/Sound will seek an additional \$4 million of equity financing required to grow the company to a level which will support an Initial Public Offering of stock in early 1998.

II. COMPANY HISTORY

Patented Technology — In the mid 1980s, Arthur R. Hair conceived an new method to electronically sell and distribute movies and music in digital form. On March 2, 1993, Mr. Hair received United States Patent 5,191,573 ["Patent"] protecting a method to sell digital video recordings [movies] and digital audio recordings [digitized albums] over telecommunications lines [such as, but not limited to: twisted pair, fiber optic, coax cable TV, cellular, radio, satellite, etc.]. More specifically, and without limitation, Mr. Hair's patent protects the electronic sale and transmission of digital video and digital audio recordings over telecommunications lines and corresponding charges [i.e. to a telephone bill, credit card, or other billing means] for the purchase or rental of the digital recordings [see Exhibit "H"]. Mr. Hair assigned the Patent to Parsec Sigh/Sound, Inc. which is jointly owned by Mr. Hair and Mr. Scott C. Sander.

UNITED STATES PATENT 5,191,573 "METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL"



Corporate Formation — Messrs. Hair and Sander, sharing a vision to *foster an intimate relationship between artist and audience through technology*, established Digital Sigh/Sound, Inc. on August 1, 1995. Parsec Sigh/Sound, Inc. exclusively licensed the technology protected by the Patent to Digital Sigh/Sound for use on the Internet. Digital Sigh/Sound then set out to obtain exclusive audio distribution licenses with artists and on August 18, 1995, signed The Gathering Field. Shortly thereafter, on September 27, 1995, Digital Sigh/Sound became the first company to post an digitized album for sale on the Internet. Digital Sigh/Sound is now preparing to advance the company with a connection to the @Home Network [see Section VI].

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.