

PRIVATE PLACEMENT MEMORANDUM

APRIL 27, 1999



SIGHTSOUND.COM

\$20,000,000

10,000,000 SHARES  
SIGHTSOUND.COM INCORPORATED  
COMMON STOCK  
\$2.00 PER SHARE

THESE SECURITIES ARE OFFERED AND SOLD PURSUANT TO EXEMPTIONS FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS ANY SUCH COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF ANY INFORMATION PROVIDED TO THE INVESTOR BY SIGHTSOUND INCORPORATED ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. PURCHASE OF THESE SECURITIES PRESENTS AN UNUSUALLY HIGH DEGREE OF RISK THAT THE INVESTOR WILL LOSE THE INVESTOR'S ENTIRE INVESTMENT. SEE ALSO "RISK FACTORS."

SHARES OFFERED

Number of Shares	Price to Investors at \$ 2.00 per share	Cash Underwriting Discounts & Commissions <sup>(1)</sup>	Proceeds to the Company
10,000,000	\$20,000,000	\$0	20,000,000

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(1). Goldman Sachs & Co. may be paid an investment banking fee in the form of Common Stock in SIGHTSOUND.COM INCORPORATED. See "Administrative - Contractual Summaries - Investment Banking" and "Use of Proceeds."

PROMPTLY RETURN IT TO SIGHTSOUND.COM INCORPORATED SHOULD A DECISION BE MADE NOT TO INVEST IN THE SHARES OFFERED HEREUNDER.

NO PERSON IS AUTHORIZED IN CONNECTION WITH THE OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM AND THE SCHEDULES HERETOAND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY SIGHTSOUND.COM INCORPORATED NEITHER DELIVERY OF THIS PRIVATE PLACEMENT MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF SIGHTSOUND.COM INCORPORATED SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANYONE IN ANY STATE OR JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED.

Statements contained herein as to the contents of any agreement or other documents are not necessarily complete. All such references to or summaries of material terms of such documents are qualified in their entirety by references to the completed documents. Copies of any document referred to herein, if not furnished to prospective investors, may be obtained from SIGHTSOUND.COM, INCORPORATED by any prospective investor or his authorized representative. Any questions or requests for additional information should be directed to SIGHTSOUND.COM INCORPORATED. Each prospective investor is urged to make a further investigation of SIGHTSOUND.COM INCORPORATED before making any determination whether to invest.

SIGHTSOUND.COM INCORPORATED will answer all inquiries from prospective investors and/or their authorized representatives concerning SIGHTSOUND.COM INCORPORATED and any matters relating to SIGHTSOUND INCORPORATED, its business and its offer and sale of shares, and will afford all prospective investors and/or their authorized representatives the opportunity to obtain any additional information (to the extent SIGHTSOUND INCORPORATED possesses such information or can acquire it without unreasonable effort or expense) necessary to verify the accuracy of any representations or information set forth in this Private Placement Memorandum.

**SIGHTSOUND.COM INCORPORATED**

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Chief Executive Officer  
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## INTRODUCTION

### COMPANY HISTORY

SIGHTSOUND INCORPORATED (the "Company" or "SIGHTSOUND.COM") electronically sells films, music, and other video and audio recordings over the Internet ("Entertainment E-Commerce") as a retailer and Download Service Provider ("DSP"). In 1995, SIGHTSOUND.COM became the first in history to offer music for sale in download fashion over the World Wide Web. In 1999, SIGHTSOUND.COM again made history by becoming the first to offer a full length major motion picture for download sale.

In 1988, Arthur R. Hair filed for patent protection on a method and system to electronically sell and distribute digital video and digital audio recordings via telecommunications lines. This method formed the foundation of Entertainment E-Commerce. Mr. Hair and Scott C. Sander worked together to formulate strategies for the creation of the Entertainment E-Commerce industry. Meanwhile, on March 2, 1993, Mr. Hair received United States Patent 5,191,573 protecting his invention ("Patent 5,191,573"), and on October 7, 1997, Mr. Hair received United States Patent 5,675,734 ("Patent 5,675,734") as a continuation of Patent 5,191,573.

The Company was incorporated on August 1, 1995, with Mr. Hair and Mr. Sander as the sole shareholders. Also on August 1, 1995, Mr. Hair assigned Patent 5,191,573 and Patent 5,675,734, to the Company. The Company then entered into an Exclusive Patent License Agreement with Digital Sight/Sound, Inc. ("Digital Sight/Sound") granting to Digital Sight/Sound certain exclusive rights to Patent 5,191,573 and Patent 5,675,734. Digital Sight/Sound was also incorporated on August 1, 1995, with Mr. Hair and Mr. Sander as the sole shareholders. As a limited demonstration of Entertainment E-Commerce, Digital Sight/Sound signed the band, The Gathering Field, to an electronic distribution contract on August 18, 1995, and, on September 27, 1995, Digital Sight/Sound became the first company to practice Entertainment E-Commerce and offer for sale digital recordings in download fashion via the Internet. Upon expiration of the Company's contract with The Gathering Field, the band signed a recording contract with Time Warner's Atlantic Records. Effective as of August 15, 1997, Digital Sight/Sound and the Company terminated the Exclusive Patent License Agreement, as amended, and replaced it with a Nonexclusive Patent License Agreement (the "License Agreement"), granting to Digital Sight/Sound certain nonexclusive rights to the Patent claims. The Company then commenced the licensing program discussed below. On April 1, 1999, Digital Sight/Sound was merged into the Company and the Company was renamed SIGHTSOUND INCORPORATED.

The Company envisions Entertainment E-Commerce as a "platform change" to stimulate the growth of the movie and music industries as well as the marketplaces for owners of other forms of video and audio recordings (collectively, the "Clients"), and to provide the end customer (the "Customer") with video and audio entertainment in a highly efficient manner. The Company is a download retailer of video and audio content such as film and music. It is also actively marketing Entertainment E-Commerce services, such as electronic warehousing and electronic distribution via the Internet, to companies which own or control video and audio content. Additionally, the Company is planning to offer services to potential Clients in other industries currently using physical distribution channels to distribute recorded video and audio products such as instructional videos and download news.

The Company offers its Clients a fully integrated Entertainment E-Commerce solution. The Company has contracted with Exodus Communications for data center operations and connectivity to the Internet. As growth dictates, the Company also expects to utilize the data center services of Computer Sciences Corporation ("CSC"), a shareholder of the Company. The Company is one of the first to begin using Windows Media Technologies 4.0, a new multimedia software package from Microsoft Corporation, which was officially released on April 13, 1999. The software, along with Windows Media Rights Manager, enables the Company to compress and encrypt audio and video files. The Company uses Microsoft Site Server Commerce Edition to facilitate the sale of the compressed and encrypted audio and video files. The Company also focuses on the invention, development and protection of intellectual property related to the electronic sale and distribution of video and audio recordings. The Company currently seeks to license certain rights pertaining to its proprietary intellectual property for the electronic sale of digital video and digital audio recordings in download fashion.

### CURRENT ACTIVITIES

The Company sells motion pictures in download fashion to Internet users. The Company also "rents" films over the Internet by offering the customer the opportunity to view a film a limited number of times or for a limited time period. For example, a film might be downloaded into impermanent buffer memory so that it could be viewed only

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