

INTEGRITY MEDIA INC

Form DEF 14A

May 14, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

INTEGRITY MEDIA, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- o No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - 1) Title of each class of securities to which transaction applies:
Class A Common Stock, par value \$0.01 per share
Class B Common Stock, par value \$0.01 per share

 - 2) Aggregate number of securities to which transaction applies:
2,217,886 shares

 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The amount assumes the exchange of approximately 2,217,886 shares of Class A common stock, par value \$0.01 per share, of Integrity Media, Inc., for the right to receive \$6.50 per share in cash, without interest.

 - 4) Proposed maximum aggregate value of transaction:
\$14,416,259

 - 5) Total fee paid:
\$1,826.54
- x Fee paid previously with preliminary materials.

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- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

1000 Cody Road

**Mobile, Alabama 36695
(251) 633-9000**

May 13, 2004

Dear Integrity Stockholders:

You are cordially invited to attend a Special Meeting of Stockholders of Integrity Media, Inc., to be held at 9:00 a.m., local time, on July 8, 2004, at Integrity's headquarters located at 1000 Cody Road, Mobile, Alabama 36695. At the meeting, you will be asked to consider and vote upon a proposal to adopt an Agreement and Plan of Merger, dated as of March 1, 2004, pursuant to which Kona Acquisition Corp. will merge with and into Integrity, with Integrity as the surviving corporation. Our Chairman, President and Chief Executive Officer, P. Michael Coleman, owns 100% of the outstanding capital stock of Kona Acquisition Corp.

This merger, if approved, will enable us to terminate the registration of our Class A common stock under the federal securities laws and thereby eliminate the significant expense required to comply with the reporting and related requirements under those laws. Commonly referred to as a "going private" transaction, the proposed merger will ensure that the number of our Class A common stockholders of record remains fewer than 300, as required for the elimination of our periodic reporting obligations under the federal securities laws. As a result, our Class A common stock will be ineligible for listing on the Nasdaq National Market.

Under the terms of the merger agreement, each outstanding share of our Class A common stock (other than shares as to which appraisal rights have been demanded and not withdrawn or lost) held by those of you other than P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity) will, at the effective time of the merger, be converted into the right to receive \$6.50 in cash, without interest, and each outstanding share of our Class A common stock (other than shares as to which appraisal rights have been demanded and not withdrawn or lost) held by P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity) will continue to be held by such holders after the merger. Further, each share of Integrity Class B common stock will be converted into one share of Class A common stock and such converted shares will continue to be held by such holders after the merger. Throughout this proxy statement, when we refer to the cashed-out stockholders or non-continuing stockholders, we are referring to the holders of Integrity's Class A common stock other than P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity). Throughout this proxy statement, when we refer to the continuing stockholders, we are referring to all of the holders of Integrity's Class B common stock and the following holders of Integrity's Class A common stock: P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity).

As a result of the merger, if you are a Class A common stockholder and not one of the 14 officers of Integrity listed in the paragraph above, you will not have any ownership interest in Integrity and you will not participate in any potential future earnings (or losses) or growth of Integrity after the merger. Those of you who are one of the 14 officers of Integrity listed in the paragraph above will continue to own the same number of shares after the merger (unless you exercise appraisal rights with respect to your shares). Those of you who hold shares of Integrity's Class B common stock will, immediately prior to the merger, have each share of Class B common stock converted into one share of Class A common stock and, after the merger, will continue to own the same number of such converted shares (unless you exercise appraisal rights with respect to your shares).

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P. Michael Coleman, the sole stockholder of Kona Acquisition Corp., through financing arrangements with LaSalle Bank, N.A. and Key Principal Partners, LLC, has agreed to provide all of the cash merger consideration payable to the non-continuing holders that will be cashed out in the merger. All of Kona's common stock will, at the effective time of the merger, be cancelled and retired and shall cease to exist.

Our board of directors formed a special committee of independent directors to review, evaluate and negotiate the terms of the merger agreement and to make a recommendation to our entire board as to whether to adopt the merger agreement and recommend it to our stockholders. In doing so, the special committee consulted with its own legal and financial advisors. In making its recommendation, the special committee considered a variety of factors, which are described in the accompanying proxy statement. In addition, the special committee received the written opinion of SunTrust Robinson Humphrey that, subject to the assumptions, qualifications and limitations set forth in the opinion, as of March 1, 2004, the consideration to be received by the holders of the Class A common stock who are not one of the 14 officers of Integrity named above in the merger is fair, from a financial point of view, to these stockholders.

