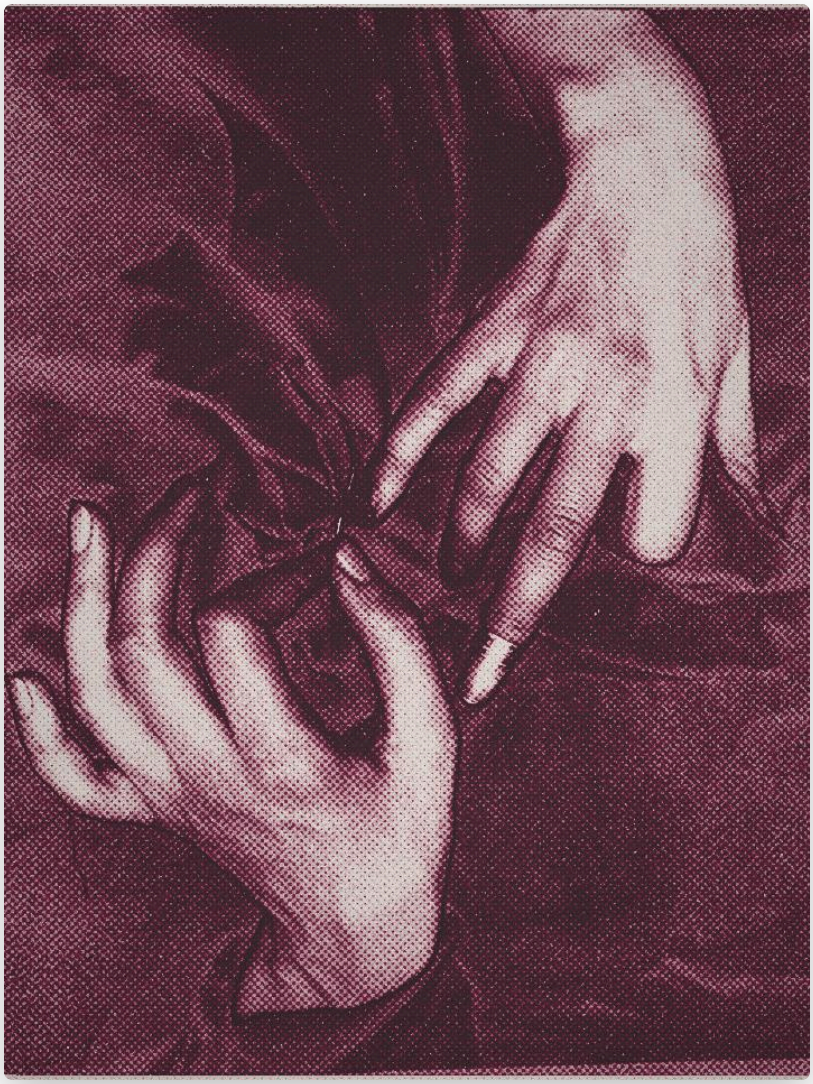
FORM S-1 · REGISTRATION STATEMENT

Digitas Inc

IPO priced 2000-03-13 · $24.00 a share · DTAS



From S1 Directory · www.s1directory.com/s1/digitas-inc/ · Source:
https://www.sec.gov/Archives/edgar/data/1100885/0000927016-99-004015.txt

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 23, 1999 REGISTRATION STATEMENT NO. 333- SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

DELAWARE	8742	04-2712533
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive office)

DAVID W. KENNY CHIEF EXECUTIVE OFFICER THE PRUDENTIAL TOWER, 800 BOYLSTON STREET BOSTON, MA 02199 (617) 867-1000 (617) 867-7308 (FAX) (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

Copies to:

Stuart M. Cable, P.C.	Marschall I. Smith, Esq.	Keith F. Higgins, Esq.
Jeffrey C. Hadden, P.C.	General Counsel	Ropes & Gray
oodwin,GProcter & Hoar LLP	Digitas Inc.	One International Place
Exchange Place	The Prudential Tower	Boston, Massachusetts
Boson,tMassachusetts 02109- 2881		02110-2624
	800 Boylston Street	
(617) 570-1000	Boston, Massachusetts 02199	(617) 951-7000
(617) 523-1231 (fax)	(617) 867-1000	(617) 951-7050 (fax)
	(617) 369-8240 (fax)	

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, 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, 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(D) UNDER THE SECURITIES ACT, 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	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
COMMON STOCK, $.01 PAR VALUE PER SHARE....	$200,000,000	$52,800

(1)ESTIMATED SOLELY FOR PURPOSES OF CALCULATING THE REGISTRATION FEE IN ACCORDANCE WITH RULE 457(O) 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 SEC, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

++
+The information in this prospectus is not complete and may be changed. We may +
+not sell these securities until the registration statement filed with the   +
+Securities and Exchange Commission is effective. This prospectus is not an   +
+offer to sell these securities and we and the selling stockholders are not   +
+soliciting offers to buy these securities in any state where the offer or   +
+sale is not permitted.   +
++

PROSPECTUS (Subject to Completion)
Issued , 2000

SHARES DIGITAS INC. COMMON STOCK

Digitas Inc. is offering shares of common stock and the selling shareholders are offering shares of common stock. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share.

WE HAVE FILED AN APPLICATION FOR THE COMMON STOCK TO BE QUOTED ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "DTAS."

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Digitas	Proceeds to Selling Shareholders
Per Share....	$	$	$	$
Total.....	$	$	$	$

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Digitas Inc. and the selling shareholders have granted the underwriters the right to purchase up to an additional and shares, respectively, to cover over-allotments. Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on , 2000.

MORGAN STANLEY DEAN WITTER

DEUTSCHE BANC ALEX. BROWN

SALOMON SMITH BARNEY

BANC OF AMERICA SECURITIES LLC

BEAR, STEARNS & CO. INC.

, 2000

[LIST OF SELECTED CLIENT WEB SITES AND AWARDS DIGITAS HAS RECEIVED]

Table of Contents

Page

Prospectus Summary..... 3
Risk Factors..... 7
Use of Proceeds..... 15
Dividend Policy..... 15
Certain Information..... 15
Capitalization..... 16

Dilution..... 17
Unaudited Pro Forma Combined Financial Data..... 18
Selected Historical Financial Data..... 19
Management's Discussion and Analysis of Financial Condition and Results of Operations..... 20

Page

Business..... 28
Management..... 41
Certain Relationships and Related Transactions..... 50
Principal and Selling Shareholders..... 52
Description of Capital Stock..... 54
Shares Eligible for Future Sale..... 58
Underwriters..... 61
Validity of Common Stock..... 63
Experts..... 63
Where You can Find More Information..... 63
Index to Financial Statements..... F-1

We began business in 1980. In November 1998, we formed Bronner Slosberg Humphrey Co., a Massachusetts business trust, to serve as the ultimate parent of Bronnercom, LLC, the Delaware limited liability company through which our business is operated. Immediately prior to the closing of this offering, all outstanding equity interests in Bronner Slosberg Humphrey Co. will be exchanged on a -for- basis for equivalent equity interests of Digitas Inc., a newly-formed Delaware holding company. This offering will be for shares of common stock of Digitas Inc. Our principal executive offices are located at The Prudential Tower, 800 Boylston Street, Boston, Massachusetts 02199. Our telephone number at that location is (617) 867-1000. We have applied to register our trademark Digitas Inc. This prospectus also contains the trademarks and trade names of other entities which are the property of their respective owners.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We and the selling shareholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

Until , 2000, all dealers that buy, sell or trade Digitas' common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Prospectus Summary

This summary may not contain all of the information that is important to you. You should read the entire prospectus, including the financial statements and related notes, before making an investment decision.

Digitas Inc.

Digitas is a leading Internet professional services firm that provides integrated strategy, technology and marketing solutions to Fortune 100 and other industry leading companies that have embraced the Internet as a principal means of business transformation. We help our clients leverage their existing asset base and the Internet to develop stronger and more profitable customer relationships and gain a competitive advantage in the new digital economy.

We develop large-scale, long-term, strategic relationships with a select group of clients. Our clients include industry leaders such as American Express, AT&T, Charles Schwab & Co. Inc. General Motors, Johnson & Johnson, L.L. Bean and Neiman Marcus. We employ over 1,200 professionals and are headquartered in Boston, Massachusetts with offices in New York City, San Francisco, Salt Lake City and London.

Our Market Opportunity

The Internet is fundamentally changing the way consumers and businesses interact. While many companies have built on-line storefronts, most still view them as simply another independently operated channel for enabling transactions and interacting with customers. This business model, however, prevents the new on-line business from capitalizing on the power of the enterprise's existing assets. To fully capture the potential of the Internet and maximize customer value, companies must transform their businesses to a "bricks and clicks" business model, in which their existing assets are integrated with a digital strategy. This transformation is particularly challenging for large businesses that have made significant investments in existing sales forces, marketing strategies, brand names, supply chain management systems, distribution channels and data management systems. However, it is also these companies that stand to gain the most from a fully integrated business model.

To transform their businesses, companies are increasingly seeking assistance from outside Internet professional services firms. However, at a time when companies need a service provider to do more than build a Web site or enable on-line transactions, we believe that few Internet professional services providers have the depth of resources and range of services necessary to address the large-scale engagements and demands of large companies such as Fortune 100 companies on an on-going basis.

We believe there is a need for an innovative Internet professional services provider, which has the scale, breadth of experience and expertise to help companies understand and capitalize on the potential of the Internet as a part of their overall business strategy and to leverage the power of their

existing assets to drive growth, maximize customer value and build a sustainable competitive advantage.

Our Solution

In redefining a client's business model, we draw on our comprehensive Internet professional services capabilities and marketing experience to provide a fully integrated, end-to-end solution with the following key elements:

Define digital business strategy. We work with members of our clients' senior management to define new business strategies which are broad-based and grounded in a thorough understanding of our clients' overall business and competitive environment.

Create enterprise-wide customer value propositions. We employ a customer- centric approach to develop new customer value propositions that enhance customer loyalty and generate new business opportunities by taking advantage of our clients' existing assets such as distribution channels, customer service networks and customer information systems.

Build new technology and marketing infrastructure. We build new technology and marketing infrastructure for our clients, including Web sites that enhance our clients' brands and electronic customer relationship management systems, or eCRM systems, that are designed to manage customer relationships.

Implement solutions on enterprise-wide basis. We provide training, organizational alignment and support to help our clients implement solutions across their enterprises. We also coordinate the efforts of various client businesses to create customer-oriented applications with a consistent corporate message.

Develop integrated marketing plan. We design integrated marketing plans that typically involve identifying customer segments, developing marketing strategies and optimizing on-line media planning and channel allocation, including mix, messaging and frequency.

Execute across marketing and service channels. We leverage our on-line media buying, design and creative services and event sponsorships to market seamlessly across multiple channels to help our clients build relationships with their customers.

Performance measurement. Through every step of our solution, we measure the value being delivered to our clients. We continually work with our clients to determine the relevant metrics and our performance against those metrics. We collect data frequently and use it to continually refine our solution and maximize our clients' return on investment.

Other Information

Stock Split

In December 1999, we effected a 30-for-1 stock split of our common stock in the form of a stock dividend. All information we present in this prospectus for any date or period gives effect to the stock split.

The Holding Company Formation Bronner Slosberg Humphrey Co. is a Massachusetts business trust which serves as the ultimate parent of Bronnercom, LLC, the Delaware limited liability company through which our business is operated. Immediately prior to the closing of this offering, all outstanding equity interests in Bronner Slosberg Humphrey Co. will be exchanged on a -for- basis for equivalent equity interests of Digitas Inc., a newly-formed Delaware holding company. This offering will be for shares of common stock of Digitas Inc. All information that we present in this prospectus for any date or period gives effect to the formation of the new holding company and the exchange of equity interests.

The Offering

Common stock offered by:

Digitas..... shares Selling shareholders..... shares Total..... shares Common stock to be outstanding after this offering.. shares(1) Use of proceeds..... To repay outstanding debt and for general corporate purposes, including working capital, expansion of our operations and possible acquisitions and investments. See "Use of Proceeds." Proposed Nasdaq National Market symbol..... DTAS (1) The number of shares of our common stock that will be outstanding after this offering is based on 25,351,739.7 shares of common stock outstanding as of December 31, 1999. It excludes:

. any shares of common stock to be issued pursuant to the over-allotment option granted to the underwriters;

. 13,927,736.1 shares of common stock issuable upon exercise of stock options outstanding as of December 31, 1999 at a weighted average exercise price of $4.7375 per share;

. 390,000 shares of common stock issuable upon exercise of warrants outstanding as of December 31, 1999 at a weighted average exercise price of $5.0367;

. 5,024,100 shares of common stock available for future grant under our stock option plans as of December 31, 1999; and . 1,100,000 shares of common stock reserved for purchase after this offering under our employee stock purchase plan.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA (in thousands, except per share data) Effective January 1, 1999, the two companies through which we operated our business were acquired by a private equity investor and several existing shareholders. We refer to that transaction as the "recapitalization." These two companies, which we refer to collectively as the "predecessor," were under common control prior to the recapitalization, and their combined financial information is presented for all periods before the recapitalization. Our financial information for periods after the recapitalization reflects the application of purchase accounting in connection with the recapitalization

and thus is not comparable to the financial information of the predecessor. Before the recapitalization, the two predecessor companies were S corporations and thus were not subject to federal income taxation. In addition, because the two companies had different numbers of common shares outstanding that bear no relationship to our current number of common shares outstanding, net income (loss) per share has not been presented for periods before the recapitalization.

The pro forma statement of operations data for 1998 and the nine months ended September 30, 1999 give effect to the recapitalization as if it had occurred on January 1, 1998.

	Predecessor (Combined)				Pro Forma Predecessor (Combined)		Company
	Year Ended December 31,			Nine Months Ended September 30,	Year Ended December 31,	Nine Months Ended September 30,	Nine Months Ended September 30,
	1996	1997	1998	1998	1998	1998	1999

Statement of operations data: Revenue..... $83,157 $101,238 $122,309 $89,700 $122,309 $ 89,700 $133,907 Operating expenses: Professional services costs..... 43,272 57,610 65,696 49,606 65,696 49,606 73,238 Selling, general and administrative expense..... 40,982 40,552 48,485 31,489 48,485 31,489 45,890 Stock-based compensation..... 628 6,325 25,820 2,293 5,690 2,293 350 Amortization of intangible assets..... -- -- -- -- 34,919 26,200 26,200 Total operating expenses..... 84,882 104,487 140,001 83,388 154,790 109,588 145,678 Income (loss) from operations..... (1,725) (3,249) (17,692) 6,312 (32,481) (19,888) (11,771) Other income (expense), net..... (1,281) (2,431) (2,698) (2,084) (6,548) (4,393) (5,332) Benefit from (provision for) income taxes..... (160) 114 1,439 (48) (4,047) (2,518) (1,773) Net income (loss)..... $(3,166) $ (5,566) $(18,951) $ 4,180 $(43,076) $(26,799) $(18,876) Net loss per share: Basic and diluted..... $ (0.76) Weighted average shares outstanding: Basic and diluted..... 24,966 As of September 30, 1999 Actual As Adjusted Balance sheet data:

Cash and cash equivalents.....	$ 1,364	$
Total assets.....	264,250	
Total long-term debt, less current portion.....	64,917	
Shareholders' equity.....	134,105	

Risk Factors

You should carefully consider the following risks and all other information contained in this prospectus before purchasing our common stock. If any of the following risks occur, our business, results of operations and financial condition could be harmed. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Our Business The loss of even one significant client could have a material adverse effect on our business, financial condition and results of operations We derive a significant portion of our revenues from large-scale engagements for a limited number of clients. Most of these relationships are terminable by the client without penalty on 30 days prior written notice. The loss of any major

client could dramatically reduce our revenues. In the first nine months of 1999, our three largest clients collectively accounted for approximately 62% of our revenues, and our largest client accounted for approximately 24% of our revenues. The loss of any of these clients could have a material adverse effect on our business, financial condition and results of operations.

Our failure to meet our clients' expectations could result in negative publicity and losses and could subject us to liability for the services we provide The average dollar amount of our client engagements has grown significantly while the time frame for delivering our services has generally decreased. As clients have dedicated more money and resources to our engagements with them, their expectations have also increased. As our client engagements become larger and more complex and are required to be completed in a shorter time frame, we face increased management challenges and greater risk of mistakes. Many of the services we provide are critical to the operations of our clients' businesses. Any failure on our part to deliver these services in accordance with our clients' expectations could result in:

. delayed or lost client revenues;

. adverse client reactions;

. negative publicity;

. additional expenditures to correct the problem; and . claims against us.

While our agreements with clients often limit our liability to damages arising from our rendering of services, we cannot assure you that these provisions will be enforceable in all instances or would otherwise protect us from liability. Although we carry general liability insurance coverage, our insurance may not cover all potential claims to which we are exposed or may not be adequate to indemnify us for all liability that may be imposed. The successful assertion of one or more claims against us could have a material adverse effect on our business, results of operations and financial condition.

If we are not successful in creating a worldwide network of offices, we may jeopardize our relationships with existing clients and limit our ability to attract new clients Increasingly, our clients are insisting that their Internet professional services providers be able to handle assignments on a worldwide basis. Failure to have a worldwide network of offices may jeopardize our existing client relationships and limit our ability to attract new clients. Our London office may be able to serve Europe, the Middle East and Africa, but we will need to establish regional offices for Asia and Latin America in the near future. We also need to deepen and broaden our expertise in dealing with worldwide assignments by hiring more senior executives with multi-national marketing and Internet expertise.

We need qualified professionals to grow our business, and they are in short supply Our future success depends in large part on our ability to retain, hire, train and motivate qualified people. Skilled professionals are in short supply, and competition for them is intense. As a result, we may be unable to retain our qualified professionals to meet our existing business needs. In addition, we may be unable to hire a sufficient number of qualified professionals to meet our business plans. We may also have difficulty attracting and hiring our desired number of qualified professionals after the offering since some may perceive that the stock option component of their compensation package is no longer as

valuable. Moreover, even if we are able to expand our employee base, the resources required to train and retain our employees may adversely affect our operating margins. If we are unable to hire and retain qualified professionals, we may be unable to complete work for our existing clients or accept work from new clients.

We depend on our key personnel, and the loss of their services may adversely affect our business We believe that our success will depend on the continued employment of our senior management team and other key personnel. This dependence is particularly important to our business because personal relationships are a critical element of obtaining and maintaining client engagements. If one or more members of our senior management team or other key personnel were unable or unwilling to continue in their present positions, our business could be seriously harmed. In addition, if any of our key personnel join a competitor or forms a competing company, some of our clients might choose to use the services of that competitor or those of a new company instead of our own. Furthermore, other companies seeking to develop in-house business capabilities may hire away some of our key personnel.

Fluctuations in our quarterly revenues and operating results may lead to reduced prices for our stock Our quarterly revenues and operating results are volatile. We believe that period-to-period comparisons of our operating results are not necessarily meaningful. These comparisons cannot be relied upon as indicators of future performance. However, if our operating results in any future period fall below the expectations of securities analysts and investors, the market price of our securities would likely decline.

Factors that may cause our quarterly results to fluctuate in the future include the following:

. variability in market demand for Internet professional services;

. timing and amount of client bonus payments;

. length of the sales cycle associated with our service offerings;

. unanticipated variations in the size, budget, number or progress toward completion of our engagements;

. unanticipated termination of a major engagement, a client's decision not to proceed with an engagement we anticipated or the completion or delay during a quarter of several major client engagements;

. efficiency with which we utilize our employees, including our ability to transition employees from completed engagements to new engagements;

. our ability to manage our operating costs, a large portion of which are fixed in advance of any particular quarter;

. changes in pricing policies by us or our competitors;

. timing and cost of new office expansions;

. our ability to manage future growth; and . costs of attracting and training skilled personnel.

Some of these factors are within our control while others are outside of our control.

Failure to manage our growth may impact our operating results We expect to continue to rapidly grow our business. The expansion of our business and customer base has placed, and will continue to place, increased demands on our management, operating systems, internal controls and financial and physical resources. If not managed effectively, these increased demands may adversely affect the services we provide to our existing clients. In addition, our personnel, systems, procedures and controls may be inadequate to support our future operations. Consequently, in order to manage our growth effectively, we may be required to increase expenditures to expand, train and manage our employee base, improve our management, financial and information systems and controls, or make other capital expenditures. Any failure in our efforts to manage our growth in an efficient manner could adversely affect our business.

Our planned international operations may be expensive and may not succeed We expect to expand our international operations. We have limited experience in marketing, selling and supporting our services outside of North America and the United Kingdom. Development of such skills may be more difficult or take longer than we anticipate, especially due to language barriers, cultural differences, currency exchange risks and the fact that the Internet infrastructure in foreign countries may be less advanced than in the United States. In addition, we will have to attract and retain experienced management and employees, and we may be unable to do so. Moreover, international operations are subject to a variety of additional risks that could seriously harm our financial condition and operating results. These risks include the following:

. the impact of recessions in economies outside the United States;

. political and economic instability;

. potentially adverse tax consequences;

. reduced protection for intellectual property rights in some countries;

. longer payment cycles and problems in collecting accounts receivable;

. the burden and expense of complying with foreign laws and regulations;

. currency issues, including fluctuations in currency exchange rates and the conversion to the euro by all countries of the European Union by year end 2003;

. tariffs, trade barriers and other import and export restrictions including restrictions on the import and export of certain sensitive technologies; and . seasonal reductions in business activity in certain parts of the world, such as during the summer months in Europe.

We must maintain our reputation and expand our name recognition to remain competitive We believe that establishing and maintaining name recognition and a good reputation is critical to attracting and expanding our targeted client base as well as attracting and retaining qualified employees. We also believe that the importance of reputation and name recognition will increase due to the growing number of Internet professional services providers. We are changing our name in connection with this

offering. If our reputation is damaged or if we are unable to establish name recognition with respect to our new name, we may become less competitive or lose our market share. In addition, our name could be associated with any business difficulties of our clients. As a result, the difficulties or failure of one of our clients could damage our reputation and name and make it difficult for us to compete for new business.

Our business will be negatively affected if we do not keep up with the Internet's rapid technological changes, evolving industry standards and changing client requirements The Internet professional services industry is characterized by rapidly changing technology, evolving industry standards and changing client needs. Accordingly, our future success will depend, in part, on our ability to meet these challenges. Among the most important challenges facing us is the need to:

. effectively use leading technologies;

. continue to develop our strategic and technical expertise;

. influence and respond to emerging industry standards and other technological changes;

. enhance our current service offerings; and . develop new services that meet changing customer needs.

We cannot assure you that we will succeed in effectively meeting these challenges in a timely and cost-effective manner. Our failure to do so could harm our business results.

Our success depends on increased adoption of the Internet as a means of conducting business Our future success depends heavily on the acceptance and use of the Internet as a means for conducting business. If commerce on the Internet does not continue to grow, or grows more slowly than expected, our growth would decline and our business would be seriously harmed. Customers and businesses may reject the Internet as a viable commercial medium for a number of reasons, including:

. inadequate network infrastructure;

. delays in the development of Internet enabling technologies and performance improvements;

. delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity;

. delays in the development of security and authentication technology necessary to effect secure transmission of confidential information;

. changes in, or insufficient availability of, telecommunications services to support the Internet; and . failure of companies to meet their customers' expectations in delivering goods and services over the Internet.

The Internet professional services industry is highly competitive and has low barriers to entry; if we cannot effectively compete, our revenue may decline The Internet professional services industry is relatively new and intensely competitive. We expect competition to intensify even further as the Internet professional services market evolves. Some of our competitors have more clients, greater brand or name recognition and greater financial, technical, marketing and public relations resources

than we do. As a result, our competitors may be in a stronger position to respond quickly to new or emerging technologies and changes in client requirements. They may also develop and promote their products and services more effectively than we do.

There are relatively low barriers to entry into the Internet professional services industry. In addition, we have no patented technology and limited other proprietary rights that would preclude or inhibit competitors from providing services similar to ours. As a result, new and unknown market entrants pose a threat to our business.

Current or future competitors may also develop or offer services that are comparable or superior to ours at a lower price, which could affect our ability to retain existing clients and attract new clients. In addition, current and potential competitors have established or may establish corporate relationships among themselves or other third parties to increase their ability to address customer needs. Accordingly, it is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. There can be no assurance that we will be able to continue to compete successfully with our existing competitors or that we will be able to compete successfully with new competitors.

Actual and perceived conflicts of interest may restrict us in obtaining new clients Actual and perceived conflicts of interest are inherent in our industry. We sometimes decline to accept potential clients because of actual or perceived conflicts of interest with our existing clients. In addition, potential clients may choose not to retain us for reasons of actual or perceived conflicts of interest. Many of our clients compete in industries where only a limited number of companies gain meaningful market share. As a result, if we decide not to perform services for a particular client's competitors, or if potential clients choose not to retain us because of actual or perceived conflicts and our client fails to capture a significant portion of its market, we are unlikely to receive future revenue in that particular industry.

Potential future acquisitions could be difficult to integrate, disrupt our business, adversely affect our operating results and dilute shareholder value We may acquire other businesses in the future, which may complicate our management tasks. We may need to integrate widely dispersed operations with distinct corporate cultures. Our failure to do so could result in our inability to retain the management, key personnel, employees and clients of the acquired business. Such integration efforts also may distract our management from servicing existing clients. Our failure to manage future acquisitions successfully could seriously harm our operating results. Also, acquisition costs could cause our quarterly operating results to vary significantly. Furthermore, our shareholders could be diluted if we finance the acquisitions by incurring debt or issuing equity securities.

We may need to raise additional capital, which may not be available to us, and which may, if raised, dilute your ownership interest in us We expect that our net proceeds from this offering will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. After that, we may need to raise additional funds, and we cannot be certain that we will be able to obtain additional financing on favorable terms or at all. If we need additional capital and cannot raise it on acceptable terms, we may not be able to:

. open new offices;

. create additional market-specific business units;

. enhance our infrastructure;

. hire, train and retain employees;

. keep up with technological advances;

. respond to competitive pressures or unanticipated requirements; or . pursue acquisition opportunities.

Our failure to do any of these things could restrict our growth, hinder our ability to compete and seriously harm our financial condition. Additionally, if we are able to raise additional funds through equity financings, your ownership interest in us will be diluted.

The Year 2000 problem may adversely affect our business The Year 2000 problem is the potential for system and processing failures of date-related data arising from the use of two digits by computer-controlled systems, rather than four digits, to define the applicable year. We may encounter the Year 2000 problem in three contexts:

. Our clients. The failure of our clients to ensure that their operations are Year 2000 compliant could have a material adverse effect on them, which, in turn, could limit their ability to retain third party service providers such as Digitas. In addition, clients or potential clients may delay purchasing software and related products and services, including those of Digitas, due to concerns related to Year 2000 problems.

. Our suppliers. Our business could be adversely affected if we cannot obtain products, services or systems that are Year 2000 compliant when we need them or if the products, services or systems that we have obtained are not Year 2000 compliant.

. Our services. The solutions which we provide to our clients integrate software and other technology from different providers. If there is a Year 2000 problem with respect to a solution provided by us, it may be difficult to determine whether the problem relates to services which we have performed or is due to the software, technology or services of other providers. Furthermore, in the past, we entered into a number of contracts with express or implied warranties with respect to Year 2000 readiness which may make us vulnerable to Year 2000-related lawsuits, whether or not the services we have performed are Year 2000 compliant. We cannot be certain what the outcomes of these types of lawsuits may be.

