FILE

True Values Television Network, Inc.

July 2001

Grohman, Marty-Nelson, Kalevitch & Gilmore, P.A.

Attorneys and Counselors at Law
The Meadows Corporate Center
Suite 200-300
Easton, Franklin 33333

MEMORANDUM

TO: Applicant
FROM: Joe Grohman
RE: TVTV Hostile Takeover
DATE: July 24, 2001

We serve as outside corporate counsel for True Values Television Network, Inc. (TVTV), a Franklin entity that owns and operates television stations in major and minor media markets throughout the U.S.

A short time ago, TVTV received a hostile offer from Metro Communications Corporation (Metro) to buy all of TVTV's assets. Rudy Braccia, founder, chairman of the board, and primary shareholder of TVTV, is adamantly opposed to this takeover. In his attempt to thwart Metro's planned takeover, Braccia has stepped up merger discussions with the Family Friendly Publishing Company (Friendly).

As you can see from the materials in the File, there are various shareholder groups with differing interests, some of whom favor the deal with Metro and some of whom might be better off with the Friendly deal.

For example, Corporate Resources Investment Fund (CRIF), a major institutional investor in TVTV, is demanding, on behalf of itself and other shareholders, that TVTV abandon its attempt to reach an agreement with Friendly and instead cooperate with Metro's acquisition efforts.

On the other hand, the TVTV Board is not at all sure that it is in the best interests of the corporation or other shareholder groups to accept either offer. If there is going to be a transaction, however, the Board favors a deal with Friendly.

Section 103(c) of the Franklin Corporations Code refers to various other groups, in addition to the corporation and its shareholders, whose interests the Board is entitled to consider when making a decision regarding the best interests of the corporation and its shareholders.

To help me in counseling the Board about its options, please draft a memo that:

1) **Describes what are the conflicting interests of the corporation, each shareholder group, and each of the other groups identified in Section 103(c); and**
2) **Analyzes whether and how, consistent with its fiduciary duty, the Board can justify a decision to negotiate exclusively with Friendly in spite of the various conflicting interests.**

In structuring part one of your memo, please identify and discuss the interests of the corporation and each of the shareholder groups and other groups separately. Write part two of your memo in straight narrative form.

Zanetti Kaufman Ono & Krause
One Lauderdale Plaza - Suite 400
Davie, Franklin 33212
555/777-5555

July 10, 2001

Rudolph Braccia, Chairman of the Board
True Values Television Network, Inc.
100 TVTV Drive
Dania, Franklin 33113

Dear Mr. Braccia:

Corporate Resources Investment Fund (CRIF) is an institutional investor with significant holdings of True Values Television Network, Inc. (TVTV) stock. CRIF's Board of Directors has directed me to inform you of its strong objections to the TVTV Board's de facto rejection of the recent offer by Metro Communications Corporation (Metro) to buy all of TVTV's assets. The CRIF Board is similarly concerned with the TVTV Board's reported intention to pursue a possible merger with the Family Friendly Publishing Company (Friendly).

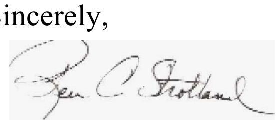
CRIF understands that Metro has offered to purchase all of TVTV's assets at a price that is the equivalent of $47 per share. CRIF also understands that the Friendly merger offer that is being favorably viewed by the TVTV Board can be fairly valued at only $38 per share, almost 20% below the Metro proposal.

The reason the TVTV Board is continuing the discussion with Friendly is the belief that Friendly is committed to the "family friendly" programming philosophy that marks the operation of TVTV. In contrast, the Board has rejected the Metro offer apparently because it is unlikely Metro will continue to follow the current TVTV programming format.

The CRIF Board wants to maximize immediate financial return to investors. The CRIF Board, therefore, holds strongly to the position that, if the TVTV Board were to act in the fashion and for the reasons described above, it would amount to a breach of the duty owed to the stockholders, including CRIF and the three other institutional investors. See *Cole Corporation v. Nord, Inc.,* Franklin Supreme Court (1992).

If the TVTV Board fails to carry out its legal obligations, CRIF will sue to block the TVTV Board from pursuing a business relationship with Friendly and to obtain other appropriate relief.