After careful consideration, the board of directors of Integrity, acting in part upon the unanimous recommendation of the special committee, unanimously determined (with P. Michael Coleman and his spouse, Jean C. Coleman, abstaining) that the merger is advisable, fair to and in the best interests of Integrity's public stockholders and has adopted the merger agreement and, accordingly, recommends that you vote FOR adoption of the merger agreement.

Consummation of the merger is subject to certain conditions, including the affirmative vote by a majority of the shares of our Class A common stock entitled to vote at the special meeting neither held by the continuing stockholders, The Coleman Charitable Foundation nor those holders affiliated with Integrity as officers or directors. Details of the proposed transaction are set forth in the accompanying proxy statement, which we urge you to read carefully in its entirety.

To adopt the merger agreement and approve the merger you should cast a vote FOR this proposal by following the instructions contained in the enclosed proxy card. If you properly sign and return your proxy card with no voting instructions, you will be deemed to have voted FOR adoption of the merger agreement and FOR granting discretion for the designated proxies to vote upon any motion to adjourn or postpone the special meeting to solicit additional proxies. If you fail to return your proxy card and fail to vote at the special meeting, the effect will be the same as a vote against the adoption of the merger agreement and the approval of the merger. **RETURNING THE PROXY CARD DOES NOT DEPRIVE YOU OF YOUR RIGHT TO ATTEND THE SPECIAL MEETING AND VOTE YOUR SHARES IN PERSON.**

Please do not send your Integrity Class A common stock certificates at this time. If the merger is completed, you will receive written instructions for exchanging your Integrity Class A common stock certificates for cash.

Sincerely,

JERRY W. WEIMER

Executive Vice President and Chief Operating Officer

Mobile, Alabama

This proxy statement is dated May 13, 2004 and is first being mailed to stockholders of Integrity on or about May 13, 2004.

Neither the SEC nor any state securities commission has approved or disapproved this transaction, passed upon the merits or fairness of this transaction, or passed upon the adequacy or accuracy of the information contained in this proxy statement. Any representation to the contrary is a criminal offense.

**1000 Cody Road
Mobile, Alabama 36695
(251) 633-9000**

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON JULY 8, 2004

Notice is hereby given that a Special Meeting of the holders of the \$.01 par value per share Class A common stock and the \$.01 par value per share Class B common stock of Integrity Media, Inc. will be held on July 8, 2004 at 9:00 a.m., local time, at Integrity's headquarters located at 1000 Cody Road, Mobile, Alabama 36695 for the following purposes:

1. To consider and vote upon a proposal to adopt and approve the Agreement and Plan of Merger, dated as of March 1, 2004, by and among Integrity, Kona Acquisition Corp. and P. Michael Coleman, pursuant to which, among other things, Kona will be merged with and into Integrity, with Integrity being the surviving corporation, upon the terms and subject to the conditions of the merger agreement described in the accompanying proxy statement;
2. To consider and vote on any motion submitted to a vote of the stockholders to adjourn or postpone the special meeting to another time and place for the purpose of soliciting additional proxies; and
3. To consider, act upon and transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.

The proposals are described in detail in the accompanying proxy statement and the appendices thereto. You are urged to read these materials very carefully and in their entirety before deciding how to vote. In particular, you should consider the discussion in the section of this proxy statement entitled "Special Factors."

The board of directors of Integrity has fixed the close of business on May 13, 2004 as the record date for determining the stockholders entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. Only holders of record of shares of Integrity Class A and Class B common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements thereof. The affirmative vote by (i) a majority of the outstanding stock entitled to vote at the special meeting and (ii) a majority of the shares of Integrity's Class A common stock entitled to vote at the special meeting neither held by the continuing stockholders, The Coleman Charitable Foundation nor those holders affiliated with Integrity as officers or directors is required to adopt the merger agreement and approve the merger. The affirmative vote by a majority of the shares present in person or represented by proxy at the special meeting is required to approve any motion to adjourn or postpone the special meeting for the purpose of soliciting additional proxies.

After careful consideration, the board of directors of Integrity, acting in part upon the unanimous recommendation of the special committee, unanimously determined (with P. Michael Coleman and his spouse, Jean C. Coleman, abstaining) that the merger is advisable, fair to and in the best interests of Integrity's public stockholders and has adopted the merger agreement and, accordingly, recommends that you vote FOR adoption of the merger agreement.

Your vote is very important, regardless of the number of shares of Integrity common stock you own. Please vote your shares as soon as possible to ensure that your shares are represented at the special meeting. To vote your shares, you must complete and return the enclosed proxy card. If you are a holder of record, you may also cast your vote in person at the special meeting. If your shares are held in an

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account at a brokerage firm or bank, you must instruct them on how to vote your shares. If you do not instruct your broker or bank on how to vote, it will have the same effect as voting against the adoption of the merger agreement and approval of the merger.

