

Before the
COPYRIGHT ROYALTY BOARD
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Washington, D.C.

In the Matter of)
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ADJUSTMENT OF RATES AND TERMS FOR) Docket No. 2006-1 CRB DSTRA
PREEXISTING SUBSCRIPTION SERVICES)
AND SATELLITE DIGITAL AUDIO RADIO)
SERVICES)
)
)

TESTIMONY OF
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I. QUALIFICATIONS

My name is Sean Butson. I am a consultant and a Chartered Financial Analyst with over a decade of experience in both debt and equity capital markets. My experience includes both providing capital to companies as a commercial lender and advising institutional investors on equity markets. In particular, I have performed and published extensive valuation and competitive landscape analyses via complex financial models and written reports.

I began my career in 1995 as a credit analyst at NationsBank (which acquired Bank of America). I then went on to become a commercial lender of a \$20 million debt portfolio of companies in the Washington, D.C. area with revenues of \$10 million to \$250 million (including AOL LLC). In that position, I underwrote and structured debt financing for clients, including senior debt, revolving credit facilities, and standby letters of credit.

In 1997, I joined Legg Mason as an associate equity analyst covering the telecom equipment and services industries (including Motorola, Nokia, and Ericsson). In 1999, I was promoted to analyst, assumed coverage of the wireless services industry (including AT&T Wireless, Nextel, and Spring PCS), and initiated coverage of the communications tower industry (including American Tower, Crown Castle, and SBA). In that role, I built valuation models, scrutinized SEC filings, met with management teams, drafted equity research reports, and discussed investment theses with Legg Mason clients. During that time, I authored several major reports on the wireless and communications tower industries, served as an expert witness, was a Top-5 analyst within a department of 35

such professionals, and received the *Wall Street Journal* award as the #1 stock picker in the wireless services industry (co-coverage) in 2002.

In 2003, I expanded my coverage to the media industry, including Hispanic media, cable networks, film, and TV broadcasting (including Univision and Viacom). My specialization became satellite radio, and I spent the majority of my time covering Sirius and XM Satellite Radio. While there are currently over 25 analysts covering satellite radio, I was one of the first to cover the industry. As a result, I was frequently quoted in major financial publications such as *The Wall Street Journal* and by Bloomberg, and I often appeared on television (CNBC, Wall Street Week, Bloomberg Television) discussing the industry. In addition, I authored dozens of reports on the satellite radio industry, including forward-looking pieces on technology, subscriber growth, and content.

The following testimony is similar in substance to the financial analysis work I have performed for nearly a decade. I have relied on various external data and public direction from the satellite radio companies, and I indicate such external sources in my testimony. I have performed various calculations and projections based on the available information, which comport to the type of modeling customary in the financial analyst community. I draw my conclusions from the financial modeling I have performed, similarly as I or any qualified analyst would when following a particular industry.¹

II. SUMMARY OF TESTIMONY

Satellite radio is the biggest development in the radio industry since FM was introduced more than four decades ago. Much like cable revolutionized television,

¹ A copy of my curriculum vitae is attached as Appendix V.

satellite is transforming the radio industry. The satellite radio companies offer hundreds of channels of narrowly tailored music for practically all tastes, and other programming as well – a proposition that is clearly striking a chord with consumers. There is wide consensus amongst the analysts covering the industry that both Sirius Satellite Radio and XM Satellite Radio (collectively, “SDARS”) will continue to show robust subscriber and revenue growth, and will attain positive EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) and free cash flow (EBITDA minus capital expenditures, net cash interest, cash taxes, and working capital change) by 2008-09.

In addition to offering a service with wide consumer appeal, I believe that satellite radio’s attractive duopoly structure, large addressable market, compelling product, inexpensive pricing, and high incremental margins all are ingredients that make for a successful industry. In my analysis and projections of the industry, I estimate the combined discounted cash flow² of the SDARS to be \$9.3 billion, assuming that the royalty rate percentages proposed by SoundExchange are adopted in full. (For calculations see Appendices A and B, p. 4.) For the sake of clarity, throughout the discussion that follows and in my projections, I use the graduated percentage royalty rate proposal submitted by SoundExchange to the Copyright Royalty Board as a component of the projected costs of the SDARS.

I understand that as part of these proceedings the Copyright Royalty Judges will consider possible disruptions to the industry arising from a change in the sound recording copyright royalty rates. As explained in detail as part of the discussion that follows, it is my expert testimony that the rates proposed by SoundExchange will not jeopardize the

² Discounted cash flow is the most widely recognized valuation technique and is used to determine the present value of all future cash flows for a company.

SDARS' liquidity or their ability to remain fully funded. Further, the proposed rates should not preclude the industry from attaining substantial profitability.

III. DISCUSSION

A. OVERVIEW OF THE SDARS INDUSTRY

In this section I provide an overview of the SDARS industry, including a short recap of its history and an introduction of the individual SDARS, as well as some basic information on their service and business models.

1. Inception of the SDARS Industry

Today's satellite radio industry began taking shape more than a decade ago when CD Radio (the predecessor to Sirius) and American Mobile Radio Corp. (the predecessor to XM Satellite Radio) started developing the first satellite radio service in the United States. Following more than five years of research and development, the FCC granted two 12.5 MHz Digital Audio Radio Service ("DARS") licenses in the 2.3 GHz band to XM Satellite Radio ("XM") and Sirius Satellite Radio ("Sirius") in October 1997. While Sirius was first to launch its satellites in late 1999, with XM launching in early 2001, XM became the first satellite radio provider in the country with its September 25, 2001 commencement of service in Dallas and San Diego. Sirius followed about six months later with its own service launch, and both companies have grown rapidly since, with over 12 million combined subscribers to date. To raise capital for the significant upfront costs associated with launching the service, both companies went public – Sirius in 1994 and XM in 1999.

2. SDARS Industry Participants

The satellite radio industry is a duopoly occupied by two publicly traded companies, Sirius Satellite Radio and XM Satellite Radio.

a) *Sirius Satellite Radio*. Founded in 1990 as CD Radio, Sirius is the smaller of the two satellite radio companies in the U.S., with over five million subscribers. Sirius received a DARS license from the FCC in 1997, launched its satellites in late 1999, and commenced service in 2Q02.

Although Sirius launched its satellites before XM, chipset problems resulted in delayed service offerings and the company has been playing catch-up to its larger rival ever since. The company significantly closed the gap with XM this year, with Sirius's market share growing from 30% in 3Q05 to 42% in 3Q06 (Appendix C). During this period of time, Sirius added more net new subscribers than XM for the first time in 4Q05, and continued the gains in 2006. Going forward, I expect Sirius to continue to close the subscriber gap with XM, and I believe the two companies will ultimately end up with close to equal market share, with XM maintaining a slight edge due to the higher market share of its auto partners.

Sirius's financial performance has been very positive since mid-2005. The company's stock price reflects this positive momentum, as evidenced by Sirius's total basic enterprise value³ of \$5.6 billion exceeding XM's by 52%, despite Sirius having only about 70% of XM's subscribers.

³ In this testimony, I use basic enterprise value to mean the total value of the company calculated as follows: market cap (stock price times shares outstanding) plus debt plus preferred stock minus cash. The debt, preferred stock, and cash figures are derived from the SDARS' financial statements, while the market caps are sourced from Bloomberg.

b) *XM Satellite Radio*. Founded as American Mobile Radio in 1992, XM is the larger of two satellite radio companies, with over seven million subscribers. In 1997, XM received a DARS license from the FCC, launched its satellites in early 2001 and commenced service in September of the same year in San Diego and Dallas.

Due primarily to an earlier service launch, a technology lead, and faster auto installations, XM has been the industry subscriber leader since acquiring its first subscribers in 2001. However, a number of recent events allowed Sirius to make up significant ground. In addition to gains Sirius was able to generate by its aggressive marketing campaigns, XM experienced some reduced retail inventory caused by FCC concerns about power levels of some XM units with FM modulators. The company limited its marketing efforts due to the reduced inventory and also had to change some of its marketing practices due to an FTC inquiry. I believe that XM has addressed each of these difficulties and that its results will improve over the next year, particularly with significant growth from its automobile Original Equipment Manufacturer (“OEM”) partners.

3. Service Offerings

Satellite radio providers XM and Sirius offer more than 100 channels each of diverse high-quality audio content nationwide to portable and stationary devices for car, home, boat, aircraft, small business, and personal use. While most terrestrial radio stations provide a limited selection of local and some national audio content, the SDARS offer an extremely broad range of nationwide content. Although the vast majority of each of the companies’ more than sixty music channels operate with no commercials (no Sirius music channels have commercials and XM only has a few music channels with

commercials), as compared to about fifteen to twenty minutes of commercials per hour on broadcast radio stations, the news, talk, and other non-music channels on satellite radio do have advertisements. The basic monthly subscriber price for satellite radio is currently \$12.95, with both companies offering various discounts for multiyear subscribers and family plans (Appendix D).

The SDARS provide a very different listening experience than traditional broadcast radio, especially with respect to the breadth of the content offered. For example, over half of all radio stations use only one of six programming formats (country, news/talk, religion, contemporary Christian, Spanish, and oldies) (Appendix E). Likewise, in comparison to the more than 100 channels offered by each SDARS, terrestrial radio offers only forty-four FM stations in New York City and forty-nine in Los Angeles,⁴ the two largest radio markets in the United States. Satellite radio, therefore, offers not only mass audience content, but also customized channels that appeal to a particular demographic, such as world music and folk music, to name a few. Also, because the FCC's indecency regulations do not apply to satellite radio, the SDARS have attracted subscribers with programming that would not be permissible on terrestrial radio. This includes an opportunity to play sound recordings of a particular genre in their original, unedited, form – a clear advantage over FM radio.

The channel lineups of the two companies are similar (Appendix F). Both rely heavily on music programming, which is relatively similar between the two services. XM and Sirius also offer various forms of talk radio and a variety of special interest programming. The two SDARS differentiate themselves principally by offering sports and talk programming that is by contract unavailable on the other satellite network

⁴ According to New York Radio Guide (www.nyradioguide.com) and Radiowatch (www.radiowatch.com).

(though similar sports and talk programming frequently is available on broadcast radio or other media). Sirius has exclusivity for Howard Stern, the NFL, and Martha Stewart, while XM counts Oprah Winfrey, Major League Baseball, the NHL (exclusive starting with the 2007-08 season), and NASCAR (until January 2007, at which time it will be exclusive for Sirius) within its satellite radio exclusive programming offerings.

The SDARS offer their programming over a wide variety of devices, providing music and other content in the broadest possible contexts (though programming over only some of those devices is subject to rates set in this proceeding). Initially, the companies focused on designing products for auto manufacturers to install in vehicles and for retailers to sell in the aftermarket for auto, home, boat, or business use. This is still the principal way people listen to satellite radio.