Risks Related to the Securities Markets and This Offering Our stock price may be volatile and may result in substantial losses for investors purchasing shares in the offering The market price of our common stock is likely to be highly volatile. The stock market in general, and the market for Internet-related stocks in particular, has been highly volatile. This volatility often has been unrelated to the operating performance of particular companies. We cannot assure you that our common stock will trade at the same levels of other Internet-related stocks or that Internet-related stocks in general will sustain their current market prices. We also cannot assure you that an active public market for our securities will develop or continue after this offering.

In addition, the trading price of our common stock could be subject to wide fluctuations in response to:

. our perceived prospects;

. variations in our operating results and our achievement of key business targets;

. changes in securities analysts' recommendations or earnings estimates;

. differences between our reported results and those expected by investors and securities analysts;

. announcements of new contracts or service offerings by us or our competitors;

. market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors; and . general economic or stock market conditions unrelated to our operating performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their securities. This type of litigation could result in substantial costs and a diversion of management attention and resources.

Concentration of ownership may limit your ability to influence corporate matters Immediately following this offering, our executive officers, directors and significant shareholders collectively will own approximately % of the outstanding shares of our common stock. If these shareholders choose to act or vote together, they will have the power to control the election of our directors, and the approval of any other action requiring the approval of our shareholders, including any amendments to our certificate of incorporation and mergers or sales of all or substantially all of our assets. In addition, without the consent of these shareholders, we could be prevented from entering into transactions that could be beneficial to us or our other shareholders. Also, third parties could be discouraged from making a tender offer or bid to acquire Digitas at a price per share that is above the then-current market price.

We will have broad discretion over the use of our net proceeds from this offering, and you may not agree with how we use them Our management will have significant flexibility in applying our net proceeds from this offering and may use the net proceeds in ways with which shareholders disagree. Management's failure to effectively apply these net proceeds could have an adverse effect on our ability to implement our business strategy.

Purchasers in this offering will incur immediate and substantial dilution The initial public offering price of our common stock is substantially higher than the book value per share of the outstanding common stock. As a result, if we were liquidated for book value immediately following this offering, each shareholder purchasing in this offering would receive less than the price they paid for their common stock. In addition, because our success is so heavily dependent on our ability to attract and retain talented personnel, we expect to offer a significant number of stock options to employees in the future. Such issuances will cause further dilution to investors.

Future sales of our common stock may depress our stock price Sales of a substantial number of shares of our common stock in the public market after the closing of this offering, or the perception that such sales could occur, could adversely affect the market price of our common stock and could make it more difficult for us to raise funds through future offerings of common stock. For a description of the shares of common stock that are available for future sale, see "Shares Eligible for Future Sale."

Risks Related to Legal Uncertainty We may be subject to lawsuits as a result of our attempts to hire qualified people Some companies have adopted a strategy of suing or threatening to sue former employees and their new employers. As we hire new employees from our current or potential competitors we may become a party to one or more lawsuits involving the former employment of one of our employees. Any future litigation against us or our employees, regardless of the outcome, may result in substantial costs and expenses to us and may divert management's attention away from the operation of our business.

We may not be able to protect our intellectual property and proprietary rights We cannot guarantee that the steps we have taken to protect our proprietary rights will be adequate to deter misappropriation of our intellectual property. In addition, we may not be able to detect unauthorized use of our intellectual property and take appropriate steps to enforce our rights. If third parties infringe or misappropriate our trade secrets, copyrights, trademarks or other proprietary information, our business could be seriously harmed. In addition, although we believe that our proprietary rights do not infringe on the intellectual property rights of others, other parties may assert infringement claims against us or claim that we have violated their intellectual property rights. Such claims, even if not true, could result in significant legal and other costs and may be a distraction to management. If any party asserts a claim against us relating to proprietary technology or information, we may need to obtain licenses to the disputed intellectual property. We cannot assure you, however, that we will be able to obtain any licenses at all. In addition, protection of intellectual property in many foreign countries is weaker and less reliable than in the United States so, as our business expands into foreign countries, risks associated with protecting our intellectual property will increase.

Changes in government regulation of the Internet could adversely affect our business To date, government regulations have not materially restricted the use of the Internet by our clients in their markets. However, the legal and regulatory environment that pertains to the Internet may change. New laws and regulations, or new interpretations of existing laws and regulations, could impact us directly or indirectly by preventing our clients from delivering products or services over the Internet or slowing the growth of the Internet. New state, federal and foreign laws and regulations may be adopted regarding any of the following issues:

. user privacy;

. the pricing and taxation of goods and services offered over the Internet;

. the content of Web sites;

. consumer protection; and . the characteristics and quality of products and services offered over the Internet.

Any new legislation could inhibit the increased use of the Internet as a commercial medium which in turn would decrease the demand for our services and have a material adverse effect on our future operating performance.

We may become subject to claims regarding foreign laws and regulations, which could subject us to increased expenses Because we plan to expand our international operations and because many of our current clients have international operations, we may be subject to the laws of foreign jurisdictions for violations of their laws. These laws may change, or new, more restrictive laws may be enacted in the future. International litigation is often expensive, time-consuming and distracting to management and could have a material adverse effect on our business.

Provisions of Delaware law and of our charter and by-laws may make a takeover more difficult Provisions in our certificate of incorporation and by-laws and in the Delaware corporate law may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt which is opposed by our management and board of directors. Public shareholders who might desire to participate in such a transaction may not have an opportunity to do so. In our certificate of incorporation we also have a staggered board of directors which makes it difficult for shareholders to change the composition of the board of directors in any one year. These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control or change our management and board of directors. See "Description of Capital Stock."

This prospectus contains forward-looking statements that involve substantial risks and uncertainties This prospectus contains forward-looking statements. In some cases you can identify these statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial position or state other "forward-looking" information. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and our actual results may differ materially from the expectations we describe in our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this prospectus could have an adverse effect on our business, results of operations and financial position.

Use of Proceeds

```
   We estimate that the net proceeds from our sale of    shares of common
stock in this offering will be approximately $    , assuming an initial public
offering price of $     per share and after deducting estimated underwriting
discounts and commissions and our estimated offering expenses. We estimate
that our net proceeds will be used as follows:
```

. approximately $69 million will be used to repay outstanding debt under the term loan portion of our credit facility; and . the remaining proceeds will be used for general corporate purposes, including working capital, technology infrastructure improvements, capital expenditures for facilities and

expansion activities and potential acquisitions, investments in complimentary businesses or strategic investments.

As of December 31, 1999, there was approximately $69 million outstanding under the term loan portion of our credit facility, which bore interest on that date of 8.475%. The term loan portion of the credit facility is repayable in quarterly installments which commenced on September 30, 1999 with final maturity on December 31, 2004. We received the proceeds of the term loan portion of the credit facility in January 1999 and used them in connection with the recapitalization primarily to repay indebtedness, satisfy contractual obligations to former shareholders, make transaction payments to existing equity holders, repurchase stock options and stock appreciation rights and pay expenses.

Until allocated for specific use, we will invest our net proceeds in government securities and other short-term, investment-grade securities. Digitas will not receive any of the proceeds from the sale of common stock in this offering by the selling shareholders.

Dividend Policy

We currently intend to retain any future earnings to finance the expansion of our business and do not expect to pay any cash dividends in the foreseeable future. Any decision to pay cash dividends after the offering will be at the discretion of our board of directors after taking into account such factors as our financial condition, operating results, current and anticipated cash needs, plans for expansion and restrictions in our financing agreements.

Certain Information

This prospectus includes data concerning the Internet professional services industry that we obtained from industry publications. These publications generally indicate that they have obtained information from sources that they believe are reliable, but that they do not guarantee the accuracy and completeness of the information. Although we believe that these industry publications are reliable, we have not independently verified their data. We also have not sought the consent of any of these publications to refer to their data in this prospectus.

All information in this prospectus relating to the number of shares of our common stock or options is based upon information as of December 31, 1999, as adjusted to reflect:

. a 30-for-1 stock split of our common stock effected in the form of a stock dividend in December 1999;

. our formation of a new Delaware holding company in connection with this offering; and

. the exchange of all outstanding equity interests in Bronner Slosberg Humphrey Co. for equivalent equity interests of Digitas Inc. on a - for- basis.

Unless otherwise specifically stated, all information in this prospectus assumes the issuance and sale of common stock in the offering at an assumed initial public offering price of $ per share.

Capitalization

The following table sets forth our cash, short-term debt and capitalization as of September 30, 1999:

. on an actual basis; and . on an as adjusted basis to reflect our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, after deduction of estimated underwriting discounts and commissions and our estimated offering expenses and the use of the net proceeds as described in "Use of Proceeds."

As of September 30, 1999 Actual As Adjusted (in thousands)

Cash and cash equivalents	$ 1,364	$
Short-term debt	$ 15,525	$
Long-term debt, less current portion	$ 64,917	
Shareholders' equity (deficit):		
Common stock, no par value per share; 25,351,739.7 shares authorized, issued and outstanding, actual; and shares issued and outstanding, as adjusted	10	
Additional paid-in capital	155,432	
Accumulated (deficit)	(21,337)	
Total shareholders' equity	134,105	
Total capitalization	$ 199,022	$

The table above excludes 12,620,486.1 shares of common stock issuable upon exercise of stock options outstanding at September 30, 1999 at a weighted average exercise price of $1.3616 per share and 450,000 shares of common stock issuable upon exercise of warrants outstanding at September 30, 1999 at a weighted average exercise price of $5.0367 per share.

Dilution

As of September 30, 1999, we had a net tangible book value of $ million or $ per share of common stock. Net tangible book value per share is determined by dividing our tangible net book value (total tangible assets less total liabilities) by the total number of shares of common stock outstanding. After giving effect to the sale of the shares of common stock offered by us in this offering at an assumed initial public offering price of $ per share, and after deducting estimated underwriting discounts and commissions and offering expenses payable by us, our adjusted net tangible book value would have been approximately $ million, or $ per share of common stock. This represents an immediate increase in net tangible book value of $ per share to existing shareholders and an immediate dilution of $ per share to new investors purchasing shares of common stock in the offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share..... $ Net tangible book value per share before the offering as of September 30, 1999..... $ Increase in net tangible book value per share attributable to new investors..... Net tangible book value per share after the offering..... Dilution per share to new investors..... $ The following table summarizes, as of September 30, 1999, the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by our existing shareholders and to be

paid by new investors in this offering at an assumed initial public offering price of $ per share, and before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders(1)...		%	$	%	$
New investors(1).....					
Total.....		100.0%	$	100.0%	

(1) Sales by selling shareholders in this offering will reduce the number of shares held by existing shareholders to or approximately % and will increase the number of shares held by new investors to or approximately % of the total number of shares of common stock outstanding after this offering.

The discussion and table above exclude:

. shares to be issued by us and the selling shareholders pursuant to the underwriters' over-allotment option;

. 12,620,486.1 shares of common stock issuable upon exercise of stock options outstanding at September 30, 1999 at a weighted average price of $3.45 per share;

. 450,000 shares of common stock issuable upon exercise of warrants outstanding at September 30, 1999 at a weighted average price of $5.0367 per share; and . 6,706,350 shares available for future grant under our stock option plans at September 30, 1999.

To the extent these options and warrants are exercised and the underlying shares are issued, there will be further dilution to new investors.

Unaudited Pro Forma Combined Financial Data

The following unaudited pro forma combined statement of operations data reflect the combined results of operations of the predecessor for the year ended December 31, 1998 and the nine months ended September 30, 1998, as if the recapitalization and related purchase accounting described in Note 3 to the financial statements had occurred on January 1, 1998.

The unaudited pro forma combined statement of operations data are based on the historical financial statements for the predecessor and the assumptions and adjustments described in the accompanying notes. The unaudited pro forma combined statement of operations data do not purport to represent what our results of operations actually would have been if the recapitalization had occurred on the date indicated or what the results may be for any future periods. The unaudited pro forma combined statement of operations data are based upon assumptions that we believe are reasonable and should be read in conjunction with our financial statements and accompanying notes thereto included elsewhere in this prospectus.

Unaudited Pro Forma Combined Statement of Operations (dollars in thousands)

	Year Ended December 31, 1998			Nine Months Ended September 30, 1998		
	Predecessor (Combined)	Adjustments	Pro Forma Combined	Predecessor (Combined)	Adjustments	Pro Forma Combined
Statement of operations data:						
Revenue	$122,309	--	$122,309	$89,700	--	$ 89,700
Operating expenses:						
Professional services costs	65,696	--	65,696	49,606	--	49,606
Selling, general and administrative expense	48,485	--	48,485	31,489	--	31,489
Stock-based compensation	25,820	$(20,130)(/1/)	5,690	2,293	--	2,293
Amortization of intangible assets	--	34,919 (/2/)	34,919	--	$ 26,200 (/2/)	26,200
Total operating expenses	140,001	14,789	154,790	83,388	26,200	109,588
Income (loss) from operations	(17,692)		(32,481)	6,312		(19,888)
Other income (expense)	(2,698)	(3,850)(/3/)	(6,548)	(2,084)	(2,309)(/3/)	(4,393)
Benefit from (provision for) income taxes	1,439	(5,486)(/4/)	(4,047)	(48)	(2,470)(/4/)	(2,518)
Net income (loss)	$(18,951)	$(24,125)	$(43,076)	$ 4,180	$(30,979)	$(26,799)

(1) Reflects exclusion of stock appreciation rights compensation expense of $20,130,000 as appreciation would 18have been recorded in the period prior to the recapitalization taking place. (2) Reflects amortization of goodwill and other intangible assets as if the recapitalization took place at the beginning of the period. (3) Reflects additional interest expense, at an assumed interest rate of 8.43%, from the debt incurred in connection with the recapitalization as if it occurred at the beginning of the period. Other expense increases as a result of the amortization of debt issue costs. (4) Represents tax adjustments to reflect the pro forma income tax provision at an effective tax rate of 10.37%.

Selected Historical Financial Data

The following financial data for each of the years 1994 through 1998 have been derived from our annual financial statements, which have been audited by PricewaterhouseCoopers LLP. The data for the nine months ended September 30, 1998 and 1999 have been derived from our unaudited financial statements, which in the opinion of management include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods. Because the recapitalization has been accounted for as a purchase, the financial statements for the periods after January 1, 1999 are not comparable to prior periods. The data for the nine months ended September 30, 1999 are not necessarily indicative of results for the year ending December 31, 1999 or any future period. Before the recapitalization, the two predecessor companies were S corporations and thus were not subject to federal income taxation. In addition, because the two companies had different numbers of common shares outstanding that bear no relationship to our current number of common shares outstanding, net income (loss) per share has not been presented for periods before the recapitalization.

	Predecessor (Combined)						Company
	Year Ended December 31,					Nine Months Ended	Nine Months Ended
	1994	1995	1996	1997	1998	September 30, 1998	September 30, 1999
	(in thousands, except per share data)					(unaudited)	(unaudited)

Statement of operations data: Revenue..... $50,000 $66,244 $83,157 $101,238 $122,309 $ 89,700 $133,907 Operating expenses: Professional services costs..... 23,371 32,922 43,272 57,610 65,696 49,606 73,238 Selling, general and administrative expense..... 26,733 35,607 40,982 40,552 48,485 31,489 45,890 Stock-based compensation (1)..... 628 6,325 25,820 2,293 350 Amortization of intangible assets..... -- -- -- -- -- -- 26,200 Total operating expenses..... 50,104 68,529 84,882 104,487 140,001 83,388 145,678 Income (loss) from operations..... (104) (2,285) (1,725) (3,249) (17,692) 6,312 (11,771) Other income (expense), net..... 106 151 (1,281) (2,431) (2,698) (2,084) (5,332) Benefit from (provision for) income taxes..... (14) (345) (160) 114 1,439 (48) (1,773) Net income (loss)..... $ (12) $(2,479) $(3,166) $ (5,566) $(18,951) $ 4,180 $(18,876) Net loss per share Basic and diluted..... $ (0.76) Weighted average common shares outstanding Basic and diluted..... 24,966

	As of December 31,					As of September 30,
	1994	1995	1996	1997	1998	1999
	(in thousands)					
Balance sheet data:						
Cash and cash equivalents.....	$10,809	$11,685	$ 301	$ 1,868	$ 37	$ 1,364
Total assets.....	29,935	36,971	33,649	49,705	62,270	264,250
Total long-term debt, less current portion...	--	--	2,990	3,701	1,432	64,917
Shareholders' equity (deficit).....	(2,131)	383	4,625	(9,831)	(27,760)	134,105

(1) Stock-based compensation of the predecessor includes annual profit distributions and appreciation of stock appreciation rights ("SARs") held by predecessor employees. Stock-based compensation related to appreciation of SARs resulting from the recapitalization of $20,130,000 was recognized in the fourth quarter of 1998. Stock-based compensation of the company relates to stock options granted to employees at exercise prices below the estimated fair value of the related common stock. See Note 8 to the financial statements.

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

You should read the following discussion together with the financial statements and related notes appearing elsewhere in this prospectus. This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those indicated in forward-looking statements. See "Risk Factors."

Overview

Digitas is a leading Internet professional services firm that provides integrated strategy, technology and marketing solutions to Fortune 100 and other industry leading companies that have embraced the Internet as a principal means of business transformation. We help our clients leverage their existing asset base and the Internet to develop stronger and more profitable customer relationships.

Prior to 1999, our company operated as two separate entities which were under common control: Bronner Slosberg Humphrey Inc., which was originally founded in 1980, and Strategic Interactive Group, Inc., which was founded in 1995. In November 1998, each of these entities merged into newly-formed Delaware limited liability companies which were owned by separate newly-formed Massachusetts business trusts.

In January 1999, the two business trusts were acquired by a private equity investor and several of our existing shareholders in a recapitalization. The purpose of the recapitalization was to combine the trusts, realign the ownership of the combined entities with those senior employees who would most actively lead our future growth, establish an equity-based incentive program to motivate our current and future employees and enhance our ability to make strategic investments in our people and services.

Business Operations

Our revenue is generated from providing professional services to our clients. We expect that our revenue will continue to be driven primarily by the number and scope of our client engagements. We focus on large-scale, long- term, strategic relationships with a select group of clients. In the first nine months of 1999, our three largest clients accounted for approximately 62% of our revenue and our largest client accounted for approximately 24% of our revenue.

Historically, we have offered our services to clients primarily on a time and materials basis. For these engagements, we recognize revenue as services are provided based on actual costs incurred. As our client relationships have grown, we have increasingly entered into broad contracts under which we deliver our services based on mutually agreed upon scopes of work. These contracts generally include estimates on total fees that clients will be charged for the year. For these contracts, we recognize revenue on a percentage of completion method based on the ratio of costs incurred to total estimated costs. Additionally, some of our contracts include a bonus provision whereby we get additional compensation based on our performance as evaluated by our clients against agreed upon measures. We recognize bonus revenue in the period we are informed that the bonus has been awarded. Most of our contracts allow us to invoice our clients on a pro-rata basis for our services.

We incur significant reimbursable costs, such as on-line media buying and production costs, which are not reflected in revenue. These costs are reflected in our accounts receivable, unbilled accounts receivable and billings in excess of costs. We generally obtain our clients' approval prior to incurring these costs.

Professional services costs consist of professional salaries, payroll taxes and benefits for our professional staff plus other non-reimbursable costs directly attributable to servicing our clients. In addition to the compensation of employees engaged in the delivery of professional services,

professional salaries include compensation for selling and management by our senior account managers and most of our executives. We expect that per capita professional services costs will increase over time due primarily to wage increases, particularly among technology professionals.

Selling, general and administrative expense consists primarily of administrative and executive compensation, recruiting, professional fees, rent and office expenses. In 2000, we expect to make significant expenditures for recruiting and training as we expand our operations. We have incurred significant costs to expand our operations internationally through our office in London. We believe that a key source of our growth will be servicing existing clients on a worldwide basis, as well as attracting new clients in international markets.

Stock-based compensation before the recapitalization consisted of annual profit distributions and appreciation of stock appreciation rights. Stock- based compensation after the recapitalization consisted primarily of non-cash compensation arising from stock options granted to employees at exercise prices below the estimated fair value of the related common stock.

In connection with the recapitalization we recorded $190.6 million of goodwill and other intangible assets. This amount, which represents the excess of purchase price over net assets acquired, is being amortized over two to seven years.

We were taxed as an S corporation until January 1999 when we terminated our S corporation election and became subject to federal taxation. No provision or liability for federal taxes is reflected for periods prior to 1999. For the periods prior to 1999, we have recorded provisions, tax assets and liabilities for Massachusetts and various states where we do business that have a limited state corporate income and excise tax.

Results of Operations The following table sets forth selected items included in our statement of operations as a percentage of revenue for the periods indicated:

	Predecessor (Combined)				
	Year Ended December 31,			Nine Months Ended September 30,	Company Nine Months Ended September 30,
	1996	1997	1998	1998	1999
Revenue	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:					
Professional services costs	52.0	56.9	53.7	55.3	54.7
Selling, general and administrative expense	49.3	40.1	39.7	35.1	34.3
Stock-based compensation	0.8	6.2	21.1	2.6	0.3
Amortization of intangible assets	--	--	--	--	19.5
Total operating expenses	102.1	103.2	114.5	93.0	108.8

Income (loss) from operations..... (2.1)% (3.2)% (14.5)% 7.0% (8.8)%

Nine months ended September 30, 1999 compared to nine months ended September 30, 1998 Revenue. Revenue for the nine months ended September 30, 1999 increased by $44.2 million, or 49.3%, to $133.9 million from $89.7 million for the nine months ended September 30, 1998. The increase was due primarily to growth in revenue from new and existing clients and the increased demand for Internet- related services.

Professional services costs. Professional services costs for the nine months ended September 30, 1999 increased by $23.6 million, or 47.6%, to $73.2 million from $49.6 million for the nine months ended September 30, 1998. Professional services costs represented 54.7% of revenue for the nine months ended September 30, 1999, as compared to 55.3% of revenue for the nine months ended September 30, 1998. The increase in absolute dollars was due primarily to an increase in the number of professionals we hired. Professional services costs decreased as a percentage of revenue for the nine months ended September 30, 1999 due primarily to an increase in employee utilization rates, partially offset by an increase in average compensation per professional.

Selling, general and administrative expense. Selling, general and administrative expense for the nine months ended September 30, 1999 increased by $14.4 million, or 45.7%, to $45.9 million from $31.5 million for the nine months ended September 30, 1998. As a percentage of revenue, selling, general and administrative expense decreased from 35.1% in the 1998 period to 34.3% in the 1999 period. The increase in absolute dollars for the nine months ended September 30, 1999 was due primarily to increases in outside fees for recruiting professionals, the hiring of senior client service executives, rent and travel costs related to office expansion in New York and the opening of a new office in London, and our overall growth in administrative headcount. The decrease as a percentage of revenue was due to the economies of scale associated with higher revenue levels.

Stock-based compensation. Stock-based compensation for the nine months ended September 30, 1999 consisted primarily of non-cash compensation arising from stock options granted to employees at exercise prices below the estimated fair value of the related common stock. Stock-based compensation for the nine months ended September 30, 1998 consisted primarily of profit distributions and appreciation of stock appreciation rights.

Amortization of intangible assets. The increase in amortization of intangible assets resulted from our recapitalization which was effected in January 1999.

Interest expense, net. Interest expense, net, for the nine months ended September 30, 1999 increased by $3.2 million to $5.3 million from $2.1 million for the nine months ended September 30, 1998. The increase in interest expense, net, for the nine months ended September 30, 1999 was primarily due to the interest expense on our long-term borrowings related to the recapitalization. Additionally, we increased borrowings against our line of credit to fund increased working capital needs.

Provision for income taxes. The income tax provision for the nine months ended September 30, 1999 was $1.8 million. For the nine months ended September 30, 1998, we were an S corporation. Therefore, we were only taxable at the state level, and we did not provide for any federal income taxes

in this period.

Year ended December 31, 1998 compared to year ended December 31, 1997 Revenue. Revenue for 1998 increased by $21.1 million, or 20.8%, to $122.3 million from $101.2 million for 1997. The increase in revenue was due primarily to growth in revenue from new and existing clients and increased demand for Internet-related services. In 1997, we sought to expand our client base and were successful in developing relationships with new, large-scale clients. The revenue growth in 1998 as compared to 1997 was primarily attributable to building those relationships.

Professional services costs. Professional services costs for 1998 increased by $8.1 million, or 14.0%, to $65.7 million from $57.6 million for 1997. Professional services costs represented 53.7% of revenues for 1998 as compared to 56.9% of revenues in 1997. The increase in absolute dollars for 1998 was due primarily to an increase in the number of professionals we hired. The decrease as a percentage of revenue for 1998 was due primarily to an increase in employee utilization rates.

Selling, general and administrative expense. Selling, general and administrative expense for 1998 increased by $7.9 million, or 19.6%, to $48.5 million from $40.6 million for 1997. As a percentage of revenue, selling, general and administrative expense was not materially different from 1997 to 1998. The increase in absolute dollars was due primarily to a one time payment to senior management in connection with the recapitalization. This increase was also due to general growth of the business, including opening a new office in New York, increased recruiting costs and expanded adminstrative headcount.

Stock-based compensation. Stock-based compensation in 1998 consisted primarily of profit distributions and appreciation of stock appreciation rights from 1997 to 1998. Stock-based compensation in 1997 included profit distributions on stock appreciation rights and the repurchase of equity held by selected employee shareholders.

Interest expense, net. Interest expense, net, for 1998 increased by $0.3 million to $2.7 million from $2.4 million in 1997. The increase in interest expense, net, was primarily due to increased borrowings to fund increased working capital needs during 1998, offset by a reduction in interest rates.

Provision for income taxes. The income tax benefit for 1998 was $1.4 million compared to a tax benefit of $114,000 in 1997. We were an S corporation in both 1998 and 1997. Therefore, we were only taxable at the state level, and we did not provide for federal income taxes in either of these years.

Year ended December 31, 1997 compared to year ended December 31, 1996 Revenue. Revenue for 1997 increased by $18.0 million, or 21.7%, to $101.2 million from $83.2 million for 1996. The increase was due primarily to the addition of new clients and increased demand for Internet-related services.

Professional services costs. Professional services costs for 1997 increased by $14.3 million, or 33.1%, to $57.6 million from $43.3 million for 1996. Professional services costs represented 56.9% of revenue for 1997 as compared to 52.0% of revenue in 1996. The increase in absolute dollars was due primarily

to an increase in the number of professionals we hired. These costs increased as a percentage of revenue due to decreased employee utilization rates resulting from the hiring of a number of new professionals in 1997 ahead of business demand.

Selling, general and administrative expense. Selling, general and administrative expense for 1997 decreased by $400,000, less than 1.0%, to $40.6 million from $41.0 million for 1996. As a percentage of revenue, selling, general and administrative expense decreased from 49.3% in 1996 to 40.1% in 1997 primarily due to reduced founders' compensation, offset by increased recruiting costs, investments in our infrastructure and administrative staff, expansion of our operations in Boston, and the opening of an office in San Francisco.

Stock-based compensation. Stock-based compensation in 1997 included profit distributions on stock appreciation rights and the repurchase of equity held by selected employee shareholders. Stock-based compensation in 1996 related principally to the repurchase of equity held by an employee shareholder.

Interest expense, net. Interest expense, net, for 1997 was $2.4 million, as compared to interest expense, net, of $1.3 million in 1996. The increase in interest expense, net, was primarily due to increased borrowings against our line of credit and a long-term note to fund growth in working capital.

Provision for income taxes. The income tax benefit for 1997 was $114,000 compared to a tax provision of $160,000 in 1996. We were an S corporation in both 1997 and 1996. Therefore, we were only taxable at the state level, and we did not provide for any federal income taxes in either of these years.