Sincerely,



Reu C. Shotland, Esq.
For the Firm
cc: Members of the TVTV Board of Directors
Richard Schwartz, Chairman of the CRIF Board of Directors

Metro Communications Corporation MC
Boulevard World Headquarters Metro,
Columbia 11115

July 9, 2001

Rudolph Braccia, Chairman of the Board
True Values Television Network, Inc.
100 TVTV Drive
Dania, Franklin 33113

Dear Mr. Braccia:

On behalf of Metro Communications Corporation (Metro), I extend to True Values Television Network, Inc. (TVTV) and its shareholders Metro's offer to purchase all of TVTV's assets for $282 million, which is equivalent to $47 per share. TVTV shares closed yesterday at $34 per share.

Metro offers this premium price because of the value of these assets and the positive fit between Metro and TVTV. Metro and TVTV have crossover operations in 49 markets that could be owned by a single company under FCC regulations. Because 42 of our crossover stations are located in the 50 largest markets in the nation, TVTV's broadcast license assets are valuable to Metro.

Metro's expertise in operating television stations across the country allows it to determine which minor market outlets should be sold and which stations will be operated by Metro's personnel rather than by TVTV's personnel. Metro will close any TVTV stations that cannot be profitably operated or sold.

Metro's formal proposal is being sent under separate cover. Failure to respond positively to our offer within 45 days will cause irreparable injury to Metro and force us to take remedial legal action against the TVTV Board.

Sincerley,

Marilyn B. Cane, President

Excerpts from Confidential Report to TVTV from

Goldman, Morgan, Smith & Barney

Investment Bankers

New York, New York

True Values Television Network, Inc. (TVTV)

May 29, 2001

TVTV owns 80 television stations (42 located in the 50 largest U.S. markets), down from 90 a year ago. TVTV broadcasts a variety of family-oriented programs, including syndicated reruns of popular network shows (e.g., Touched by an Angel; Highway to Heaven), as well as a few original programs produced exclusively for TVTV (e.g., Happy Island; Adventures of Louis the Saint) and made-for-TV movies (G or PG rated). In the past year, the Company sold its 10 best stations in the minor media market to raise much-needed capital.

The outstanding shares of TVTV stock total 6 million:

- Rudy Braccia, founder and Board chairman, and the Board members who do not represent institutional shareholders —2.5 million shares (about 42%)

- Institutional investors, led by CRIF—1.5 million shares (25%)

- Individual investors—the remaining 2 million shares (33%) (See below for breakdown as between *Good Times* subscribers and others.)

Trading in TVTV shares is light, an average of 70,000 shares a day, slightly more than 1% of the stock. In the last year, the price of TVTV stock has ranged from a low of $25 a share to a high of $39 a share.

A stock ownership anomaly is the large number of shares owned by TVTV's dedicated viewers. At the time of the launch of the TVTV network, management promoted the sale of shares through places of worship within its broadcast areas. Those who purchased five shares of TVTV stock were entitled to receive the Company's monthly program guide, *Good Times,* at a deeply discounted rate.

Almost 250,000 individuals bought at least five shares. While some of those who originally bought Company stock in response to this promotion (primarily those who live in the markets where TVTV sold its stations) have sold their shares, a remarkable percentage of the Company's stock is held by those who, according to a year-2000 marketing survey, appear to be committed to TVTV's broadcasting philosophy. Today, more than 200,000 individuals, who own at least 1 million shares of TVTV stock (about 17%), subscribe to *Good Times* at the special stock ownership rate.

* * * *

It is difficult to place a value on TVTV. The Company has not met its goals. It has performed poorly and continues to decline. It has lost an increasing amount of money each year since its creation three years ago, and last year it lost $69 million. The Company's declining viewership translates into weak advertising sales, effectively capping income while production and other expenses continue to rise.

On the other hand, TVTV controls valuable assets. Despite its modest viewership, the Company's assets have risen in value as a result of the Federal Communications Commission's ruling that allows one company to own two stations in a single market. Inevitably, TVTV will be the target of takeover attempts by other broadcast companies or those who wish to enter the field.

Taking all of these factors into consideration, it is the judgment of the firm that the present value of TVTV is $309 million (or $50 per outstanding share).