More recently, the SDARS have developed products for portable use and with recording capability. For example, XM's Pioneer Inno and Samsung Helix are both capable of recording up to 50 hours of music and both allow the consumer to customize (by re-sorting, deleting and importing music from other sources) the resulting playlists. Notably, the devices can sort recorded music by artist and title, allowing consumers to have an experience similar to listening to an album from a particular artist. I understand that programming played on these devices is subject to the statutory license. I also understand that there is a dispute concerning whether making sound recordings available through certain of the features of some of these devices is within the statutory license.

Both XM and Sirius have hardware agreements with a number of electronics manufacturers, including Delphi, Alpine, Pioneer, Sony, Clarion, Audiovox, JVC, and Kenwood. XM continues to hold a slight lead in product development as a result of

Sirius's early difficulties with its chipset, but over time the devices from both SDARS are expected to be of similar technical quality. The devices and services offered by the SDARS are also expected to continue to evolve. For example, XM has demonstrated, but not yet put on the market, a portable device that provides up to 20 video channels at 256kb each. Sirius's new Stiletto 100 has MP3 capability, 100 hours of storage, and, for the first time, WiFi access. Such a device should close the technology gap with XM and provide for more robust reception in many areas that do not have line of sight to Sirius's satellites. The SDARS also offer their service in two ways not subject to the compulsory license at issue in these proceedings: over the Internet, and over satellite television through contracts with DirectTV and EchoStar.

The SDARS are also beginning to generate revenue from a growing number of new services, such as data and traffic navigation services. XM recently reported that over 27,000 people subscribe to its data-only services. As the SDARS industry matures, it is well-positioned to exploit these additional revenue opportunities and attract a new segment of the market that may not want to subscribe to a radio-only service. In the longer term, the SDARS are also likely to enter the video distribution market, providing them another potentially lucrative incremental revenue opportunity. The ability to provide children's video programming to back seat monitors of cars has an immediate business appeal.

4. Distribution

While having quality content and products are clearly important, without solid distribution, XM and Sirius could not maximize their subscriber growth. In developing

effective distribution channels, the companies have focused primarily on the automobile manufacturers (OEMs) and nationwide retailers.

The retail channel has been in place since the inception of the industry, with SDARS products now available in all major electronics stores (Best Buy, Circuit City, RadioShack), a number of large discount stores (Wal-Mart, Target), numerous truck stops (Pilot, Truckstops of America, Petro, and Flying J), and marine locations. Retail sales have been integral to the satellite radio industry and currently account for about two-thirds of total subscribers (Appendix G). Due to its late chipset introduction and long cycle incorporating satellite radios into vehicles, Sirius historically has been much more retail-focused than XM. However, this is changing as Sirius's exclusive arrangements with both Chrysler and Ford ramp up. Nevertheless, not only is retail an effective sales channel, but it also can be more profitable due to the lack of revenue sharing, which many OEMs receive. Although retail promotions and residual payments can lower returns, retail subscribers generally produce higher margins than those of auto.

Notwithstanding the importance of retail sales, with about 17 million new cars and trucks sold every year in the United States,⁵ establishing and maintaining good relationships with the OEMs is key to the continued success of both XM and Sirius. Auto manufacturers significantly ramped up satellite radio installations over the last several years. Led by purchasers of General Motors, Honda, DaimlerChrysler, and Ford vehicles, auto subscribers now account for about one-third of total subscribers (Appendix G), a percentage that will grow over time. Early on, the SDARS signed exclusive agreements with the top-three OEMs (XM – GM; Sirius – Ford and DaimlerChrysler) for

⁵ Automotive News, 2006 Market Data Book, North America Sales History and Forecast

the installation of their products. Since that time, each company added auto partners, resulting in XM's current market share lead among OEMs (Appendix H).

Installation rates among satellite-radio-capable autos varies (Appendices A and B, page 3). All of the OEMs, however, continue to add new models to their factory installed plans, with GM leading the pack with XM availability on 90% of its 2006 models. Even more impressive, Hyundai and Acura expect to become the first OEMs to make satellite radio service standard in all of their cars and trucks. Within the next five years, about two-thirds of all new cars and trucks will come with an XM or Sirius radio pre-installed (Appendix I). Over the long term, I expect virtually all new cars and trucks sold in the United States to come with XM or Sirius pre-installed. This fact alone assures substantial growth for the SDARS. Finally, Acura recently announced that it will install XM receivers in certain used vehicles as well.

In addition to the retail and auto distribution channels, there are a number of smaller distribution channels, such as rental cars, direct sales, online, airplanes, and hotels. Even in the aggregate, these ancillary sources account for only a small percentage of total subscribers.

5. Business Model of the SDARS

As service businesses, the SDARS generate the vast majority of their revenue from subscription fees, making the subscription price (typically measured as the average revenue per user per month or "ARPU") and the number of subscribers to the service the primary drivers of revenue. While the satellite radio providers generate revenue from activation fees, direct equipment sales, and advertising, these amounts are currently fairly

small. Of the ancillary revenue streams, I believe advertising has the potential to grow to a meaningful profit contributor to the SDARS.

The satellite radio industry is one of high fixed costs, but also of high incremental margins. The business model of the industry is, therefore, to focus on rapid subscriber growth, because once the fixed costs are covered, profit generation through incremental subscribers is substantial. This model is typical of various subscription based businesses, allowing for analogies with industries such as cable TV and mobile wireless.

As a rough numeric example (Appendix J), assuming an average subscription length of four years, and an ARPU of \$11.00 per month (including activation and advertising), a subscription will generate \$528.00 in revenues (48 months * \$11.00/month). About 33% of this figure goes to cover variable costs such as auto revenue share, customer service and billings, and subscriber acquisition cost. Even after applying a \$40 semi-variable sales and marketing assessment per gross subscriber addition (“gross add”), each new subscriber produces roughly a 60% incremental margin, excluding royalties. Due to the significant start-up costs associated with launching and maintaining a satellite network (and a terrestrial repeater network), fixed costs currently account for nearly 50% of revenue, but I believe that they will settle at around 15% in the long term.

As a result of the high incremental margins and high fixed costs, the financial success of the SDARS will hinge on their ability to grow their subscriber bases profitably. Assuming the subscriber growth in my models (which is consistent with projections of other analysts), the proposed Sound Exchange royalty rates will not prevent the SDARS from attaining substantial profitability.

B. DUOPOLY DYNAMICS OF THE SDARS INDUSTRY

The SDARS' positive economic forecast is driven by two complementary factors. First, they deliver a product that consumers plainly value and have shown a willingness to pay for. Second, the SDARS are in the enviable position of being protected by substantial barriers to entry by any additional competitors. The SDARS therefore are in the enviable position of building their businesses protected from direct competition and being situated to use their brand recognition and substantial subscriber bases to fend off a possibly superior delivery technology that may or may not become available sometime in the future.

Although there are other ways to receive music and other audio content, Sirius and XM clearly have the best products available for streaming audio to autos and portable devices. Accordingly, XM and Sirius form a duopoly industry and enjoy significant economic benefits resulting from this structure. For example, despite the early stage nature of the business, XM already has raised its subscription price and Sirius has publicly discussed its plans to do the same. Such price increases are common within duopoly industries, but much more difficult to accomplish in heavily competitive ones. Likewise, subscriber retention is high in the satellite radio industry, partially because the subscribers clearly appreciate the music and other content offered, but also because of the lack of competitive options for a similar service. Finally, although subscriber acquisition cost per gross add ("SAC") is a significant expense for both companies, it would be higher still if there were three or more competitors.

The continuance of the advantageous duopoly structure is virtually guaranteed as a result of the following factors:

- a) FCC Licenses. Only two SDARS licenses have been issued (to XM and Sirius in 1997) and the FCC has no current plans to offer additional ones.
- b) Auto Relationships. Sirius and XM have locked up supplier agreements with every major auto manufacturer. Consequently, even if a new competitor is licensed, its ability to enter the auto market would be extremely limited. Most of the SDARS' auto agreements are exclusive. This fact alone creates a virtually insuperable barrier to a new auto competitor over the near term.
- c) Start-Up Costs. Even if a potential competitor were able to obtain an FCC license and could overcome the significant hurdles created by the OEM arrangements, the capital costs necessary to launch service present yet another barrier to entry. To offer service initially, the SDARS invested over two billion dollars in their satellite constellations, terrestrial repeater networks, human resources, marketing, devices, and content.
- d) Switching Costs. Due to their duopoly power, particularly in the installed auto market, the satellite radio companies enjoy low churn and high conversion rates. It is expensive and complex to swap one radio for another, creating high switching costs for consumers. In any event, very few OEMs have decided to offer both XM and Sirius due to the complexity of including both satellite radio options, although products are being developed that provide interoperable service. In addition, the relatively low subscription price is typically one of the smallest monthly bills that subscribers pay (and as a practical matter it is typically automatically charged to a credit card or is a part of the monthly car payment), resulting in less price sensitivity. Finally, satellite radio's attractive bundle of commercial-free music, sports, and other content provide a differentiated service when in

the car or a portable environment. For all these reasons, I believe that satellite radio enjoys significant power to retain its subscribers.

e) Supplier Power. As the only two buyers in the market, the SDARS enjoy duopsony leverage and have a strategic market advantage over suppliers operating in a more fragmented and competitive market. Although some of this leverage is difficult to exploit today due to the size of some of the current suppliers, this should change over time as the satellite radio industry grows.

C. FINANCIAL STRUCTURE OF THE SDARS INDUSTRY

In this section I will discuss the financial structure of the SDARS industry and explain what I see as the key drivers in the industry's financial success. I will start my discussion with an analysis of the income statements of the SDARS and then discuss the key balance sheet considerations.

1. Income Statement Analysis

a) *Revenue Sources*

(i) Subscription Revenues. By far, the most important source of revenue for the SDARS is subscriber fees, *i.e.*, the charges to consumers for access to the service. Subject to the considerations discussed below, subscription revenues are essentially a factor of the number of subscribers and the ARPU.

The number of subscribers for each period, in its simplest form, is a function of the previous period ending subscribers, gross adds and cancellations (either voluntary or involuntary, *e.g.*, bad debt, lost radios, stolen cars), or as termed in the industry "churned subscribers". In reality, this calculation becomes more complicated for various reasons, including the complexities of defining a "subscriber" (*e.g.*, the treatment of customers

enjoying promotional offers), and the timing of the additions and churned subscribers within the period. For example, in the fourth quarter, a significant amount of subscribers are added at the very end of the period and a failure to account for this would result in the average subscriber numbers being overstated.

