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November 28, 2007

### VIA ECSF and EMAIL

The Hon. Kevin Martin, Chairman  
The Hon. Michael Copps, Commissioner  
The Hon. Jonathan Adelstein, Commissioner  
The Hon. Deborah Taylor Tate, Commissioner  
The Hon. Robert McDowell, Commissioner  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

**Re: MB Docket No. 07-57**

Dear Mr. Chairman and Commissioners:

As further proof of the existing sole sourcing policies being followed in today's duopoly environment by each of the Applicants for merger, please see the attached published report on Directed Electronics Inc. (DEI) by *Twice*, a web-based publication on the electronics industry of Reed Business Information, a division of Reed Elsevier Inc. dated November 27, 2007.

The *Twice* report should be read in conjunction with the transcript of the phone conference of November 8, 2007 between DEI and security analysts, an excerpt from which was recently filed as an ex parte this same date.<sup>1</sup> Of central importance, this report by *Twice* confirms that the negotiations between DEI and Sirius on their distributor contract referred to in the November 8<sup>th</sup> conference with analysts have been concluded and as a result "Directed Electronics will extend its contract to distribute Sirius Satellite Radio products to Aug. 31, 2008" irrespective of the pending merger between Sirius and XM.

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<sup>1</sup> See, Letter of Charles H. Helein to the Honorable Kevin Martin, Chairman, et al, November 28, 2007, 12:25 pm.

In addition, *Twice* confirms that both XM and Sirius today have exclusive distributors – “It is not known if a merged Sirius and XM, which each has an exclusive distributor, would cause the termination of one of those distributors.”

Directed president and CEO Jim Minarik, is quoted as confirming that the amended agreement will serve as the exclusive distributorship platform for DEI’s dealings with the merged entity, “... we believe this amended agreement will serve as an excellent template for future extensions we plan to discuss after regulatory review of their merger is fully resolved in the coming months,” said Minarik.”

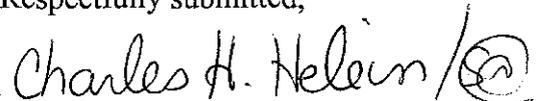
The report also confirms US Electronics’ assertions made on the record that not only is “Audiovox ... currently the distributor for XM ...” but that “... Directed has been the exclusive distributor for Sirius since the fall of 2004. (Emphasis added.)

And finally, the report confirms DEI’s change in its return and warranty policies that US Electronics described in its ex parte filed earlier today.<sup>2</sup>

Directed’s new contract also contains some changes in Sirius’ distribution policy effective Jan. 1, 2008, regarding the handling of product returns “that Directed expects will enhance cost recovery, reduce uncertainty and volatility with respect to returns and meaningfully improve the predictability of the company’s earnings in the satellite radio category,” it said.

This trade report by *Twice* provides independent evidence further supporting U.S. Electronics’ submissions on the record that the public interest requires the Commission to adopt conditions that establish an open device policy that prevents the merged entity from foreclosing competition in the manufacturing and distribution processes for satellite radio receivers.

Respectfully submitted,



Charles H. Helein  
Counsel of Record  
for U.S. Electronics, Inc.

Attachment

cc: **Michelle Carey** - Senior Legal Advisor, Media Issues – Office of the Chairman  
**Rick Chessen** – Senior Legal Advisor – Office of Commissioner Copps  
**Rudy Brioché** - Legal Advisor for Media Issues – Office of Commissioner Adelstein  
**Amy Blankenship** - Legal Advisor – Office of Commissioner Tate  
**Angela E. Giancarlo** - Legal Advisor, Wireless & International Issues – Office of Commissioner McDowell  
**Cristina Chou Pauzé** - Legal Advisor, Media Issues – Office of Commissioner McDowell  
**Commission XM/Sirius Transaction Staff**  
Roy Stewart, William Freedman, Marcia Glauberman, and Rosilee Chiara, Media Bureau,  
Jim Bird, Ann Bushmiller and Joel Rabinovitz, Office of General Counsel, Bruce Ramano,

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<sup>2</sup> Id.

Office of Engineering and Technology and Gardner Foster, David Strickland, Jerry Duvall  
and Shabnam Javid, International Bureau



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## **Directed Extends Sirius Contract**

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*By Amy Gilroy -- TWICE, 11/27/2007 10:28:00 AM*

Vista, Calif. — Directed Electronics will extend its contract to distribute Sirius Satellite Radio products to Aug. 31, 2008.

This agreement is significant in light of the uncertainty caused by the pending merger between Sirius and XM.

Directed's contract with Sirius was due to expire in April of 2008.

It is not known if a merged Sirius and XM, which each has an exclusive distributor, would cause the termination of one of those distributors.

Directed president and CEO Jim Minarik said, "While the pending merger between Sirius and XM has added a degree of uncertainty to the satellite radio market during 2007, as well as our agreement renewal discussions, we believe this amended agreement will serve as an excellent template for future extensions we plan to discuss after regulatory review of their merger is fully resolved in the coming months," said Minarik.

Audiovox is currently the distributor for XM and Directed has been the exclusive distributor for Sirius since the fall of 2004.

Directed's new contract also contains some changes in Sirius' distribution policy effective Jan. 1, 2008, regarding the handling of product returns "that Directed expects will enhance cost recovery, reduce uncertainty and volatility with respect to returns and meaningfully improve the predictability of the company's earnings in the satellite radio category," it said

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