PROSPECTUS
August 15, 1997

digital sight/sound™

2,977,825 Shares
Digital Sight/Sound, Inc.
Common Stock

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THIS OFFERING INVOLVES AN UNUSUALLY HIGH DEGREE OF RISK THAT THE INVESTOR WILL LOSE THE INVESTOR'S ENTIRE INVESTMENT. SEE "RISKS FACTORS" COMMENCING ON PAGE 2 HEREOF.

Digital Sight/Sound, Inc.
$6.00 Price Per Share

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Prospectus Summary

Digital Sight/Sound, Inc. (the "Company") is the first digital media company focused exclusively on the electronic sale of audio and video recordings in download fashion. In 1986, Arthur R. Hair invented and filed for patent protection on a method and system to electronically sell and distribute digital video and digital audio recordings via telecommunications. This method and system formed the foundation of what is now known as "Entertainment E·Commerce." On March 2, 1993, Mr. Hair received United States Patent 5,191,573 protecting his invention and subsequently assigned this patent, and others which are pending, to Parsec Sight/Sound, Inc. ("Parsec Sight/Sound"). Since its invention in 1986, Entertainment E·Commerce was envisioned as a 'platform change' to stimulate the growth of the music and movie industries, along with growing the marketplaces for owners of other forms of audio and video recordings (collectively the "Clients") and provide the end customer (the "Customer") with audio and video entertainment in a highly efficient manner. The Company is currently executing a strategy focusing initial efforts on the development of unique content not available through physical distribution channels which is expected to accelerate the adoption of Entertainment E·Commerce by Customers.

For 10-years, between 1986, and 1995, Mr. Hair and Scott C. Sander worked together to formulate strategies for the creation of the Entertainment E·Commerce industry. The Company and Parsec Sight/Sound (collectively the "Company") were formally established on August 1, 1995, by Mr. Hair and Mr. Sander. The Company then set out to obtain Entertainment E·Commerce agreements with independent artists and prove the viability of Entertainment E·Commerce through a limited demonstration. On August 18, 1995, the Company signed *The Gathering Field*, to an electronic distribution contract and shortly thereafter, on September 27, 1995, the Company became the first company to practice Entertainment E·Commerce and offer for sale digital recordings in download fashion. Upon expiration of the Entertainment E·Commerce agreement with *The Gathering Field*, the band signed a recording contract with PolyGram's Atlantic Records.

Prior to 1996, all Seed Capital was provided by Mr. Hair and Mr. Sander. In 1996, 30% of the common stock of the Company was sold to investors including Computer Sciences Corporation, Prophecy Partners (a Santa Monica based investment fund), Janus St. George Partnership (a Pennsylvania based investment bank), and several high net worth families. The Company commenced a campaign to assist the major record labels in the transition to Entertainment E·Commerce. Today, the Company offers a variety of Entertainment E·Commerce services to record labels making the transition to the digital future and is preparing to offer similar services to movie studios and to other Clients as well.

The Offering

The Company is offering for sale, only to Accredited Investors, up to 2,977,825 shares of common capital stock of the Company at the price of $6.00 per share for an aggregate purchase price for all shares of approximately $17,866,950. The offering will commence not earlier than August 15, 1997, and will end on October 31, 1997, provided however that the Company, at its sole discretion, can extend the offering until December 31, 1997. The Company reserves the right to reject any subscription without having or stating any reason therefor.

The authorized capital of the Company currently consists of 100,000,000 shares of common capital stock. As of August 15, 1997, a total of 11,911,300 shares of the Company common capital stock were issued, outstanding and/or under option. As of July 31, 1997, the Company had a book value of approximately $636,144. Accordingly, each share of the Company purchased for $6.00 pursuant to this offering will have a post issuance book value of approximately $1.24 if $17,866,950 in subscriptions (2,977,825 shares) are received. Subsequent issuances of stock to raise required capital for the Company could result in further significant dilution.

The document titled *Business Plan for the Company* (the "Business Plan") is a confidential internal document and represents a joint business effort between the Company and Parsec Sight/Sound. The Business Plan may be altered from time to time at the discretion of the Management or the Directors of the Company and/or Parsec Sight/Sound, respectively.