Quarterly Results of Operations The following table sets forth a summary of our unaudited quarterly operating results for each of the three quarters ended September 30, 1999 both in absolute dollars and as a percentage of our revenue in each quarter. This information has been derived from our unaudited interim financial statements which, in our opinion, have been prepared on substantially the same basis as the audited financial statements contained elsewhere in this prospectus and include all normal recurring adjustments necessary for a fair presentation of the financial information for the periods presented. The results for any quarter are not necessarily indicative of future quarterly results of operations, and we believe that period-to-period comparisons should not be relied upon as an indication of future performance that may be expected for any future period.

Three Months Ended March 31, 1999 June 30, 1999 September 30, 1999 (in thousands, except percentage data)

Statement of operations data:			
Revenue	$38,813	$44,047	$51,047
Operating expenses:			
Professional services costs	20,041	24,350	28,847
Selling, general and administrative expense	13,961	15,593	16,336
Stock-based compensation	--	35	315
Amortization of intangible assets	8,733	8,733	8,734
Total operating expenses	42,735	48,711	54,232
Loss from operations	(3,922)	(4,664)	(3,185)
Other income (expense):			
Interest income	--	--	12
Interest expense	(1,647)	(1,874)	(1,823)

	(1,647)	(1,874)	(1,811)
Loss before provision for income taxes	(5,569)	(6,538)	(4,996)
Provision for income taxes	(591)	(591)	(591)
Net loss	$(6,160)	$(7,129)	$(5,587)
As a percentage of revenue:			
Revenue	100.0 %	100.0 %	100.0 %
Operating expenses:			
Professional services costs	51.6	55.3	56.5
Selling, general and administrative expense	36.0	35.4	32.0
Stock-based compensation	--	--	0.6
Amortization of intangible assets	22.5	19.8	17.1
Total operating expenses	110.1	110.5	106.2
Loss from operations	(10.1)	(10.5)	(6.2)
Other income (expense):			
Interest income	--	--	--
Interest expense	(4.2)	(4.3)	(3.6)
	(4.2)	(4.3)	(3.6)
Loss before provision for income taxes	(14.3)	(14.8)	(9.8)
Provision for income taxes	(1.6)	(1.4)	(1.1)
Net loss	(15.9)%	(16.2)%	(10.9)%

Revenue. Our growth in revenue on a quarterly basis was primarily due to increased demand for our Internet professional services. We recognize bonus revenue in the period we are informed that the bonus has been awarded. Accordingly, we expect that our quarterly revenue in the first and second quarters each year, including 1999, will be positively impacted compared to the third and fourth quarters.

Professional services costs. Professional services costs for the quarters ended March 31, June 30 and September 30, 1999 increased in absolute dollars as we continued to hire professionals to keep up with client demand. As a percentage of revenue, professional services costs have fluctuated primarily based on employee utilization, investments in the opening of our London office and the timing of recognition of bonus revenue. We expect professional services costs as a percentage of revenue to increase in the near term as we hire new professionals and additional senior client service executives to enhance our service capabilities and expand our operations.

Selling, general and administrative expense. Selling, general and administrative expense has increased in absolute dollars in the quarters ended March 31, June 30 and September 30, 1998 primarily due to increased recruiting costs, growth in administrative headcount, and rent and other expense related to regional office expansions. As a percentage of revenue, selling, general and administrative expense has decreased as a percentage of revenue through the quarters primarily due to the economies of scale associated with higher revenue levels.

Liquidity and Capital Resources From inception through January 6, 1999, we funded our operations primarily through cash provided by operations, notes from shareholders and bank borrowings. In connection with the recapitalization, we established credit facilities totalling $93.4 million to repay our existing bank borrowings, repay our notes to our shareholders, make transaction payments and

repurchase shares in connection with the recapitalization and provide working capital to fund our ongoing operations. Long-term debt also includes an amount related to the build out of our Boston office for costs incurred in excess of the lease allowance.

Our operating activities used cash of $9.6 million in 1996. They provided cash of $1.5 million in 1997 and $8.2 million in 1998. For the first nine months of 1999, operating activities used cash of $8.9 million. We experienced an increased use of cash in 1999 primarily due to an expansion of our business.

Additionally, distributions paid to shareholders used cash of $315,000 in 1998 and $2.5 million for the nine months ended September 30, 1999.

We incurred capital expenditures of $6.9 million in 1996, $7.9 million in 1997, $6.3 million in 1998 and $5.6 million in the first nine months of 1999. These expenditures were incurred primarily for computer equipment, telecommunications equipment, furniture and fixtures, and leasehold improvements to support our growth. We expect that our capital expenditures will increase to the extent that we increase headcount and expand our operations. We also expect expenditures for technology to increase as we expand our Internet capabilities. Finally, we recently executed a new lease to consolidate our operations in New York. The lease commences on approximately July 1, 2000. We expect to incur significant leasehold expenditures in 2000 related to the relocation of our New York and London offices.

We believe that the proceeds of this offering and funds that are available under our line of credit will be sufficient to finance our working capital and capital expenditure requirements for the next twelve months.

Market Risk

We utilize an interest rate swap agreement to fix the interest rate on certain variable rate term loans in order to minimize the effect of changes in interest rates on earnings.

Our market risk exposure from the interest rate swap is assessed in light of the underlying interest rate exposures. We believe our credit risk is minimized because the agreement we have is with a major financial institution. We monitor the credit worthiness of this financial institution and anticipate full performance.

Year 2000 Compliance

Year 2000 Issue. The year 2000 issue is a result of computer programs or systems which store or process date-related information using only the last two digits to refer to a year. These programs or systems may not be able to distinguish properly between a year in the 1900's and a year in the 2000's. Failure of these programs or systems to distinguish between the two centuries could cause the programs or systems to create erroneous results or even to fail.

Our State of Readiness. We have established a year 2000 readiness team to carry out a program for the assessment of our vulnerability to the year 2000 issue and remediation of identified problems. The team consists of senior information technology and business professionals and meets on a regular

basis. An outside consultant is also working with the readiness team on a temporary basis to assist them in carrying out their tasks.

The readiness team has developed a program with the following key phases to assess our state of year 2000 readiness:

. develop a complete inventory of our hardware and software, and assess whether that hardware and software is year 2000 ready;

. test our internal hardware and software which we believe have a significant impact on our daily operations to assess whether it is year 2000 ready;

. upgrade, remediate or replace any of our hardware or software that is not year 2000 ready; and . develop a business continuity plan to address possible year 2000 consequences which we cannot control directly or which we have not been able to test or remediate.

We have completed all of the tasks which our program requires, including:

. we have completed the inventory of hardware and software at all of our locations and have determined that all of the inventoried hardware and software which we believe have a significant impact on our daily operations are year 2000 ready or can be made ready with minimal changes or replacements, based on our vendors' web site certifications statements and commercially available year 2000 testing products;

. we have developed a list of all vendors which we deem to have a significant business relationship with us. Of the approximately 21 vendors we have identified, we have obtained web site certifications or obtained assurances with respect to the year 2000 readiness of products or services that we purchase from those vendors;

. we have completed testing and implementation of any changes necessary to our internal hardware and software which we believe have a significant impact on our daily operations to confirm their year 2000 readiness;

. we have completed an internal review to determine the commitments we have made to our customers with respect to the year 2000 readiness of solutions which we have provided to those customers; and . we have formulated a business continuity plan that encompasses our strategy for preparation, notification and recovery in the event of a failure due to the year 2000 issue. The plan includes procedures to minimize downtime and expedite resumption of business operations and other solutions for responding to internal failures in our internal information technology department as well as widespread external failures related to the year 2000 issue.

Costs. To date, we have incurred approximately $3.3 million in connection with our year 2000 readiness program. This amount includes internal labor costs, outside consulting costs and additional hardware and software purchases. We do not expect to incur any material additional expenses in connection with our year 2000 readiness program, although there can be no assurance that we will not be required to do so.

Risks. If we fail to solve a year 2000 problem with respect to any of our systems, we could experience a significant interruption of our normal business operations. We believe that the most reasonably likely worst case scenarios related to the year 2000 issue for our business are as follows:

. if a solution which we provided to a client causes damage or injury to that client because the solution was not year 2000 compliant, under the terms of some agreements we could be liable to the client for breach of warranty; and . if there is a significant and protracted interruption of telecommunication services to our main office, we would be unable to conduct business because of our reliance on telecommunication systems to support daily operations, such as internal communications through e-mail.

Business

Overview

Digitas is a leading Internet professional services firm that provides integrated strategy, technology and marketing solutions to Fortune 100 and other industry leading companies that have embraced the Internet as a principal means of business transformation. We help our clients leverage their existing asset base and the Internet to develop stronger and more profitable customer relationships. By assisting our clients in developing a "bricks and clicks" business strategy, we help them establish a competitive advantage in the new digital economy. We draw on our comprehensive Internet professional services capabilities and marketing experience to provide end-to-end solutions that integrate digital strategy, technology and infrastructure, multi-channel marketing execution and measurement.

We develop large-scale, long-term, strategic relationships with a select group of clients. Our clients include industry leaders such as American Express, AT&T, Charles Schwab & Co. Inc., General Motors, Johnson & Johnson, L.L. Bean, and Neiman Marcus. We employ over 1,200 professionals and are headquartered in Boston, Massachusetts with offices in New York City, San Francisco, Salt Lake City and London.

Industry Background

The Internet is fundamentally changing the way consumers and businesses interact, introducing a new means of communicating, obtaining information, purchasing goods and services, providing customer support, and soliciting feedback. International Data Corporation, or IDC, estimates that the number of Internet users will grow from 142 million at the end of 1998 to 500 million at the end of 2003 and that revenues generated from Internet commerce in 2003 will exceed $2.3 trillion. The emergence of the Internet is also redefining the core economics of businesses and forcing companies to re-evaluate and transform the way they have traditionally conducted business and interacted with their customers, suppliers and distribution partners.

While businesses were early to embrace the Internet as a new commercial medium, their ability to take advantage of its full potential continues to evolve. Initially, businesses employed internal information technology departments or hired outside Web site design firms to develop corporate Web sites that

were viewed as additional means of advertising or promoting their businesses. As the number of Internet users has increased and corporate Web sites have drawn more visitors, businesses have begun to view the Internet as another distribution channel, or an on-line storefront, through which to conduct customer transactions. The ability to conduct transactions over the Internet, however, requires the integration of client/server systems with Web site design and infrastructure. Most internal information technology departments do not have the resources to perform this integration work and as a result many companies are seeking the assistance of outside Internet professional services providers. IDC defines Internet services as the consulting, design, systems integration, support, management and outsourcing services associated with the development, deployment and management of Web sites. IDC expects the worldwide market for Internet services to grow at a five-year compounded annual rate of 59%, from $7.8 billion in 1998 to $78.5 billion in 2003.

We believe most businesses must transact with customers over the Internet to retain and enhance their competitive positions. Widespread adoption of the on-line transaction model, however, is only the beginning of the Internet's transformation of traditional business models. While many companies have built on-line storefronts, most still view them as simply another independently operated channel for enabling transactions and interacting with customers. This business model prevents the new on-line business from capitalizing on the power of the enterprise's existing assets. To capture the full potential of the Internet and maximize customer value, companies must view the Internet as a principal means of fundamentally redefining the way they develop customer relationships, manage brand names and build a sustainable competitive advantage. The transformation to a "bricks and clicks" business model, in which a company's existing assets are integrated with a digital strategy, is particularly challenging for large businesses that have made significant investments in existing sales forces, marketing strategies, brand names, supply chain management systems, distribution channels, and data management systems. However, it is also these companies that stand to gain the most from a fully integrated "bricks and clicks" business model that transforms customer relationships.

At a time when companies need a service provider to do more than build a Web site or enable on-line transactions, we believe few Internet professional services providers have the depth of resources and range of services necessary to address the large scale engagements and demands of Fortune 100 companies on an ongoing basis. For instance, marketing firms typically provide off-line or on-line services, but not both. Web design firms typically specialize only in the front-end design of on-line storefronts. Similarly, traditional information technology service providers typically focus only on the enhancement of legacy systems and the implementation of traditional business applications. Strategic consulting firms typically provide high level recommendations but are not held accountable for implementation or results. Finally, Internet professional service providers typically build e-commerce business systems in which on-line business is conducted independently of the rest of the company and without the benefit of the company's traditional assets.

We believe that in the new digital economy there is a need for an innovative Internet professional services provider that has the scale, breadth of experience and expertise to help companies understand and develop the potential of the Internet as a part of their overall business strategy and to leverage the

power of their existing assets to drive growth, maximize customer value and build a sustainable competitive advantage.

The Digitas Solution

We help our clients transform their businesses and customer relationships by developing and implementing strategies to build on-line business solutions linked to their traditional assets. We serve as a primary strategic partner to our clients and utilize our strategic insight, marketing expertise, creativity and execution skills to help them evaluate their business strategy, the value they offer to their customers, their brand and the initiatives required to succeed in the marketplace. We work with our clients to create a seamless customer experience across all points of contact so that our clients can develop higher value, long-term customer relationships. In addition, we seek to quantify the value our solutions create and thereby enable our clients to measure their return on investment. As a result of our broad-based perspective and partnership approach, we have been able to couple development of overarching interactive strategies with fast-paced execution that change the way our clients acquire new customers, increase brand loyalty and build a competitive economic model.

In redefining a client's business model, we provide a fully-integrated, end- to-end solution, the key elements of which are illustrated in the following chart:

"Bricks and Clicks" Business Integration

[Chart Appears Here]

Define digital business strategy. We help our clients understand the impact of the Internet on their core business models and define new business strategies for the digital economy. Rather than focusing on a narrow technology or marketing strategy, or the implementation of a single project, we employ a broad-based approach grounded in a thorough understanding of our clients' overall business strategy and competitive environment. We work with members of our clients' senior management who are committed to transforming their business strategies and organizations.

Create enterprise-wide customer value propositions. Based on these new strategies, we help our clients develop new customer value propositions that involve more than creating attractive on-line storefronts. We seek to enhance customer loyalty and generate new business opportunities by taking advantage of existing assets such as distribution channels, customer service networks and customer information systems. We believe that our customer-centric approach allows us to deliver solutions that create economic value for our clients.

Build new technology and marketing infrastructure. Our solutions often require us to build new technology and marketing infrastructures for our clients. As part of our solution, we develop creative Web sites that enhance our clients' brands and build and integrate electronic customer relationship management, or eCRM, systems databases that are designed to manage customer relationships. In developing new infrastructures, we also create links to legacy information systems and other existing infrastructure.

Implement solutions across client enterprise. Solutions are most effective when they are implemented consistently throughout a client's organization. We help our clients implement solutions across their enterprises by providing appropriate training, organizational alignment and support. We coordinate the efforts of various client businesses to create customer oriented applications with a consistent corporate message. We also create and execute customized pilot programs designed to test our solutions prior to implementation across the enterprise.

Develop integrated marketing plan. We design integrated marketing plans that typically involve identifying customer segments, developing marketing strategies and optimizing on-line media planning and channel allocation, including mix, messaging and frequency.

Execute across marketing and service channels. We leverage our on-line media buying, design and creative services and event sponsorships to market seamlessly across multiple channels to help our clients build relationships with their customers.

Performance measurement. Through every step of our solution, we measure the value being delivered to our clients. We continually work with our clients to determine the relevant metrics and our performance against those metrics. We collect data frequently and use it to continually refine our solution and maximize our clients' return on investment.

Strategy

We intend to be the leading provider of digital strategy, technology and infrastructure and integrated marketing solutions to industry-leading companies. Our strategies for achieving this objective are as follows:

Expand relationships with our existing clients. Our current client list includes industry leaders with whom we have developed multi-year, large-scale relationships. In 1999, approximately 89% of our revenue came from clients with whom we have previously worked. We believe there are significant opportunities for additional growth with our existing clients as they transform their businesses and we add additional capabilities.

Select additional industry leading clients to build new long-term client relationships. We will seek relationships with additional industry leading companies which we believe will be successful in the digital economy. These companies could include additional Fortune 100 companies or emerging companies, including "dot-coms," which are poised to be leaders in their respective industries. In developing new client relationships, we will continue to be highly selective and will seek industry leading clients who are committed to a long-term and close working relationship with us. We believe that our focus on industry leading companies provides us with the best opportunities to leverage the depth of our expertise, attract outstanding professionals, enhance our reputation and have an impact on the industries in which our clients' operate.

Maintain focus on large-scale, long-term relationships. We will maintain our focus on large-scale, long-term client relationships. This strategy allows us to build in-depth, client-specific knowledge, create more fully integrated solutions and develop closer partnerships with our clients. We are also extremely

focused on quality, and working on a small number of long-term, large-scale engagements allows us to devote the time and resources necessary to develop innovative solutions which fully satisfy the needs of our clients.

Maintain and grow a creative corporate culture. We have created a corporate culture that attracts intelligent, motivated individuals and fosters creativity and innovation. To retain this culture and uphold our high standards of quality as we grow our business, we must continue to attract and retain qualified individuals with superior creative, technological and management skills. By hiring talented individuals and providing them with relevant training and support, we believe we have created a scalable hiring strategy without compromising our high standards.

Expand and enhance our capabilities. We believe there is a significant opportunity to further extend our client relationships by providing new on- line and off-line services and capabilities to our new and existing clients. We intend to expand our capabilities in a number of areas including supply chain management, Internet workflow management, measurement tools, analytical capabilities and channel optimization. Towards this end, we have a dedicated team of technical specialists who evaluate new technologies and unique applications for these technologies.

Broaden our global reach. We seek to further broaden our global presence by opening new offices in strategic locations. We currently expect to open two new offices in 2000 to support our international efforts. We believe that we need to have a local presence in key markets to meet the needs of our multinational clients both globally and locally. In addition, we believe our local presence will also enable us to build new relationships with industry leading companies in foreign markets.

Services

We provide our clients with end-to-end solutions that combine a broad range of services in digital strategy, technology, marketing and measurement. The following table is a brief summary of our capabilities in our four service categories.

Digital Strategy	Technology and Infrastructure	Integrated Marketing	Performance Measurement
. Business Transformation	. Web Site Development	. Marketing Plan Development	. Web Site Usability Research
. e-commerce Strategy	. eCRM	. Media Planning and Buying	. Web Site Performance and Diagnostics
. Enterprise Customer Management	. User Interface Design	. On-line and Off-line Creative	. Consolidated Cross-Channel Reporting
. Operating Model Definition	. Customer Database Development	. Events, Partnerships and Promotions	. Data Analytics
	. Application Development		. Channel Optimization
	. Solutions Integration		

Digital Strategy

We work closely with our clients' senior management to gain an in-depth understanding of their enterprise-wide business objectives and competitive environment. This knowledge is used as the basis for establishing business strategies that capitalize on the power of the Internet to build customer value

propositions and improve our clients' competitive positions in the digital economy. Our digital strategy capabilities include the following:

Business transformation. We analyze our clients' existing assets and value chain to identify opportunities for a digital strategy. We then utilize our expertise in technology, infrastructure, customer experience, and integrated marketing to identify the economic rationale and create a detailed plan of action to effect fundamental business transformation.

e-commerce strategy. We define and develop the most effective strategy for marketing, transacting and distributing products and services over the Internet. This may include enabling direct customer transactions or supporting the off-line channel sales cycle.

Enterprise customer management. We define and develop a consistent and branded relevant customer experience across all points of contact to create value for both our clients and their customers. We also identify opportunities for collecting and leveraging customer data to create and enhance customer value propositions and returns on investments for the clients' businesses.

Operating model definition. We define new organizational structures, business processes and management systems that are required to successfully execute the digital strategy, and we integrate these into the existing business. We also examine existing operational practices to identify opportunities to improve services and reduce costs.

Technology and Infrastructure We identify and implement innovative technology solutions within the broad strategic context of our clients' businesses. We design the required technology and infrastructure and select and manage external vendors to support seamless dialogue and data management across marketing channels. We also provide training and process management, organizational alignment and channel implementation support. Our specific technology and infrastructure capabilities include the following:

Web site development. We build on-line value propositions for our clients by designing and developing large-scale, complex e-commerce enabled Web sites that utilize state of the art technologies and leverage existing assets.

Electronic customer relationship management (eCRM). We develop and implement customized applications to assist clients in building a seamless, interactive and value-based dialogue with their customers across all distribution channels and geographies. We also implement customized software applications to manage marketing campaigns. We try to remain abreast of the latest tools and technologies available to help manage customer relationships and ensure that our clients are industry leaders in using these technologies.

User interface design. We design and develop functional, user-friendly Web sites, navigation systems and graphical user interfaces to create a positive customer experience and effectively meet our clients' specific business objectives.

Customer database development. We design and develop customer databases to collect and analyze customer profile information, including demographic information, on-line and off-line transactional history and Web use patterns. The databases are designed to allow increased access to information across all marketing channels and thereby optimize customer interaction.

Application development. We create customized applications, such as proprietary content databases, specialized search functions and registration engines, to improve customer interactions with our clients' businesses.

Solutions integration. We frequently select and manage third party vendors to assist our clients in integrating existing enterprise/legacy systems with new Web and eCRM applications.

Integrated Marketing

Our extensive marketing, media and creative capabilities and experience allow us to deliver measurable increases in customer value and loyalty through innovative marketing solutions powered by customer insight, marketing analytics and operational expertise. Our marketing capabilities include the following:

Marketing plan development. We develop integrated, measurable, marketing campaigns across all direct customer channels, including Web, teleservices, advertising and direct response channels.

Media planning and buying. We design media campaigns across all channels and allocate client expenditures to optimize customer response. We are a large purchaser of on-line media, which enables us to negotiate discounts which we pass on to our clients.

On-line and off-line creative. We leverage our creative expertise in marketing executions across numerous channels, clients and technologies. We provide creative services to assist our clients in branding and marketing their products and services through both on-line channels, such as e-mail, Internet, and intranet, and off-line channels, such as teleservices, direct response, print and television, catalogues and direct mail.

Events, partnerships and promotions. We plan events and negotiate partnerships and promotions that reinforce brand attributes, generate customer interest and improve business results.

Performance Measurement Performance measurement quantifies the results of our solutions to determine their effectiveness and to illustrate to clients their return on investment. We leverage our direct marketing heritage, extensive array of proprietary methodologies and working relationships with other measurement tool providers to provide meaningful measurement of the impact our solutions have on our clients' businesses. Our specific measurement capabilities include:

Web site usability research. Through rapid prototyping and live customer feedback, we identify opportunities to optimize Web site usability prior to the launch of our clients' Web sites.

Web site performance and diagnostics. We measure the overall effectiveness of a Web site with its targeted users and identify areas for potential upgrades.

Consolidated cross-channel reporting. We design reporting strategy and infrastructure and implement integrated management reporting systems across our clients' businesses.

Data analytics. We analyze customer behavior and transactional data to improve effective targeting, messaging, and personalization.

Channel optimization. We measure performance across multiple marketing and distribution channels to ensure ongoing optimization of marketing resources.

Clients, Marketing and Sales We primarily market our services to Fortune 100 and other industry leading companies. We seek clients that are committed at senior levels to building long-term partnerships with us to leverage their existing traditional asset bases to take advantage of the Internet's significant new opportunities for customer interaction. We are also seeking to work with Internet-based companies to enhance their customer relationships. In particular, we seek to work with companies operating in industries in which the economics of customer loyalty are most compelling, thereby providing us with the opportunity to greatly impact market share and the return on their customer base investments. These industries include financial and consulting services, software, technology and telecommunications, travel and leisure, industrial and consumer brands and retail.

Our current clients include, among others, the following companies:

Aetna	Harcourt
American Electric Power	Johnson & Johnson
American Express	L.L. Bean
Aquent	Lifetime Rewards.com
AT&T	Morgan Stanley Dean Witter
Charles Schwab & Co. Inc.	Neiman Marcus
General Motors	

Our results of operations and our business depend on our relationship with a limited number of large clients. Of our total revenues during the first nine months of 1999, American Express accounted for approximately 24%, General Motors accounted for approximately 22% and AT&T accounted for approximately 16%.

We do not have a separate sales and marketing force. Rather, our relationship managers are primarily responsible for our marketing and sales efforts. Members of our senior management team also market our services through their speaking engagements at industry conferences. Additionally, we rely on our strong reputation, quality client base and proven results to retain our existing clients and develop new client relationships. In fact, many of our existing clients have recommended our services to potential clients.

Client Case Studies

American Express

American Express is a world leader in charge and credit cards, travel- related services, financial planning, investment products, insurance and international banking. It has built one of the world's preeminent service brands.

Digitas began its relationship with American Express in 1981 by working on direct marketing programs. In May 1998, we expanded our relationship with American Express by working on various aspects of its Web site. Examples of specific initiatives include:

. User interface and ease of navigation. We helped American Express implement a customer-centric navigation approach that segmented personal, small business, and corporate customers to address the needs of each group separately. This new approach created a single user experience across all American Express business units.

. "MyAmex". We worked with American Express to create and deploy "MyAmex" as a customer's personalized gateway to the company, allowing quick access to those elements of site content and functionality most relevant to individual customers.

. Web site templates. We partnered with American Express to develop style guide standards that would be used for all site design across americanexpress.com on a global basis. More specifically, we designed templates and components that we built into American Express' new content management utility.

. Blue from American Express. We helped design and implement a marketing campaign for the company's new Blue credit card offering utilizing both direct mail and on-line marketing channels. This included assisting in the development of a lifecycle management strategy, designing and implementing an on-line simulcast of a concert in Central Park to launch Blue, and creating the blue.com site.

. Measurement engine. We worked with American Express to develop a measurement plan and select a reporting utility to measure performance across americanexpress.com, including the initial reporting templates.

We continue to work with American Express as its agency of record for direct and on-line marketing initiatives.

General Motors

General Motors Corporation is the world's largest full-line vehicle manufacturer. General Motors invests significant amounts each year on "Customer Influence" through advertising, field sales and dealer support, sales incentives, relationship marketing, event sponsorship and promotional activities. General Motors has recognized, however, that the Internet is transforming the vehicle manufacturing, distribution, and sales landscape and that these traditional methods of customer influence must be integrated into the digital world to remain effective.

Over the past three years, Digitas has developed a broad and deep strategic and operational partnership with numerous business units of General Motors to help capture the power of the digital economy and leverage the value of their traditional marketing investments and assets. The following descriptions illustrate two isolated segments of our broad strategic relationship with General Motors.

Enterprise customer management At the beginning of the second quarter of 1998, we began working with General Motors' Corporate Advertising and Marketing Group to do the following:

. Develop vision and digital strategy. We created an executive strategy for customer relationship management, which became the founding charter of General Motors' Global Enterprise Customer Management Group established in January 1999.

. Plan and execute marketing planning programs. Over the past year, we have designed and implemented cross-divisional, channel integrated marketing programs at both the regional and national levels.

. Design customer management system database. We designed General Motors' centralized household vehicle customer database, which enabled General Motors to identify significant customer and prospect opportunities, use a single platform for common measurement and collect and store information about customer behavior.

. Build multi-channel lead management system. We designed and managed the construction of an automated lead management system which provides General Motors' national and regional enterprise customer management and divisional marketing initiatives with tracking, treatment, and measurement capabilities.

. Design and implement new marketing segmentation and measurement processes. To help General Motors take full advantage of the new strategies and systems introduced, we implemented new processes for modeling and segmenting the customer and prospect base and for managing marketing investments to assist General Motors in planning, executing, measuring and continually improving its multi-channel initiatives.

Pontiac GMC vehicle division We have completed approximately 125 initiatives for Pontiac GMC, many of which are of similar scope and style to the two Pontiac initiatives described below.