The second factor, ARPU, is the weighted amount of revenue realized per subscriber from all the different subscription plans. While it would be tempting to simply use the advertised monthly subscription rate of the satellite radio providers (currently \$12.95) as the ARPU, an accurate number must take into account the various discounts, rebates, and promotions available. For example, XM and Sirius both offer a one-year subscription for \$142.45, which effectively provides one month of service free and reduces the ARPU for certain subscribers to \$11.87. Other adjustments to ARPU result from a different rate for businesses, and various other special and promotional offers. My calculations, based on information reported by the SDARS, result in a fair estimate of 2006 ARPU of \$11.34, which includes subscription, activation, advertising, equipment, and other revenue.

(ii) Advertising Revenues. Although advertising is not currently a primary source of revenue for the SDARS (it accounted for about 5% of total revenue in 2Q06), I believe it will grow significantly in importance and could account for 10% of total revenue in the long term. As a reference point, Comcast generates about 10% of its cable television revenues from advertising even though it does not receive ad revenue from its broadcast channels (NBC, CBS, ABC, FOX, and CW). While it may be tempting to think that satellite radio's music channels will never have a significant number of ads, recall that cable TV started with the cable networks that were commercial-free. But once

the subscribers got hooked on cable TV's diverse content, the companies began advertising on their cable networks. Today, the amount of commercials on cable networks is virtually the same as that on broadcast. Advertising is attractive because it provides a high margin revenue source, resulting in a disproportionate benefit at the margin level compared to subscriber income.

(iii) Activation and Other Revenue. Activation fees represent one-time revenue opportunities when subscribers sign up for service. Sirius and XM both charge \$15 for activation of each radio (\$10 online), and these fees are amortized over the life of the average subscriber (forty-two months for Sirius and forty months for XM). While a small percentage of overall revenues, activation revenues are a stable and high margin source of income for the SDARS.

Other revenue consists of several small items, including processing fees to invoiced subscribers, royalty revenues from tuners, and royalty fees from Canadian operations. Other revenue is a very small percentage of total revenue and I do not expect it to become significant even in the longer term.

b) Cost Structure

As discussed in the business model section above, the basic cost structure of the SDARS industry is one of relatively high fixed costs, but at the same time high incremental margins on new subscribers. Accordingly, over the long term, the profitability of the SDARS depends primarily on their ability to maintain revenue growth, which, as discussed above, is primarily a function of the growth of their subscriber bases.

The financial reporting of the SDARS does not break out the costs of the companies clearly between variable and fixed costs, and XM and Sirius classify and combine costs differently, which complicates the task of analyzing the reported financials

and projecting their future financial performance. In the following section I will identify the key cost items of the SDARS industry and break them into variable, semi-variable, and fixed cost types (Appendix K).

(i) Variable Costs. The key variable costs of the SDARS include subscriber acquisition costs (dubbed “subsides and distribution” at XM), customer service and billing, revenue share, and royalties. Commissions payable on advertising revenue are variable costs as well, but they are not significant in comparison to the main variable costs.

By far, the largest variable cost item is subscriber acquisitions costs (“SAC”) – during 2006, I expect this expense to account for 60% of total industry variable costs. This item refers to the various subsidies involved in manufacturing and selling satellite radios. In particular, the subsidies that are accounted for in the subscriber acquisition cost line include the cost of the chipset, the cost of the radio, the cost to install radios in automobiles, hardware-related promotions, and retailer commissions. While SAC will always remain a substantial variable cost item, as the industry matures, with the number of new subscribers becoming a lesser percentage of total subscribers, this cost item will decline as a percentage of revenue.

Customer service and billing is the second largest variable cost, and I expect it will account for 14% of total industry variable costs in 2006. This line represents the cost to service customer phone calls, Internet requests, billing, and information technology for front office applications. It is often quoted as a per subscriber per month figure (XM reported \$1.30, and Sirius reported \$1.05, in customer service and billing in 2Q06). Total customer service and billing costs typically grow with the number of subscribers and,

therefore, the amount of revenue, but there are some economies of scale that result in a decline as a percentage of sales over time.

While revenue share is not currently a large cost item, it is likely to become more important over the long term as auto subscribers become a larger percentage of the industry subscriber base. This cost item consists primarily of monthly payments to car manufacturers for the subscribers they generate, with a smaller amount paid to some content providers.

Royalties represent payments made to copyright owners of musical works (music publishers) and sound recordings (record companies), which have historically amounted to only 6%-7% of subscription revenues. In my projections, SoundExchange has asked me to assume that its current royalty rate proposal is adopted. Accordingly, my sensitivity analysis provides the Court a sense of the economics of the SDARS in the event it adopts SoundExchange's royalty proposal.

(ii) Semi-Variable Costs. Although most costs can be classified as primarily fixed or variable, in my opinion advertising and marketing expenses should be viewed as semi-variable. First, aside from the cost of the in-house marketing staff (which is *de facto* a part of overhead), marketing is a discretionary cost even in the short term, thereby not making it consistent with the concept of a fixed cost. At the same time, while many variable costs are incurred simultaneously with revenue recognition, discretionary marketing expenses are usually incurred in advance of revenue and the amount does not always correspond to revenues, as is the case with most variable costs. In other words, these costs share some of the characteristics of fixed costs and some of the characteristics of variable costs. While marketing expenses will grow faster than fixed expenses (which

over time should follow inflation), they should decline as a percentage of revenue as the industry grows.

(iii) Fixed Costs. The key fixed cost items for the SDARS are programming and content; satellite and terrestrial transmission; engineering, design, research, and development; and general and administrative expenses.

Programming and content accounts for the largest portion of fixed costs (estimated to be close to half of fixed costs in 2006) and primarily represents the cost of non-music related content made available to subscribers. The majority of these costs are related to major sports and personality deals, such as Sirius's agreement with radio personality Howard Stern, valued at a minimum of \$500 million over five years in cash and stock. Similarly, XM is paying Major League Baseball \$650 million over 11 years, including MLB extension options (see Appendix L for additional detail).⁶

Satellite and terrestrial transmission costs relate to the operation (but not the upfront cost) of the satellite infrastructure and the network of terrestrial repeaters needed to ensure signal coverage in various places. These costs account for roughly 18% of total industry fixed costs. The various categories of engineering and development costs, expended to maintain and improve the service and devices from a technical standpoint, are about 12% of fixed costs, with general and administrative costs, the in-house marketing staff, and various miscellaneous items accounting for the rest.

(iv) Depreciation. While not a cash expense, depreciation reflects the annual cost associated with capital expenditures and, in the long term, cash outlays by way of replacement investments. The vast majority of the capital expenditures resulting in

⁶ As I discuss in what follows, I treat the sound recording royalty at issue here as a variable cost because the cost increases when revenue increases. Such treatment would be appropriate for any type of content costs that vary with respect to revenue or number of subscribers.

subsequent depreciation expense are related to the satellites and the terrestrial repeater networks. The former typically have useful lives of approximately thirteen to fifteen years, while the latter are depreciated over five to fifteen years.

(v) Other Costs. The remaining costs on the income statement are non-operational, *i.e.*, costs associated with the financing of the companies' operations and other costs. These items include interest expense and interest income, preferred dividends, and the recognition of stock-based compensation, as well as changes in value of the equity position in the SDARS' respective Canadian operations, various taxes, and similar non-operating items.

As non-operational, these items are not relevant in my analysis of the cash flow of the SDARS industry, but are considered when determining liquidity needs.

c) Recapitulation of Drivers of SDARS Profitability

As already discussed, three key metrics are integral to the SDARS' long-term success and profitability – (i) subscriber growth and churn, (ii) subscription rates (ARPU), and (iii) subscriber acquisition costs (SAC). Having provided research on service-based businesses for almost a decade, I have found that if these factors are managed properly, the companies are almost always successful. There is every reason to believe the SDARS will be successful in managing these metrics and operating profitable businesses.

I base my statement in the foregoing on several specific points relevant to the SDARS. As a high margin duopoly with substantial fixed infrastructure costs, both Sirius and XM need to maintain healthy revenue growth in order to achieve profitability. As discussed in my analysis, revenue growth is, in its simple form, a factor of the number of subscribers and ARPU. Not only do I expect strong subscriber growth for the industry

over the long term, but ARPU should trend upwards with inflation as well, producing a multiplying effect on revenue. The proper management of SAC is the other key driver in determining the SDARS' level of profitability.

2. Balance Sheet Analysis

Following recapitalized balance sheets in 2003 and solid access to capital since then, the SDARS currently have healthy balance sheets.

a) *Assets, Liabilities, Equity.* Due to the high investments in their infrastructures, and losses associated with the industry's launch, the SDARS are presently asset-rich but equity-poor. In fact, both XM and Sirius are now in a "negative equity" position, meaning that their liabilities exceed their assets. Importantly, however, this accounting phenomenon is without significance in the financial analysis of the industry, because it does not take into account the value of the subscriber base or future subscriber growth, profitability, and cash flow.

b) *Leverage.* In analyzing the reasonableness of the SDARS current debt load, traditional credit ratios are not relevant because of the industry's start-up nature. I do, however, believe the companies' combined long term debt load of \$2.4B is very manageable for three reasons. First, the combined interest expense of \$178M is only 11% of 2006 expected revenues and this percentage should decline significantly over the next several years as subscribers and revenues grow. Second, of the total long-term debt figure, all but \$126M comes due in 2009 or later. By that time, I believe that both companies will be producing positive free cash flow, meaning they will be able to finance their business and debt payments with internally generated cash flow. Third, \$2.2B of

the long term debt is fixed rate, with only \$200M subject to the risks of floating interest rates, meaning that the vast majority of debt costs are fixed.

c) *Liquidity.* Although both companies are still utilizing cash each year to fund their operations, I believe they are both fully funded based on the following: cash balances, marketable securities, restricted investments, and lines of credit.

As of June 30, 2006, Sirius had liquidity of \$792M, which consisted of \$535M in cash, \$49M in marketable securities, \$108M in restricted investments, and a \$100M line of credit from Loral. I believe this liquidity is sufficient to fund the company's \$783M in free cash flow losses that I expect through 2008, with positive free cash flow projected for 2009.

Similarly, as of June 30, 2006, XM had liquidity of \$834M, which consisted of \$431M in cash, \$3M in restricted investments, a \$150M line of credit from GM, and a \$250M bank line of credit (XM Radio must maintain \$75M in cash to use the bank line and borrowings are limited to \$50M until less than \$75M of senior secured notes are outstanding). I believe this liquidity is sufficient to fund the company's \$695M in free cash flow losses that I expect through 2008, with positive free cash flow projected for 2009.

Based on this analysis, I do not believe that the adoption of Sound Exchange's rate proposal would require the SDARS to access the public capital markets and therefore would not affect their ability to remain going concerns.