All holders of our capital stock have the right under Delaware law to demand an appraisal of their shares and to have a judicial determination of the fair value of their shares. These rights, generally known as appraisal rights, are described in detail in the proxy statement accompanying this notice. In addition, a copy of Section 262 of the Delaware General Corporation Law, which governs appraisal rights, is attached as Appendix C to this proxy statement. We urge you to read both the applicable section of the proxy statement and the statutory provisions carefully. If you wish to demand an appraisal of your shares, you must strictly comply with the statutory requirements.

By Order of the Board of Directors,

DONALD S. ELLINGTON

Senior Vice President of Finance and Administration

Mobile, Alabama
May 13, 2004

WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN, DATE, AND RETURN THE ENCLOSED PROXY CARD PROMPTLY IN THE ENCLOSED BUSINESS REPLY ENVELOPE. IF YOU ATTEND THE SPECIAL MEETING YOU MAY, IF YOU WISH, WITHDRAW YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

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SUMMARY TERM SHEET

The following summary term sheet, together with the Questions and Answers About the Merger following this summary term sheet, highlight selected information from this proxy statement about our proposed merger and the special meeting. This summary term sheet and the question and answer section may not contain all of the information that is important to you. To better understand, and for a more complete description of, the merger and the other matters on which you will vote, you should carefully read this entire document and all of its appendices before you vote. For your convenience, we have directed your attention in parentheses to the location in this proxy statement where you can find a more complete discussion of each item listed below.

As used in this proxy statement, Integrity, we, our, and us refer to Integrity Media, Inc. and all of its subsidiaries, the term Kona refers to Kona Acquisition Corp., the term Coleman, Mr. Coleman or P. Michael Coleman refers to P. Michael Coleman, Kona's sole stockholder and Integrity's Chairman, President and Chief Executive Officer and largest stockholder, the term merger agreement refers to the Agreement and Plan of Merger by and among Integrity, Kona and Coleman dated March 1, 2004, and the term common stock or common shares refers to the issued and outstanding shares of Integrity Class A common stock, par value \$0.01 per share, and Integrity Class B common stock, par value \$0.01 per share.

The Parties (see page 48)

Integrity Media, Inc.

1000 Cody Road
Mobile, Alabama 36695

Integrity Media, Inc., a Delaware corporation, is a media/communications company that produces, publishes and distributes Christian music, books and related products.

Kona Acquisition Corp.

c/o Integrity Media, Inc.
1000 Cody Road
Mobile, Alabama 36695

Kona Acquisition Corp., a Delaware corporation, was formed at the direction of P. Michael Coleman solely for the purpose of engaging in the transactions contemplated by the merger agreement. Kona has not conducted any significant activities other than those incident to its approval and execution of the merger agreement and related documents. Kona has no material assets or liabilities, other than its rights and obligations under the merger agreement and the LaSalle Bank, N.A. and Key Principal Partners, LLC financing documents.

P. Michael Coleman

P. Michael Coleman, who beneficially owns 100% of the outstanding capital stock of Kona and approximately 60% of the outstanding capital stock of Integrity and is the Chairman, President and Chief Executive Officer of Integrity, co-founded Integrity in 1987 when he and a partner purchased the music operations of Integrity Communications, Inc. from Charles Simpson Ministries, Inc. He has served as Chairman, President and the Chief Executive Officer of Integrity since 1987. In his capacity, Mr. Coleman oversees the company and the senior managers of the Music division, Book division, Finance and Administration, Legal Affairs, and the Direct to Customer division. Prior to 1987, Mr. Coleman served as president of several different organizations in the Christian communications industry. In December 1999, Mr. Coleman earned a Master of Business Administration degree for global executives from Duke University. The business address for Mr. Coleman is 1000 Cody Road, Mobile, Alabama 36695 and the telephone number is (251) 633-9000.

The Special Meeting (see page 12)

At the special meeting, the stockholders of Integrity are being asked to vote to adopt the merger agreement and approve the merger of Kona with and into Integrity with Integrity continuing as the surviving corporation.