. Aztek pre-launch Web site and reporting. The Aztek Web site was an on- line experiment designed to test a new and more efficient way of introducing new vehicles to the market and to pioneer the use of customer feedback in the design of vehicles. Pontiac previewed the concept car at the 1999 Detroit Auto Show. To leverage the resulting media attention, Digitas built a Web site and collected on-line audience comments and feedback. As a result, Pontiac gained real-time knowledge of customer impressions and preferences. This information drove further evaluation of the vehicle design and will, ultimately, influence the consumer launch of the car.

. Sunfire eCare program. Pontiac targets young, first-time car buyers with its Sunfire model. To provide proactive and reactive customer care for this valuable demographic group, we implemented an innovative Web site which incorporates a real-time chat/call center to answer first time purchasers' questions. Call center agents can provide a caller with information and images in real time on a caller's computer, making communications more informative and valuable and potentially resulting in more sales.

General Motors reports that our work to date has had a significant economic impact on them. They believe that the replacement of multiple, redundant legacy database systems with a centralized enterprise management system is leading to substantial savings and improved access to and quality of information. In particular, General Motors has seen improved customer loyalty, higher customer

conversion rates, lower costs to acquire new or re-gain former customers, greater incremental sales per dollar invested, and an increasing number of cross-sales. Through our interactive relationship, Digitas has helped Pontiac become one of the leading General Motors divisions in terms of Internet use. Although our relationship with General Motors is already very large, we believe it is in its early stages and has both opportunities for continued growth within our current relationships as well as opportunities for additional relationships with other divisions.

Neiman Marcus Group

As a leader in the luxury fashion and apparel industry, Neiman Marcus has built an enviable customer franchise by offering world renowned designer brands and providing a best-in-class personalized shopping experience. In early 1999, Neiman Marcus decided to take advantage of the opportunities offered by the Internet to reach new customers and to enhance its relationships with existing customers.

In April 1999, Neiman Marcus Group retained Digitas as its overall strategic and tactical partner to help define their digital strategy. The solution we offered included the following:

. Develop digital strategy. We worked with Neiman Marcus to define a digital strategy which leveraged the Neiman Marcus brand to establish Neiman Marcus as the premier lifestyle platform for affluent consumers on the Web. Our strategy was to establish for Neiman Marcus a complete e-commerce organization which included neimanmarcus.com, a Web site that is fully integrated with the existing Neiman Marcus store and catalogue businesses.

. Develop creative and innovative Web site. We focused our creative efforts on developing a Web site that both offers users a high-end shopping experience and enhances the Neiman Marcus brand name. The Web site offers customers an easy to use interface, quick transaction times and information concerning specific product availability. To set the standard in on-line service while taking advantage of existing store inventory and fashion expertise, we worked with Neiman Marcus to develop the Neiman Marcus Virtual Studio. The Studio uses new interactive and visual telepresence technology for virtual merchandising and live assistance to connect customers with store associates. Users can either phone, e-mail, or chat on-line in real-time with sales associates.

. Design and build e-commerce infrastructure. We worked with Neiman Marcus to design and build an e-commerce organization and technology infrastructure that included merchandising, content management, eCare and site management processes. In addition, we integrated the Web site with catalogue and store databases to promote seamless customer service.

. Coordinated cross-channel Web marketing campaign. We worked with Neiman Marcus to design a comprehensive cross-channel Web marketing campaign which utilized on-line and off-line techniques to drive customers to the Neiman Marcus Web site and which was coordinated with existing customer mailings, special in store and top customer events, and banner ads and sponsorships.

Through the implementation of our solution, we believe that Neiman Marcus will be able to penetrate geographic locations not served by its stores and improve its operating efficiency, marketing results and the quality of service provided to its customers. The integration of the store, catalogue and Web

databases should permit Neiman Marcus to target past customers more effectively, enhance existing customer relationships and achieve significant cost savings. We are continuing to work with the senior management of Neiman Marcus to further refine and build upon its digital strategy, migrate more of its systems to the Web, improve the existing Web site and more effectively target and service its customer base.

Competition

Competition in the Internet professional services industry is intense. We compete with companies which offer strategic consulting, Web design, information technology and e-commerce services as well as the in-house development efforts of many companies. Our current competitors include the following:

. web consulting firms and on-line agencies, such as Agency.com, Diamond Technology Partners, iXL Enterprises, Proxicom, Razorfish, Scient, USWeb/CKS and US Interactive;

. general management consulting firms, such as Bain & Company, Booz Allen & Hamilton, Boston Consulting Group and McKinsey & Company;

. advertising and direct marketing agencies, such as Ogilvy One and Wunderman Cato Johnson;

. systems integrators that primarily engage in fixed-time/fixed-fee contracts, such as Cambridge Technology Partners, Sapient and Viant;

. large systems integrators, such as Andersen Consulting and the consulting arms of the "Big Five" accounting firms;

. the professional services groups of computer equipment companies, such as IBM Global Services;

. outsourcing firms, such as Computer Sciences Corporation, Electronic Data Systems and Perot Systems; and . internal information technology departments of current and potential clients.

Because relatively low barriers to entry characterize our industry, we also expect other companies to enter our market.

We believe that the principal competitive factors in our industry are:

. quality of services;

. technical and strategic expertise;

. ability to provide end-to-end solutions;

. speed of development and implementation of Internet solutions;

. value of the services provided compared to the price of such services;

. reputation and experience of professionals delivering the service;

. project management capabilities;

. brand recognition and size of the firm; and . effectiveness of sales and marketing efforts.

We believe that we presently compete favorably with respect to most of these factors. In particular, we believe that we offer an integrated set of skills and expertise that many existing service providers are not well suited to provide. However, the market for Internet professional services is evolving and we cannot be certain that we will compete successfully in the future. We expect that competition will continue to intensify and increase in the future, particularly if large information technology consulting firms focus more resources on Internet solution opportunities.

People and Culture

We believe we have an entrepreneurial culture in which creativity, teamwork and individual development are strongly encouraged. Our employees are our single greatest asset and the key to reaching our company-wide goal to be the undisputed industry leader in Internet professional services. In furtherance of this mission all of our employees collaborate to apply their creativity in the conception, design, and implementation of innovative client solutions. Our formal training program, to which we allocate substantial financial resources and personnel, emphasizes improvement of individual skills as well as optimization of team performance. We also conduct shared learning sessions in which business and technological developments are discussed amongst the various teams. Through the training and shared learning programs we continue to bolster the talent and expertise of our employees which in turn improves our Internet professional services capabilities. The end result is a dynamic and rewarding work environment for intelligent, motivated individuals.

Our training program is part of a larger core competency model instituted in 1998 that is intended to incorporate the personal interests and career goals of each employee with their individual development and team performance training. Employees meet with a staffing officer to discuss their interests and goals and thereby allow us to assign them to client teams which they will find to be the most satisfying. We believe that our ongoing solicitation and consideration of individual interests and goals enables us to improve the attractiveness of the work environment to our employees and strengthens each working group thereby further improving our competitive position in the industry.

To retain this culture and uphold the high standard of quality work that we have set, we must continue to attract qualified individuals with superior strategic, creative, technological and management skills in numbers sufficient to meet the growing demands for our services. To this end, we have a dedicated recruiting team of 27 individuals that utilizes various methods to attract the most talented and promising professionals, including job boards, advertising in newspapers and trade magazines, college and business school recruiting, competitive targeting and an internal referral bonus program. In addition, we retain recruiting professionals to supplement the recruiting efforts of our in-house recruiting team. We recognize that the demand for Internet professional services, however, is growing faster than the number of trained professionals who are capable of providing those services and, therefore, retention and training of existing employees is very important. By hiring intelligent individuals and then providing them with relevant training and support, we believe that we have created a truly scalable hiring strategy without compromising our high standards.

We provide our employees with a competitive base salary, performance driven incentive programs, stock options in Digitas and comprehensive benefits packages. Employees are rewarded for individual as well as team performance and the success of their clients in the marketplace. For many of our employees, however, a significant attraction is being part of a winning team that applies industry leading expertise and technology to transform businesses to be the best in their industry.

As of December 1, 1999, we had approximately 1,200 full-time employees, approximately 1,160 of whom were located in the United States and 40 of whom were located in Europe. Our employees include approximately 175 digital strategy consultants, 275 technology professionals, 250 design and creative professionals, 300 integrated marketing managers, and 200 executive and support personnel.

Our employees are not represented by any union and, except for senior management and certain other employees, are retained on an at-will basis. However, the regulations of some European countries in which we operate may make it difficult for us to terminate employees in those countries. In addition, those regulations govern the amount of vacation time that must be given to employees, which is significantly more vacation than in the United States.

Intellectual Property Rights We seek to protect our intellectual property through a combination of license agreements and trademark, service mark, copyright and trade secret laws. We enter into confidentiality agreements with our employees and clients and use our best efforts to limit access to and distribution of proprietary information licensed from third parties.

We pursue the protection of our trademarks in the United States and internationally. We have obtained U.S. registration or have applied for registration of certain of our other trademarks and servicemarks, including the marks Digitas, Bronnercom, BSH and SIG.

Our efforts to protect our intellectual property rights could be inadequate to deter misappropriation of proprietary information. For example, we may not detect unauthorized use of our intellectual property. In addition, the legal status of intellectual property on the Internet is currently subject to various uncertainties. See "Risk Factors--We may not be able to protect our intellectual property and proprietary rights." and "Risk Factors--Changes in government regulation of the Internet could adversely affect our business."

U.S. and Foreign Government Regulation Congress has recently passed legislation that regulates certain aspects of the Internet, including on-line content, copyright infringement, user privacy, taxation, access charges, liability for third-party activities and jurisdiction. In addition, federal, state, local and foreign governmental organizations also are considering, and may consider in the future, other legislative and regulatory proposals that would regulate the Internet. Areas of potential regulation include libel, pricing, quality of products and services and intellectual property ownership.

The European Union also has recently enacted several directives relating to the Internet. In order to safeguard against the spread of certain illegal and socially harmful materials on the Internet, the European Union has adopted the "Action Plan on Promoting the Safe Use of the Internet." Other European Commission directives address the regulation of privacy, e-commerce, security, commercial piracy, consumer protection and taxation of transactions completed over the Internet.

It is not known how courts will interpret both existing and new laws. Therefore, we are uncertain as to how new laws or the application of existing laws will affect our business. In addition, our business may be indirectly affected by our clients who may be subject to such legislation. Increased regulation of the Internet may decrease the growth in the use of the Internet, which could decrease the demand for our services, increase our cost of doing business or otherwise have a material adverse effect on our business, results of operations and financial condition. See "Risk Factors--Changes in government regulation of the Internet could adversely affect our business.

Facilities

Our headquarters and principal administrative and finance operations are located in a leased facility in Boston, Massachusetts consisting of approximately 200,000 square feet of office space. The lease for this office space expires in November 2005. We also occupy office space in locations in New York City under three separate leases.

One of the leases covers approximately 12,000 square feet of office space and expires in September 2002. The second and third New York leases cover an aggregate of approximately 38,000 square feet in the same building and expire in September 2004 and September 2002. Due to our growth, in November 1999 we executed a fourth lease for 132,000 square feet in a new New York City location. That lease expires in March 2011. We anticipate relocating all of our New York staff to the new larger location in September or October 2000. We will continue to be obligated on our existing leases and will need to sublet these leases to minimize cost and financial obligations. At this time, we cannot be certain that we will be able to execute subleases that coincide with our move or that the terms of the subleases will completely offset our costs. We also lease office space in San Francisco, London and Salt Lake City.

Legal Proceedings

We are not a party to any material legal proceedings.

Management

Executive Officers and Directors Our executive officers and directors, and their respective ages and positions as of December 31, 1999, are as follows:

Name Age Position

Director, Chairman and Chief Executive David W. Kenny..... 38 Officer Kathleen L. Biro..... 47 Director, Vice Chairman and President Marschall I. Smith..... 53 General Counsel and Secretary Michael Ward..... 36 Chief Operating Officer and Acting Chief Financial Officer and Treasurer Michael E. Bronner..... 40 Director, Chairman Emeritus and Founder John L. Bunce, Jr..... 41 Director Orit Gadiesh (1)(2)..... 48 Director Philip U. Hammarskjold (2).. 34 Director Patrick J. Healy (1)..... 33 Director Arthur Kern (1)(2)..... 53 Director (1) Member of the compensation committee. (2) Member of the audit committee.

David W. Kenny was named Chief Executive Officer of Digitas in September 1997 and Chairman in December 1999. He joined Digitas as a director and Vice Chairman in January 1997. From 1991 to 1997, Mr. Kenny was a partner at Bain & Company, a strategy consulting firm, and was named to its Policy Committee in 1995. Mr. Kenny also serves as a director of Harvard Business School Publishing, The Corporate Executive Board and Teach for America. He holds a B.S. degree from the General Motors Institute and an M.B.A. from Harvard Business School.

Kathleen L. Biro joined Digitas in 1991 and has served as President and a director since December 1999 and as Vice Chairman since April 1999. Ms. Biro, together with Robert Cosinuke and Ruben Pinchanski, founded Strategic Interactive Group and served as its Chief Executive Officer from its founding in April 1995 to December 1999. Prior to joining Digitas in 1991, Ms. Biro served as Senior Vice President of Global Product Management for Bankers Trust Global Operations and Information Systems business. Ms. Biro also sits on the boards of directors of net.Genesis and Be Free. She holds a B.S. and an M.S. in Educational Administration from New York University and an M.B.A. in Marketing and Finance from the Columbia University Graduate School of Business.

Marschall I. Smith joined Digitas in October 1999 as General Counsel and Secretary. From February 1994 to October 1999, Mr. Smith was associated with Hamilton Holmes Associates, a financial and legal services consulting firm, and served as Senior Vice President and General Counsel of IMC Global, Inc., a mining and chemical manufacturer in Northbrook, Illinois. Mr. Smith holds an A.B. from Princeton University, a J.D. from the University of Virginia Law School and an M.B.A. from the University of Chicago Graduate School of Business.

Michael Ward has served as Chief Operating Officer of Digitas since March 1998 and as acting Chief Financial Officer and Treasurer since December 1999. Mr. Ward joined Digitas in August 1997 as a Senior Vice President. Prior to that, he was associated with Bain & Company, a strategy consulting firm, since December 1994. Mr. Ward holds B.S. and B.A. degrees from the University of Pennsylvania and an M.B.A. from the Amos Tuck School at Dartmouth College.

Michael E. Bronner founded Digitas in 1980 and served as Chief Executive Officer until September 1997 and Chairman until December 1999. Mr. Bronner is currently a director and Chairman Emeritus of Digitas. Mr. Bronner is currently the Chairman and founder of Lifetime Rewards.com. Mr. Bronner is also Chairman of the Boston Walk Committee for the March of Dimes and serves as a director of the Boys and Girls Clubs, the Boston Public Library Foundation and the New England Aquarium.

John L. Bunce, Jr. has served as a director of Digitas since January 1999. Mr. Bunce joined the predecessor to Hellman & Friedman LLC in 1988, became partner of that entity in January 1996 and has served as a Managing Director of Hellman & Friedman LLC since January 1998. He also serves on the boards of directors of National Information Consortium and Western Wireless Corporation. Mr. Bunce holds a B.A. from Stanford and an M.B.A. from Harvard Business School.

Orit Gadiesh has served as a director of Digitas since February 1999. Ms. Gadiesh has served as the Chairman of the Board of Bain & Company, a strategy consulting firm, since December 1994. Ms. Gadiesh is a board of directors and council member at the Harvard Business School, the Wharton School, the Kellogg School and the Harvard Business School Press Publications Review Board. She is

also a member of the Greater Boston Chamber of Commerce and the Massachusetts Business Roundtable. She holds a B.A. from Hebrew University, Jerusalem, and an M.B.A. from Harvard Business School.

Philip U. Hammarskjold has served as a director of Digitas since December 1999. Mr. Hammarskjold joined the predecessor to Hellman & Friedman LLC in 1992, became partner of that entity in January 1996 and has been a Managing Director of Hellman & Friedman LLC since January 1998. He has served on the board of directors of The Covenant Group, Inc. since 1995 and served on the board of directors of Young & Rubicam Inc. from December 1996 to December 1999. Mr. Hammarskjold holds a B.S.E. from Princeton University and an M.B.A. from Harvard Business School.

Patrick J. Healy has served as a director of Digitas since January 1999. Mr. Healy has been employed by Hellman & Friedman LLC since 1994 and has served as a Managing Director since January 1999. He serves on the board of directors of National Information Consortium, Inc. Mr. Healy holds an A.B. from Harvard College and an M.B.A. from Harvard Business School.

Arthur Kern has served as a director of Digitas since January 1999. Prior to investing in media and marketing services companies, he was co-founder and Chief Executive Officer of American Media, a group owner of commercial radio stations sold to AMFM (Chancellor Broadcasting) in 1994. Mr. Kern serves on the boards of directors of Yahoo!, Inc. and Northwest Broadcasting, a privately held company that owns and operates Fox Television affiliates in the Northwest. Mr. Kern holds a B.A. from Yale University.

Board Composition

The number of our directors is currently fixed at eight. Following the closing of this offering, our board of directors will be divided into three classes, each of whose members will serve for a staggered three-year term. Our board of directors will consist of three Class I directors, whose term of office will continue until the 2001 annual meeting of shareholders, two Class II directors, whose term of office will continue until the 2002 annual meeting of shareholders, and three Class III directors, whose term of office will continue until the 2003 annual meeting of shareholders. The Class I directors will be John L. Bunce, Jr., David W. Kenny and Arthur Kern; the Class II directors will be Orit Gadiesh and Patrick J. Healy; and the Class III directors will be Kathleen L. Biro, Michael E. Bronner and Philip U. Hammarskjold. At each annual meeting of shareholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring.

There are no family relationships among any of our directors or executive officers.

Board Committees

Audit Committee. The members of the audit committee, a majority of whom are independent directors, are responsible for recommending to the board of directors the engagement of our outside auditors and reviewing our accounting controls and the results and scope of audits and other services provided by our auditors. The audit committee consists of Messrs. Hammarskjold, Chairman, and Kern and Ms. Gadiesh.

Compensation Committee. The members of the compensation committee, a majority of whom are independent directors, are responsible for reviewing and recommending to the board of directors the amount and type of consideration to be paid to senior management, administering our stock plans and establishing and reviewing general policies relating to compensation and benefits of employees. The compensation committee consists of Messrs. Healy and Kern, Chairman, and Ms. Gadiesh.

Director Compensation Directors who are employees receive no additional compensation for their services as directors. Non-employee directors do not currently receive a fee for their service as directors, although the board of directors may in the future decide to pay non-employee directors a fee for their services. We reimburse our directors for reasonable out-of-pocket expenses incurred in attending meetings of the board of directors. Non-employee directors are also eligible to participate in our stock option plans. Since their election to the board of directors, we have granted to each of Messrs. Bronner and Kern and Ms. Gadiesh non-qualified options to purchases 78,000 shares of our common stock. The options granted to Mr. Kern and Ms. Gadiesh were granted on June 1, 1999, have an exercise price of $5.0367 per share and become exercisable in full on June 1, 2002, regardless of whether the director is serving as a director of Digitas at that time. The options granted to Mr. Bronner were granted on December 2, 1999, have an exercise price of $17.50 per share and become exercisable in full on December 2, 2002, regardless of whether Mr. Bronner is serving as a director of Digitas at that time.

Executive Compensation The following table sets forth the total compensation paid or accrued in the year ended December 31, 1999 to our Chief Executive Officer, each of our other executive officers whose aggregate compensation exceeded $100,000 and one former executive officer who received total compensation in excess of $100,000 but was not serving as an executive officer on December 31, 1999. We refer to each of these people in this prospectus as our "named executive officers." No other executive officer earned an aggregate of salary and bonus in excess of $100,000 for the year ended December 31, 1999.

Summary Compensation Table

	Annual Compensation		Long-Term Compensation	
Name and Principal Position	Salary	Bonus	Number of Shares of Underlying Options Granted(1)	All Other Compensation

David W. Kenny..... $ 500,000 $ (2) 1,650,000 $1,983,074(3) Chairman and Chief Executive Officer Kathleen L. Biro..... 420,833 (2) 540,000 976,236(4) Vice Chairman and President Michael Ward..... 370,833 (2) 450,000 202,717(5) Chief Operating Officer and Acting Chief Financial Officer Meryl Beckingham (6)..... 305,000 425,000(7) 165,000 593,785(8) Former Chief Financial Officer and Executive Vice President (1) Does not include rollover options granted to the named executive officer in connection with the recapitalization in exchange for the cancellation of stock appreciation rights or stock options, as applicable, held by the named executive prior to the recapitalization. Messrs. Kenny and Ward received 3,000,000 and 300,000 rollover options,

respectively, in connection with the recapitalization, and Mses. Biro and Beckingham received 649,542.6 and 135,000 rollover options, respectively, in connection with the recapitalization. (2) Annual bonuses for the year ended December 31, 1999 have not yet been determined for any named executive officer other than Ms. Beckingham. (3) Includes (i) transaction payment in the amount of $1,977,974 paid to Mr. Kenny in connection with the recapitalization; (ii) parking expenses in the amount of $4,200 paid by Digitas on behalf of Mr. Kenny; and (iii) $900 representing the dollar value of insurance premiums paid by Digitas with respect to a term life insurance policy purchased for Mr. Kenny's benefit. (4) Includes (i) transaction payment in the amount of $309,064 paid to Ms. Biro in connection with the recapitalization; (ii) deferred compensation payment in the amount of $658,000 paid to Ms. Biro in accordance with the terms of her employment agreement; (iii) parking expenses in the amount of $4,200 paid by Digitas on behalf of Ms. Biro; (iv) $810 representing the dollar value of insurance premiums paid by Digitas with respect to a term life insurance policy purchased for Ms. Biro's benefit; and (v) $4,162 representing the dollar value of insurance premiums paid for by Digitas with respect to an individual, supplemental long-term disability policy purchased in 1994 for Ms. Biro. (5) Includes (i) transaction payment in the amount of $197,797 paid to Mr. Ward in connection with the recapitalization; (ii) parking expenses in the amount of $4,200 paid by Digitas on behalf of Mr. Ward; and (iii) $720 representing the dollar value of insurance premiums paid by Digitas with respect to a term life insurance policy purchased for Mr. Ward's benefit. (6) Ms. Beckingham resigned from her position as Chief Financial Officer and Executive Vice President effective December 15, 1999. (7) Includes annual bonus in the amount of $175,000 and special bonuses in the aggregate amount of $250,000 paid to Ms. Beckingham in consideration for her services in effecting the recapitalization. (8) Includes (i) $500,000 payment paid to Ms. Beckingham in connection with her resignation from Digitas; (ii) transaction payment in the amount of $89,009 paid to Ms. Beckingham in connection with the recapitalization; (iii) parking expenses in the amount of $4,200 paid by Digitas on behalf of Ms. Beckingham; and (iv) $576 representing the dollar value of insurance premiums paid by Digitas with respect to term life insurance policy purchased for Ms. Beckingham's benefit. Ms. Beckingham will be entitled to receive up to an additional $420,000 between January 2000 and January 2001 in connection with her resignation from Digitas. We have also agreed to pay the cost of Ms. Beckingham's health insurance, life insurance and long term disability insurance plans until January 31, 2000 and to provide her with other payments and benefits in connection with her resignation.

The following table sets forth information regarding stock options granted during 1999 to our named executive officers. All of the options, other than options to purchase 450,000 shares which were granted to Ms. Biro under the 1999 option plan and options to purchase 150,000 shares which were granted to Mr. Ward under the 1999 option plan, were granted under the 1998 option plan. All of the options are non-qualified stock options, have a ten-year term and generally terminate 30 days after the named executive's employment with us terminates for any reason. During 1999, we granted options to purchase an aggregate of 7,409,250 shares of common stock to employees, excluding rollover options to purchase an aggregate of 8,233,322.4 shares.

Option Grants In Last Fiscal Year Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2) Number of Shares of Common Stock Percent of Total Exercise Underlying Options Granted Price Options to Employees in Per Expiration Name Granted(1) Fiscal Year(%)(1) Share($) Date 5%($) 10%($)

David W. Kenny.....	1,650,000(3)	22.27%	$5.0367	1/6/09	$5,226,463	$13,244,884
Kathleen L. Biro.....	90,000(4)	1.21	5.0367	8/1/09	285,080	722,448
	450,000(5)	6.07	17.5000	12/2/09	4,952,545	12,550,722
Michael Ward.....	300,000(4)	4.05	5.0367	1/6/09	950,266	2,408,161
	150,000(5)	2.02	17.5000	12/2/09	1,650,848	4,183,574
Meryl Beckingham.....	105,000(4)	1.42	5.0367	1/6/09	332,593	842,856
	60,000(4)	.81	5.0367	5/1/09	190,053	481,632

(1) Does not include rollover options granted to the named executive officer in connection with the recapitalization in exchange for the cancellation of stock appreciation rights or stock options, as applicable, held by the named executive officer prior to the recapitalization. Messrs. Kenny and Ward received 3,000,000 and 300,000 rollover options, respectively, in connection with the recapitalization, and Mses. Biro and Beckingham received 649,542.6, and 135,000, respectively, in connection with the recapitalization. (2) Potential realizable value is based on the assumption that our common stock appreciates at the annual rate shown, compounded annually, from the date of grant until expiration of the ten-year term. These numbers are calculated based on Securities and Exchange Commission requirements and do not reflect our projection or estimate of future stock price growth. Potential realizable values are computed by multiplying the number of shares of common stock subject to a given option by the fair market value on the date of grant, as determined by our board of directors, assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rate shown in the table for the entire ten-year term of the option and subtracting from that result the aggregate option exercise price. (3) Options to purchase 300,000 shares were immediately exercisable as of the grant date. The remainder of the options vest in equal installments on the third, fourth and fifth anniversary of the grant date. (4) Options vest in equal installments on the third, fourth and fifth anniversary of the grant date. (5) Options vest 25% on the first anniversary of the grant date and additional 6.25% on each consecutive three-month period thereafter.

The following table sets forth information concerning the number and value of unexercised options to purchase common stock held as of December 31, 1999 by the named executive officers. There was no public trading market for our common stock as of December 31, 1999. Accordingly, the values of the unexercised in-the-money options have been calculated on the basis of the fair value at December 31, 1999 of $17.50, less the applicable exercise price, multiplied by the number of shares acquired on exercise. None of the named executive officers exercised any stock options in 1999.

Aggregated Option Exercises and Fiscal Year-End Option Values

	Number of Shares of Common Stock Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-The-Money Options at Fiscal Year-End	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
David W. Kenny.....	3,150,000.00	1,350,000.00	$41,052,000.00	$16,821,000.00
Kathleen L. Biro.....	649,542.60	540,000.00	9,223,504.92	1,121,400.00

Michael Ward.....	300,000.00	450,000.00	4,650,000.00	3,738,000.00
Meryl Beckingham.....	0.00	0.00	0.00	0.00

1998 Option Plan

In contemplation of the recapitalization, our board of directors adopted our 1998 option plan. The plan allows us to:

. grant incentive stock options; and . grant non-qualified stock options.

More specifically, the plan authorized the grant of (i) 8,233,322.4 rollover options in exchange for the cancellation of stock appreciation rights and stock options held by the SAR and option holders prior to the recapitalization and (ii) an additional 5,872,350 options that are not rollover options. In December 1999, the board of directors amended the plan to decrease the number of non-rollover options that could be granted under the plan to 5,076,000 shares.

