

URGENT! THE FUTURE OF YOUR BUSINESS IS AT STAKE!

The ad attached to this memo graphically depicts the most serious threat faced by consumer electronics retailers today.

NARDA has joined a retail industry effort to finally obtain fair treatment for retailers as to devices that connect to cable television systems. For more than 50 years, retailers have had to stand by as cable operators monopolized the market for cable devices, based on analog era constraints about security and use of different standards in different systems. But, contrary to law and FCC regulations, the same thing is happening in the digital era!

Despite passage of a 1996 law and a 1998 FCC rule, retailers have yet to sell an off-the-shelf consumer electronics product that can connect directly to digital cable. Meanwhile, cable operators have been ordering digital set-top boxes, for direct lease to their customers, at the rate of -
- 25 million to date -- a retail value thus far of about .
We have been shut out of this new, digital market because the FCC has not enforced its rules that require cable operators to finish technical standards to support the direct operation of consumer electronics devices on cable. Nor has the FCC cracked down on subsidies that go to direct lease customers but are not being offered to potential retail customers.

At stake is not just a new market, but also your existing product markets. **Cable operators are free to incorporate additional features into their leased devices, such as DVD playback, PVR, games, telephony -- all products you now sell -- and they have begun to do so. Meanwhile, you cannot even give your own DTV customers any assurance that your products will obtain HDTV or other features over cable**, with or without a set-top box.

What You Can Do

NARDA is a member of the
, which is lobbying the Congress and the FCC for fair treatment for retailers as to cable devices. You can help by contacting FCC Chairman Powell and the other Commissioners by email via their web site: www.fcc.gov/contacts.html. Tell them:

- ! as a retailer you have been waiting decades to compete through consumer electronics devices that work directly on cable, such as cable-ready DTV receivers
- ! we are 5 years into the digital era, and thus far the score is cable operators 25 million, competitive retailers zero
- ! the FCC needs to enforce its rules to assure equal treatment for competitive retail devices, as to (1) technical standards, and (2) charges to subscribers who choose retail devices
- " File an electronic version of your communications with the FCC Commissioners via the FCC's electronic filing system at http://gulfoss2.fcc.gov/prod/ecfs/upload_v2.cgi. Indicate that this communication pertains to CS Docket 97-80.
- " Also cc: for forward to your Member of Congress. (You can locate and contact through www.house.gov/writerep/.)

Please send a copy of your letters to the NARDA office via e-mail at nardahdq@narda.com or via fax at 630/953-8957.

We can and will make a difference. If you have any questions or need additional information, please contact me via e-mail at evalas@narda.com or at 303/316-7569.