The Merger Agreement (see page 49)

Under the merger agreement, Kona will merge with and into Integrity, with Integrity to remain as the surviving corporation. We have attached a copy of the merger agreement as Appendix A to this proxy statement. We encourage you to read the merger agreement carefully because it is the legal document that governs the merger. Under the terms of the merger agreement, if the merger is completed:

those of you other than P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity) owning shares of our Class A common stock directly or indirectly through a nominee in any discrete account as of the effective time of the merger will receive a cash payment of \$6.50 per share, without interest;

those of you who are one of P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity) owning shares of our Class A common stock directly or indirectly through a nominee in any discrete account as of the effective time of the merger will continue to hold your shares;

those of you owning shares of our Class B common stock directly or indirectly through a nominee in any discrete account as of the effective time of the merger will have those Class B common shares converted into an equal number of Class A common shares and you will continue to hold these converted shares after the merger;

those of you other than P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity) owning options to purchase shares of our Class A common stock will receive a cash payment of \$6.50 per option share, without interest, minus the option's per share exercise price;

those of you who are one of P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity) owning options to purchase shares of our Class A common stock will continue to hold such options to purchase shares of our Class A common stock;

our officers and directors at the effective time of the merger will continue to be officers and directors immediately after the merger;

immediately following the effective time of the merger agreement, our board of directors will be increased from six (6) directors to seven (7) directors and Key Principal Partners, LLC will be entitled to one board seat, which will be filled by Cindy Babitt, a representative of Key; and

all of the outstanding shares of Kona will be cancelled and retired and shall cease to exist.

In the merger agreement and throughout this proxy statement, where we refer to the non-continuing stockholders or cashed-out stockholders, we are referring to those holders other than P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug

Meduna and Joyce O Connor (each an officer of Integrity). In the merger agreement and throughout this proxy statement, where we refer to the continuing stockholders, we are referring to all of the holders of Integrity's Class B common stock and the following holders of Integrity's Class A common stock: P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity).

Effect of the Merger (see page 49)

As a result of the merger:

immediately following the merger, we intend to eliminate registration of our Class A common shares under the Securities Exchange Act of 1934 and cease filing periodic reports under the Exchange Act, which means that our stock price will no longer be listed on the Nasdaq National Market. Accordingly, the merger is considered a "going private" transaction;

cash-out stockholders will no longer have an interest in or be stockholders of Integrity and, therefore, they will not be able to participate in our future earnings (or losses) and growth, if any;

we estimate that the number of record stockholders will be reduced from approximately 191 to approximately 8;

the number of our issued and outstanding Class A common shares will increase by the number of Class B common shares converted to Class A shares, 3,385,000, and decrease by the number of Class A common shares cashed out in the merger, 2,217,886;

there will no longer be any issued and outstanding Class B common shares; and

the percentage of ownership of our Class A common stock beneficially held by our current executive officers and directors as a group (including shares subject to currently exercisable options) will increase from approximately 67% to 100%.

Reasons for the Merger (see page 26)

The requirements of being a publicly traded company and complying with the federal securities laws are expensive and time consuming. As a result of recent legislation, it is our expectation that compliance with these new regulations will significantly increase our operating costs, divert management attention from running our business and negatively affect our future success. In the fiscal year ended December 31, 2003, Integrity's public company expenses were approximately \$500,000, including: \$200,000 for investor relations (preparation and filing of reports under the Securities Exchange Act of 1934, as amended, and annual meeting, proxy statement and annual report costs); \$200,000 for related legal and accounting expenses; and \$100,000 related to directors and officers liability insurance. Integrity has projected additional costs of \$350,000 in 2004 for the establishment and maintenance of an internal audit function, bringing the total expected public company expense to approximately \$850,000 for 2004. Integrity estimates that for 2005 and beyond, it will incur additional costs to comply with the Sarbanes-Oxley Act of 2002 of approximately \$400,000 per year, including: \$250,000 of additional audit fees; \$100,000 of additional legal fees; and \$50,000 of additional regulatory fees. For the foregoing reasons, our board of directors believes that it is in the best interest of Integrity and our stockholders to become a private company by completing the merger with Kona. In addition, by using a merger with Kona as the vehicle for accomplishing the going private transaction, our public stockholders will be provided a liquidity event that would not otherwise have been available to them had we simply deregistered our Class A common stock.

Interests of P. Michael Coleman (see page 42)

P. Michael Coleman will continue to have a controlling equity interest in Integrity and will participate in any future earnings (or losses) and growth of Integrity. Accordingly, P. Michael Coleman may have interests that are different from, or in addition to, the interests of Integrity stockholders generally.

Interests of the Continuing Holders (see page 43)

The continuing stockholders will continue to have equity interests in Integrity and will participate in any future earnings (or losses) and growth of Integrity. Accordingly, continuing stockholders may have interests that are different from, or in addition to, the interests of Integrity stockholders generally.

