



Gerald D. Hines Interests    One Galleria Tower    13355 Noel Road, Suite 2290    Dallas, Texas 75240    Area Code 214.934-3600

December 28, 1988

Mr. Scott Yeager  
Network Communications, Inc.  
9894 Bissonnet, Suite 310  
Houston, TX 77036

Dear Scott:

As a follow-up to our meeting earlier this month, Gerald D. Hines Interests currently declines to invest funds in Network Communications, Inc. After two months of extensive research into your business concept, we are intrigued by its prospects for success and how it could better serve the communication needs of Houston businesses. Naturally, however, such a new venture is not without significant risk. After much reflection and after carefully weighing these risks we decline to take a capital investment risk at this time given our firm's risk profile.

In our judgment the most significant risks are briefly summarized below:

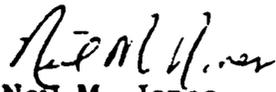
- . Will Southwestern Bell be successful in their apparent efforts to pre-empt competition in the local loop? Both S.R. 23.27 and I.C.B.'s are means by which SWB could engage in predatory and discriminatory pricing. What additional freedom will they receive in the future?
- . Is the current market large enough and can Network's market penetration be high enough to reach breakeven ever, or in a sufficient time frame to not require additional funding? If yes, will market penetration be quick enough to provide a reasonable rate of return?
- . Are the economics of installing such an extensive physical network coupled with Network's franchise and right-of-way rights sufficient barriers to entry to keep another player from entering the business (we doubt that the market is large enough for more than one competitor in addition to Bell)?

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Naturally, these risks must be weighed against the prospective rewards which may result from early involvement in this new emerging business. Other prospective capital suppliers with more aggressive risk profiles or who are able to gain a greater comfort level on the key risks stated above may likely find the risk/reward tradeoff associated with an investment to be more favorable.

In any event, we wish you well with the concept. Staman, Tom and I and others at Gerald D. Hines Interests very much enjoyed working with both you and Larry during the past couple of months.

Very truly yours,



Neil M. Jones  
Vice President

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