Notwithstanding anything to the contrary contained in the Business Plan or in any statement made to the Investor, the Company has no contract or other legally binding arrangement with any other third party (other than the License Agreement) and the presence of materials in the Business Plan relating to other third parties does not imply that they have approved or otherwise support this offering or any information provided by the Company to the Investor. If the Company is unable to enter into contracts and legally binding arrangements of the type described in the Business Plan or as may be otherwise necessary or appropriate for the Company's business, the business may fail and the Investor's investment will be lost.

Risk Factors

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the Common Stock offered hereby. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's

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actual results may differ materially from the results discussed in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed below and in the other sections of this Prospectus.

Short Operating History; History of Losses; Unproven Business; No Assurance of Profitability. The Company and Parsec Sight/Sound were incorporated on August 1, 1995, commenced operations in October 1995, and has incurred substantial net losses in each fiscal period since its inception. As of July 31, 1997, the Company had an accumulated deficit of about $489,058. In addition, the Company currently intends to increase its capital expenditures and operating expenses in order to expand its operations in existing and future markets and to market and provide the Company's services to a growing number of potential Clients and Customers. As a result, the Company expects to incur additional substantial operating and net losses for the foreseeable future. The profit potential of the Company's business model is unproven, and, to be successful, the Company must, among other things, develop and market products and services that are widely accepted by Customers and Clients at prices that will yield a profit. The Company's service is expected to be launched in the first quarter of 1998, and there can be no assurance that it will achieve broad Customer or Client acceptance. Because of the foregoing factors, among others, the Company is unable to forecast its revenues or the rate at which it will add new Customers or Clients with any degree of accuracy. There can be no assurance that the Company will be able to increase its Customer or Client base in accordance with its internal forecasts or the forecasts of industry analysts or to a level that meets the expectations of the Investor or other investors. There can also be no assurance that the Company will ever achieve favorable operating results or profitability.

Intellectual Property; Litigation. The Company regards its technology as proprietary and attempts to protect it with copyrights, trademarks, service marks trade secret laws, restrictions on disclosure and other methods. In addition, the Company has secured United States Patent 5,191,573, filed two patent applications as continuation to USP 5,191,573 (one of which has been allowed by the United States Patent and Trademark Office), and filed a patent application with respect to a digital audio and/or digital video compression algorithm and system. There can be no assurance that any patent will issue from the applications mentioned above or that, if issued, along with USP 5,191,573, 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 or license 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. In addition, effective copyright, trademark and trade secret protection may be unavailable or limited in certain foreign countries, and the global nature of the Internet makes it virtually impossible to control the ultimate destination of the Company's content offerings. Policing unauthorized use of the Company's content offerings is difficult. 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 trade secrets 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, operating results and financial condition

From time to time, the Company may receive notice of claims of infringement of other parties' proprietary rights, including claims for infringement resulting from the downloading of audio and/or video recordings through services operated or facilitated by the Company. There can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Company or that any assertions or prosecutions will not materially adversely affect the Company's business, operating results and financial condition. Irrespective of the validity or the successful assertion of such claims, the Company would incur significant costs and diversion of management time and resources with respect to the defense thereof, which could have a material adverse effect on the Company's business, operating results and financial condition. If any claims or actions are asserted against the Company, the Company may seek to obtain a license under a third party's intellectual property rights. There can be no assurance, however, that under such circumstances a license would be available on commercially reasonable terms, or at all.

No Deployment. The Company's products and services are expected to be deployed on a variety of computer hardware platforms and to be used in connection with a number of third-party software applications and programming tools. The Company have not yet deployed its offerings but expects to commence active deployment of its products and services in the first quarter of 1998, however, there can also be no assurance that the Company will achieve this schedule or achieve favorable operating results or profitability related therefrom.

Potential Fluctuations in Quarterly Operating Results. 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 attributable to its service include the timing of contracts Clients, the rate at which Customers purchase recordings offered by the Company and the prices Customers are willing to pay for such recordings, the effectiveness of the Company's marketing efforts and other