The Special Committee (see page 14)

P. Michael Coleman and his spouse, Jean C. Coleman, who beneficially own 100% of the outstanding capital stock of Kona and approximately 60% of the outstanding capital stock of Integrity, are members of our board of directors. As a result, our board of directors formed a special committee of independent directors to protect the interests of our public stockholders in reviewing, evaluating and negotiating the merger agreement with Kona and Mr. Coleman, and, if appropriate, recommend the merger and the terms of the merger agreement to the entire board of directors. The special committee consists of three members of our board of directors, William A. Jolly, Heeth Varnedoe III and Jimmy M. Woodward, with Mr. Woodward serving as Chairman. The special committee consists solely of independent directors who are not officers or employees of Integrity or Kona and who have no financial interest in the completion of the proposed merger different from Integrity's stockholders generally (each of Messrs. Jolly, Varnedoe and Woodward has a less than 1% ownership interest in Integrity which will be cashed out in the merger and which the board of directors understands is immaterial to their financial positions and which the board of directors believes does not detract in any way from their independence). Based in part upon the opinion of SunTrust Robinson Humphrey, financial advisor to the special committee, the special committee determined that the merger agreement was advisable, fair to and in the best interests of the Integrity Class A common stockholders other than the continuing stockholders and recommended to the entire board of directors that it adopt the merger agreement and declare its advisability to the public stockholders.

Opinion of SunTrust Robinson Humphrey (see page 31)

The special committee received an opinion from its independent financial advisor, SunTrust Robinson Humphrey, that, subject to the assumptions, qualifications and limitations set forth in the opinion, as of March 1, 2004, the consideration to be received in the merger by the holders of Class A common stock of Integrity, other than the continuing stockholders, is fair, from a financial point of view. The opinion of SunTrust Robinson Humphrey is directed to the special committee and does not constitute a recommendation to any stockholder as to how to vote on the adoption of the merger agreement. A copy of SunTrust Robinson Humphrey's opinion is attached to this proxy statement as Appendix B.

Recommendation of Our Board of Directors (see page 26)

After careful consideration, the board of directors of Integrity, acting in part upon the unanimous recommendation of the special committee, unanimously determined (with the Colemans abstaining) that the merger is advisable, fair to and in the best interests of Integrity's public stockholders and has adopted the merger agreement and, accordingly, recommends that you vote **FOR** adoption of the merger agreement.

Vote Required to Adopt and Approve the Merger and Approve Any Motion to Adjourn or Postpone the Special Meeting for the Purpose of Soliciting Additional Proxies (see page 12)

The affirmative vote by (i) a majority of the outstanding stock entitled to vote at the special meeting and (ii) a majority of the shares of our Class A common stock entitled to vote at the special meeting

neither held by the continuing stockholders, The Coleman Charitable Foundation nor those holders affiliated with Integrity as officers or directors is required to adopt the merger agreement and approve the merger. The affirmative vote by a majority of the shares present in person or represented by proxy at the special meeting is required to approve any motion to adjourn or postpone the special meeting for the purpose of soliciting additional proxies. Holders of our Class A and Class B common stock are entitled to vote at the special meeting and will vote together as a single class. Each share of Class A common stock has one vote and each share of Class B common stock has ten votes. As of the record date, there were 2,384,783 shares of Class A common stock and 3,385,000 shares of Class B common stock issued and outstanding. P. Michael Coleman owns or controls an aggregate of 55,100 shares of our Class A common stock and all outstanding shares of our Class B common stock, representing in the aggregate approximately 94% of the total number of votes entitled to vote at the special meeting. Mr. Coleman is committed to vote for the merger and to use his best efforts to ensure that the continuing stockholders also vote for the merger.

Financing (see page 40)

Kona Acquisition Corp. will borrow the funds necessary to complete the proposed transaction through a five year senior secured credit facility to be provided by LaSalle Bank, N.A., as well as a seven year senior subordinated debt facility to be provided by Key Principal Partners, LLC. Kona and Integrity will be co-borrowers on the senior secured facility, which will consist of a \$12,000,000 revolving line of credit, a \$6,200,000 secured term loan A and a \$4,436,666 mortgage term loan B. In connection with the senior subordinated debt facility, Key Principal Partners, LLC will purchase from Kona \$15 million face amount of senior subordinated notes with detachable warrants. The detachable equity warrants, when exercised, will entitle the holders thereof to purchase in the aggregate 7% of Integrity's common stock on a fully diluted basis at an exercise price of \$.01 per share.

Integrity plans to repay the loans through cash flow from future operations and there are no alternative financing arrangements or alternative financing plans in the event that the primary financing plans fall through.

Conditions to the Completion of the Merger (see page 54)

Before we complete the merger, a number of closing conditions must be satisfied or waived. The conditions to the obligations of each party to complete the merger include, among others:

the merger agreement be adopted and approved at the special meeting by (i) a majority of the outstanding stock entitled to vote at the special meeting and (ii) a majority of the shares of our Class A common stock entitled to vote at the special meeting neither held by the continuing stockholders, The Coleman Charitable Foundation nor those holders affiliated with Integrity as officers or directors; and

SunTrust Robinson Humphrey shall not have withdrawn its opinion delivered to the special committee of our board of directors.