To date, all options granted under the plan have been non-qualified stock options. As of December 31, 1999, options to purchase 12,455,486.1 shares of common stock were outstanding under the plan and 165,000 shares were available for future grant under the plan. The board does not intend to grant any additional options under the plan after the offering.

Grants under the plan may be made to employees and non-employee directors, consultants and independent contractors who contribute to the management, growth and profitability of the business of Digitas or its affiliates.

A committee of the board of directors or, if no such committee is formed, the board of directors, administers the plan which includes determining the participants in the plan and the number of shares of common stock to be covered by each option, amending the terms of any option, subject to certain limitations, and interpreting the terms of the plan.

Each rollover option is immediately exercisable as of the date of grant and has an exercise price equal to the base value of the stock appreciation rights or the exercise price of the stock options, as applicable, from which the options were converted. All other options granted under the plan are generally subject to a five-year vesting schedule pursuant to which the options vest in equal annual installments on the third, fourth and fifth anniversaries of the grant date. In addition, all options other than rollover options must have a per share exercise price equal to or greater than the fair market value of a share of Digitas' common stock as of the grant date, as determined by the board of directors or a committee of such board. All options granted under the plan terminate on the tenth anniversary of the grant date. Vested options may be exercised for specified periods after the termination of the optionee's employment or other service relationship with us or our affiliates.

Under the plan, the exercise price of vested options may be delivered to us by certified or bank check, wire transfer or such other instrument as the board of directors or a committee of such board may accept. In addition, under the terms of the plan, the committee may in its discretion approve payment by delivery of unrestricted shares of common stock or by delivery of an exercise notice, along with a copy of irrevocable instructions to a broker selling the underlying shares of the optionee.

In the event greater than 50% of the equity interest in Digitas is acquired, measured by vote or value, solely for cash consideration by a non- affiliate, all options under the plan will become fully vested and exercisable immediately prior to the closing of the transaction.

1999 Option Plan

In December 1999, our board of directors adopted our 1999 option plan which allows for the grant of up to 2,937,250 shares of common stock. The plan allows us to:

. grant incentive stock options; and . grant non-qualified stock options.

To date, all options granted under the plan have been non-qualified stock options. As of December 31, 1999, options to purchase 1,937,250 shares of common stock were outstanding under the plan and 1,000,000 shares were available for future grant under the plan.

Grants under the plan may be made to employees and non-employee directors, consultants and independent contractors who contribute to the management, growth and profitability of the business of Digitas or its affiliates.

A committee of the board of directors or, if no such committee is formed, the board of directors, administers the plan which includes determining the participants in the plan and the number of shares of common stock to be covered by each option, amending the terms of any option, subject to certain limitations, and interpreting the terms of the plan. The administrator of the plan may authorize our chief executive officer to grant options under the plan at fair market value to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act or "covered employees" within the meaning of Section 162(m) of the Internal Revenue Code of 1986. In December 1999, our compensation committee granted this authority to Mr. Kenny.

The exercise price of all other options granted under the plan is determined by the board of directors or a committee of the board. Under present law, incentive stock options and options intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986 may not be granted at an exercise price less than the fair market value of the common stock on the date of grant, or less than 110% of the fair market value in the case of incentive stock options granted to optionees holding more than 10% of the voting power.

Non-qualified stock options granted under the plan may be granted at prices which are less than the fair market value of the underlying shares on the date granted. Under the plan, incentive stock options and non-qualified stock options are generally subject to a four-year vesting schedule pursuant to which the options vest 25% on the first anniversary of the grant date and an additional 6.25% on each consecutive three-month period thereafter. The options generally terminate on the tenth anniversary of the grant date. In addition, vested options may be exercised for specified periods after the termination of the optionee's employment or other service relationship with us or our affiliates.

Under the plan, the exercise price for vested options may be delivered to us by certified or bank check, wire transfer or such other instrument as the board of directors or a committee of such board may accept. In addition, under the terms of the plan, the committee may in its discretion approve payment

by delivery of unrestricted shares of common stock or by delivery of an exercise notice, along with a copy of irrevocable instructions to a broker selling the underlying shares of the optionee.

In the event greater than 50% of the equity interest in Digitas is acquired, measured by vote or value, solely for cash consideration by a non- affiliate, all options under the plan will become fully vested and exercisable immediately prior to the closing of the transaction.

Stock Option and Incentive Plan Our board of directors and shareholders have adopted the 2000 stock option and incentive plan, which allows for the issuance of up to 3,859,100 shares of common stock. The plan permits us to:

. grant incentive stock options;

. grant non-qualified stock options;

. grant stock appreciation rights;

. issue or sell common stock with vesting or other restrictions, or without restrictions;

. grant rights to receive common stock in the future with or without vesting;

. grant common stock upon the attainment of specified performance goals; and . grant dividend rights in respect of common stock.

These grants may be made to officers, employees, directors, consultants, advisors and other key persons of Digitas or our affiliates.

Our compensation committee has the right, in its discretion, to select the individuals eligible to receive awards, determine the terms and conditions of the awards granted, accelerate the vesting schedule of any award and generally administer and interpret the plan. The compensation committee may authorize our chief executive officer to grant options under the plan at fair market value to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act or "covered employees" within the meaning of Section 162(m) of the Internal Revenue Code of 1986.

The exercise price of options granted under the plan is determined by the compensation committee with respect to individuals subject to Section 16 reporting requirements and the Chief Executive Officer with respect to all other options granted. Under present law, incentive stock options and options intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986 may not be granted at an exercise price less than the fair market value of the common stock on the date of grant, or less than 110% of the fair market value in the case of incentive stock options granted to optionees holding more than 10% of the voting power.

The exercise price may also be delivered to us (i) by the optionee in the form of a promissory note if the loan of such funds to the optionee has been authorized by the compensation committee and the optionee pays so much of the exercise price as represents the par value of the common stock acquired in a form other than a promissory note and (ii) by a broker under irrevocable instructions to the broker selling the underlying shares from the optionee.

Non-qualified stock options may be granted at prices which are less than the fair market value of the underlying shares on the date granted. Options are typically subject to a four-year vesting schedule pursuant to which the options vest 25% on the first anniversary of the grant date and an additional 6.25% on each consecutive three-month period thereafter. The options generally terminate ten years from the date of grant and may be exercised for specified periods after the termination of the optionee's employment or other service relationship with us. Upon the exercise of options, the option exercise price must be paid in full either in cash or by certified or bank check or other instrument acceptable to the compensation committee or, in the sole discretion of the committee, by delivery of shares of common stock that have been owned by the optionee free of restrictions for at least six months.

The plan and all awards issued under the plan terminate upon any merger, reorganization or consolidation, sale of all or substantially all of our assets or all of our outstanding capital stock or liquidation or other similar transaction, unless Digitas and the other parties to such transactions have agreed otherwise. All participants under the plan will be permitted to exercise, for a period of 30 days before any such termination, all awards held by them which are then exercisable or become exercisable upon the closing of the transaction.

Employee Stock Purchase Plan We have adopted an employee stock purchase plan under which employees will be eligible to purchase shares of our common stock at a discount through periodic payroll deductions. The 2000 employee stock purchase plan is intended to meet the requirements of Section 423 of the Internal Revenue Code. Purchases will occur at the end of twelve-month offering periods at a purchase price equal to 85% of the market value of our common stock at either the beginning of the offering period or the end of the offering period, whichever is lower. The first offering period under the plan will begin on March 1, 2000 and will end on February 28, 2001. Participants may elect to have from 1% to 10% of their pay withheld for purchase of common stock at the end of the offering period, up to a maximum of $25,000 within any offering period. We have reserved 1,100,000 shares of common stock for issuance under this plan.

Employment Agreements We have employment agreements with each of Messrs. Kenny and Ward and Ms. Biro. Each employment agreement entitles the named executive to an annual base salary and an annual bonus. Under their respective agreements, Messrs. Kenny and Ward and Ms. Biro are entitled to annual base salaries of $500,000, $350,000 and $400,000, respectively. Each executive's base salary is subject to annual review for possible raises. Since entering into their employment agreements, the compensation committee has increased Mr. Ward's annual base salary to $400,000 and Ms. Biro's annual base salary to $450,000. Ms. Biro's employment agreement also entitles her to an aggregate of $872,333 in deferred compensation. Of this amount, $658,000 was paid in 1999 and the remaining $214,333 will be paid by May 30, 2000, if Ms. Biro is still employed by us at that time.

Each employment agreement has a two year term which automatically extends for additional one year terms unless we or the named executive elect not to renew the agreement. Each employment agreement can be terminated during its term by us or by the employee. If the employee terminates the employment agreement with good reason or if we terminate the employment agreement without cause,

the employee is entitled to receive certain severance benefits, including one year of salary and group health benefits (or, in the case of Mr. Kenny, two years of salary and group health benefits). If, however, the employment agreement is terminated because of the employee's death or for any reason other than by the employee for good reason or by us without cause, then the employee receives only:

. his or her base salary for 90 days following termination of employment;

. any unpaid annual bonus for a fiscal year that has already ended;

. benefits under long-term disability insurance coverage (in the case of termination because of disability); and . vested benefits, if any.

Each employment agreement is further subject to certain non-competition, non- solicitation and confidentiality provisions and certain customary provisions with respect to benefits, reimbursement of expenses and non-exclusivity of rights.

Compensation Committee Interlocks and Insider Participation During the year ended December 31, 1999, each of Messrs. Healy, Kern, Kenny and Ms. Gadiesh served as members of the compensation committee of our board of directors. Mr. Kenny has served as our chief executive officer since September 1997. None of these individuals serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Certain Relationships and Related Transactions

The Recapitalization

In connection with the recapitalization, Positano Partners Ltd., a Bermuda exempt company owned by Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. and H&F International Partners III, L.P., purchased shares of Bronner Slosberg Humphrey Co. and Strategic Interactive Group Co. from the existing stockholders of those entities and we repurchased shares of Bronner Slosberg Humphrey Co. from Mr. Bronner and the Michael E. Bronner 1998 Annuity Trust. The aggregate purchase price for these shares was approximately $127,450,000, of which approximately $122,975,000 was paid to Mr. Bronner and the Michael E. Bronner 1998 Annuity Trust, dated July 16, 1998, of which Mr. Bronner and his wife are collectively the trustee, approximately $830,850 was paid to Ms. Biro and approximately $3,644,150 was paid to other shareholders of Bronner Slosberg Humphrey Co. and Strategic Interactive Group Co. who are not executive officers or directors of Digitas. Messrs. Bunce, Hammarskjold and Healy, each members of our board of directors, are each Managing Directors of Hellman & Friedman LLC, an affiliate of Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. and H&F International Partners III, L.P.

We also granted to Positano a warrant to purchase an aggregate of 450,000 shares of our common stock in connection with the recapitalization. The warrant is fully exercisable for $5.0367 per share. Pursuant to the terms of the recapitalization agreement, the shares subject to the warrant are subject to upward or downward adjustment.

Also as part of the recapitalization, Positano, Messrs. Bronner and Kenny and the Bronner Slosberg Humphrey Co. trustee entered into a governance agreement. Under the governance agreement, Positano is granted an approval right over a number of specified fundamental corporate transactions as well as the right to nominate and have elected two members of our board of directors. The governance agreement also entitles Mr. Bronner and our chief executive officer to be members of our board of directors. The governance agreement will terminate upon consummation of this offering. Following the offering, Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. and H&F International Partners III, L.P., collectively, will have the right to elect at least one director so long as they own at least 5% of our outstanding common stock.

We also entered into a shareholders agreement in connection with the recapitalization. The shareholders agreement among other things entitles Positano and Mr. Bronner to purchase at a discount shares of our common stock held by former employees who are parties to the agreement to the extent we do not elect to repurchase those shares. To date, neither Positano nor Mr. Bronner has exercised these repurchase rights. The shareholders agreement also entitles the shareholders and option holders who are parties to the agreement, including Mr. Bronner, Positano and each of the executive officers other than Mr. Smith, to participate in certain sales of common stock by either Positano or Mr. Bronner. Sales of common stock in connection with this offering are excluded. Prior to this offering neither Positano nor Mr. Bronner have sold any shares of our common stock in a transaction that would entitle the other parties to the shareholders agreement to participate. Upon consummation of this offering, the shareholders agreement will terminate.

Positano, Mr. Bronner and members of our senior management, including each of our executive officers other than Mr. Smith, entered into an escrow agreement in connection with the recapitalization. In the event we breached our representations or warranties under the recapitalization agreement, the escrow agreement entitles Positano to receive up to an aggregate of approximately $18 million in cash, shares and options received by certain members of our senior management in connection with the recapitalization. The escrow agreement also entitles Messrs. Bronner and Kenny to direct the voting of all shares of common stock held in escrow. The escrow agreement will terminate immediately prior to the consummation of this offering.

Under the registration rights agreement we entered into in connection with the recapitalization, Positano and Mr. Bronner have demand registration rights with respect to the common stock they hold. Positano, Mr. Bronner and the other shareholders and option holders who are parties to the registration rights agreement, including each of our executive officers other than Mr. Smith, also have piggyback registration rights under the registration rights agreement. See "Shares Eligible for Future Sale."

Mr. Bronner entered into a noncompetition, nonsolicitation and confidentiality agreement with us in connection with the recapitalization. In accordance with the terms of the agreement, Mr. Bronner is entitled to a salary of $500,000 per year while he is serving as chairman of the limited liability company through which our business is operated. On December 2, 1999, Mr. Bronner resigned as chairman of that company and was named Chairman Emeritus of Digitas.

Other Transactions

In January 1999, we issued to Positano two fully exercisable options, each to purchase 45,000 shares of common stock at an exercise price per share equal to $2.355, and an aggregate exercise price of $211,950, in exchange for an aggregate payment of $241,350.

In December 1999, we purchased options to purchase 150,000 shares of our common stock held by Mr. Kenny for a per share purchase price of $17.50 and an aggregate purchase price of $2,625,000, less $303,250, the aggregate exercise price of such options. Also in December 1999, we purchased options to purchase 90,000 shares of our common stock held by Positano for a per share purchase price of $17.50 and an aggregate purchase price of $1,575,000, less $211,950, the aggregate exercise price of such options. We also purchased in December 1999 warrants to purchase 60,000 shares of our common stock held by Positano for a per share purchase price of $17.50 and an aggregate purchase price of $1,050,000, less $302,200, the aggregate exercise price of such warrants. We paid for such purchases by delivering a promissory note which will be repaid with the proceeds from this offering.

Also in 1999, we sold an aggregate of 249,271.80 shares of our common stock to two directors and one trust of which a director is the trustee. The shares were sold for $5.0367 per share or an aggregate of $1,255,498.97, which price the board of directors deemed to be the fair market value per share at the time of sale. The following table sets forth the number of shares sold to each director and/or trust and the date upon which the shares were sold:

Name Date of Sale Shares of Common Stock

The Arthur Kern Revocable Trust.....	August 2, 1999	49,635.90
Alan Beck.....	August 2, 1999	49,635.90
Orit Gadiesh.....	August 26, 1999	150,000.00

Mr. Bronner is the chairman and founder of Lifetime Rewards.com, one of our clients. During the last year, we provided approximately $85,000 in services to Lifetime Rewards.com and expect that amount to increase next year. We believe that the terms of our relationship with Lifetime Rewards.com are no less favorable to us than they would have been had they been obtained from unaffiliated third parties.

We have adopted a policy providing that all material transactions between us and our officers, directors and other affiliates must (i) be approved by a majority of the members of our board of directors and by a majority of the disinterested members of our board of directors and (ii) be on terms no less favorable to us than could be obtained from unaffiliated parties.

Principal and Selling Shareholders

The following table sets forth information regarding the beneficial ownership of Digitas common stock as adjusted to reflect the sale of the common stock offered hereby, by:

. all persons known by us to own beneficially 5% or more of the common stock;

. each of our directors;

. the chief executive officer and the other named executive officers;

. each of the selling shareholders; and . all directors and executive officers as a group.

Unless otherwise indicated, each of the shareholders has sole voting and investment power with respect to the shares of common stock beneficially owned by the shareholder.

The number of shares beneficially owned by each shareholder is determined under rules issued by the Securities and Exchange Commission and includes voting or investment power with respect to securities. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power and includes any shares as to which the individual or entity has the right to acquire beneficial ownership within 60 days after December 20, 1999 through the exercise of any warrant, stock option or other right. The inclusion in this prospectus of such shares, however, does not constitute an admission that the named shareholder is a direct or indirect beneficial owner of such shares. The applicable percentage of "beneficial ownership" after the offering is based upon 25,351,739.70 shares of common stock outstanding as of December 20, 1999. The address for Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. and H&F International Partners III, L.P. is c/o Hellman & Friedman LLC, One Maritime Plaza, San Francisco, California 94111. The address for Squam Lake Investors, III L.P. and Sunapee Securities, Inc. is Two Copley Place, Boston, Massachusetts 02116. The address for each of our directors and named executive officers is c/o Digitas Inc., The Prudential Tower, 800 Boylston Street, Boston, Massachusetts 02199.

	Shares Beneficially Owned(1)(2)				
	Prior to Offering			After the Offering	
Name of Beneficial Owner	Number	Percent	Shares to be Sold in Offering	Number	Percent

5% Shareholders Hellman & Friedman Capital Partners III, L.P. (2)..... 18,449,578.5 71.77% H&F Orchard Partners III, L.P. (3)..... 1,358,400.0 5.35 H&F International Partners III, L.P. (4)..... 406,307.1 1.60 Other Selling Shareholders Squam Lake Investors, III L.P..... 158,850.0 * * Sunapee Securities, Inc..... 39,690.0 * * Directors and Named Executive Officers Michael E. Bronner (5).. 3,554,760.3 14.02 -- 3,554,760.3 David W. Kenny (6)..... 3,150,000.0 11.05 -- 3,150,000.0 Kathleen L. Biro (7).... 907,373.4 3.49 -- 907,373.4 Michael Ward (8)..... 300,000.0 1.17 -- 300,000.0 Orit Gadiesh..... 150,000.0 * -- 150,000.0 * Arthur Kern (9)..... 148,907.7 * -- 148,907.7 * Meryl Beckingham..... 0 * -- 0 * John L. Bunce, Jr. (10)..... 0 * -- 0 * Philip U. Hammarskjold (10)..... 0 * -- 0 * Patrick J. Healy (10)... 0 * -- 0 * All executive officers and directors, as a group (10 persons)..... 8,211,041.4 27.88 -- 8,211,041.4 * Represents less than 1% of the outstanding shares of common stock (1) Assumes the underwriters do not elect to exercise the over-allotment option to purchase an additional shares of common stock. (2) Includes 18,093,625.5 shares and warrants immediately exercisable at an exercise price of $5.0367 per share for 355,953 shares. (3) Includes 1,332,192 shares and warrants immediately exercisable at an exercise price of $5.0367 per share for 26,208 shares. (4) Includes 398,468.1 shares and warrants immediately exercisable at an exercise price of $5.0367 per share for 7,839 shares. (5) Includes 2,128,658.7 shares held by Michael Bronner and 1,426,101.6 shares owned by the Michael E. Bronner 1998 Annuity Trust pursuant to which Michael Bronner has sole dispositive power over the shares until July 16, 2000. Michael Bronner and Lisa Bronner are collectively the trustee of the Michael E. Bronner 1998 Annuity Trust and have

sole voting power with respect to the shares. (6) Includes options held by David W. Kenny which are immediately exercisable at an exercise price of $2.0217 per option for 2,850,000 shares and options immediately exercisable at an exercise price of $5.0367 per option for 300,000 shares. (7) Includes 257,830.8 shares held by Kathleen L. Biro and options immediately exercisable at an exercise price of $3.2997 per option for 649,542.6 shares. (8) Includes options held by Michael Ward which are immediately exercisable at an exercise price of $2.3550 per option for 75,000 shares and options immediately exercisable at an exercise price of $1.8837 per option for 225,000 shares. (9) Includes 148,907.7 shares held by the Arthur Kern Revocable Trust of which Arthur Kern has sole dispositive and voting power. (10) Messrs. Bunce, Hammarskjold and Healy are affiliated with Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. and H&F International Partners III, L.P. H&F Investors III is the sole general partner for each of Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. and H&F International Partners III, L.P. The managing general partner of H&F Investors III is Hellman & Friedman Associates III, L.P., which in turn has H&F Management III, LLC and H&F Investors III, Inc. as its general partners. The sole owner of H&F Investors III, Inc. is The Hellman Family Revocable Trust. Messrs. Bunce, Hammarskjold and Healy are members of H&F Management III, LLC. The investment decisions of H&F Management III, LLC and H&F Investors III, Inc. are made by a seven person executive committee of which Mr. Bunce is a member. While Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. and H&F International Partners III, L.P., H&F Investors III, Inc., Hellman & Friedman Associates III, L.P., H&F Management III, LLC, The Hellman Family Revocable Trust and Messrs. Bunce, Hammarskjold and Healy could each be deemed to beneficially own the shares held by Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. and H&F International Partners III, L.P., each of them disclaims beneficial ownership except to the extent of its or his indirect pecuniary interest.

Description of Capital Stock

Authorized and Outstanding Capital Stock As of December 31, 1999, there were 25,351,739.7 shares of common stock issued and outstanding and outstanding stock options to purchase 13,927,736.1 shares of common stock, 7,559,486.1 of which were then exercisable and outstanding warrants to purchase 390,000 shares, all of which were then exercisable and outstanding. At December 31, 1999, there were fourteen holders of record of our common stock. Following the offering, our authorized capital stock will consist of 100,000,000 shares of common stock, par value $.01 per share, of which will be issued and outstanding, and 5,000,000 shares of undesignated preferred stock, par value $.01 per share, issuable in one or more series designated by our board of directors, of which no shares will be issued and outstanding.

Common Stock

Voting Rights

The holders of our common stock have one vote per share. Holders of our common stock are not entitled to vote cumulatively for the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority, or, in the case of election of directors, by a plurality, of

the votes cast at a meeting at which a quorum is present, voting together as a single class, subject to any voting rights granted to holders of any then outstanding preferred stock.

Dividends

Holders of common stock will share ratably in any dividends declared by our board of directors, subject to the preferential rights of any preferred stock then outstanding. Dividends consisting of shares of common stock may be paid to holders of shares of common stock.

Other Rights

On liquidation, dissolution or winding up of Digitas, all holders of common stock are entitled to share ratably in any assets available for distribution to holders of shares of common stock. No shares of common stock are subject to redemption or have preemptive rights to purchase additional shares of common stock.

Preferred Stock

Our certificate of incorporation provides that shares of preferred stock may be issued from time to time in one or more series. Our board of directors is authorized to fix the voting rights, if any, designations, powers, preferences, qualifications, limitations and restrictions thereof, applicable to the shares of each series. Our board of directors may, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of the common stock and could have anti-takeover effects, including preferred stock or rights to acquire preferred stock in connection with implementing a shareholder rights plan. We have no present plans to issue any shares of preferred stock. The ability of our board of directors to issue preferred stock without stockholder approval could have the effect of delaying, deferring or preventing a change of control of Digitas or the removal of existing management.

Indemnification Matters We have entered into indemnification agreements with each of our directors. The form of indemnity agreement provides that we will indemnify our directors or executive officers for expenses incurred because of their status as a director or executive officer, to the fullest extent permitted by Delaware law, our certificate of incorporation and our bylaws.

Our certificate of incorporation contains a provision permitted by Delaware law that generally eliminates the personal liability of directors for monetary damages for breaches of their fiduciary duty, including breaches involving negligence or gross negligence in business combinations, unless the director has breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or a knowing violation of law, paid a dividend or approved a stock repurchase in violation of the Delaware General Corporation Law or obtained an improper personal benefit. This provision does not alter a director's liability under the federal securities laws and does not affect the availability of equitable remedies, such as an injunction or rescission, for breach of fiduciary duty. Our by-laws provide that directors and officers shall be, and in the discretion of our board of directors, non- officer employees may be, indemnified by Digitas to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with service for or on behalf of Digitas. The by-laws also provide for the advancement of

expenses to directors and, in the discretion of our board of directors, officers and non-officer employees. In addition, our by-laws provide that the right of directors and officers to indemnification shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any by-law, agreement, vote of stockholders or otherwise. We also have directors' and officers' insurance against certain liabilities.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling Digitas as described above, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. At present, there is no pending material litigation or proceeding involving any director, officer, employee or agent of Digitas in which indemnification will be required or permitted.

Provisions of our Certificate of Incorporation and By-laws that may have Anti- takeover Effect A number of provisions of our certificate of incorporation and by-laws which will be effective upon completion of this offering concern matters of corporate governance and the rights of stockholders. These provisions, as well as the ability of our board of directors to issue shares of preferred stock and to set the voting rights, preferences and other terms, may be deemed to have an anti-takeover effect and may discourage takeover attempts not first approved by our board of directors, including takeovers which stockholders may deem to be in their best interests. These provisions, together with our classified board of directors, also could delay or frustrate the removal of incumbent directors even if the removal of incumbent directors would be beneficial to our stockholders. Our board of directors believes that these provisions are appropriate to protect the interests of Digitas and of our stockholders. Our board of directors has no present plans to adopt any further measures or devices which may be deemed to have an "anti-takeover effect."

Classified Board of Directors Our board of directors is divided into three classes serving staggered three-year terms, with one class being elected each year. Our classified board, together with certain other provisions of our certificate of incorporation authorizing the board of directors to fill vacant directorships or increase the size of the board, may prevent a stockholder from removing, or delay the removal of incumbent directors and simultaneously gaining control of the board of directors by filling vacancies created by such removal with its own nominees.

No Stockholder Action by Written Consent Our certificate of incorporation provides that any action required or permitted to be taken by our stockholders at an annual or special meeting of stockholders must be effected at a duly called meeting and may not be taken or effected by a written consent of stockholders.

Special Meetings of Stockholders Our certificate of incorporation and by-laws provide that a special meeting of stockholders may be called only by our board of directors unless otherwise required by law. Our by-laws provide that only those matters included in the notice of the special meeting may be considered or acted upon at that special meeting unless otherwise provided by law.

Advance Notice of Director Nominations and Stockholder Proposals Our by-laws include advance notice and informational requirements and time limitations on any director nomination or any new proposal which a stockholder wishes to make at an annual meeting of stockholders. For the first annual meeting following the completion of this offering, a stockholder's notice of a director nomination or proposal will be timely if delivered to the secretary of Digitas at our principal executive offices not later than the close of business on the later of the 75th day prior to the scheduled date of such annual meeting or the 10th day following the day on which public announcement of the date of such annual meeting is made by Digitas.

Director Vacancies and Removal Our certificate of incorporation provides that vacancies in our board of directors may be filled only by the affirmative vote of a majority of the remaining directors. Our certificate of incorporation provides that directors may be removed from office only with cause and only by the affirmative vote of holders of at least seventy-five percent of the shares then entitled to vote at an election of directors.

Amendment of the Certificate of Incorporation Any amendment to our certificate of incorporation must first be approved by a majority of our board of directors and, if required by law, thereafter approved by a majority of the outstanding shares entitled to vote with respect to such amendment, except that any amendment to the provisions relating to stockholder action, directors, limitation of liability and the amendment of our certificate of incorporation must be approved by not less than 75% of the outstanding shares entitled to vote with respect to such amendment.

Amendment of By-laws

Our certificate of incorporation and by-laws provide that our by-laws may be amended or repealed by our board of directors or by the stockholders. Such action by the board of directors requires the affirmative vote of a majority of the directors then in office. Such action by the stockholders requires the affirmative vote of at least seventy-five percent of the shares present in person or represented by proxy at an annual meeting of stockholders or a special meeting called for such purpose unless our board of directors recommends that the stockholders approve such amendment or repeal at such meeting, in which case such amendment or repeal shall only require the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting.