D. SDARS FINANCIAL PERFORMANCE PROJECTIONS

1. Subscriber Projections

Due to its low price (\$11 per month on average), high utility (one hundred-plus channels of audio), and only 12 million subscribers, I believe that the satellite radio industry has significant growth potential. In this section, I forecast long-term satellite radio subscribers. I start with a discussion of the size of the market opportunity.

a) *Market Potential.* Due to the similarities between pay TV and pay radio, it is tempting to assume that they have the same target market. While satellite radio does indeed have the ability to serve the 110 million households in the U.S., it is also targeted at the country's roughly 140 million cars, 95 million trucks, 23 million small businesses, and 18 million boats, for a total of nearly 390 million (Appendix M). I note that this figure does not include any personal devices integrated with satellite radio such as MP3 players, iPods, PDAs, cell phones, or computers, which together number in the hundreds of millions. When making my forecast, I take into account the overlap that these target markets have with individuals. For example, including portable devices, the total market opportunity could be considered over 600 million, although there are only 300 million people in the U.S. While some people already have multiple subscriptions for their car, home, boat, etc., to be conservative I do not take account of the multiple subscriptions. Accordingly, while I believe that the 235 million cars and trucks are the core market for satellite radio, I also believe that the total U.S. population is the most appropriate way to determine the size of the entire target market.

b) *Subscribers.* Consistent with other analysts, I predict strong subscriber growth for the SDARS. In forecasting the total number of satellite radio subscribers over the long term, I conduct distinct analyses of the auto and retail markets (the other

channels of distribution are a very small segment of the total and expected to become smaller).

(i) Auto Subscribers. Auto subscriber growth is primarily driven by four factors: auto production, the number of satellite radio-capable auto lines, the installation rate of those lines, and the conversion rate. I will discuss each of these in turn.

First, as mentioned previously, each satellite radio company is exclusively aligned with several OEMs, and their respective auto production levels determine the potential for satellite radio gross adds in a given period of time. Satellite radio subscribers are typically counted when the car or truck is delivered to the dealer lot (due to automatic activation and promotions). Second, not all auto lines currently offer satellite radio as a factory option. While this figure is increasing every year, it varies significantly from a single-digit percent of production to nearly 100%. Third, not all satellite radio-capable autos are actually installed with the devices at the factory. This figure, called the installation rate, is also increasing rapidly and varies significantly by OEM. Factory installed satellite radios are much more successful in generating gross adds than dealer installed ones. Lastly, the vast majority of auto subscribers are sourced through promotions (*i.e.*, 3 months free from XM and 6-12 months free from Sirius). The SDARS have had great success with these promotional offers – fully 50% of promotional auto subscribers begin paying for the service themselves after the end of the promotional term.

Taking all of these factors into account, I forecast that autos produced for sale in the United States will increase from approximately 17 million cars and trucks in 2005 to about 20 million in 2020, equating to a 1% compound annual growth rate. More

importantly, I expect both auto line availability and the installation rate to hit 90%-100% over this period of time, as many OEMs make satellite radio standard equipment.

Finally, I expect the conversion rate to fall from the current 55% level to the high 40s as satellite radio is built into lower priced autos. These factors result in an expectation of auto satellite radio subscribers increasing from about 4.2M in 2Q06 to approximately 36 million in 2020, or a 13% penetration of the 270 million autos expected in the U.S. at that time. I am attaching Appendix N showing these calculations.

(ii) Retail Subscribers. While most successful service-related businesses generally experience rising gross adds over the long term, I am forecasting flat to down retail gross adds through 2020 due to the cannibalization effect of auto subscribers. The majority of autos do not yet have satellite radio factory installed. As a result, many people purchase a device in a retail store and then install it themselves or with the help of a technician. As auto penetration increases over time, however, I believe it will result in fewer retail gross adds. This cannibalizing is partially offset, however, by the purchase of portable devices such as satellite radio/MP3 players. Although I am expecting flat to down retail gross adds over the next 15 years, I do believe that churn will continue to rise as total subscriber growth slows. Accordingly, I believe that retail net adds will turn negative in 2015 and stay that way going forward. When combined, my gross add and churn estimates result in retail subscribers increasing significantly from the current level of 7.3 million to 16.2 million by 2020. I am enclosing Appendix O to provide more detail on these calculations.

(iii) Total Subscribers. Based on the auto and retail estimates above, and a modest rental car forecast, I expect the total number of satellite radio subscribers to

increase from about 12.3 million today to approximately 40 million in 2012, to 53 million in 2020, equating to a 10% compound growth rate, as shown in Appendix P. This figure equates to 15% of the total U.S. population of 345 million expected at that time. This forecast reflects a 51%/49% split of subscribers between XM Radio and Sirius in 2020, with the former growing slightly larger due to higher auto production from its exclusive partners. Although XM has stumbled this year in terms of subscriber growth, I believe it has addressed the appropriate issues and expect the company to be back on track within a few quarters.

2. Revenue Projections

Based on the subscriber forecasts above, ARPU estimates, and non-subscriber revenue projections, I believe that satellite radio industry revenues will increase fourteen-fold over the next fifteen years to approximately \$11.1 billion (Appendix Q). A reasonable estimate for the year 2012, at the end of the next license period, is \$6.4 billion. Subscriber revenue is the primary driver, accounting for about 85% to 90% of the total. Along with net subscriber growth, maintaining a healthy subscription price is integral to this forecast.

In respect to subscription price, as a result of the high customer satisfaction associated with satellite radio (*i.e.*, self-pay churn under 2% per month) and the duopoly industry structure, I believe that the SDARS will be able to increase their prices gradually over time (at least in line with inflation), much as pay television does today. Accordingly, I expect the subscription ARPU to grow from the current level of about \$10.31 to the mid-teens by 2020. Importantly, this forecast reflects potentially increased

competition for portable audio from non-SDARS, but also accounts for data and video services, both of which should push ARPU up.

The remaining revenue forecast reflects estimates for activation, merchandise, other, and advertising, with the latter accounting for the majority of these ancillary revenue sources. While advertising is currently a relatively small part of the satellite radio business, I believe that it could ultimately account for about 10% of total revenue, driven by non-music programming and, ultimately, commercials on music channels (similar to the progression of pay TV).

3. EBITDA Projections

Based on the revenue estimates above and my cost forecasts, I am projecting that, with SoundExchange's royalty proposal being approved, the SDARS will generate total industry EBITDA of approximately \$2.1B in the year 2020 (Appendix R). This figure reflects an EBITDA margin of about 19%. This is the result of (i) variable costs, excluding the SoundExchange royalty, of about 37% of total revenue, (ii) estimated marketing costs of 8%, (iii) the proposed SoundExchange royalties, and (iv) fixed costs of about 15%. Among the key variable cost items, I expect SAC to decline to approximately \$50, and customer service and billing per subscriber per month to decline to approximately \$0.80, over the next several years before growing at inflation. In addition, I expect revenue share to approximate 20% of auto subscriber revenue.

4. Net Income Projections

Based on the revenue and cost estimates above, along with non-operating expense forecasts, I am projecting satellite industry net income of \$1.3B in 2020 (Appendix S). By 2020 I expect both companies to be paying a full corporate tax rate of 40%, as

compared to the virtual lack of taxes today. This forecast equates to a combined net profit margin of about 12%. This estimate includes \$592M in pretax interest income on the \$13.5B in cash on balance sheets in 2020. In reality, it is likely that XM and Sirius will utilize this cash to make acquisitions or enter new businesses (resulting in an array of potential outcomes), buy back stock, pay down debt, or issue dividends. But it is imprudent to estimate such speculative events in financial forecasting.

5. Free Cash Flow Projections

Based on all of the estimates above, and my forecasts for capital expenditures and working capital changes, I forecast that the satellite radio industry will generate approximately \$1.6B in free cash flow in the year 2020, following Sirius's expected replacement of satellites in 2012 and XM's in 2019 (Appendix T).

6. Risk Factor Analysis

a) *Subscriber Growth.* With subscriber growth being the major driver of the SDARS' profitability, it obviously also constitutes the biggest risk factor. A material downward deviation from my forecast would have a significant impact on the SDARS' profitability. Mitigating this risk is the very impressive subscriber growth of the industry to date, exceeding that of wireless and cable TV within their first 5 years of service.⁷ Further, my long term forecast only calls for only 15% penetration of the target market.

b) *SDARS Competition.* Although XM and Sirius form a duopoly, they have shown aggressive marketing and content tactics, reducing returns in the industry. In the event the companies engage in ultra-competitive behavior, this could erode their ARPU, increase SAC, and hurt their profitability. However, I believe that both companies will

⁷ According to Greystone Communications in an XM Radio presentation at the Merrill Lynch Media and Entertainment Conference on Sept. 14, 2006.

produce significant profitability in the future even if they do not moderate some of their current activities. Further, I find it highly unlikely that the internal competition within the SDARS industry would intensify from today's level.

c) *New Technologies.* Satellite radio offers the most robust audio signal available today, particularly in autos. However, new technologies such as MP3 players, High Definition Radio, multimedia cellphones, and wireless Internet provide some competition. Going forward, it is impossible to predict exactly how technology will develop, but I do not see the SDARS' significant advantage in cars and trucks being presently threatened.

d) *Auto Relationships.* Given that GM currently accounts for over one-third of all XM subscribers and that I believe auto will comprise the majority of industry subscribers in the long run, maintaining good relationships with the OEMs is imperative. Further, the current auto sales problems at GM, Ford, and DaimlerChrysler, and Delphi's bankruptcy create additional risks for the SDARS because such issues are largely outside of their control. That said, auto production will continue (even if there is some restructuring within the auto industry) and the SDARS are likely to maintain their strong position in this distribution channel.

e) *Government Activities.* The SDARS have had to address some government inquiries that could have an adverse effect on the satellite radio industry. Earlier this year, the FCC began investigating satellite radios that had built-in FM modulators due to interference complaints. While both XM and Sirius are working diligently to correct the problems (and already have received certifications for several radios), this issue has exposed a possible problem that could re-emerge and hinder the

industry's growth. Also, the FTC is investigating some of XM's marketing practices as it relates to the "Do Not Call" list. I believe any monetary fine against the company will be at most of marginal significance, but future restrictions on advertising practices could have an impact on subscriber growth.

The major recording companies have sued XM for copyright infringement related to the introduction of certain of XM's new portable devices. I am not a legal analyst, but the published analyst reports do not consider this litigation to be a substantial threat to the industry's viability. Finally, the PERFORM Act (Platform Equality and Remedies for Rights Holders in Music Act of 2006) has been introduced in Congress. If passed, the proposed legislation would change the legal standard applied in future rate setting proceedings, and might subject the SDARS to some additional fees. I do not know how likely it is that this bill will pass, although it does not appear to have progressed much during the most recent legislative session.

E. PROJECTED VALUATION OF THE SDARS INDUSTRY

1. Valuation Models for the SDARS Industry

Based on the projections detailed above, I estimate that using discounted cash flow analysis the satellite radio industry is worth approximately \$9.3B today versus its current combined basic enterprise value, which is also \$9.3B (Appendices A and B).