The conditions to the obligations of Kona and Mr. Coleman to complete the merger, include, among others:

accuracy of our representations and warranties contained in the merger agreement, except where inaccuracies would not result in a material adverse effect on Integrity, subject to specified exceptions;

our performance in all material respects of our agreements and covenants under the merger agreement;

Kona shall have consummated borrowings sufficient to pay the merger consideration and related expenses from one or more lenders under terms satisfactory to Kona;

the absence of a material adverse effect on Integrity; and

the aggregate number of shares of our Class A common stock for which dissenters rights are exercised, other than any shares for which dissenters rights are exercised held by the continuing stockholders, not exceeding 10% of the total number of shares of Integrity Class A common stock on the closing date of the merger.

The conditions to our obligations to complete the merger, include, among others:

accuracy of the representations and warranties of Kona and Mr. Coleman contained in the merger agreement, except where inaccuracies would not result in a material adverse effect on Kona, subject to specified exceptions; and

performance in all material respects by Kona and Mr. Coleman of their agreements and covenants under the merger agreement.

Other than the clearance of this proxy statement and other related filings by the SEC and the filing of the certificate of merger with the Secretary of State of the State of Delaware, there are no regulatory approvals required for completion of the merger.

Material U.S. Federal Income Tax Consequences (see page 57)

Generally, for United States federal income tax purposes, cashed-out stockholders who do not continue to own any stock either directly or indirectly in Integrity (taking into account any stock held by certain related individuals and entities) will be treated as if they sold their common stock for the cash received in the merger. Each such stockholder will recognize taxable gain or loss equal to the difference between the amount of cash received and the stockholder's adjusted tax basis in the Integrity common stock exchanged. Stockholders who receive cash in the merger, but continue to own a direct or indirect interest in Integrity (taking into account any stock held by certain related individuals and entities) may be treated as having received dividends, which would be treated as ordinary income. Holders of options who receive cash payments in cancellation of their options generally will have ordinary income equal to the amount of the cash payments received. Such income may be subject to income and wage withholding. Stockholders who do not receive cash in the merger should not be subject to taxation as a result of the merger. See

Proposal to Approve the Merger Agreement Material U.S. Federal Income Tax Consequences beginning on page 57. TAX MATTERS ARE VERY COMPLICATED, AND THE TAX CONSEQUENCES TO YOU OF THE MERGER WILL DEPEND ON YOUR OWN SITUATION. TO REVIEW THE MATERIAL TAX CONSEQUENCES IN GREATER DETAIL, PLEASE READ THE DISCUSSION UNDER PROPOSAL TO APPROVE THE MERGER AGREEMENT MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES. You should consult your personal tax advisors for a full understanding of the tax consequences of the merger to you.

Appraisal Rights (see page 59)

Holders of our common stock may seek, under Section 262 of the Delaware General Corporation Law, judicial appraisal of the fair value of their shares by the Delaware Court of Chancery. This value could be more or less than or the same as the \$6.50 per share merger consideration for our common stock. This right to appraisal is subject to a number of restrictions and technical requirements. Generally, in order to properly demand appraisal rights, among other things:

you must not vote in favor of the proposal to adopt and approve the merger agreement and the merger;

you must make a written demand on Integrity for appraisal in compliance with the Delaware General Corporation Law before the vote on the proposal to adopt and approve the merger agreement and the merger at the special meeting; and

you must hold your shares of record continuously from the time of making a written demand for appraisal through the effective time of the merger.

Merely voting against the merger agreement and the merger will not preserve your right to appraisal under Delaware law. Also, because a submitted proxy not marked against or abstain will be voted for the proposal to adopt the merger agreement and for the proposal granting discretion for the designated proxies to vote upon any motion to adjourn or postpone the special meeting to solicit additional proxies, the submission of a proxy not marked against or abstain will result in the waiver of appraisal rights. If you hold shares in the name of a broker or other nominee, you must instruct your nominee to take the steps necessary to enable you to demand appraisal for your shares. If you or your nominee fails to follow all of the steps required by Section 262 of the Delaware General Corporation Law, you will lose your right of appraisal. Appendix C to this proxy statement contains the full text of Section 262 of the Delaware General Corporation Law, which relates to your right of appraisal. We encourage you to read these provisions carefully and in their entirety.