Statutory Business Combination Provision Following the offering, we will be subject to Section 203 of the Delaware General Corporation Law, which prohibits a publicly held Delaware corporation from consummating a "business combination," except under certain circumstances, with an "interested stockholder" for a period of three years after the date such person became an "interested stockholder" unless:

. before such person became an interested stockholder, the board of directors of the corporation approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination;

. upon the closing of the transaction that resulted in the interested stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares held by directors who are also officers of the corporation and shares held by employee stock plans; or . following the transaction in which such person became an interested stockholder, the business combination is approved by the board of directors of the corporation and authorized at a meeting of stockholders by the affirmative vote of the holders of 66% of the outstanding voting stock of the corporation not owned by the interested stockholder. The term "interested stockholder" generally is defined as a person who, together with affiliates and associates, owns, or, within the prior three years, owned, 15% or more of a corporation's outstanding voting stock.

The term "business combination" includes mergers, consolidations, asset sales involving 10% or more of a corporation's assets and other similar transactions resulting in a financial benefit to an interested stockholder. Section 203 makes it more difficult for an "interested stockholder" to effect various business combinations with a corporation for a three-year period. A Delaware corporation may "opt out" of Section 203 with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or by-laws resulting from an amendment approved by holders of a least a majority of the outstanding voting stock. Neither our certificate of incorporation nor our by-laws contain any such exclusion.

Trading on the Nasdaq National Market System We have applied to have our common stock approved for quotation on the Nasdaq National Market under the symbol "DTAS."

Transfer Agent and Registrar The transfer agent and registrar for our common stock will be EquiServe Trust Company.

Shares Eligible for Future Sale

Before this offering, there has been no public market for our common stock, and no prediction can be made as to the effect, if any, that sales of common stock or the availability of common stock for sale will have on the market price of our common stock prevailing from time to time. Nonetheless, substantial sales of common stock in the public market following this offering, or the perception that such sales could occur, could lower the market price of our common stock or make it difficult for us to raise additional equity capital in the future.

Following this offering, there will be shares of our common stock outstanding on a fully diluted basis. Of these shares, the shares which are being sold in this offering generally will be freely transferable without restriction or further registration under the Securities Act, except that any shares held by our "affiliates" as is defined in Rule 144 under the Securities Act may be sold only in compliance with the limitations described below.

Sales of Restricted Securities The remaining shares of common stock which will be outstanding after the offering will be "restricted securities" as defined in Rule 144, and may be sold in the future without registration under the Securities Act subject to compliance with the provisions of Rule 144 or any other

applicable exemption under the Securities Act.

In general, under Rule 144 a shareholder who has beneficially owned his or her restricted securities for at least one year including the holding period of any prior owner, except an affiliate from whom those shares were purchased is entitled to sell, within any three-month period commencing 90 days after the date of this prospectus, a number of shares that does not exceed the greater of 1% of the then outstanding shares of our common stock (approximately shares immediately after this offering) or the average weekly trading volume in our common stock during the four calendar weeks preceding the date on which notice of such sale was filed under Rule 144, provided certain requirements concerning availability of public information, manner of sale and notice of sale are satisfied. In addition, a shareholder that is not one of our affiliates at any time during the three months preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years including the holding period of any prior owner, except an affiliate from whom those shares were purchased is entitled to sell the shares immediately under Rule 144(k) without compliance with the above described requirements under Rule 144.

Securities issued in reliance on Rule 701 (such as shares of our common stock acquired pursuant to the exercise of certain options granted under our stock plans) are also restricted securities and, beginning 90 days after the date of this prospectus, may be sold by shareholders other than our affiliates subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with its one-year holding period requirement.

Stock Options

We intend to file registration statements on Form S-8 with respect to the aggregate of 21,205,672.4 shares of common stock issuable under our stock option and incentive plans and our employee stock purchase plan promptly following the consummation of this offering. Shares issued upon the exercise of stock options after the effective date of the Form S-8 registration statement will be eligible for resale in the public market without restriction, except that affiliates must comply with Rule 144.

Lock-up Agreements

All officers and directors and certain shareholders holding an aggregate of approximately shares of Digitas' common stock have agreed, subject to limited exceptions, not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly (or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of), any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock for a period of 180 days after the date of this prospectus, without the prior written consent of Morgan Stanley & Co. Incorporated. However, if the reported last sale price of the common stock on the Nasdaq National Market is at least twice the initial public offering price per share for 20 of the 30 trading days ending on the last trading day preceding the 90th day after the date of this prospectus, 25% of the shares of common stock of Digitas subject to the 180-day restriction described above will be released from these restrictions. The release of these shares will occur on the later to occur of:

. the 90th day after the date of this prospectus if Digitas makes its first post-offering public release of its quarterly or annual earnings results during the period beginning on the eleventh trading day after the date of this prospectus and ending on the day prior to the 90th day after the date of this prospectus, or . on the second trading day following the first public release of Digitas' quarterly or annual results occurring on or after the 90th day after the date of this prospectus, if Digitas does not make its first post- offering public release as set forth in the preceding clause.

These early release provisions do not apply to executive officers and directors. Morgan Stanley & Co. Incorporated may in its sole discretion choose to release any or all of these shares from such restrictions prior to the expiration of such 90 or 180-day period.

Registration Rights

In connection with the January 1999 recapitalization, we entered into a registration rights agreement with Positano, Mr. Bronner and each of our other shareholders and option holders as of the date of the recapitalization. Each individual who has been granted options under the 1998 option plan since the recapitalization has also become a party to the registration rights agreement. Under the registration rights agreement, we have granted:

. Positano the right to require us, subject to the terms and conditions set forth in the registration rights agreement, to register shares of common stock held by it for sale in accordance with their intended method of disposition of those shares; and . Mr. Bronner the right to require us, subject to the terms and conditions set forth in the registration rights agreement, to register the number of shares of common stock held by him and the Michael E. Bronner 1998 Annuity Trust for sale in accordance with their intended method of disposition of those shares.

Positano may request up to three demand registrations and Mr. Bronner may request one demand registration, each as described above. Mr. Bronner may only demand the registration of his securities if we have already consummated an initial public offering and the aggregate market value of the shares of common stock proposed to be registered by him is greater than or equal to $15 million. In addition, Positano may request that we defer any demand registration requested by Mr. Bronner for up to 180 days after the date of such request. Positano has the right to select the underwriters in connection with any demand registration in which it is participating other than a Mr. Bronner demand registration in which Mr. Bronner is offering a greater number of shares of common stock.

Subject to limitations set forth in the registration rights agreement, the other parties to the registration rights agreement have the right to participate in any demand registration requested by Positano or Mr. Bronner. In addition, we have granted Positano, Mr. Bronner and the other parties to the registration rights agreement, the right, subject to exceptions set forth in the registration rights agreement, to participate in registrations of common stock initiated by us on our own behalf or on behalf of any other stockholder.

The registration rights agreement provides that if requested by the managing underwriter(s) of any underwritten offering of shares of common stock, Positano, Mr. Bronner and the other parties to the registration rights agreement will agree, not to effect any public sale or distribution of any shares of

common stock for a period of up to 180 days following and seven days prior to the effective date of demand or piggyback registration. See "Underwriters."

Under the registration rights agreement, we are required to pay expenses incurred by us and the fees and expenses of one counsel to the selling shareholders in connection with any demand and piggyback registrations. We also have agreed to indemnify the holders of registration rights under the registration rights agreement against certain liabilities, including liabilities under the Securities Act, and to contribute to payments they may be required to make. The registration rights agreement will terminate on the earlier of the date upon which the parties to the registration rights agreement no longer hold any shares of common stock that must be registered in order to be sold or the date upon which the parties agree that the agreement should be terminated. After the consummation of this offering, the registration rights agreement will terminate as to any party other than Positano and Mr. Bronner at the time such party owns fewer than one percent of our outstanding common stock.

Effect of Sale of Shares Prior to this offering, there has been no public market for our common stock, and no prediction can be made as to the effect, if any, that market sales of shares of common stock or the availability of shares for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of significant numbers of shares of our common stock in the public market could adversely affect the market price of the common stock and could impair our future ability to raise capital through an offering of our equity securities.

Underwriters

Under the terms and subject to the conditions contained in the underwriting agreement, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, Deutsche Bank Securities Inc., Salomon Smith Barney Inc., Banc of America Securities LLC and Bear, Stearns & Co. Inc. are acting as representatives, have severally agreed to purchase, and we and the selling shareholders have agreed to sell to them, the respective number of shares of common stock set forth opposite the names of the underwriters below:

Number of Name Shares Morgan Stanley & Co. Incorporated..... Deutsche Bank Securities Inc..... Salomon Smith Barney Inc..... Banc of America Securities LLC..... Bear, Stearns & Co. Inc.....
Total.....

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and the selling stockholders and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered in this offering are subject to the approval of various legal matters by their counsel and to other delineated conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered in this offering, other than those covered by the over-allotment option described below, if any shares are taken.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the initial public offering price set forth on the cover page hereof and part to dealers at a price that represents a concession not in excess of $ a share under the initial public offering price. Any underwriters may allow, and the dealers may reallow, a concession not in excess of $ a share to other underwriters or to other dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives of the underwriters.

Digitas and the selling shareholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of and additional shares of common stock, respectively, at the initial public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise such option solely for the purpose of covering over- allotments, if any, made in connection with the offering of the shares of common stock offered in this offering. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares of common stock set forth next to the names of all underwriters in the preceding table. If the underwriter's over-allotment option is exercised in full, the total price to public would be $, the total underwriters' discounts and commissions would be $, and the total proceeds to us would be $.

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 10% of the shares of common stock offered in this offering for our directors, officers, employees and related persons. The number of shares of common stock available for sale to the general public will be reduced to the extent such individuals purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby.

Digitas, our directors, officers and our shareholders have each agreed, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, during the period ending 180 days after the date of this prospectus, not to, directly or indirectly:

. offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock (whether such shares or any such securities are then owned by such person or are thereafter acquired directly from us); or . enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of common stock, whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. This lock-up restriction is subject, in limited circumstances for shares held by shareholders other than officers and directors of Digitas, to earlier release. See "Shares Eligible for Future Sale."

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by them.

We have filed an application for our common stock to be quoted on the Nasdaq National Market under the symbol "DTAS."

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the common stock for their own account. In addition, to cover over-allotments or to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases the previously distributed shares of common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We, the selling shareholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

Deutsche Bank Securities Inc., one of the representatives of the underwriters, is affiliated with Bankers Trust Company, one of Digitas' lenders. More than 10% of the net proceeds Digitas receives from this offering may be used to repay indebtedness owing to Bankers Trust. As a result, the offering must be conducted in compliance with the conflict-of-interest requirements of NASD Regulation, Inc., the regulatory agency that governs the compensation paid to underwriters in securities offerings. Under these rules, the initial public offering price of the common stock can be no higher than that recommended by a qualified independent underwriter, as that term is defined in the NASD's rules. Morgan Stanley & Co. Incorporated has agreed to serve as a qualified independent underwriter and has conducted due diligence and will recommend the maximum price for the shares of common stock to be offered.

Pricing of the Offering Prior to this offering, there has been no public market for the shares of common stock. Consequently, the initial public offering price for the shares of common stock was determined by negotiations between Digitas and the representatives of the underwriters. Among the factors considered in determining the initial public offering price were:

. our record of operations, our current financial position and future prospects;

. the experience of our management;

. revenue, earnings and certain of our other financial and operating information in recent periods; and . the price-earnings ratios, price-revenue ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to ours.

Validity of Common Stock

The validity of the shares of common stock we are offering will be passed upon for us by Goodwin, Procter & Hoar LLP, Boston, Massachusetts. Legal matters in connection with this offering will be passed upon for the underwriters by Ropes & Gray, Boston, Massachusetts.

Experts

The combined financial statements as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998 included in this Prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

Where You Can Find More Information

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the common stock we propose to sell in this offering. This prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement. For further information about us and the common stock we propose to sell in this offering, we refer you to the registration statement and the exhibits and schedules filed as a part of the registration statement. Statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or document that we have filed. You may inspect the registration statement, including exhibits, without charge at the principal office of the Securities and Exchange Commission in Washington, D.C. You may inspect and copy the same at the public reference facilities maintained by the Securities and Exchange Commission at 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549, and at the Commission's regional offices located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 7 World Trade Center, Suite 1300, New York, New York 10048. You can also obtain copies of this material at prescribed rates by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the Securities and Exchange Commission maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission.

Digitas Inc.

Index to Financial Statements

Page

Report of Independent Accountants..... F-2 Balance Sheet of the Predecessor (combined) at December 31, 1997 and 1998, and of the Company at September 30, 1999 (unaudited)..... F-3 Statement of Operations of the Predecessor (combined) for the years ended December 31, 1996, 1997 and 1998 and for the nine months ended September 30, 1998 (unaudited), and of the Company for the nine months ended September 30, 1999 (unaudited) ..... F-4 Statement of Shareholders' Equity (deficit) of the Predecessor (combined) for the years ended December 31, 1996, 1997 and 1998, and of the Company for the nine months ended September 30, 1999 (unaudited)..... F-5 Statement of Cash Flows of the Predecessor (combined) for the years ended December 31, 1996, 1997 and 1998, and for the nine months ended September 30, 1998 (unaudited), and of the Company for the nine months ended September 30, 1999 (unaudited) ..... F-6 Notes to Financial Statements F-7

Report of Independent Accountants

To the Board of Directors and Stockholders of Bronner Slosberg Humphrey Co. and Strategic Interactive Group, Co.

In our opinion, the accompanying combined balance sheet and the related combined statements of operations, of stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the combined financial position of Bronner Slosberg Humphrey Co. and Strategic Interactive Group, Co. at December 31, 1998 and 1997, and the combined results of their operations and their combined cash flows for each of the three years in the period ended December 31, 1998, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP Boston, Massachusetts March 15, 1999

Digitas Inc.

BALANCE SHEET (dollars in thousands) Predecessor (combined) Company December 31, ---------- ---- September 30, 1997 1998 1999 (unaudited)

```
Assets
Current assets:
  Cash and cash equivalents.................  $  1,868  $     37    $  1,364
  Accounts receivable, net of allowance for
   doubtful accounts of $707, $741 and $767
```

at December 31, 1997, 1998 and September 30, 1999, respectively	16,212	23,782	33,902
Accounts receivable, unbilled	13,893	15,150	32,407
Other current assets	1,638	1,505	2,183
Deferred tax assets	297	1,952	--
Total current assets	33,908	42,426	69,856
Fixed assets, net	15,764	17,975	19,404
Intangible assets, net	--	--	164,407
Deferred tax assets, long-term	--	--	8,265
Other assets	33	1,869	2,318
Total assets	$ 49,705	$ 62,270	$264,250
Liabilities and Shareholders' Equity (Deficit)			
Current liabilities:			
Other current liabilities	$ --	$ --	$ 1,350
Accounts payable	13,310	9,849	7,923
Line of credit	4,655	7,000	8,000
Current portion of long-term debt	1,809	172	7,525
Billings in excess of cost and estimated earnings on uncompleted contracts	7,076	10,517	18,882
Accrued expenses	3,358	7,039	7,005
Accrued compensation	9,245	40,145	12,995
Capital lease obligations	475	1,369	414
Notes payable, shareholders	14,567	12,003	--
Total current liabilities	54,495	88,094	64,094
Long-term debt, less current portion	3,701	1,432	64,917
Capital lease obligation, long-term portion	1,228	317	615
Deferred tax liability	112	139	175
Other long-term liabilities	--	48	344
	59,536	90,030	130,145
Commitments (Note 15)			
Shareholders' equity (deficit):			
BSH common shares, no par value per share, 24,465,011, shares authorized, issued, and outstanding at December 31, 1997 and 1998, respectively and 25,351,740 shares authorized, issued and outstanding at September 30, 1999	1	1	10
SIG common shares, no par value per share, 193,960, shares authorized, issued, and outstanding at December 31, 1997 and 1998, respectively	1	1	--
Additional paid-in capital	3,435	3,435	155,432
Notes receivable from shareholders	(1,065)	--	--
Interest receivable on shareholders' notes	(366)	(94)	--
Accumulated deficit	(8,655)	(27,921)	(21,337)
Less: treasury stock, at cost, 8,105,893 shares at December 31, 1997 and 1998, respectively	(3,182)	(3,182)	--
Total shareholders' equity (deficit)	(9,831)	(27,760)	134,105
Total liabilities and shareholders' equity	$ 49,705	$ 62,270	$264,250

The accompanying notes are an integral part of these financial statements.

Digitas Inc.

STATEMENT OF OPERATIONS (in thousands, except per share data)

	Predecessor (combined)			Company	
				Nine months ended	Nine months ended
	Year ended December 31,			September 30,	September 30,
	1996	1997	1998	1998	1999
				(unaudited)	(unaudited)

Revenue..... $83,157 $101,238 $122,309 $89,700 $133,907 Operating expenses: Professional services costs..... 43,272 57,610 65,696 49,606 73,238 Selling, general and administrative expense..... 40,982 40,552 48,485 31,489 45,890 Stock-based compensation..... 628 6,325 25,820 2,293 350 Amortization of intangible assets.... -- -- -- -- 26,200 Total operating expenses..... 84,882 104,487 140,001 83,388 145,678 Income (loss) from operations..... (1,725) (3,249) (17,692) 6,312 (11,771) Other income (expense): Interest income..... 123 182 21 534 12 Interest expense..... (1,404) (2,613) (2,719) (2,618) (5,344) (1,281) (2,431) (2,698) (2,084) (5,332) Income (loss) before provision for income taxes..... (3,006) (5,680) (20,390) 4,228 (17,103) Benefit from (provision for) income taxes..... (160) 114 1,439 (48) (1,773) Net income (loss)..... $(3,166) $ (5,566) $(18,951) $ 4,180 $(18,876) Net loss per share (Note 2) Basic and diluted..... $ (0.76) Weighted average common shares outstanding (Note 2) Basic and diluted..... 24,966 The accompanying notes are an integral part of these financial statements.

Digitas Inc.

STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT) (dollars in thousands)

					Notes				Total
	Common stock		Additional	receivable	Interest on	Retained	Treasury stock		shareholders'
	Shares	Amount	paid-in capital	from shareholders	shareholders' notes	earnings (deficit)	Shares	Amount	equity (deficit)

Predecessor (combined) Balance at December 31, 1995..... 25,474,333 $ 2 $ 2,131 $(2,130) $(188) $ 77 5,183,265 $ (275) $ (383) Shares issued pursuant to stock options..... 826,090 1,304 1,304 Treasury stock redemption..... (1,809,996) 1,065 1,809,996 (3,252) (2,187) Stock issued pursuant to stock agreement..... 1,277,156 2,063 2,063 Notes receivable issuance..... (2,239) (2,239) Interest income on shareholders' notes..... (193) (193) Interest forgiven on shareholders' notes..... 176 176 Net loss..... (3,166) (3,166) Balance at December 31, 1996..... 25,767,583 2 5,498 (3,304) (205) (3,089) 6,993,261 (3,527) (4,625) Issuance of common stock..... 4,020 Reversal of prior year treasury stock redemption, net..... 669,678 (669,678) 1,247 1,247 Treasury stock redemption..... (505,154) 176 505,154 (902) (726) Cancellation of note receivable in connection with exchange agreement..... (1,277,156) (2,063) 2,063 1,277,156 -- Interest income on shareholders' notes..... (161) (161) Net loss..... (5,566) (5,566) Balance at December 31, 1997..... 24,658,971 2 3,435 (1,065) (366) (8,655) 8,105,893 (3,182) (9,831) Offset of note receivable from shareholder against note payable from another shareholder..... 1,065 272 1,337 Distribution to shareholders..... (315) (315) Net loss..... (18,951) (18,951) Balance at December 31, 1998..... 24,658,971 $ 2 $ 3,435 $ -- $ (94)

$(27,921) 8,105,893 $(3,182) $ (27,760) Company Balance at January 1, 1999..... -- -- -- -- -- -- -- -- Issuance of common stock in connection with Recapitalization (unaudited)..... 25,043,244 -- $153,686 $ 153,686 Exercise of stock options (unaudited)..... 59,224 $ 2 149 151 Distribution to shareholders (unaudited)..... $ (2,461) (2,461) Stock-based compensation (unaudited)..... 350 350 Issuance of common stock (unaudited)..... 249,272 8 1,247 1,255 Net loss (unaudited)..... (18,876) (18,876) Balance at September 30, 1999 (unaudited)..... 25,351,740 $ 10 $155,432 $ -- $ -- $(21,337) -- $ -- $ 134,105 The accompanying notes are an integral part of these financial statements.

Digitas Inc.

STATEMENT OF CASH FLOWS (in thousands)

Predecessor (combined)				Company	
Year ended December 31,			Nine months ended September 30,	Nine months ended September 30,	
1996	1997	1998	1998 (unaudited)	1999 (unaudited)	

Cash flows from operating activities: Net income (loss)..... $(3,166) $(5,566) $(18,951) $ 4,180 $(18,876) Adjustments to reconcile net loss to net cash provided by (used in) operating activities: Depreciation and amortization..... 2,299 3,360 4,645 3,272 31,186 Loss on disposal of fixed assets..... -- 137 67 60 85 Stock-based compensation..... 628 -- 22,762 -- 350 Provision for doubtful accounts..... 163 310 216 162 682 Deferred income taxes..... (31) (124) (1,628) (3) 175 Changes in operating assets and liabilities: Accounts receivable.. (138) (4,051) (7,786) 3,994 (10,802) Accounts receivable, unbilled..... (3,302) (4,992) (1,257) (9,279) (17,257) Other current assets..... (104) (1,105) 133 439 (679) Other assets..... -- (12) (1,836) (2) (2,569) Accounts payable..... (1,668) 7,451 (3,461) (10,087) (1,926) Billings in excess of costs and estimated earnings on uncompleted contracts..... (1,782) 1,582 3,441 1,829 8,365 Accrued expenses..... (4,633) 831 3,681 1,604 744 Accrued compensation..... 2,163 3,715 8,138 767 262 Other liabilities.... -- -- 48 -- 1,350 Net cash provided by (used in) operating activities..... (9,571) 1,536 8,212 (3,064) (8,910) Cash flows from investing activities: Cash paid for acquisition, net of cash acquired ..... -- -- -- -- (60,640) Purchase of fixed assets..... (6,930) (7,944) (6,329) (4,892) (5,608) Net cash used in investing activities..... (6,930) (7,944) (6,329) (4,892) (66,248) Cash flows from financing activities: Principal payments under capital lease obligations..... (170) (299) (611) (674) (1,263) Proceeds from sale leaseback transaction..... -- 1,807 -- -- -- Net proceeds from line of credit, bank..... 600 4,055 2,345 3,345 8,000 Proceeds from note payable, bank..... -- 5,000 5,000 5,000 73,399 Proceeds from (payment of) note payable, tenant allowances.... 374 105 (155) (102) (113) Proceeds from notes payable, shareholders..... 10,102 3,251 3,000 3,000 -- Payment of notes payable, bank..... -- (1,250) (8,750) (242) (2,446) Payment of notes payable, shareholders..... (6,367) (4,532) (4,228) (3,627) -- Interest receivable on shareholders' notes.. 78 (162) -- -- -- Distributions to shareholders..... -- -- (315) -- (2,461) Proceeds from issuance of common stock..... 500 -- -- -- 1,406 Net cash provided by (used in) financing activities..... 5,117 7,975 (3,714) 6,700 76,522 Net increase (decrease) in cash and cash equivalents..... (11,384) 1,567 (1,831) (1,256) 1,364 Cash and cash equivalents, beginning of period..... 11,685 301 1,868 1,868 -- Cash and cash equivalents, end of period..... $ 301 $

1,868 $ 37 $ 612 $ 1,364 Supplemental disclosure of cash flow information: Cash paid for taxes... $ 23 $ 21 $ 230 $ 13 $ 2,611 Cash paid for interest..... 565 1,692 2,034 1,338 4,876 Supplemental disclosures of noncash investing and financing activities: Equipment acquired under capital lease.. $ -- -- $ 594 $ 340 $ 606 Assignment of notes receivable..... -- -- 1,065 1,065 -- Interest accrued on notes receivable assignment..... -- $ 2,241 272 272 -- Cancellation of note payable to shareholder..... -- 2,187 -- -- -- Issuance of notes payable to shareholders..... -- 1,666 -- -- -- The accompanying notes are an integral part of these financial statements.

Digitas Inc.

Notes to Financial Statements

1. Basis of Presentation and Description of Business Basis of Presentation Bronner Slosberg Humphrey Inc. was incorporated in Massachusetts in 1980 as a sub-chapter S corporation. Strategic Interactive Group, Inc. was incorporated in Massachusetts in 1995 as a sub-chapter S corporation. Through December 31, 1998, certain shareholders of Bronner Slosberg Humphrey Inc. owned a majority of the outstanding shares of Strategic Interactive Group, Inc. Accordingly, financial statements of the two entities are combined for 1998 and prior years.

On November 5, 1998, Bronner Slosberg Humphrey Inc. and Strategic Interactive Group, Inc. completed transactions in which the two companies were reorganized into Massachusetts business trusts (each a "Trust") each with a wholly-owned limited liability company ("LLC"). After formation of the Trusts and LLCs, the two companies were merged with and into Bronner Slosberg Humphrey, LLC and Strategic Interactive Group, LLC, respectively, with each shareholder of the original S corporations receiving as consideration an equivalent number of beneficial common shares in the Bronner Slosberg Humphrey Co., a Massachusetts business trust ("BSH") and Strategic Interactive Group, Co. Massachusetts business trust ("SIG") as such shareholders held in the S corporations prior to the mergers. The reorganization of the companies into Trusts and subsidiary LLCs has been accounted for at historical cost as a combination of entities under common control. BSH and SIG on a combined basis are referred to herein as the "Predecessor".

Effective January 1, 1999, the Predecessor completed a transaction with a private equity investor and the existing shareholders (the "Recapitalization"). Under the terms of the Recapitalization, $102 million was used to purchase stock from existing shareholders of BSH and SIG. Borrowings of approximately $73 million were used to purchase stock from the BSH and SIG shareholders, prepay outstanding debt, accrued interest, notes held by shareholders, certain stock options and shareholder appreciation rights and to pay transaction related bonuses. On the date following the close of the Recapitalization, SIG effectively merged into Bronner Slosberg Humphrey Co. Bronner Slosberg Humphrey Co. serves as the ultimate parent of Bronnercom, LLC, the Delaware limited liability company through which the business is operated. Substantially all of the stock options and stock appreciation rights of the Predecessor were replaced with stock options in Bronner Slosberg Humphrey Co. with equivalent in-

the-money value which existed at the date of Recapitalization. The Recapitalization was accounted for as a purchase as described in Note 3. On December 22, 1999, Digitas Inc., a Delaware corporation was formed to ultimately hold the ownership interests of Bronner Slosberg Humphrey Co. and Bronnercom, LLC after completing a reorganization to become the sole shareholder of the Trust. The "Company" refers to Bronnercom, LLC prior to this reorganization and Digitas Inc., thereafter. A United Kingdom subsidiary was formed in late 1998 and is included in the financial statements of the Predecessor and the Company subsequent to that date.

The financial statements of the Company and the Predecessor are not comparable in certain respects due to the application of purchase accounting as of the date of the recapitalization. The Predecessor's combined financial statements represent the historical basis of financial position, results of operations and cash flows for the periods presented. The financial information of the Predecessor presented herein does not necessarily reflect what the financial position and results of operations of the Company would have been had it been recapitalized for all the periods and may not be indicative of future operations or financial position.