Grohman, Marty-Nelson, Kalevitch & Gilmore, P.A.

Attorneys and Counselors at Law

The Meadows Corporate Center

Suite 200-300

Easton, Franklin 33333

INTEROFFICE MEMORANDUM

TO: TVTV File

FROM: Joe Grohman

RE: NOTES OF INTERVIEW WITH RUDY BRACCIA

DATE: July 20, 2001

Braccia reviewed status of offers from Metro and Friendly.

- Metro's offer is to pay TVTV $282 million for all of the Company's assets (broadcast licenses, station equipment, etc.), the equivalent of $47 per share. If TVTV accepted this offer, it would become a mere shell company with cash to distribute to shareholders.

- Friendly has upped offer to equivalent of $40 per share. TVTV shareholders would not get cash but would receive 2 shares of Friendly stock for each TVTV share held (Friendly presently trading at $20/share). Braccia believes Friendly will increase offer to $45 (2.25 shares of Friendly for each share of TVTV) if it appears Metro is likely to be successful. When pressed, Braccia admitted Metro may up its merger offer to the equivalent of $50, the "fair value" projected by Goldman, Morgan, but doubts Friendly will go over $45 per share.

- Friendly will absorb TVTV's broadcast operations, has committed to follow the "family friendly" broadcast philosophy of TVTV, and has agreed to make that commitment an element of the merger agreement. Friendly's president also gave assurance that stations in smaller markets would be retained; most of those are in the heartland of America where Friendly's present products sell well.

- Braccia questioned Friendly president, Mark Dobson, about Friendly's ability to carry out its commitment because Friendly has no experience in broadcasting. Dobson said Friendly will depend heavily on TVTV's experienced personnel to manage and to implement Friendly's broadcast plan. Emphasized that Friendly's successful implementation of the same philosophy in other media can be carried over to broadcasting. Dobson will continue TVTV's efforts to support the production of "family friendly" programming.

- Braccia firmly believes Friendly has the resources and the business strategy to make "family friendly" broadcasting financially successful. Friendly shares have quadrupled in value over the last three years (from $5 to $20 per share). By merging with Friendly, TVTV shareholders are likely to benefit from what Braccia believes will be Friendly's growth as it branches into broadcasting. Of course, Braccia acknowledges there is a real risk that Friendly will be unsuccessful in implementing the "family friendly" television philosophy.

- Braccia is worried about what's going to happen to the 400 TVTV employees who work in 30+ small market stations. He is also concerned that the people in these small communities will be denied access to "family friendly" programming and that the producers of such programs will lose their outlet.

INDUSTRY ANALYSIS by **SIMON SCOTT**

Will TVTV's Braccia Dance with the Media Devils?

Rudy Braccia, the "angel" behind TVTV, had hoped that "feel good" programming would be the answer to the network's financial prayers. It doesn't appear, however, that those prayers have been answered. TVTV continues to wallow in low viewer numbers despite the wide geographic reach of its 80 stations (42 of the top 50 markets).

But Braccia may be "saved" by a miracle, so to speak. An FCC rule change allowing broadcasters to own two outlets in a single market has made smaller networks, like TVTV, attractive takeover targets.

The word on the street is that media giant Metro has made a bid to capture TVTV. How will Braccia and a board dominated by fans of "family friendly" programming react to the broadcast "heathens"? If Metro gets its hands on TVTV's juicy stations, you can be sure "Touched by an Angel" will be replaced by Metro's brand of "sex, crime and rock 'n' roll." The FCC has handed Rudy Braccia a gift, a chance to share ownership in his struggling operation or even sell all of his company to a competitor, like Metro. What will Braccia decide? And will it be just a matter of money?

Braccia, who recently referred to the network he created as "the most eligible bachelor at the media dance," is said to have initiated discussions with an unlikely partner, the Family Friendly Publishing Company. Friendly is not involved in television in any way. Its business is limited to book publishing, greeting cards, and Internet communications. Successful, cash-rich, and family-friendly, Friendly is an ideological match for Braccia and TVTV, but one wonders if it can compete in the dog-eat-dog world of broadcasting.

It won't be long before we learn whether Braccia will "dance with the media devils." As usual, stay tuned!