My discounted cash flow model incorporates expected cash flows of the SDARS through 2020 and then uses a multiple to value all cash flows beyond that year. Due to the current negative cash flows of both Sirius and XM, the terminal value in my model accounts for nearly one-half of the projected valuation. This implies that the analysis is very sensitive to the multiple applied to it, which is calculated using the cost of capital

and terminal growth. The former reflects the companies' weighted average cost of capital of debt and equity (WACC), while the latter equates to the estimated long term annual growth of cash flows.

For both XM and Sirius, I use 4% terminal growth, but my WACC estimates vary due to the companies' current risk assessment (*i.e.*, 10.5% for Sirius and 11% for XM). Finally, any cash flows that are not consolidated in the companies' financial statements due to less than controlling interests are valued and added to the U.S. operations. Such assets include stakes in Canadian operations and XM's WorldSpace shares.

2. Sensitivity Analysis/Alternate Scenarios

As part of my financial research, I conducted sensitivity analysis on my estimates to determine how sensitive the forecast is to various inputs. Further, this analysis is used to determine reasonable, best, and worst case scenarios for the companies. While my results are summarized in Appendix U, there are a two key takeaways. First, a 20% increase in SAC or churn results in meaningful declines in EBITDA, free cash flow, and enterprise value. Second, a 20% decrease in ARPU has the largest impact on revenue, EBITDA, free cash flow, and enterprise value. Accordingly, I believe it is imperative that satellite radio companies maintain valued content and offer additional services in order to grow ARPU over time.

F. PROJECTED IMPACT OF THE SOUNDEXCHANGE ROYALTY RATE ON SDARS VALUATION

In addition to the sensitivity analysis conducted above, I calculated the impact of SoundExchange's proposed royalty rates on the cash flow, liquidity, and value per share of the SDARS. For the purposes of my analysis, I calculated the current royalty rates for

the music publisher and sound recording artist royalties collectively to be 7.0%, which is the figure frequently used by analysts.

The most important finding of my analysis is that the proposed royalty rates are unlikely to affect adversely the SDARS status of being “fully funded”, *i.e.*, their ability to reach positive free cash flow with their existing capital structure and, therefore, not be dependent on the capital markets for liquidity. The proposed royalty rates of 10% for 2007 and 12% for 2008 represent 6.5 and 8.5 percentage point increases, resulting in an incremental royalty expense of around \$218 million for XM and \$205 million for Sirius in those years. According to my analysis, this should not create an issue with respect to liquidity for the SDARS, and should therefore not disrupt their operations. After 2008, both SDARS are projected to be free cash flow positive and capable of digesting the increase in their variable costs that the proposed royalty rates would impose.

IV. CONCLUSION

As I have outlined in my testimony, the broad consensus amongst analysts covering the satellite radio industry, as well as the results of my own independent research and analysis, is that the SDARS have a bright future ahead of them. The attractive duopoly structure of the industry combined with an attractive product offering giving consumers an unprecedented breadth of music and other programming is broadly considered a recipe for financial success.


I have evaluated the impact of the royalty rates proposed by SoundExchange on the SDARS’ financial future, and it is my conclusion that if the rates are approved they will not disrupt the SDARS’ ability to remain going concerns and succeed in the marketplace.

APPENDICES

- A. Sirius Model
- B. XM Radio Model
- C. Subscriber Market Share
- D. Satellite Radio Subscription Prices
- E. Broadcast Radio Formats
- F. Satellite Radio Channel Lineups
- G. Retail Subscriber Share
- H. U.S. Auto Sales Share by SDARS Partner
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- Q. SDARS Revenue Forecast
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- V. Curriculum vitae of Sean Butson, CFA

I declare under penalty of perjury that the foregoing testimony is true and correct to the best of my knowledge and belief.

Date: 10/26/2006


Sean Butson

Sirius Radio Model
APPENDIX A

(\$/thousands)	2005A	1Q06A	2Q06A	3Q06E	4Q06E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Income Statement																				
Subscription revenue	233,635	117,991	136,020	154,239	170,064	578,914	985,585	1,408,028	1,814,196	2,186,681	2,524,042	2,835,509	3,126,481	3,401,117	3,680,793	3,904,603	4,129,868	4,337,020	4,530,234	4,711,423
Activation revenue	6,790	3,724	3,647	1,797	3,928	13,098	14,713	15,155	15,609	16,078	16,560	17,057	17,569	18,096	18,638	19,198	19,774	20,367	20,978	21,607
Effect of mail-in rebates	-16,810	-6,534	-2,031	-1,656	-13,074	-23,298	-23,997	-24,717	-25,458	-26,222	-27,008	-27,819	-28,653	-29,513	-30,398	-31,310	-32,250	-33,217	-34,214	-35,240
Subscriber revenue, net	223,615	115,181	137,636	154,378	161,516	568,713	976,302	1,368,467	1,804,347	2,176,537	2,513,594	2,824,837	3,115,397	3,389,699	3,649,033	3,892,490	4,117,392	4,324,170	4,516,998	4,697,790
Advertising revenue, net of agency fees	6,131	7,338	8,125	9,079	12,333	36,875	79,312	131,905	181,681	228,952	269,989	304,039	336,072	366,548	395,589	423,087	448,736	472,569	495,024	516,299
Equipment Revenue	12,271	3,692	3,096	2,123	6,959	15,870	16,346	16,837	17,342	17,862	18,398	18,950	19,518	20,104	20,707	21,328	21,968	22,627	23,306	24,005
Other revenue	228	450	1,221	1,233	1,246	4,153	4,277	4,408	4,538	4,674	4,814	4,959	5,107	5,261	5,418	5,581	5,748	5,921	6,098	6,281
Total Revenue	242,245	126,664	150,078	166,813	182,056	625,610	1,076,237	1,551,613	2,007,907	2,428,624	2,806,795	3,152,784	3,476,094	3,781,611	4,070,747	4,342,486	4,593,844	4,825,287	5,041,426	5,244,375
% growth	262.3%	193.1%	187.5%	149.0%	127.0%	158.3%	72.0%	44.2%	29.4%	20.9%	15.6%	12.3%	10.3%	8.8%	7.6%	6.5%	5.6%	4.8%	4.1%	3.5%
Sales and marketing (ex. revenue share)	158,100	31,888	46,506	39,623	86,747	204,964	245,957	282,850	311,135	326,692	336,493	346,587	356,985	367,695	378,725	390,087	401,790	413,844	426,259	439,047
Revenue share (est.)	13,724	7,408	10,103	12,765	13,455	43,730	87,118	125,444	176,139	225,513	273,367	320,135	366,060	411,255	455,273	495,844	532,260	565,148	594,954	622,350
Total Sales and marketing	171,824	39,296	56,609	52,588	100,201	248,694	333,075	408,295	487,274	552,205	609,859	666,723	723,045	778,950	833,998	885,931	934,050	978,991	1,021,212	1,061,397
Customer service and billing	46,653	15,841	13,659	14,545	24,501	68,547	90,442	100,276	129,328	156,155	180,637	203,418	224,850	245,239	264,669	283,067	300,228	316,173	331,197	345,430
Cost of Equipment	11,827	3,465	3,467	2,123	6,959	16,014	16,346	16,837	17,342	17,862	18,398	18,950	19,518	20,104	20,707	21,328	21,968	22,627	23,306	24,005
Subscriber acquisition costs	349,641	109,144	108,663	81,790	154,925	454,523	436,000	400,026	350,618	325,685	354,993	385,588	417,855	451,400	484,798	511,482	533,557	555,824	576,650	598,269
Other programming & content (est.)	59,845	22,189	23,990	25,789	27,723	99,690	119,628	137,572	151,329	162,679	170,813	179,354	188,321	197,738	207,624	218,006	228,902	240,351	252,369	264,987
Royalties (est.)	16,354	8,259	9,521	10,797	11,946	40,524	140,557	232,526	361,401	509,522	645,058	818,887	903,265	982,976	1,058,391	1,129,244	1,194,755	1,256,046	1,311,323	1,364,140
NASCAR (est.)	0	0	0	0	0	0	16,750	20,156	21,668	23,293	25,040	26,292	27,607	28,987	30,436	31,958	33,556	35,234	36,996	38,845
Howard Stern costs (est.)	0	19,500	19,500	19,500	19,500	78,000	78,000	78,000	78,000	78,000	83,500	90,139	96,899	104,167	111,979	120,738	129,406	139,111	149,545	160,760
NFL costs (est.)	22,996	6,496	0	6,600	9,900	22,996	22,996	22,996	22,996	22,996	24,146	25,353	26,621	27,952	29,349	30,817	32,358	33,976	35,674	37,458
Total Programming and content	99,195	56,444	53,011	62,686	69,069	241,210	379,431	491,650	635,344	796,490	948,907	1,140,252	1,242,713	1,341,819	1,437,780	1,530,402	1,618,980	1,703,718	1,785,907	1,866,191
Satellite and transmission	27,856	7,301	17,686	7,484	7,671	40,141	30,682	31,603	32,561	33,528	34,533	35,569	36,636	37,736	38,868	40,034	41,235	42,472	43,746	45,058
General and administrative	59,831	19,144	21,653	22,736	23,872	87,405	104,866	115,375	121,143	124,778	128,521	132,377	136,346	140,438	144,652	148,991	153,461	158,065	162,807	167,691
Engineering, Design, and Development	42,925	12,679	12,775	13,094	13,422	51,970	59,766	65,742	69,029	71,100	73,233	75,430	77,693	80,024	82,425	84,897	87,444	90,068	92,770	95,553
EBITDA	-567,507	-136,650	-137,445	-90,233	-218,565	-582,893	-374,397	-78,190	165,227	350,222	457,714	494,705	597,437	685,902	762,851	836,354	902,922	957,349	1,003,832	1,040,781
Depreciation expense	98,555	24,933	25,738	26,060	26,751	103,482	105,771	114,117	131,374	145,259	149,831	154,539	166,871	171,811	176,899	182,140	187,539	193,100	198,829	204,730
Equity granted to third parties and employees	163,078	284,386	67,289	0	0	351,875	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Income	-829,140	-448,169	-230,472	-116,293	-245,317	-1,038,251	-484,167	-192,307	33,853	204,964	307,883	340,166	430,585	514,091	585,952	654,214	715,383	764,249	805,003	836,051
Debt restructuring	-6,214	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest and investment income	26,878	9,937	8,873	7,295	5,321	31,426	17,649	818	-9,979	-7,509	9,248	32,692	15,924	46,222	82,491	124,253	170,660	221,870	278,190	339,268
Income (expense) from affiliate	-6,938	-4,445	0	0	0	-4,445	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other income	89	10	9	9	9	37	37	37	37	37	37	37	37	37	37	37	37	37	37	37
Interest expense, net of amount capitalized	-45,361	-17,124	-15,660	-17,032	-17,032	-66,848	-68,127	-68,127	-68,127	-68,127	-68,127	-68,127	-68,127	-68,127	-68,127	-68,127	-68,127	-68,127	-68,127	-68,127
Income before taxes	-869,686	-457,791	-237,250	-126,021	-257,018	-1,076,080	-534,608	-259,579	-44,216	129,364	248,041	304,768	378,399	492,223	600,353	710,377	817,953	918,029	1,015,103	1,107,229
Taxes	-2,311	-753	-578	-578	-578	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487	-2,487
Net Income	-862,997	-458,544	-237,828	-126,599	-257,596	-1,080,567	-537,095	-262,066	-46,703	126,877	246,554	302,281	375,912	489,736	597,866	707,890	815,466	915,542	1,012,616	1,107,746
Cash Flow																				
EBITDA	-567,507	-136,650	-137,445	-90,233	-218,565	-582,893	-374,397	-78,190	165,227	350,222	457,714	494,705	597,437	685,902	762,851	836,354	902,922	957,349	1,003,832	1,040,781
Free Cash Flow	-268,376	-175,242	-84,973	-157,884	-72,721	-490,820	-336,621	-215,942	49,391	335,153	468,874	-335,356	605,961	725,387	835,229	928,148	1,024,201	1,126,390	1,221,563	1,316,919
Company Guidance																				
Revenue	\$225M					\$615M	\$1B			\$3B										
Subscribers	3M					6.3M														
OEM Subscribers							to double													
Churn	1.5%					1.8%														
SAC	< \$145					\$110	down													
Capex						\$110M														
Cash Flow from Operations minus Capex	(\$375M)				positive	(\$500M)	positive	positive		\$1B										
EBITDA	(\$540M)					(\$565M)														
Margins																				
EBITDA	-234.3%	-107.9%	-91.6%	-54.1%	-120.1%	-93.2%	-34.8%	-5.0%	8.2%	14.4%	16.3%	15.7%	17.2%	18.1%	18.7%	19.3%	19.7%	19.8%	19.9%	19.8%
Free Cash Flow	-110.8%	-138.4%	-56.6%	-94.6%	-39.9%	-78.5%	-31.3%	-13.9%	2.5%	13.8%	16.7%	-10.6%	17.4%	19.2%	20.5%	21.4%	22.3%	23.3%	24.2%	16.7%
FCF Conversion	47.3%	128.2%	61.8%	175.0%	33.3%	84.2%	89.9%	276.2%	29.9%	95.7%	102.4%	-67.8%	101.4%	105.8%	109.5%	111.0%	113.4%	117.7%	121.7%	84.4%
Tax rate	0.3%	0.2%	0.2%	0.5%	0.2%	0.2%	0.5%	1.0%	5.6%	-1.9%	-1.0%	-0.8%	-0.							