Cautionary Statement Concerning Forward-Looking Information

This proxy statement includes statements that are not historical facts. These forward-looking statements are based on Integrity's current estimates and assumptions and, as such, involve uncertainty and risk. Forward-looking statements include the information concerning Integrity's possible or assumed future results of operations and also include those preceded or followed by the words anticipates, believes, could, estimates, expects, intends, may, should, plans, targets and/or similar expressions.

The forward-looking statements are not guarantees of future performance, events or circumstances, and actual results may differ materially from those contemplated by these forward-looking statements. In addition to the factors discussed elsewhere in this proxy statement, among the other factors that could cause actual results to differ materially are: potentially changing consumer tastes and demands with respect to Christian music and books generally and praise and worship music, adult contemporary and pop/rock Christian music in particular; the effect on profit margins of changes in Integrity's sales mix; increases in the estimated cost of television advertising, including production costs and the cost of air time, all of which could materially affect the financial impact of television advertising initiatives; the relative success of new products and consumer demand for existing products; and the risks identified from time to time in Integrity's SEC reports, including, but not limited to, the report on Form 10-K for the year ended December 31, 2003. These and other factors are discussed elsewhere in this proxy statement and in the documents that are incorporated by reference into this proxy statement.

Except to the extent required under the federal securities laws, we do not intend to update or revise the forward-looking statements to reflect circumstances arising after the date of the preparation of the forward-looking statements.

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q. Why did I receive this proxy statement?

A. We sent you this proxy statement and the enclosed proxy because our board of directors is soliciting your votes for use at a special meeting of stockholders. This proxy statement summarizes information that you need to know in order to cast an informed vote at the meeting. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy. We will begin sending this proxy statement, notice of special meeting and the enclosed proxy on or about May 13, 2004 to all stockholders entitled to vote.

Q. Where and when is the special meeting?

A. The special meeting of Integrity stockholders will be held on July 8, 2004 at 9:00 a.m., local time, at Integrity's headquarters, located at 1000 Cody Road, Mobile, Alabama 36695.

Q. What am I being asked to vote on?

A. You are being asked to adopt a merger agreement that we entered into with Kona Acquisition Corp. and P. Michael Coleman and to approve the merger of Kona into Integrity, with Integrity as the surviving corporation. As a result of the merger, all Class A common stockholders other than P. Michael Coleman, Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring, Chris E. Thomason, Robert G. Rist, Donald S. Ellington, Jeff Friend, Robert Brenner, Todd Burkhalter, Debra Mayes, Doug Meduna and Joyce O Connor (each an officer of Integrity) will receive \$6.50 for each share that they own. In addition, the remaining Class A common stockholders will continue to hold their shares after the merger. Further, each share of Integrity Class B common stock will be converted into one share of Class A common stock and such holders will continue to hold these converted shares after the merger. Each issued and outstanding share of Kona common stock will, at the effective time of the merger, be cancelled and retired and shall cease to exist. Consequently, the number of our issued and outstanding Class A common shares will increase.

Q. Why is Integrity proposing the merger?

A. If approved, the merger will enable us to go private and thus terminate our obligations to file annual and periodic reports and make other filings with the SEC. The purpose behind the merger and the benefits of going private include:

eliminating the costs and executive time expended associated with filing documents under the Securities Exchange Act of 1934 with the SEC; and

reducing the direct and indirect costs of administering stockholder accounts and responding to stockholder requests.

Q. What does going private mean?

A. We currently have fewer than 300 stockholders of record and therefore are eligible to deregister our Class A common stock. The merger, however, is designed to provide our public stockholders a liquidity event that would not otherwise have been available to them had we simply deregistered our Class A common stock. The merger will also ensure that, following the merger, the number of our stockholders of record will remain less than 300. Following the merger, we will file for deregistration of our Class A common stock and will become a private company. In this regard, we, by going private, will no longer be required to file periodic reports, such as annual, quarterly and other reports, with the SEC.

Q. What vote is required for approval?

A. The affirmative vote by (i) a majority of the outstanding stock entitled to vote at the special meeting and (ii) a majority of the shares of our Class A common stock entitled to vote at the special meeting neither held by the continuing stockholders, The Coleman Charitable Foundation nor those holders affiliated with Integrity as officers or directors is required to adopt the merger agreement and approve

the merger. Holders of our Class A and Class B common stock are entitled to vote at the special meeting and will vote together as a single class. Each share of Class A common stock has one vote and each share of Class B common stock has ten votes. As of the record date, there were 2,384,783 shares of Class A common stock and 3,385,000 shares of Class B common stock issued and outstanding. P. Michael Coleman owns or controls an aggregate of 55,100 shares of Integrity Class A common stock and all outstanding shares of our Class B common stock, representing in the aggregate approximately 94% of the total number of votes entitled to vote at the special meeting. Mr. Coleman is committed to vote for the merger and to use his best efforts to ensure that the continuing stockholders also vote for the merger.