The Predecessor and the Company have experienced substantial net losses for the three years ended December 31, 1998 and the nine months ended September 30, 1999 and had an accumulated deficit of approximately $13 million. Such losses and accumulated deficit resulted from the Company's distributions of earnings to shareholders as well as expansion of Digitas' infrastructure. For the foreseeable future, the Company expects to continue to experience significant growth in its operating expenses. As a result, the Company's

NOTES TO FINANCIAL STATEMENTS--(Continued) business plan indicates that additional financing would be required to support its planned expenditures. In the event that an initial public offering is not completed on a timely basis, the Company would seek to extend its existing loan facilities by $10 million.

Operations

The Company is an Internet professional services firm that provides integrated digital strategy, technology and infrastructure and integrated marketing solutions to Fortune 100 and other companies primarily in the United States.

2. Summary of Significant Accounting Policies Cash and Cash Equivalents Cash and cash equivalents include all highly liquid debt instruments purchased with an original maturity of three months or less. Cash equivalents are stated at cost plus accrued interest which approximates market.

Fixed Assets

Fixed assets are recorded at cost. Expenditures for renewals and improvements are capitalized, and repairs and maintenance are charged to operations as incurred. Equipment held under capital leases is stated at the present value of minimum lease payments at the inception of the lease and amortized

using the straight-line method over the lease term. Leasehold improvements are recorded net of construction allowances provided by the landlord. Depreciation is recorded on the straight-line basis over the estimated useful life of the related assets, which are as follows:

Furniture and fixtures..... 7 years Computer equipment and software..... 3-5 years Capital leases..... Lesser of lease term or useful life Leasehold improvements..... Lesser of lease term or useful life Intangible Assets Intangible assets consist of assembled workforce, customer base and excess cost over fair value of net assets acquired ("goodwill") and are stated at cost less accumulated amortization. Intangible assets are amortized over their estimated future lives, which are as follows:

Assembled workforce..... 2 years Favorable lease..... 6 years Goodwill..... 7 years Capitalized Financing Fees Capitalized financing fees are amortized over the term of the underlying debt utilizing the interest method, and the amortization is included in interest expense.

Internal Use Software AICPA Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" was adopted, effective January 1, 1999. The company capitalizes external costs related to software and implementation services in connection with its internal use software systems.

Impairment of Long-Lived Assets The Company records impairment losses 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.

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) Revenue Recognition Revenue pursuant to fixed-price contracts is recognized as services are rendered on the percentage-of-completion method of accounting (based on the ratio of costs incurred to total estimated costs). Revenue pursuant to time and materials contracts are recognized as services are provided. Certain contracts contain provisions for performance incentives. Such contingent revenue is recognized in the period in which the contingency is resolved. Unbilled accounts receivable on contracts is comprised of costs plus earnings. Included in accounts receivable are reimbursable costs charged to and collected from clients. These costs are not included in revenue.

Provisions for estimated losses on uncompleted contracts are made on a contract-by-contract basis and are recognized in the period in which losses are determined.

Professional Services Costs Professional services costs consist primarily of compensation and benefits of the Company's employees engaged in the delivery of professional services plus other nonreimbursable service costs.

Historical and Pro Forma (Unaudited) Net Income Per Share Basic and diluted earnings per share are computed in accordance with Statement of Financial Accounting Standards No. 128 ("SFAS 128") "Earnings per Share". SFAS 128 requires both basic earnings per share, which is based on the weighted average number of common shares outstanding, and diluted earnings per share, which is based on the

weighted average number of common shares outstanding and all dilutive potential common equivalent shares outstanding. The dilutive effect of options is determined under the treasury stock method using the average market price for the period. Common equivalent shares are included in the per share calculations where the effect of their inclusion would be dilutive.

Historical net income (loss) per share is not presented in the financial statements for the years ended December 31, 1996, 1997 and 1998 and the nine months ended September 30, 1998 because it is not considered meaningful since the two entities comprising the Predecessor were S corporations during that time period.

Income Taxes

The Predecessor was taxed under the provisions of Subchapter S of the Internal Revenue Code, whereby the corporate income is taxed to the individual shareholders based on their proportionate share of the Company's taxable income. Massachusetts taxes profits on S corporations with receipts exceeding $6,000,000.

On November 5, 1998, the Predecessor reorganized resulting in its conversion into a Massachusetts business trust, a reorganization which affects the Massachusetts tax treatment of the Predecessor and the Company and its shareholders that are residents of Massachusetts. The Predecessor and the Company recorded a provision for Massachusetts taxes that reflects its change in status during 1998.

Effective January 1, 1999, the Predecessor terminated its S corporation election and is subject to corporate-level federal and certain additional state income taxes.

The Company accounts for income taxes using the asset and liability method in accordance with SFAS No. 109, "Accounting for Income Taxes". Under SFAS No. 109, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases for operating profit and tax liability carryforward. Deferred tax assets and liabilities are measured using enacted tax rates to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets or liabilities of a change in tax rates is recognized in the period in which the tax change occurs.

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) Stock-based Compensation Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations are applied in accounting for its employee stock option plans. The disclosure option of Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation", (SFAS No. 123) which includes information with respect to stock-based compensation determined under the "fair value" method has been utilized in the accompanying financial statements.

Foreign Currency Translation The functional currency of the Company's foreign subsidiary is the U.S. dollar. Monetary assets and liabilities of the subsidiary are translated into U.S. dollars at the exchange rate in effect at period-end and nonmonetary assets and liabilities are remeasured at historic exchange rates. Income and expenses are remeasured at the average exchange rate for the period. Translation gains and losses are reflected in SG&A in the statement of operations.

Management's Use of Estimates The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Comprehensive Income

Effective January 1, 1998, the Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130) was adopted. This statement requires that all components of comprehensive income be reported in the financial statements in the period in which they are recognized. For each year reported, comprehensive income (loss) under SFAS 130 was equivalent to the Company's net income (loss) reported in the accompanying statement of operations.

Recently Issued Accounting Pronouncements In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company will adopt SFAS No. 133 as required by SFAS No. 137, "Deferral of the Effective Date of the FASB Statement No. 133", in fiscal year 2001. The Company has not yet determined the impact that the adoption of SFAS No. 133 will have on its financial position or results of operations.

Unaudited Information The interim financial information as of and for the nine months ended September 30, 1998 and 1999 is unaudited. However, in the opinion of management, such information has been prepared on the same basis as the audited financial statements and includes all adjustments, consisting solely of normal and recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the periods presented. The interim results, however, are not necessarily indicative of results for any future period.

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) 3. Recapitalization The recapitalization described in Note 1 has been accounted for under the purchase method. Accordingly, the purchase price has been allocated to tangible and intangible assets acquired and liabilities assumed based on their respective fair values on the acquisition date.

The consideration paid was as follows:

Common stock	$126,134
Redemption of Predecessor common shares and options and payment for other shareholder rights	32,741
Fair value of stock options exchanged and warrants issued	27,551
Direct costs of acquisition	5,104
	$191,530

The purchase price was allocated to the assets acquired and liabilities assumed as follows:

Goodwill	$163,473
Workforce-in-place	22,900
Favorable lease	4,234
Deferred taxes	8,265
Net assets acquired	(7,342)
	$191,530

The following unaudited pro forma results of operations reflects the combined results of operations of the Predecessor for the year ended December 31, 1998 and the nine-month period ended September 30, 1998, as if the purchase had occurred on the first day of the period presented. The unaudited pro forma information is not necessarily indicative of the combined results that would have occurred had the purchase taken place on the first day of the period presented, nor is it necessarily indicative of results that may occur in the future.

	Year ended December 31, 1998	Nine months ended September 30, 1998
Revenue	$122,309	$ 89,700
Net loss	(43,076)	(26,799)

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) 4. Fixed Assets Fixed assets consist of the following:

Predecessor (combined)	Company		
		December 31,	
September 30, 1998	1999	1997	1998
Furniture and fixtures		$ 6,449	$ 7,401
	$ 3,835		
Computer equipment and software		12,170	16,499
	13,162		
Leasehold improvements		3,677	4,285
	4,315		
Capital leases		2,642	3,236
	2,792		
		24,937	31,421
	24,104		
Less accumulated depreciation		(9,173)	

(13,446) (4,700)

$ 15,764

$17,975 $19,404

Depreciation expense for the years ended December 31, 1996, 1997, 1998 and for the nine-month periods ended September 30, 1998 and 1999 was approximately $2,299,000, $3,360,000, $4,645,000, $3,272,000 and $4,700,000, respectively.

5. Intangible Assets

Intangible assets consist of the following:

Company September 30, 1999

Assembled workforce	$ 22,900
Favorable lease	4,234
Goodwill	163,473
	190,607
Less accumulated amortization	(26,200)
	$164,407

There were no intangible assets as of December 31, 1997 and 1998.

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) 6. Debt Debt consists of the following:

Predecessor (combined)	Company		
	December 31,		
September 30, 1998	1997	1998	1999
Line of credit	$ 4,655	$ 7,000	$ 8,000
Notes payable, term loan	3,750	--	70,952
Notes payable, tenant allowance	1,760	1,604	1,490
Notes payable, shareholders	14,567	12,003	--
	24,732	20,607	80,442
Less: current portion	(21,031)	(19,175)	(15,525)
Total long-term debt	$ 3,701	$ 1,432	$64,917

Credit Agreements

On March 13, 1997, the Predecessor entered into a Credit Agreement (the "Credit Agreement") consisting of a $10,000,000 line of credit, a three-year $5,000,000 term loan and a $5,537,500 standby letter of credit facility. At December 31, 1997, approximately $3,750,000 was outstanding

under the term loan, $4,655,000 was outstanding under the line of credit and $5,537,000 was outstanding under the standby letters of credit. The Predecessor was not in compliance with certain of the Credit Agreement's covenants as of December 31, 1997 and obtained appropriate waivers from the bank.

During 1998, the Predecessor entered into various amendments to the Credit Agreement which increased the line of credit to $15,000,000 and extended the expiration date from May 31, 1998 to November 30, 1998. A new term loan of $5,000,000 ("Bridge Loan") was entered into on March 13, 1998 and expired on September 30, 1998. Principal and interest on the term and bridge loans were payable at LIBOR plus .25% to .75% or the prime rate plus 0% to .25% based on quarterly leverage ratios.

On November 25, 1998, the Predecessor entered into a Credit Agreement (the "New Agreement") which replaced the existing Credit Agreement and all other previous lending agreements. The New Agreement included a revolving line of credit and a $10,000,000 standby letter of credit facility. Under the line of credit terms, the maximum line was equal to $35,000,000 less outstanding standby letters of credit and expired on October 31, 2001. At December 31, 1998, $7,000,000 was outstanding under the line of credit and approximately $6,194,000 was outstanding under standby letters of credit. The interest rate on the line of credit was either the bank's prime rate or the LIBOR rate, at the Predecessor's discretion, plus the applicable margin of 0% to .25% on prime loans and .5% to 1.5% on LIBOR loans based on certain ratios as set by the bank. The rate at December 31, 1998 was 7.75%. The standby letter of credit facility expired on October 31, 2001, subject to renewal, which was at the discretion of the bank, and had an annual commitment fee that ranged from .20% to .25%. The New Agreement was collateralized by the combined assets of Predecessor company and contained certain restrictive covenants. The covenants limited shareholder distributions and payments on subordinated debt to certain maintainable ratios for cash and also included minimum leverage and debt service ratios. As part of the New Agreement, the Bridge Loan and the Credit Agreement were paid in full.

Effective January 1, 1999, in connection with the recapitalization described in Note 3, the Company replaced the long-term borrowing arrangement described above with the following new credit facilities:

$73,399,000 term loan due December 31, 2004

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) $20,000,000 revolving loan due December 31, 2004 Included as part of the $20,000,000 revolving credit facility is a swing line loan of $3,500,000 and a standby letter of credit facility of $10,000,000.

Amounts borrowed under either the term loan or the revolving loan bear interest, at the Company's option, at either the Base Rate (higher of (i) the prime rate or (ii) the rate which is .5% in excess of the Federal Reserve weighted average rate on overnight federal funds) plus a margin of .5% to 2%, or the EuroDollar Rate as determined by the lenders plus a margin of 1.5% to 3%. Amounts borrowed under

the swing line bear interest at the Base Rate plus a margin of .5% to 2%. At September 30, 1999, the applicable borrowing rates were as follows: term loan 8.0%, revolving loan 7.9% and swing loan 9.4%. Additionally, the Company is required to pay a commitment fee of .5% of the average daily unused amount of the revolving loan and the letters of credit; the unused portion of the revolving loan and the letters of credit at September 30, 1999 was $7,405,948.

The term loan is repayable as follows (in thousands):

1999..... $ 2,447 2000..... 7,341
2001..... 10,276 2002..... 13,213
2003..... 16,143 2004..... 21,532 $70,952
Effective November 5, 1999, the Company increased its revolving loan to $25,000,000 and, consequently, its letter of credit facility to $15,000,000 in order to cover the required letter of credit for the new leased facility in New York. See Note 15.

The credit facilities contain certain change of control provisions and impose certain restrictive covenants upon the Company related to the incurrence of indebtedness, contingent obligations, transactions with affiliates, business combinations, investments, purchases and asset sales, payments of dividends, and attainment of financial covenants including interest coverage, earnings and leverage ratios.

Notes Payable, Tenant Allowances Since 1995, the Predecessor has received tenant allowances, which are required to be reimbursed to the landlord through 2005. Interest expense recognized in relation to these notes amounted to $179,000, $169,000, $114,000 and $109,000 for the years ended December 31, 1997 and 1998 and the nine months ended September 30, 1998 and September 30, 1999, respectively.

Notes Payable, Shareholders Notes payable, shareholders, include demand notes of approximately $10,656,000 and $12,879,000 at December 31, 1998 and 1997, respectively. These notes accrued interest monthly at a range of 8% to 8.25% per annum. Notes payable, shareholders, also include notes payable to certain shareholders, for the repurchase of stock that are payable in quarterly installments. All notes payable, shareholders were paid in connection with the recapitalization described in Note 3.

For the years ended December 31, 1997 and 1998, interest expense on notes payable, shareholders was approximately $1,216,000 and $1,114,000, respectively. Accrued interest related to these notes was approximately $1,786,000 and $2,471,000 at December 31, 1997 and 1998, respectively.

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) 7. Shareholder's Equity Common Stock Under the Declaration of Trust of each of Bronner Slosberg Humphrey Co. and Strategic Interactive Group Co., an unlimited amount of common shares were authorized for no par value. All holders of common shares are entitled to one vote per share and all dividends on common shares shall be distributed pro rata, when and if declared by the board of directors.

Stock Split

On April 1, 1997 the Board of Directors approved a 6,911.02-for-1 stock split of BSH common stock and amended the articles of incorporation to increase the number of authorized shares from 12,500 to 1,000,000 shares of common stock.

On December 2, 1999 the Board of Directors approved a 30-for-1 stock split of the Company's common stock. Share amounts have been restated to reflect the split.

Shareholder Transactions In 1996, BSH entered into a Stock Redemption Agreement, (the "1996 Agreement"). Under the terms of the 1996 Agreement, a shareholder sold back to BSH 1,809,996 shares of common stock that were purchased in 1991. In consideration for the stock redemption, BSH forgave a note receivable of $1,065,000 and issued a note payable to the shareholder in the amount of $2,187,000. In 1997, BSH restated the 1996 Agreement and canceled the related note payable. Under the restated agreement, BSH reissued 669,678 shares of common stock and a related note payable for $940,000 which accrues interest at 8.25% payable in quarterly installments.

During 1996, under various stock purchase and stock option agreements, three officers of BSH purchased shares of common stock. As part of this transaction, BSH issued notes receivable from shareholders of $2,239,000 due on March 31, 2009, which accrued interest at the prime rate. During 1997, notes receivable in the amount of $2,063,000 with two former shareholders were canceled in connection with an exchange agreement whereby the shareholders gave up their shares of stock in exchange for SAR units under the SAR Plan (see Note 8).

In 1997, BSH entered into a stock redemption agreement with a shareholder. Under this agreement, BSH repurchased 485,154 shares of BSH common stock and 20,000 shares of SIG common stock for the cancellation of the remaining note receivable balance of $176,000 issued in 1996 and the issuance of a note payable for $726,000 due by December 31, 1998, which accrued interest at 8.25%.

On January 1, 1998 in connection with a sale of BSH shares between two shareholders, a $1,065,000 note receivable from one of the shareholders to BSH issued in 1996, was assumed by another shareholder. All previously owed amounts from BSH to the selling shareholder for previous loans made by the selling shareholder to BSH and an obligation to pay a 1995 year-end compensation payment were discharged due to BSH's issuance of a note payable to the selling shareholder in the amount of $1,764,000.

On December 29, 1998, BSH declared and paid a cash dividend of $.0128619 per share on its outstanding common shares for a total distribution to shareholders of $315,000.

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) 8. Stock-based Compensation Stock Appreciation Rights The Predecessor established the 1997 Stock Appreciation Right Plan (the "SAR Plan") which became effective on April 1, 1997. Under the SAR Plan, certain key employees are granted stock appreciation right units ("SARs") which vest in accordance with a vesting schedule indicated on

each SAR agreement. Participants are eligible for an annual distribution for each SAR unit vested at the end of each year based on the Predecessor's operating income after charges and reserves have been deducted as determined by the Board. Additionally, the Predecessor is obligated to pay each participant the appreciation on the SARs upon the occurrence of a triggering event, as defined in the SAR Plan. Account appreciation, as defined by the SAR Plan, is the difference between the fair market value of each SAR less the base value. BSH reserved 9,000,000 SAR Units for issuance under the SAR Plan.

BSH issued 1,020,000 and 5,985,000 SAR units in 1997 and 1998, respectively. SIG issued 5,100 SAR units in 1997 and none in 1998. Compensation expense of $3,428,765 was recorded for the year ended December 31, 1997 related to the SAR annual distribution. Effective January 1, 1999, there was a triggering event, however, most participants elected to receive the Company's stock options in lieu of cash payment. In 1998, the Predecessor did not award a SAR annual distribution due to the triggering event, but issued bonuses in lieu of the SAR annual distribution in the amounts of $2,293,500 and $3,058,000 for the period ended September 30, 1998 and the year ended December 31, 1998, respectively. The Company recorded compensation expense of $20,130,000 for SAR appreciation for the year ended December 31, 1998.

Stock Option Plans

BSH established an informal Employee Stock Option Plan (the "Stock Option Plan") in 1989. Under the Stock Option Plan, grants could be made to selected officers and employees at fair market value on date of grant. Options became exercisable as to 25% of the grants, on an initial date as defined in the employee stock option agreements, and up to an additional 25% each year thereafter.

The following table summarizes stock option activity under the Stock Option Plan:

	December 31, 1998		December 31, 1997		December 31, 1996	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of period	829,322	$0.18	1,036,651	$0.17	1,729,136	$0.16
Options granted.....	--		--		--	
Options exercised	--		--		(485,154)	0.14
Options cancelled.....	(414,661)		(207,331)	0.14	(207,331)	0.14
Outstanding at end of period	414,661	$0.18	829,320	$0.18	1,036,651	$0.17

SIG established an Employee Stock Option Plan (the "1995 Plan") in 1995. Under the 1995 Plan, grants could be made to selected officers. The 1995 Plan authorizes the granting of stock options for up to an aggregate of 120,000 shares of common stock and expires 10 years from the date of the grant. Options became exercisable as to 33% of the grant on April 1, 1996 and an additional 33% each year thereafter.

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) The following table summarizes stock option activity under the 1995 Plan:

	December 31, 1998		December 31, 1997		December 31, 1996	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of period	52,194	$3.30	60,060	$0.0033	99,000	$0.0033
Options granted	--		52,194	3.30	--	
Options exercised	--		(4,020)	0.0033	(29,940)	0.0033
Options cancelled	--		(56,040)	0.0033	(9,000)	0.0033
Outstanding at end of period	52,194	$3.30	52,194	$ 3.30	60,060	$0.0033
Weighted-average grant date fair value of options granted during the year at fair market value		--		$ 70.88		--

In 1997, SIG terminated the 1995 Plan. In exchange for all unexercised outstanding options, all option holders entered into an exchange agreement, whereby they received exchange compensation, deferred compensation and 52,194 stock options. The 52,194 stock options were exercisable upon SIG's engagement of underwriters in connection with a proposed public offering provided the offering were to occur before May 15, 2000 or upon consummation of a change in control provided the change in control would be effective before May 15, 2000. In 1998, it became probable that a change in control would be effective with the January 1, 1999 Recapitalization therefore the Predecessor recorded compensation expense of $2,632,000 based on the difference between the fair market value and the exercise price of the outstanding options.

In contemplation of the recapitalization in 1999, the board of directors adopted the 1998 option plan (the "1998 Plan"). The 1998 Plan authorized the grant of (i) 8,563,322.40 rollover options in exchange for the cancellation of stock appreciation rights and stock options held by the SAR and option holders prior to the recapitalization and (ii) an additional 5,872,350 options that are not rollover options. In September 1999, the board of directors amended the plan to decrease the number of non-rollover options that could be granted under the plan to 5,076,000 shares.

All options granted under the 1998 Plan were non-qualified stock options. Grants under the plan may be made to employees and non-employee directors, consultants and independent contractors.

A committee of the board of directors administers the plan which includes determining the participants in the plan and the number of shares of common stock to be covered by each option, amending the terms of any option, subject to certain limitations, and interpreting the terms of the plan.

Each rollover option is immediately exercisable as of the date of grant and has an exercise price equal to the base value of the stock appreciation rights or the exercise price of the stock options, as applicable, from which the options were converted. All other options granted under the plan are generally subject to a five-year vesting schedule pursuant to which the options vest in equal annual installments on the third, fourth and fifth

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) anniversaries of the grant date. In addition, all options other than rollover options must have a per share exercise price equal to or greater than the fair market value of a share of the Company's common stock as of the grant date, as determined by the board of directors or a committee of such board. All options granted under the plan terminate on the tenth anniversary of the grant date. Vested options may be exercised for specified periods after the termination of the optionee's employment or other service relationship with us or our affiliates.

In September 1999, the board of directors adopted the 1999 option plan (the "1999 Plan") which allows for the grant of up to 6,796,350 shares of common stock.

Grants under the plan may be made to employees and non-employee directors, consultants and independent contractors who contribute to the management, growth and profitability of the business of the Company's or its affiliates.

A committee of the board of directors administers the plan which includes determining the participants in the plan and the number of shares of common stock to be covered by each option, amending the terms of any option, subject to certain limitations, and interpreting the terms of the plan.

Non-qualified stock options granted under the plan may be granted at prices which are less than the fair market value of the underlying shares on the date granted. Under the plan, incentive stock options and non-qualified stock options are generally subject to a four-year vesting schedule pursuant to which the options vest 25% on the first anniversary of the grant date and an additional 6.25% on each consecutive three-month period thereafter. The options generally terminate on the tenth anniversary of the grant date. In addition, vested options may be exercised for specified periods after the termination of the optionee's employment or other service relationship with us or our affiliates.

The following summarizes stock option activity under the 1998 and 1999 Plans:

	Options available for grant shares	Weighted average exercise price
Options exchanged in connection with recapitalization	14,316,174	$3.31
Options exercised.....	(473,881)	0.48
Options cancelled.....	(1,221,806)	4.90
Outstanding at September 30, 1999.....	12,620,487	$3.45
Weighted average grant date fair value of options granted during the year at fair market value		$5.04

	Options Outstanding			Options Exercisable	
Range of exercise price	Number outstanding at September 30, 1999	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at September 30, 1999	Weighted average exercise price
$1.88--$2.55	5,939,225	9.27	$2.10	5,939,225	$2.10
$3.30--$5.04	6,681,262	9.41	$4.64	1,605,262	$3.40
$1.88--$5.04	12,620,487	9.34	$3.45	7,544,487	$2.40

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) Had compensation cost for the Predecessor stock-based compensation plans been determined based on the fair value at the grant dates as calculated in accordance with SFAS No. 123, the Company's net loss for the nine month period shown below would have been as follows:

September 30, 1999

Net loss: As reported..... $(18,876,000) Pro forma..... (21,661,000) Net loss per share: As reported..... $ (0.76) Pro forma..... $ (0.87) There were no compensation costs for the years ended December 31, 1998, 1997 and 1996 and the nine months ended September 30, 1998 because there were no grants under the Stock Option Plan and no compensatory grants under the 1995 Plan.

The Company calculated the minimum fair value of each option grant on the date of grant using the minimum value option-pricing model with the following weighted average assumptions used: no expected dividend yield, risk free interest rate of 4.94% and expected life of 4.8 years.

9. Income Taxes

The components of loss before income taxes and the benefit from (provision for) income taxes are as follows:

	Predecessor (combined)			Company
	December 31,			
	1996	1997	1998	September 30, 1999
Loss before income taxes				
Domestic	$(3,006)	$(5,680)	$(20,390)	$(14,656)
International	--	--	--	(2,447)
Provision for (benefit from) income taxes				
Current				
Federal	--	--	--	935
State and local	9	10	190	662

Deferred									
Federal							--	--	--	--	(6,441)
State and local							(115)	(232)	(1,499)	(1,415)	
Increase (decrease) in valuation allowance							87	108	(130)	8,032	
Benefit from (provision for) income taxes							$ (19)	$ (114)	$ (1,439)	$ (1,773)	

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) The reconciliation of the difference between the United States statutory rate to the effective rate is as follows:

	Predecessor (combined)		Company
	December 31,		September 30,
	1997	1998	1999
United States statutory rate	0%	0%	35%
State taxes, net of federal benefit	--	(6)	1
Goodwill and other permanent differences	--	--	(2)
Increase in valuation allowance	2	(1)	(24)
Effective tax rate	(2)%	(7)%	10%

The tax effects of temporary differences that give rise to a significant portion of the deferred income tax assets (liabilities), net, are as follows:

	December 31,		September 30,
	1997	1998	1999
Deferred tax assets:			
Accrued expenses	$265	$2,036	$15,894
Net operating loss carryforward	260	--	--
Allowance for doubtful accounts	32	46	403
Total tax deferred assets	557	2,082	16,297
Valuation allowance	(260)	(130)	(8,032)
Net deferred tax assets	297	1,952	8,265
Deferred tax liability:			
Basis difference of property and equipment	112	139	175
Total deferred tax liabilities	$112	$ 139	$ 175

The Company has incurred losses for the three years ended December 31, 1998 and for the period ended September 30, 1999. Management believes that, based on the history of such losses and other factors, the weight of available evidence indicates that it is more likely than not that the Company will not be able to realize its deferred tax assets and thus a full valuation reserve has been recorded at September 30, 1999 for these costs.

10. Employee Profit Sharing Plan In 1996, an Employee Profit Sharing Plan (the "Profit Sharing Plan") was established which pays certain employees a percentage of their earnings dependent on financial results as determined by the Board of Directors. The cost of the Profit Sharing Plan was approximately $1,744,000, $1,828,000, $2,132,000, $1,599,275 and $1,968,493 for the years ended December 31,

1996, 1997, 1998 and the nine months ended September 30, 1998 and 1999. The Profit Sharing Plan will be terminated effective December 31, 1999, with final payments made before March 15, 2000. To replace this benefit program, the Company adopted a stock option and incentive plan. See also Note 11.