(Thousands)	2005A	1Q06A	2Q06A	3Q06E	4Q06E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Total current assets	1,011,448	858,425	740,158	576,959	571,184	571,184	276,542	95,110	181,010	555,739	1,070,962	785,044	1,429,918	2,193,273	3,065,319	4,027,566	5,083,261	6,239,865	7,489,550	8,396,163
Marketable securities	117,250	84,400	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625	48,625
Accounts receivable	31,688	19,959	18,922	21,032	22,954	22,954	39,487	56,929	73,671	89,085	102,982	115,676	127,539	138,748	149,527	159,327	168,549	177,041	184,971	192,417
Inventory	14,256	15,454	25,110	16,900	35,800	35,800	34,342	31,508	27,616	25,653	27,961	30,371	32,912	35,654	38,185	40,267	42,025	43,779	45,420	47,122
Restricted investments, short-term	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165	25,165
Prepaid expenses	18,248	37,016	52,776	47,182	73,536	73,536	88,269	99,171	112,124	126,431	142,938	161,740	175,102	188,369	201,281	213,343	224,587	235,588	245,682	255,782
Other current assets	42,834	45,600	43,597	38,976	60,740	60,740	72,917	81,923	92,623	104,442	118,078	133,610	144,697	155,607	166,273	176,237	185,526	194,424	202,952	211,296
Total current assets	1,011,448	858,425	740,158	576,959	571,184	571,184	276,542	95,110	181,010	555,739	1,070,962	785,044	1,429,918	2,193,273	3,065,319	4,027,566	5,083,261	6,239,865	7,489,550	8,396,163
Property and equipment, gross	1,206,002	1,209,056	1,222,757	1,255,198	1,287,631	1,287,631	1,338,618	1,541,048	1,703,914	1,757,550	1,812,778	1,857,435	2,015,376	2,075,061	2,136,541	2,199,872	2,265,108	2,332,306	2,401,526	2,472,827
Accumulated depreciation	-377,645	-402,578	-428,316	-454,378	-481,127	-481,127	-590,898	-705,015	-836,389	-981,648	-1,131,479	-1,295,911	-1,481,623	-1,694,623	-1,931,493	-2,200,623	-2,505,172	-2,846,172	-3,222,172	-3,633,831
Property and equipment, net	828,357	806,478	794,441	800,822	806,504	806,504	747,720	836,033	867,525	775,902	681,299	561,523	533,753	380,438	205,048	199,249	759,936	586,134	179,354	838,996
FCC license	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654
Restricted investments	82,450	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150	83,150
Deferred Financing Fees	16,303	15,693	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908
Other long-term assets	63,150	60,704	66,085	93,891	101,925	101,925	107,927	114,290	122,053	130,979	140,271	149,949	160,641	171,737	183,252	195,196	207,584	220,429	233,744	247,544
TOTAL ASSETS	2,085,362	1,906,104	1,811,396	1,653,384	1,661,325	1,661,325	1,313,901	1,227,147	1,352,310	1,644,332	2,074,243	2,578,229	3,124,863	3,787,190	4,555,332	5,410,713	6,356,494	7,399,740	8,533,431	9,319,414
LIABILITIES																				
Accounts payable and accrued expenses	331,953	293,500	345,979	309,305	482,071	482,071	578,657	650,127	735,044	828,833	937,046	1,060,306	1,148,294	1,234,876	1,319,517	1,398,593	1,472,306	1,542,917	1,610,593	1,676,810
Accrued interest	23,546	13,083	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703
Deferred revenue	251,468	285,186	310,830	315,113	390,640	390,640	466,425	560,965	621,753	679,846	741,023	808,888	872,244	942,266	1,011,884	1,087,684	1,163,754	1,240,246	1,317,179	1,394,645
Total current liabilities	606,967	591,769	681,512	649,121	897,415	897,415	1,069,784	1,235,795	1,381,500	1,533,383	1,702,772	1,889,897	2,045,242	2,201,845	2,356,204	2,480,980	2,610,773	2,727,865	2,839,015	2,950,358
9.58% Senior Unsecured Note due 2013	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
2.12% Convertible Notes due 2009	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
3.12% Convertible Notes due 2008	65,045	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185	52,185
8.314% Convertible Sub-Notes due 2009	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744
3.14% Convertible Notes due 2011	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000
Long-term debt	1,084,437	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929	1,083,929
Deferred revenue	56,479	67,219	70,964	71,942	89,185	89,185	106,487	125,798	141,849	155,212	169,179	183,760	199,158	215,124	231,041	247,757	254,278	264,890	274,815	285,117
Other long-term liabilities	12,511	30,484	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114	32,114
TOTAL LIABILITIES	1,760,394	1,773,401	1,868,519	1,837,106	2,102,643	2,102,643	2,292,314	2,467,626	2,638,492	2,804,638	2,987,965	3,189,700	3,360,422	3,533,012	3,703,286	3,850,780	3,981,094	4,108,798	4,229,872	4,351,519
Common Stock	1,346	1,402	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405
Additional paid-in capital	3,079,169	3,320,698	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697	3,366,697
Deferred compensation	-26,694	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated (loss) income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated deficit	-2,728,850	-3,187,397	-3,425,225	-3,551,824	-3,809,420	-3,809,420	-4,346,515	-4,608,581	-4,655,285	-4,528,407	-4,281,854	-3,979,573	-3,603,861	-3,113,924	-2,516,058	-1,808,169	-992,702	-77,160	935,456	1,589,784
TOTAL EQUITY	324,968	134,703	57,123	-183,722	-441,318	-441,318	-978,413	-1,240,479	-1,287,183	-1,160,305	-913,752	-611,471	-235,559	254,178	852,044	1,559,933	2,375,400	3,290,942	4,303,558	4,967,896
TOTAL LIABILITIES & EQUITY	2,085,362	1,906,104	1,811,396	1,653,384	1,661,325	1,661,325	1,313,901	1,227,147	1,352,310	1,644,332	2,074,243	2,578,229	3,124,863	3,787,190	4,555,332	5,410,713	6,356,494	7,399,740	8,533,431	9,319,414