Q. How do I cast my vote?

- A. If your shares are registered directly in your name with our transfer agent, LaSalle Bank, N.A., you are considered, with respect to those shares, the stockholder of record, and these proxy materials were sent directly to you. As the stockholder of record, you may vote in person at the special meeting or by submitting a proxy for the special meeting. You can submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials have been forwarded to you by your broker or nominee which is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker how to vote and are also invited to attend the special meeting. However, as a beneficial owner, you are not the stockholder of record, and you may not vote these shares in person at the meeting unless you obtain a signed proxy from the stockholder of record giving you the right to vote the shares. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares.

Q. Can I change my vote after I have delivered my proxy?

- A. Yes. If you are a record holder, you can change your vote at any time before your proxy is voted at the special meeting by:

delivering to the Secretary of Integrity, as appropriate, a signed notice of revocation;

granting a new, later-dated proxy signed and delivered to the respective Secretary of Integrity, as appropriate; or

attending the special stockholders meeting and voting in person, however, your attendance alone will not revoke your proxy.

If your shares are held in a street name account, you must contact your broker, bank or other nominee to change your vote.

Q. What do I need to do now?

- A. You should carefully read and consider the information contained in this proxy statement and complete, date and sign your proxy card and return it in the enclosed addressed envelope as soon as possible so that your shares will be represented at the special meeting. If your shares are held in a street name account, you must instruct them on how to vote your shares. If you sign, date and mail your proxy card without specifying how you want to vote, your proxy will be voted FOR approval of the merger agreement and FOR granting discretion for the designated proxies to vote upon any motion to adjourn or postpone the special meeting to solicit additional proxies. Your failure to vote in person or return your signed and dated proxy card will have the same effect as a vote AGAINST adoption of the merger agreement. If you return your signed and completed proxy card but mark abstain, your proxy will have the same effect as a vote AGAINST adoption of the merger agreement.

Q. Should I send in my stock certificate now?

- A. No. After the merger is completed, you will receive written instructions from the exchange agent on how to exchange your Integrity stock certificates.

Q. What will I receive in the merger?

- A. If you are either a record holder or a beneficial holder other than a continuing stockholder, each issued and outstanding Class A common share held by you will be converted into the right to receive \$6.50 in cash, without interest. If you are a continuing stockholder, you will continue to own the same number of shares of Integrity Class A common stock after the merger. If you are either a record holder or a beneficial holder holding Class B common shares, each of such shares will be converted into one share of Class A common stock and you will continue to hold such converted shares after the merger.

Q. What if I hold shares in street name ?

- A. As noted above, if you hold our Class A common shares in street name and are not a continuing stockholder, each of your shares will be converted to the right to receive \$6.50 in cash. The exchange will be handled through your broker, bank or other nominee.

Q. How will Integrity be operated after the merger?

- A. After the merger, we will be a privately held company. We expect our business and operations to continue as they are currently being conducted and, except as disclosed in this proxy statement, the merger is not anticipated to have any effect upon the conduct of such business. As a result of the merger, our stockholders who receive cash for their shares in the merger will no longer have a continuing interest as stockholders of Integrity and will not share in any future earnings and growth of Integrity.

Q. When do you expect the merger to be completed?

- A. We are working to complete the merger as quickly as possible. We currently expect to complete the merger in the second calendar quarter of 2004. However, we cannot predict the exact timing of the merger because the merger is subject to specified closing conditions.

Q. May I buy additional shares in order to remain a stockholder of Integrity?

- A. No. The only stockholders of Integrity following the merger will be P. Michael Coleman, Jean C. Coleman, The Coleman Limited Partnership, and the following officers of Integrity: Jerry W. Weimer, Donald J. Moen, Daniel D. McGuffey, Keith J. Manwaring and Robert G. Rist. The remaining continuing stockholders will continue to hold options to purchase shares.

Q. Who can help answer my questions?

- A. If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger or the special meeting, including the procedures for voting your shares, you should contact Donald S. Ellington, Senior Vice President of Finance and Administration, Integrity Media, Inc. 1000 Cody Road, Mobile, Alabama 36695. His telephone number is (251) 633-9000.

SELECTED HISTORICAL FINANCIAL DATA

The selected historical balance sheet and statement of operations data presented below for each of the five years in the period ended December 31, 2003 have been derived from the Company's audited consolidated financial statements.

The following selected financial data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2003, incorporated herein by reference.

	Year Ended December 31				
	(In thousands, except per share data)				
	2003	2002	2001	2000	1999
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Statement of Operations					
Net sales	\$ 74,264	\$ 66,345	\$ 70,958	\$	