11. Employee Savings Plan For the years ended December 31, 1996, 1997 and 1998, and the nine months ended September 30, 1999, the Predecessor and the Company had a noncontributory Employee Savings Plan (the "Plan"), which was administered in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The Plan was a

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) voluntary program in which employees who met certain requirements elected to reduce their annual salary by up to 18% and have this amount contributed to the Plan on their behalf. Effective December 1999, the board of directors and shareholders adopted the 2000 stock option and incentive plan (the "2000 Plan"). This new plan provides for a Company match of employee contributions, up to 4%, subject to certain IRS restrictions. In addition, under the 2000 Plan, employees will be eligible to purchase common shares at a discount through periodic payroll deductions. These grants may be made to officers, employees, directors, consultants, advisors and other key persons of Digitas or our affiliates.

12. Other Related Party Transactions A law firm, with a partner who was a member of the Predecessor's Board of Directors during all of 1997 and a portion of 1998, provided legal services to the Predecessor. Fees paid or accrued to the firm approximated $663,000 and $216,000 for the years ended December 31, 1997 and 1998 and $216,000, and $7,000 for the nine months ended September 30, 1998 and 1999, respectively. See also Note 8.

13. Financial Instruments and Risk Management Interest Rate Risk Management The Company utilizes interest rate swap agreements to fix interest rates on certain variable rate term loans and to mitigate the effect of changes in interest rates on earnings. The Company entered into separate agreements (the "Agreements") on February 22 and 24, 1999, each for a notional amount of $20 million. Under the Agreements, the Company locked in fixed rates of 5.36% and 5.30%, respectively, on the notional amounts and the Company compensates the financial institution or is compensated by the financial institution for the differential between the fixed rates and the current LIBOR rate. The interest rate differential payable or accruable on the agreements is recognized on an accrual basis as an adjustment to interest expense.At September 30, 1999 the fair values of the interest rate swaps, which represent the amounts the Company would receive or pay to terminate the respective agreements, are net receivables of $151,000 and $185,000, respectively, based on dealer quotes. The variable rates at September 30, 1999 were 5.38% and 5.48%.

The market risk exposure from the interest rate swap is assessed in light of the underlying interest rate exposures. Credit risk is minimized as the agreement is with a major financial institution. The Company monitors the credit worthiness of this financial institution and full performance is

anticipated.

14. Segment Information Historically, the Predecessor has operated under two reportable segments based on the method of internal and external reporting, which segregates between services provided. The two segments are Integrated Marketing Infrastructure and Digital Strategy and Technology. The Integrated Marketing and Infrastructure segment provides multi-channel marketing solutions and services. The Digital Strategy and Technology segment provides services in digital strategy, technology, marketing and measurement.

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" note (Note 2).

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) On January 6, 1999, the existence of the two segments ceased as separate operational entities and combined as one segment, as an Internet professional services firm.

Integrated Marketing Digital Strategy and and Infrastructure Technology Consolidated

December 31, 1996			
Revenue from external customers	69,948	13,209	83,157
Depreciation expense	2,113	182	2,299
Operating loss	(1,618)	(107)	(1,725)
December 31, 1997			
Revenue from external customers	78,047	23,191	101,238
Depreciation expense	2,647	696	3,360
Operating loss	(1,156)	(2,093)	(3,249)
September 30, 1998			
Revenue from external customers	70,635	19,065	89,700
Depreciation expense	2,537	735	3,272
Operating loss	6,453	(141)	6,312
December 31, 1998			
Revenue from external customers	94,316	27,993	122,309
Depreciation expense	3,561	1,084	4,645
Operating income (loss)	(15,821)	(1,871)	(17,692)

The Company attempts to limit its concentration of credit risk by securing well-known clients. While the Company often enters into written agreements with its clients, such contracts are typically terminable between 30 and 90 days notice. Management believes a loss of significant clients could have a material adverse effect on the Company's business, financial condition and results of operations. During the nine months ended September 30, 1999 three customers accounted for 62% of revenues. During 1996, two customers accounted for approximately 72% of revenues. During 1997, one customer accounted for approximately 43% of revenues. During the fiscal year ended December 31, 1998, three customers accounted for approximately 64% of revenues.

15. Commitments

Capitalized Leases

During 1997, the Predecessor entered into an agreement for the sale and leaseback of certain furniture and fixtures. The Predecessor had a purchase option at the end of four years equal to remaining amounts due under the lease plus $1.00. The lease is classified as a capital lease. The book value of the assets was approximately $1,613,000. The gain realized on the transaction totaling approximately $194,000 has been deferred and is being amortized over the life of the assets. Assets under the capital lease were capitalized at approximately $1,807,000 with an interest rate of 11.1% and are amortized over the remaining life of the assets which is 5.5 years on average. The Predecessor paid all amounts outstanding on this lease agreement on January 6, 1999. Additionally, the Company has certain noncancelable leases to finance telephone and copier equipment.

The total capitalized cost of the assets subject to capital leases was approximately $2,642,000, $3,236,000 and $1,428,000 with accumulated amortization of approximately $849,000, $1,344,000 and $1,029,000 as of December 31, 1997, 1998 and September 30, 1999, respectively.

Digitas Inc.

NOTES TO FINANCIAL STATEMENTS--(Continued) Other Lease Obligations Office facilities and certain office equipment are leased by the Company under cancelable and noncancelable operating lease agreements expiring at various dates through 2011.

Digitas leases office space under noncancelable operating leases. Rental expense, including amounts described above, consisting of minimum lease payments under noncancelable operating leases amounted to approximately $4,257,000, $6,013,000, $6,819,000, $4,998,660 and $6,189,000 for the years ended December 31, 1996, 1997, 1998 and the nine months ended September 30, 1998 and 1999. Digitas subleases a portion of its space to another tenant. Digitas' minimum payments were partially offset by tenant income of $249,000, $144,000, $228,000, $131,987 and $215,000 for the years ended December 31, 1996, 1997, 1998 and the nine months ended September 30, 1998 and 1999. The future minimum rental payments, under capital and operating leases, as of September 30, 1999 are as follows:

	Capital leases	Operating leases
1999	$ 174	$ 2,183
2000	398	11,279
2001	308	14,493
2002	190	14,667
2003 and beyond	38	81,179
Total minimum rental payments required	1,108	$123,801
Less amount representing interest	(79)	
Present value of net minimum lease payments	1,029	
Less current maturities	(414)	
Long-term obligations, capital lease	$ 615	

[Logo]

Part Ii

Information Not Required in Prospectus

Item 12. Other Expenses of Issuance and Distribution The following table sets forth the estimated expenses payable by us in connection with the offering and distribution, including fees and expenses attributable to shares to be sold on behalf of the selling shareholders (excluding underwriting discounts and commissions):

Nature of Expense Amount

SEC Registration Fee	$52,800
NASD Filing Fee	20,500
Nasdaq National Market Listing Fee	1,000
Accounting Fees and Expenses	*
Legal Fees and Expenses	*
Printing Expenses	*
Blue Sky Qualification Fees and Expenses	15,000
Transfer Agent's Fee	*
Miscellaneous	*
TOTAL	

The amounts set forth above, except for the Securities and Exchange Commission, National Association of Securities Dealers, Inc. and Nasdaq National Market fees, are in each case estimated.

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers In accordance with Section 145 of the Delaware General Corporation Law, Article VII of our certificate of incorporation provides that no director of Digitas be personally liable to Digitas or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to Digitas or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) in respect of unlawful dividend payments or stock redemptions or repurchases, or (4) for any transaction from which the director derived an improper personal benefit. In addition, our certificate of incorporation provides that if the Delaware General Corporation Law is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Article V of our by-laws provides for indemnification by Digitas of its officers and certain non-officer employees under certain circumstances against expenses, including attorneys fees, judgments, fines and amounts paid in settlement, reasonably incurred in connection with the defense or settlement of any threatened, pending or completed legal proceeding in which any such person is involved by reason of the fact that such person is or was an officer or employee of the registrant if such person acted in good

faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of Digitas, and, with respect to criminal actions or proceedings, if such person had no reasonable cause to believe his or her conduct was unlawful.

Item 15. Recent Sales of Unregistered Securities Since its formation on November 5, 1998, our predecessor entity, Bronner Slosberg Humphrey Co., a Massachusetts business trust (the "Trust"), has issued the following securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"). The share numbers and per share values do not give

```
effect to the 30-for-1 stock split effected by the Trust in the form of a
stock dividend on December 2, 1999 nor to the conversion of shares on a   -
for-   basis in connection with the formation of a Delaware holding company to
be effected in connection with this offering.
```

(i) In connection with the formation of the Trust, on November 5, 1998 the Trust issued 1,000 shares of beneficial interest in the Trust (the "Shares") to Michael E. Bronner under Section 4(2) of the Securities Act ("Section 4(2)") for sales by an issuer not involving a public offering.

(ii) On November 6, 1998, in connection with the merger of Bronner Slosberg Humphrey, Inc. (the "Predecessor Corporation") with and into Bronner Slosberg Humphrey, LLC ("BSH LLC"), the Trust:

(a) issued 815,500.36 Shares in the Trust in exchange for the cancellation of the same number of shares, with the same par value, in the Predecessor Corporation, all pursuant to Section 4(2) for sales by an issuer not involving a public offering;

(b) assumed options to purchase 13,822.04 shares of the Predecessor Corporation granted pursuant to employee stock option agreements held by employees of the Predecessor Corporation as if such options were granted by the Trust, without any changes being made to any holder's rights under these employee stock option agreements and in reliance on Section 3(b) of the Securities Act ("Section 3(b)") and Rule 701 promulgated thereunder ("Rule 701") relative to sales pursuant to certain compensatory plans (to date, no option holder has exercised these options); and (c) assumed 225,500 units of stock appreciation rights ("SARS") granted under the Predecessor Corporation's 1997 stock appreciation rights plan as if such SARS were granted by the Trust, without any changes being made to any holder's rights thereunder, and pursuant to Section 4(2) or Regulation D promulgated thereunder ("Regulation D") for sales by an issuer not involving a public offering.

(iii) On January 6, 1999, in connection with the recapitalization of the Trust, the Trust:

(a) issued options to purchase 219,000 Shares in the Trust under the 1998 Option Plan (the "1998 Plan") in exchange for the cancellation of 219,000 SARS and in reliance on Section 3(a)(9) of the Securities Act ("Section 3(a)(9)") for exchanges by the issuer with certain security holders (to date, no option holder has exercised these options);

(b) issued options to purchase 13,822.04 Shares in the Trust under the 1998 Plan in exchange for the cancellation of 13,822.04 options granted pursuant to employee stock option agreements assumed in connection with the merger of the Predecessor Corporation with and into BSH LLC and in reliance on Section 3(a)(9) for exchanges by the issuer with certain security holders (these options were

repurchased by the Trust on July 6, 1999); and (c) issued a warrant for 15,000 shares of stock pursuant to the terms of the warrant agreement, dated as of January 6, 1999, and in reliance on Section 4(2) for sales by an issuer not involving a public offering.

(iv) On January 7, 1999, in connection with the transfer of Strategic Interactive Group Co.'s ("SIG CO") membership interest in SIG Holding LLC ("SIG Holding") to the Trust, the Trust:

(a) issued 187,690.58 Shares of the Trust in exchange for the transfer by SIG Co. of its membership interest in SIG Holding and in reliance on Section 4(2) for sales by an issuer not involving a public offering; and (b) issued options to purchase 55,444.08 Shares of the Trust pursuant to the Trust's 1998 Plan in exchange for the transfer by SIG Co. of its membership interest in SIG Holding and pursuant to Rule 701 relative to sales pursuant to certain compensatory plans (1974.14 Shares of the Trust have been issued to a holder upon the exercise of his options).

(v) From January 7, 1999 to December 15, 1999, the Trust has issued the following:

(a) in August 1999, the Trust sold 1,654.53 of its Shares to Arthur Kern as trustee of the Arthur Kern Revocable Trust for an aggregate purchase price of $249,834.03 and pursuant to Section 4(2) or Regulation D promulgated thereunder for sales by an issuer not involving a public offering;

(b) in August 1999, the Trust sold 1,654.53 of its Shares to Alan Beck for an aggregate purchase price of $249,834.03 and pursuant to Section 4(2) or Regulation D promulgated thereunder for sales by an issuer not involving a public offering;

(c) in August 1999, the Trust sold 5,000 of its Shares to Orit Gadiesch for an aggregate purchase price of $755,000.00 and pursuant to Section 4(2) or Regulation D promulgated thereunder for sales by an issuer not involving a public offering;

(d) pursuant to the Trust's 1998 Plan, the Trust has issued options to purchase 464,644.08 Shares of the Trust, of which 15,867.73 were issued in reliance on Rule 701 relative to sales pursuant to certain compensatory plans and 448,776.35 were issued in reliance on Section 4(2) or Regulation D promulgated thereunder for sales by an issuer not involving a public offering (to date, no option holder has exercised these options); and (e) pursuant to the Trust's 1999 Option Plan the Trust has issued a total of 51,600 options to purchase Shares of the Trust, of which 41,975 were issued in reliance on Rule 701 relative to sales pursuant to certain compensatory plans and 22,600 were issued in reliance on Section 4(2) or Regulation D promulgated thereunder for sales by an issuer not involving a public offering (to date, no option holder has exercised these options).

Item 16. Exhibits and Financial Statement Schedules +1.1 Form of Underwriting Agreement.

2.1 Agreement and Plan of Merger, dated as of November 6, 1998, by and among Bronner Slosberg Humphrey, LLC; Bronner Slosberg Humphrey Inc.; and Bronner Slosberg Humphrey Co.

2.2 Agreement and Plan of Merger, dated as of November 6, 1998, by and among Strategic Interactive Group, LLC; Strategic Interactive Group, Inc.; and Strategic Interactive Group Co.

2.3 Agreement and Plan of Merger, dated as of January 7, 1999, by and among Bronner Slosberg Humphrey, LLC; Strategic Interactive Group, LLC; and Bronner Slosberg Humphrey Co.

2.4 Agreement and Plan of Merger, dated as of January 7, 1999, by and among BSH Holding LLC; SIG Holding LLC; and Bronner Slosberg Humphrey Co.

2.5 The Recapitalization Agreement, dated as of November 28, 1998, by and among Hellman & Friedman Capital Partners III, L.P.; H & F Orchard Partners III, L.P.; H & F International Partners III, L.P.; Positano Partners Ltd.; Bronner Slosberg Humphrey Co.; Strategic Interactive Group Co.; the Shareholders of BSH and SIG; the Option Holders of BSH and SIG; the Share Appreciation Rights Holders of BSH and SIG; and the Other Rights Holders of BSH (including the Amendment Agreement, dated as of January 6, 1999).

+3.1 Certificate of Incorporation of Digitas Inc.

+3.2 By-laws of Digitas Inc.

+4.1 Specimen certificate for shares of common stock, $.01 par value, of Digitas Inc.

+5.1 Opinion of Goodwin, Procter & Hoar LLP as to the legality of the securities being offered.

10.1 The Bronner Slosberg Humphrey Co., 1998 Option Plan.

10.2 The Bronner Slosberg Humphrey Co., 1999 Option Plan.

+10.3 Form of 2000 Stock Option and Incentive Plan.

+10.4 Form of 2000 Employee Stock Purchase Plan.

+10.5 Lease Agreement, dated as of May 31, 1995, by and between The Prudential Insurance Company of America and Bronner Slosberg Humphrey Inc. (including amendment numbers 1-6, each dated as of May 31, 1995).

+10.6 Seventh Amendment to Lease, dated as of March 29, 1999, by and between BP Prucenter Acquisition, LLC and Bronner Slosberg Humphrey, LLC.

+10.7 Eight Amendment to Lease, dated as of July 30, 1999, by and between BP Prucenter Acquisition, LLC and Bronner Slosberg Humphrey, LLC.

+10.8 Sublease, dated as of December 22, 1997, by and between EMI Entertainment World, Inc., and Bronner Slosberg Humphrey Inc.

+10.9 Sublease, dated as of March 22, 1999, by and between EMI Music, Inc. and Bronner Slosberg Humphrey, LLC. +10.10 Agreement of Sublease, dated as of June 15, 1999, by and between Warner Music Group Inc. and Bronner Slosberg Humphrey, LLC.

+10.11 Agreement of Sublease, dated as of November 15, 1999, by and between Bill Communications, Inc. and Bronnercom, LLC.

+10.12 Sub-Sublease Agreement, dated as of June 5, 1998, by and between Strategic Interactive Group, Inc. and Allegiance Telecom, Inc.

+10.13 Sublease Agreement, dated as of August 21, 1997, by and among Tesseract Corporation; Strategic Interactive Group, Inc.; and Bronner Slosberg Humphrey Inc. (including the First Amendment, dated as of June 15, 1999).

+10.14 Lease Agreement, dated as of August 23, 1999, by and between M&S Balanced Property Fund, L.P. and Bronnercom, LLC.

+10.15 Lease Agreement, dated as of May 20, 1999, by and between Forward Publishing Limited and Bronner Slosberg Humphrey (UK) Inc.

+10.16 Credit Agreement, dated as of January 6, 1999, by and among Bronner Slosberg Humphrey, LLC and Strategic Interactive Group, LLC (as borrower); the Lenders listed therein (as lenders); Bankers Trust Company (as administrative agent); Fleet National Bank (as documentation agent); and BankBoston, N.A. (as syndication agent).

+10.17 The First Amendment to Credit Agreement, dated as of November 5, 1999, by and among Bronnercom, LLC (as borrower); the lenders listed on the signature page thereof (as lenders); Bankers Trust Company (as administrative agent); and Fleet Boston Corporation (as documentation and syndication agent). 10.18 Warrant Agreement, dated as of January 6, 1999, by and between Bronner Slosberg Humphrey Co. and Positano Partners Ltd.

10.19 Escrow Agreement, dated as of January 6, 1999, by and among Michael E. Bronner; David W. Kenny; Bronner Slosberg Humphrey Co.; Strategic Interactive Group Co.; Positano Partners Ltd.; and Boston Safe Deposit and Trust Co.

10.20 Shareholders Agreement, dated as of January 6, 1999, by and among Positano Partners Ltd.; the Holders (as defined therein); Michael E. Bronner; The Michael E. Bronner 1998 Annuity Trust; Bronner Slosberg Humphrey Co.; Bronner Slosberg Humphrey, LLC; and BSH Holding.

10.21 Governance Agreement, dated as of January 6, 1999, by and among Positano Partners Ltd.; Vesuvio, Inc.; Michael E. Bronner; and David W. Kenny.

10.22 Registration Rights Agreement, dated as of January 6, 1999, by and among Bronner Slosberg Humphrey Co.; Positano Partners Ltd.; Michael E. Bronner; and the Persons listed on Schedule 1 thereto.

10.23 Employment Agreement, dated as of January 6, 1999, by and between Kathleen Biro and Bronner Slosberg Humphrey, LLC.

10.24 Employment Agreement, dated as of January 6, 1999, by and between David W. Kenny and Bronner Slosberg Humphrey, LLC.

10.25 Employment Agreement, dated as of January 6, 1999, by and between Michael Ward and Bronner Slosberg Humphrey, LLC.

21.1 Subsidiaries of Digitas Inc.

+23.1 Consent of Goodwin, Procter & Hoar LLP (included in Exhibit 5.1 hereto).

23.2 Consent of PricewaterhouseCoopers LLP.

24.1 Powers of Attorney (included on signature page).

27.1 Financial Data Schedule.

+ To be filed by amendment to the registration statement.

(b) Financial Statement Schedules Schedule II--Valuation and Qualifying Accounts All other schedules have been omitted because they are not required or because the required information is given in the Financial Statements or Notes to those statements.

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 of 1933 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 Securities and Exchange Commission such indemnification is against public policy as expressed in the 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 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 of 1933, 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 of 1933, 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 Boston, Commonwealth of Massachusetts, on December 23, 1999.

Digitas Inc.

By: /s/ David W. Kenny Name: David W. Kenny Title: Chief Executive Officer

Power of Attorney

KNOWN ALL MEN BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints each of David W. Kenny and Michael Ward such person's true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement (or to any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act), and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that any said attorney-in-fact and agent, or any substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof.

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/ David W. Kenny - ---------- David W. Kenny	Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)	December 23, 1999
/s/ Michael Ward - ---------- Michael Ward	Acting Chief Financial Officer (principal financial officer and principal accounting officer)	December 23, 1999

/s/ Michael Bronner Director December 23, 1999 Michael E. Bronner /s/ John L. Bunce, Jr. Director December 23, 1999 John L. Bunce, Jr.

Director December , 1999 Orit Gadiesh /s/ Patrick J. Healy Director December 23, 1999 Patrick J. Healy /s/ Arthur Kern Director December 23, 1999 Arthur Kern /s/ Kathleen L. Biro Director December 23, 1999 Kathleen L. Biro /s/ Philip U. Hammarskjold Director December 23, 1999 Philip U. Hammarskjold .

Schedule Ii

Digitas Inc.

Valuation and Qualifying Accounts

(In Thousands)

Description	Beginning	Charge To Expense	Deductions	Other	Ending
FISCAL YEAR 1998					
Allowance for Doubtful Accounts...	$741	$216	$(190)	$--	$767
FISCAL YEAR 1997					
Allowance for Doubtful Accounts...	707	310	(276)	--	741
FISCAL YEAR 1996					
Allowance for Doubtful Accounts...	551	163	--	(7)	707

Exhibit Index

Exhibit Number Description Page No.

+1.1 Form of Underwriting Agreement.

2.1 Agreement and Plan of Merger, dated as of November 6, 1998, by and among Bronner Slosberg Humphrey, LLC; Bronner Slosberg Humphrey Inc.; and Bronner Slosberg Humphrey Co.

2.2 Agreement and Plan of Merger, dated as of November 6, 1998, by and among Strategic Interactive Group, LLC; Strategic Interactive Group, Inc.; and Strategic Interactive Group Co.

2.3 Agreement and Plan of Merger, dated as of January 7, 1999, by and among Bronner Slosberg Humphrey, LLC; Strategic Interactive Group, LLC; and Bronner Slosberg Humphrey Co.

2.4 Agreement and Plan of Merger, dated as of January 7, 1999, by and among BSH Holding LLC; SIG Holding LLC; and Bronner Slosberg Humphrey Co.

2.5 The Recapitalization Agreement, dated as of November 28, 1998, by and among Hellman & Friedman Capital Partners III, L.P.; H & F Orchard Partners III, L.P.; H & F International Partners III, L.P.; Positano Partners Ltd.; Bronner Slosberg Humphrey Co.; Strategic Interactive Group Co.; the Shareholders of BSH and SIG; the Option Holders of BSH and SIG; the Share Appreciation Rights Holders of BSH and SIG; and the Other Rights Holders of BSH (including the Amendment Agreement, dated as of January 6, 1999).

+3.1 Certificate of Incorporation of Digitas Inc.

+3.2 By-laws of Digitas Inc.

+4.1 Specimen certificate for shares of common stock, $.01 par value, of Digitas Inc.

+5.1 Opinion of Goodwin, Procter & Hoar LLP as to the legality of the securities being offered.

10.1 The Bronner Slosberg Humphrey Co., 1998 Option Plan.

10.2 The Bronner Slosberg Humphrey Co., 1999 Option Plan.

+10.3 Form of 2000 Stock Option and Incentive Plan.

+10.4 Form of 2000 Employee Stock Purchase Plan.

+10.5 Lease Agreement, dated as of May 31, 1995, by and between The Prudential Insurance Company of America and Bronner Slosberg Humphrey Inc. (including amendment numbers 1-6, each dated as of May 31, 1995).

+10.6 Seventh Amendment to Lease, dated as of March 29, 1999, by and between BP Prucenter Acquisition, LLC and Bronner Slosberg Humphrey, LLC.

+10.7 Eight Amendment to Lease, dated as of July 30, 1999, by and between BP Prucenter Acquisition, LLC and Bronner Slosberg Humphrey, LLC.

+10.8 Sublease, dated as of December 22, 1997, by and between EMI Entertainment World, Inc., and Bronner Slosberg Humphrey Inc.

+10.9 Sublease, dated as of March 22, 1999, by and between EMI Music, Inc. and Bronner Slosberg Humphrey, LLC.

+10.10 Agreement of Sublease, dated as of June 15, 1999, by and between Warner Music Group Inc. and Bronner Slosberg Humphrey, LLC.

Exhibit Number Description Page No.

+10.11 Agreement of Sublease, dated as of November 15, 1999, by and between Bill Communications, Inc. and Bronnercom, LLC.

+10.12 Sub-Sublease Agreement, dated as of June 5, 1998, by and between Strategic Interactive Group, Inc. and Allegiance Telecom, Inc.

+10.13 Sublease Agreement, dated as of August 21, 1997, by and between Tesseract Corporation; Strategic Interactive Group, Inc.; and Bronner Slosberg Humphrey Inc. (including the First Amendment, dated as of June 15, 1999).

+10.14 Lease Agreement, dated as of August 23, 1999, by and between M&S Balanced Property Fund, L.P. and Bronnercom, LLC.

+10.15 Lease Agreement, dated as of May 20, 1999, by and between Forward Publishing Limited and Bronner Slosberg Humphrey (UK) Inc.

+10.16 Credit Agreement, dated as of January 6, 1999, by and among Bronner Slosberg Humphrey, LLC and Strategic Interactive Group, LLC (as borrower); the Lenders listed therein (as lenders); Bankers Trust Company (as administrative agent); Fleet National Bank (as documentation agent); and BankBoston, N.A. (as syndication agent).

+10.17 The First Amendment to Credit Agreement, dated as of November 5, 1999, by and among Bronnercom, LLC (as borrower); the lenders listed on the signature page thereof (as lenders); Bankers Trust Company (as administrative agent); and Fleet Boston Corporation (as documentation and syndication agent).

10.18 Warrant Agreement, dated as of January 6, 1999, by and between Bronner Slosberg Humphrey Co. and Positano Partners Ltd.

10.19 Escrow Agreement, dated as of January 6, 1999, by and among Michael E. Bronner; David W. Kenny; Bronner Slosberg Humphrey Co.; Strategic Interactive Group Co.; Positano Partners Ltd.; and Boston Safe Deposit and Trust Co.

10.20 Shareholders Agreement, dated as of January 6, 1999, by and among Positano Partners Ltd.; the Holders (as defined therein); Michael E. Bronner; The Michael E. Bronner 1998 Annuity Trust; Bronner Slosberg Humphrey Co.; Bronner Slosberg Humphrey, LLC; and BSH Holding.

10.21 Governance Agreement, dated as of January 6, 1999, by and among Positano Partners Ltd.; Vesuvio, Inc.; Michael E. Bronner; and David W. Kenny.

10.22 Registration Rights Agreement, dated as of January 6, 1999, by and among Bronner Slosberg Humphrey Co.; Positano Partners Ltd.; Michael E. Bronner; and the Persons listed on Schedule 1 thereto.

10.23 Employment Agreement, dated as of January 6, 1999, by and between Kathleen Biro and Bronner Slosberg Humphrey, LLC.

10.24 Employment Agreement, dated as of January 6, 1999, by and between David W. Kenny and Bronner Slosberg Humphrey, LLC. 10.25 Employment Agreement, dated as of January 6, 1999, by and between Michael Ward and Bronner Slosberg Humphrey, LLC.

21.1 Subsidiaries of Digitas Inc.

Exhibit Number Description Page No.

+23.1 Consent of Goodwin, Procter & Hoar LLP (included in Exhibit 5.1 hereto).

23.2 Consent of PricewaterhouseCoopers LLP.

24.1 Powers of Attorney (included on signature page).

27.1 Financial Data Schedule.

+ To be filed by amendment to the registration statement. </TEXT>