Sirius Subscribers

	2005A	2006A	2006B	3Q06E	4Q06E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Subscribers																				
Beginning	1,143,258	3,316,560	4,077,747	4,678,207	5,119,207	3,316,560	6,326,307	9,373,502	12,204,152	14,674,758	16,724,493	18,466,841	19,954,050	21,237,248	22,348,592	23,291,706	24,073,683	24,673,276	25,149,749	25,503,603
Gross adds	2,519,207	900,610	830,571	711,220	1,548,252	4,051,653	4,856,707	5,599,697	6,102,448	6,478,276	6,855,566	7,229,529	7,606,334	7,977,626	8,208,334	8,318,334	8,229,723	8,127,723	8,791,011	8,854,932
Churned subs	-345,995	-199,423	-238,111	-270,221	-341,152	-1,041,907	-1,809,451	-2,739,308	-3,631,842	-4,428,541	-5,113,221	-5,742,320	-6,333,136	-6,866,282	-7,375,220	-7,738,582	-8,039,826	-8,251,256	-8,437,157	-8,581,215
Ending subscribers	3,316,560	4,077,747	4,678,207	5,119,207	6,326,307	9,373,502	12,204,152	14,674,758	16,724,493	18,466,841	19,954,050	21,237,248	22,348,592	23,291,706	24,073,683	24,673,276	25,149,749	25,603,603	25,776,821	25,622,453
As a % of beginning	1,652,344	3,762,627	4,354,447	4,681,067	5,481,337	4,624,659	7,651,893	10,604,689	13,276,689	15,696,393	17,462,414	18,713,777	20,512,241	21,720,663	22,558,847	23,631,608	24,334,506	24,880,542	25,303,670	25,622,453
Subscriber growth - yoy	100.1%	181.5%	157.8%	100.7%	90.7%	48.2%	30.2%	20.2%	14.0%	10.4%	8.1%	6.4%	5.2%	4.2%	3.4%	2.5%	1.9%	1.4%	1.4%	1.1%
Net Adds	2,173,302	761,187	600,460	441,000	1,207,100	3,009,747	3,047,256	2,830,589	2,470,607	2,049,735	1,742,348	1,487,209	1,283,198	1,111,344	943,114	781,977	599,953	476,473	353,854	273,218
% growth - yoy	148.4%	149.2%	64.1%	22.7%	5.6%	38.5%	1.2%	-7.1%	-12.7%	-17.0%	-15.0%	-12.7%	-13.4%	-13.1%	-13.4%	-15.1%	-17.1%	-20.5%	-25.7%	-22.8%
% growth - seq	148.4%	-33.4%	-21.1%	-20.6%	173.7%	38.5%	1.2%	-7.1%	-12.7%	-17.0%	-15.0%	-12.7%	-13.4%	-13.1%	-13.4%	-15.1%	-17.1%	-20.5%	-25.7%	-22.8%
Gross Adds																				
% growth - yoy	158.4%	170.8%	92.0%	52.9%	22.3%	60.8%	19.0%	14.7%	9.6%	6.2%	5.8%	5.5%	5.2%	4.6%	4.3%	2.4%	1.3%	1.1%	0.7%	0.7%
% growth - seq	158.4%	-24.2%	-13.5%	-14.4%	117.6%	60.8%	19.0%	14.7%	9.6%	6.2%	5.8%	5.5%	5.2%	4.6%	4.3%	2.4%	1.3%	1.1%	0.7%	0.7%
Total Churn (calculated)	1.6%	1.8%	1.8%	1.8%	2.1%	1.9%	2.0%	2.2%	2.3%	2.4%	2.4%	2.5%	2.6%	2.6%	2.7%	2.7%	2.7%	2.8%	2.8%	2.8%
Total Churn (reported)	1.5%	1.8%	1.8%																	
Subscribers																				
Retail and special markets	2,465,363	3,000,321	3,278,615	3,398,087	4,190,378	4,190,378	5,627,110	6,700,522	7,481,071	8,028,324	8,392,028	8,613,224	8,725,367	8,755,367	8,724,745	8,702,595	8,690,590	8,675,024	8,666,666	8,660,626
OEM	823,693	1,049,036	1,373,610	1,693,127	2,107,947	2,107,947	3,717,470	5,473,646	7,162,706	8,664,187	10,041,832	11,306,845	12,476,900	13,557,213	14,529,979	15,333,106	15,947,704	16,434,744	16,795,956	17,074,213
Hertz	27,504	28,390	27,982	27,982	27,982	27,982	26,982	29,982	30,982	31,982	32,982	33,982	34,982	35,982	36,982	37,982	38,982	39,982	40,982	41,982
Full-paying	762,809	897,104	982,423	1,040,437	1,265,261	1,265,261	1,827,845	2,714,830	3,010,400	3,231,697	3,392,180	3,504,140	3,675,710	3,810,652	3,911,052	3,977,625	4,020,950	4,052,950	4,077,625	4,097,950
Multi-year	2,188,800	2,691,313	3,087,617	3,378,670	4,175,302	4,175,302	6,186,551	8,054,740	9,685,341	11,038,165	12,188,115	13,169,673	14,016,584	14,750,071	15,372,526	15,888,631	16,284,362	16,569,834	16,832,378	17,012,702
Family Plan (est.)	364,822	489,330	608,187	691,093	885,663	885,663	1,359,167	1,830,623	2,274,588	2,675,919	3,047,029	3,382,189	3,670,518	4,022,747	4,308,960	4,574,000	4,811,289	5,028,950	5,228,239	5,413,132
Sub Share																				
Retail and special markets	74.3%	73.0%	70.0%	66.4%	66.2%	66.2%	60.0%	54.0%	51.0%	48.0%	45.4%	43.2%	41.1%	39.2%	37.5%	36.1%	35.2%	34.5%	34.0%	33.0%
OEM	24.8%	25.7%	29.4%	33.1%	33.3%	33.3%	30.7%	44.0%	48.8%	51.8%	54.4%	56.7%	58.8%	60.7%	62.4%	63.7%	64.0%	65.3%	65.9%	66.2%
Hertz	0.8%	0.7%	0.6%	0.5%	0.4%	0.4%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Full-paying	23.0%	22.0%	21.0%	20.5%	20.0%	20.0%	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%	14.5%	14.0%	13.5%	13.0%
Multi-year	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%
Family Plan	11.0%	12.0%	13.0%	13.5%	14.0%	14.0%	14.5%	15.0%	15.5%	16.0%	16.5%	17.0%	17.5%	18.0%	18.5%	19.0%	19.5%	20.0%	20.5%	21.0%
Net Adds																				
Retail and special markets	55%	64%	57%																	
OEM	47%	64%	62%																	
Retail and special markets	1,554,108	534,058	276,294	121,482	792,281	1,225,015	1,436,732	1,073,412	780,549	547,253	363,704	221,196	112,143	30,030	-30,652	-22,150	-16,006	-11,566	-8,358	-6,040
OEM	820,224	225,343	324,574	319,517	414,819	1,284,254	1,609,523	1,756,178	1,689,058	1,501,482	1,377,644	1,265,013	1,170,055	1,080,314	972,766	803,128	614,590	487,038	361,212	278,257
Hertz	-1,000	896	-408	0	0	476	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Net Add Share																				
Retail and special markets	71.5%	70.3%	46.0%	27.5%	65.6%	57.3%	47.1%	37.9%	31.6%	28.7%	20.9%	14.9%	8.7%	2.7%	-3.3%	-2.8%	-2.7%	-2.4%	-2.4%	-2.2%
OEM	28.5%	29.6%	54.1%	72.5%	34.4%	42.7%	52.8%	62.0%	68.4%	73.3%	79.1%	85.1%	91.2%	103.1%	102.7%	102.5%	102.7%	102.1%	102.1%	101.8%
Hertz	0.0%	0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.4%
Retail Subscribers																				
Beginning	911,255	2,465,363	3,000,321	3,278,615	3,398,087	2,465,363	4,190,378	5,627,110	6,700,522	7,481,071	8,028,324	8,392,028	8,613,224	8,725,367	8,755,367	8,724,745	8,702,595	8,690,590	8,675,024	8,666,666
Gross adds (est.)	1,826,930	670,430	430,668	299,550	962,048	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922	2,397,922
Churned subs (est.)	-274,831	-144,478	-160,594	-178,068	-189,767	-672,507	-961,190	-1,612,511	-1,830,669	-2,034,219	-2,176,726	-2,285,779	-2,367,892	-2,428,574	-2,470,072	-2,413,928	-2,409,488	-2,406,280	-2,403,962	
Ending subscribers	2,465,363	3,000,321	3,278,615	3,398,087	4,190,378	4,190,378	5,627,110	6,700,522	7,481,071	8,028,324	8,392,028	8,613,224	8,725,367	8,755,367	8,724,745	8,702,595	8,690,590	8,675,024	8,666,666	
As a % of beginning	1,880,813	2,796,022	3,121,600	3,325,339	3,634,174	3,216,294	4,784,685	6,058,701	7,006,088	7,668,888	8,157,332	8,454,841	8,634,186	8,711,410	8,716,592	8,670,014	8,662,970	8,652,704	8,647,626	
Net adds	1,854,108	534,858	276,294	121,482	792,281	1,225,015	1,436,732	1,073,412	780,549	547,253	363,704	221,196	112,143	30,030	-30,652	-22,150	-16,006	-11,566	-8,358	
% growth - yoy	123.3%	166.4%	12.8%	-12.8%	-12.0%	11.0%	-16.7%	-25.9%	-27.3%	-25.9%	-33.5%	-30.2%	-27.3%	-20.2%	-17.4%	-17.7%	-17.7%	-17.7%	-17.7%	
% growth - seq	123.3%	-40.6%	-48.4%	-56.0%	55.2%	11.0%	-16.7%	-25.9%	-27.3%	-25.9%	-33.5%	-30.2%	-27.3%	-20.2%	-17.4%	-17.7%	-17.7%	-17.7%	-17.7%	
Gross Add Growth																				
% growth - yoy	130.4%	177.6%	44.3%	0.0%	0.0%	31.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
% growth - seq	130.4%	-30.8%	-35.7%	-31.4%	227.8%	31.1%	252.9%	448.9%	700.5%	144.2%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Retail Churn (est.)	1.7%	1.7%	1.8%	1.8%	1.9%	1.7%	1.9%	2.0%	2.0%	2.1%	2.0%	2.2%	2.2%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	
OEM Subscribers																				
Beginning	203,469	823,693	1,049,036	1,373,610	1,693,127	823,693	2,107,947	3,717,470	5,473,646	7,162,706	8,664,187	10,041,832	11,306,845	12,476,900	13,557,213	14,529,979	15,333,106	15,947,704	16,434,744	16,795,956
Gross adds (est.)	691,388	280,288	304,901	411,670	607,204	1,653,253	2,457,785	3,170,875	3,703,520	4,079,554	4,456,647	4,830,607	5,207,412	5,578,704	5,919,412	6,121,630	6,230,490	6,328,801	6,392,080	6,456,010
Promo churn (est.)	-61,946	-44,381	-53,500	-69,520	-122,205	-288,702	-743,904	-1,126,292	-1,458,8											