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operations, and potential competition for revenue. Quarterly operating results attributable to the Company's services are dependent on the timing of upgrades of the Internet infrastructure, upgrades to Customer's computer infrastructure, and rollouts of the recordings offered by the Company and the introduction of, demand for, and level of acceptance of, the Company's value-added audio and video recordings. Additional factors that may affect the Company's quarterly operating results generally include the amount and timing of capital expenditures and other costs relating to the expansion of the Company's service, the introduction of new Internet and telecommuting services, 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 and telecommunications industries. The Company operates with no backlog, and quarterly sales and operating results are difficult to forecast even in the short term. There can be delays in the commencement and recognition of revenue because the installation of telecommunication lines to implement certain services has lead times that are controlled by third parties. A significant portion of the Company's expenses are fixed in advance based in large part on future revenue forecasts. If revenue is below expectations in any given quarter, the adverse impact of the shortfall on the Company's operating results may be magnified by the Company's inability to adjust spending to compensate for the shortfall. Therefore, a shortfall in actual revenue as compared to anticipated revenue would have an immediate adverse effect on the Company's business, financial condition and operating results that could be material. In addition, the Company expects to increase operating expenses to fund additional research and development, sales and marketing, general and administrative activities and infrastructure. To the extent that these expenses are not accompanied by an increase in revenues, the Company's business, operating results and financial condition could be materially adversely affected. Due to all of the foregoing factors, it is likely that the Company's services and the Company's operating results in one or more future quarters will fail to meet or exceed the expectations of the Company, the Investor, other investors, or securities analysts. In such event, the value of the Common Stock would likely be materially adversely affected.

Control by Mr. Hair & Mr. Sander. The purchasers of Common Stock in this offering will not have sufficient collective voting power to elect any members of the Company's Board of Directors (the "Board"). Following this offering, Mr. Hair and Mr. Sander will control approximately 52.28% of the voting power of the Company and will have the power to jointly elect the members of the Board and the power to jointly control all matters requiring the approval of the holders of the Company's Common Stock. The collective ownership of Mr. Hair and Mr. Sander (7,000,000 shares of Common Stock) will no longer constitute a majority voting position upon the earlier of (1) exercise of certain stock options held by Jay H. Lustig, Director, in the amount of at least 613,000 shares of the 1,500,200 shares so optioned; or (2) the sale of an additional 613,000 shares of Common Stock not contemplated by this Prospectus. As a result, Mr. Hair and Mr. Sander, acting both through their joint influence on the Board and through their collective ownership of voting securities, will have the power to jointly control the Company, subject, however, to any fiduciary duties that they, as the controlling shareholders, may owe to the other shareholders of the Company under Pennsylvania law, the fiduciary duties that all directors of the Company owe to shareholders of the Company to act in the best interests of the shareholders.

Dependence on Computer Sciences Corporation for Data Center Operations. Computer Sciences Corporation ("CSC") is expected to provide, through certain of their data centers globally, the principal server hardware and principal broadband connectivity to the Internet necessary for the Company to provide its electronic warehousing ("E·Warehousing") services and electronic distribution ("E·Distribution") services. CSC currently owns 85,800 shares of Common Stock of the Company. Given the fact that the extent of the business relationship between CSC and the Company is in the form of a strategic alliance, the interests of CSC may not always coincide with the interests of the Company, and conflicts of interest concerning the "per transaction fee structure" and other matters may develop between the Company and CSC. Prior to this offering, the Company and CSC have not entered into a Data Center Agreement whereby CSC will provide computer server capabilities and broadband Internet connectivity for the Company, which is essential for the Company to offer its E·Warehousing services and E·Distribution services to Clients. The economic and other terms of the Data Center Agreement may be less favorable to the Company than anticipated by the forward-looking statements included in this Prospectus. Because the Company does not yet have contracts with Clients, it is not yet possible to determine whether the revenue and the other economic aspects of the Company's services will be sufficiently attractive to encourage the continued participation of CSC in the Strategic Alliance, or to encourage CSC to incur substantial capital expenditures required to upgrade their Data Center infrastructure and to roll out and vigorously support the Company's service. In addition, the Data Center Agreement and any other agreements between the Company and CSC may contain provisions that permit CSC to change certain aspects of their Data Centers without the approval of the Company.

Dependence on Developers of Enabling Software; Uncertain Availability and Timing of Upgrades. The Company currently depends on a limited number of suppliers for key enabling technologies used to support and manage its audio related E·Warehousing and E·Distribution services. In particular, the Company depends on AT&T Labs for Secure Music Management Tools. Although the Company believes that there are alternative suppliers for this technology, it could take a significant period of time to establish relationships with alternative suppliers and substitute their technologies into the Company's E·Warehousing and E·Distribution services. The loss of any of the Company's relationships with a supplier could have a material adverse effect on the Company's business, operating results and financial condition. Alternative suppliers

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