Sirius Auto Subscribers

	2005A	1Q06A	2Q06A	3Q06A	4Q06E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Ford																				
Auto sales	3,154	737	806	731	585	2,859	2,716	2,716	2,797	2,825	2,854	2,882	2,911	2,940	2,969	2,999	3,029	3,059	3,090	3,121
Sales growth	-5.0%	-2.8%	-5.3%	-16.9%	-12.1%	-9.4%	-5.0%	0.0%	3.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Sirius availability	10%	20%	20%	28%	38%	25%	60%	90%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Sirius capable autos	315	147	161	201	219	729	1,630	2,444	2,797	2,825	2,854	2,882	2,911	2,940	2,969	2,999	3,029	3,059	3,090	3,121
Installation %	25%	30%	30%	38%	43%	36%	50%	55%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%	90%
Installs	79	44	48	75	93	261	815	1,344	1,678	1,836	1,997	2,162	2,329	2,499	2,672	2,699	2,726	2,753	2,781	2,809
Install growth						231.2%	212.0%	65.0%	24.8%	9.4%	8.8%	8.2%	7.7%	7.3%	6.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Penetration		6%	6%	10%	16%	9%	30%	50%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%	90%
DaimlerChrysler¹																				
Auto sales	2,305	563	567	498	437	2,065	1,962	1,962	2,021	2,041	2,061	2,082	2,103	2,124	2,145	2,166	2,188	2,210	2,232	2,254
Sales growth	4.4%	2.9%	-11.5%	-17.4%	-15.0%	-10.4%	-5.0%	0.0%	3.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Sirius availability		80%	80%	95%	95%	87%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Sirius capable autos		450	454	473	415	1,792	1,962	1,962	2,021	2,041	2,061	2,082	2,103	2,124	2,145	2,166	2,188	2,210	2,232	2,254
Installation %		40%	40%	45%	45%	42%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%
Installs		180	181	213	187	761	883	981	1,111	1,224	1,340	1,457	1,577	1,699	1,823	1,950	1,969	1,989	2,009	2,029
Install growth							16.0%	11.1%	13.3%	10.2%	9.4%	8.8%	8.2%	7.7%	7.3%	6.9%	1.0%	1.0%	1.0%	1.0%
Penetration		32%	32%	43%	43%	37%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%
VW/Audi																				
Auto sales	311	72	86	89	86	333	350	360	364	367	371	375	379	382	386	390	394	398	402	406
Sales growth	-7.4%	18.0%	14.7%	0.0%	0.0%	7.1%	5.0%	3.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Sirius availability		40%	40%	45%	45%	44%	80%	90%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Sirius capable autos		29	34	40	43	146	280	324	364	367	371	375	379	382	386	390	394	398	402	406
Installation %		40%	40%	45%	45%	43%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%
Installs		12	14	18	19	63	126	162	200	220	241	262	284	306	328	351	354	358	362	365
Install growth							100.9%	28.8%	23.4%	10.2%	9.4%	8.8%	8.2%	7.7%	7.3%	6.9%	1.0%	1.0%	1.0%	1.0%
Penetration		16%	16%	20%	23%	19%	36%	45%	55%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%
Mercedes Benz																				
Auto sales	224	51	64	62	75	252	277	298	313	322	325	328	332	335	338	342	345	349	352	356
Sales growth	1.4%	15.9%	16.4%	8.8%	10.0%	12.4%	10.0%	7.5%	5.0%	3.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Sirius availability		60%	60%	65%	70%	64%	75%	85%	90%	95%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Sirius capable autos		31	38	40	52	162	208	253	281	306	325	328	332	335	338	342	345	349	352	356
Installation %		60%	60%	65%	68%	64%	70%	75%	80%	85%	90%	95%	100%	100%	100%	100%	100%	100%	100%	100%
Installs		18	23	26	35	103	145	190	225	260	293	312	332	335	338	342	345	349	352	356
Install growth							41.3%	30.5%	18.6%	15.5%	12.6%	6.6%	6.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Penetration		36%	36%	42%	47%	41%	53%	64%	72%	81%	90%	95%	100%	100%	100%	100%	100%	100%	100%	100%
Other Factory Installs²																				
Auto sales	831	192	229	211	208	840	857	869	878	887	895	904	913	923	932	941	950	960	970	979
Sales growth	-4.2%	-2.0%	2.2%	-2.3%	6.5%	1.0%	2.1%	1.4%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Installs		30	14	62	77	182	300	348	395	443	492	543	594	646	699	753	808	864	873	881
Install growth																				
Penetration		16%	6%	29%	37%	22%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	90%	90%
Total Sales	6,825	1,615	1,752	1,591	1,390	6,348	6,161	6,204	6,372	6,442	6,506	6,571	6,637	6,704	6,771	6,838	6,907	6,976	7,045	7,116
Total Installs	517	284	280	394	412	1,370	2,269	3,025	3,610	3,985	4,364	4,736	5,115	5,485	5,861	6,095	6,203	6,313	6,376	6,440
Penetration	8%	18%	16%	25%	30%	22%	37%	49%	57%	62%	67%	72%	77%	82%	87%	89%	90%	90%	90%	90%

¹Excluding Mercedes Benz

²BMW, Kia, Mitsubishi, Volvo

Note: At the time of sale, vehicle owners purchasing or leasing a vehicle with a subscription to our service typically receive between a six month and one year prepaid subscription. Company guidance: "We receive payment from automakers for these subscriptions in advance of our service being activated. Such prepayments are recorded to deferred revenue and amortized to revenue ratably over the term upon activation. Our subscriber totals include subscribers under our regular pricing plans; subscribers that have prepaid, including payments received from automakers for prepaid subscriptions included in the sale or lease price of a new vehicle; and active SIRIUS radios under our agreement with Hertz."

APPENDIX B

(Thousands)	2005A	1Q06A	2Q06A	3Q06E	4Q06E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Income Statement																				
Subscriber revenue	502,612	188,102	202,165	212,717	225,545	828,529	1,109,314	1,421,081	1,751,717	2,093,468	2,438,408	2,781,386	3,130,277	3,479,962	3,814,932	4,124,807	4,387,324	4,603,027	4,792,669	4,976,362
Activation	10,066	3,579	3,942	4,254	4,511	16,286	22,186	28,422	35,034	41,869	48,768	55,628	62,606	69,599	76,299	82,496	87,746	92,061	95,853	99,527
Merchandise	18,182	3,551	4,828	4,791	7,334	20,604	24,770	29,538	34,106	38,432	42,123	46,347	50,740	54,079	57,067	58,679	58,679	59,083	59,485	59,874
Net ad sales	20,103	6,518	8,982	11,608	14,464	41,572	67,607	100,900	130,010	177,335	215,293	250,167	286,905	324,741	362,027	398,386	430,613	459,267	486,300	513,973
Other	7,303	6,216	7,869	8,168	8,168	31,068	42,836	55,301	68,595	82,289	96,061	109,673	123,568	137,493	150,874	163,239	173,753	182,470	190,204	197,741
Total Revenue	558,266	207,966	227,886	241,538	250,668	938,056	1,286,713	1,633,331	2,028,482	2,433,393	2,840,652	3,243,201	3,654,096	4,065,875	4,461,573	4,827,199	5,138,115	5,395,908	5,624,600	5,847,476
% growth	128.4%	102.8%	81.6%	57.8%	47.2%	68.0%	35.0%	29.1%	24.0%	20.0%	16.7%	14.2%	12.7%	11.3%	9.7%	8.2%	6.4%	5.0%	4.2%	4.0%
Revenue share (est.)	71,874	21,109	23,771	26,376	26,826	96,083	129,840	165,884	200,310	228,515	282,681	339,164	398,811	459,076	517,508	570,633	614,877	650,927	682,043	711,443
Royalties (est.)	22,000	13,167	14,152	14,890	15,788	57,097	75,737	235,787	350,174	489,552	625,838	807,400	909,911	1,012,889	1,111,858	1,203,677	1,281,864	1,346,608	1,403,973	1,459,841
Total Rev. Share & Royalties	83,874	34,276	37,923	41,267	42,614	156,080	206,377	401,461	550,484	718,408	908,518	1,146,564	1,308,722	1,471,964	1,629,426	1,774,310	1,896,741	1,997,535	2,086,018	2,171,284
Customer care and billings	76,222	22,369	26,127	22,161	30,040	100,697	117,907	132,096	142,299	148,525	172,768	196,930	221,548	245,989	269,288	290,388	307,899	322,133	334,659	346,901
Cost of merchandise	40,707	7,903	10,254	9,582	14,668	42,466	50,076	68,211	76,863	84,245	92,694	101,480	108,156	114,133	116,543	117,357	118,165	118,969	119,747	
Ad sales	10,058	2,928	3,940	4,643	5,785	17,297	23,662	30,297	34,752	35,467	43,099	50,033	57,381	64,948	72,480	79,677	86,123	91,853	97,278	102,795
Subsides and distribution	264,719	59,732	61,126	52,840	116,730	290,429	303,149	332,177	352,219	364,246	412,489	468,841	530,201	583,665	636,099	670,760	697,472	725,115	753,736	783,220
Advertising and marketing	163,312	29,666	37,666	38,268	75,615	181,215	217,457	239,203	251,163	258,698	286,459	274,453	282,687	291,167	299,902	308,899	318,166	327,711	337,543	347,669
Satellite and terrestrial	42,356	12,588	11,000	11,613	12,194	47,455	51,014	53,564	55,171	56,827	58,531	60,287	62,096	63,959	65,878	67,854	69,889	71,986	74,146	76,370
Broadcast	16,610	5,371	4,562	4,822	5,063	19,847	21,336	22,403	23,075	23,767	24,480	25,214	25,971	26,750	27,552	28,379	29,230	30,107	31,010	31,941
Operations	24,459	8,304	8,386	8,805	9,246	34,741	37,349	39,214	40,390	41,602	42,850	44,135	45,459	46,823	48,228	49,675	51,165	52,700	54,281	55,909
Programming and content	101,008	35,751	40,127	44,140	48,554	168,571	210,714	252,857	290,786	319,864	343,854	361,047	379,099	398,054	417,957	438,855	460,797	483,837	508,220	533,430
R&D	31,218	9,524	6,738	10,000	10,500	36,762	39,520	41,496	42,740	44,023	45,343	46,704	48,105	49,548	51,034	52,565	54,142	55,767	57,440	59,163
G&A	43,864	12,569	12,655	13,288	13,952	52,464	56,399	59,219	60,995	62,825	64,710	66,651	68,651	70,710	72,831	75,016	77,267	79,585	81,972	84,432
Retention and support	22,275	6,435	5,747	6,757	7,095	26,033	31,240	34,364	36,082	37,165	38,280	39,428	40,611	41,829	43,084	44,377	45,708	47,079	48,491	49,946
Amortization of GM liability	37,251	9,313	7,440	6,500	6,500	29,753	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000
EBITDA	-409,667	-48,853	-45,895	-33,147	-137,888	-265,782	-206,948	-88,114	54,095	219,053	309,084	344,219	456,086	602,311	713,681	829,903	926,157	992,334	1,041,028	1,084,669
Depreciation and amortization	145,869	39,882	41,847	44,913	45,801	172,443	174,985	134,400	143,247	147,838	152,148	156,588	161,163	165,876	170,732	175,735	180,889	186,198	191,669	203,657
Stock-based compensation	12,061	12,061	13,914	0	0	25,973	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Income	-555,536	-100,796	-101,656	-78,060	-183,689	-464,201	-381,934	-222,514	-89,152	71,215	156,937	187,631	294,923	436,455	542,948	654,168	745,269	806,135	849,596	881,012
Interest income	6,573	6,376	6,376	5,389	4,521	22,859	11,513	-13,211	-4,058	-11,204	-4,659	8,286	24,690	47,036	74,824	109,162	148,514	193,387	243,593	253,167
Interest expense	107,791	33,236	29,317	24,374	24,374	111,302	97,498	96,150	96,150	96,150	96,150	96,150	96,150	96,150	96,150	96,150	96,150	96,150	96,150	96,150
Equity in net loss of affiliates	-8,884	-4,206	0	0	0	-13,090	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other income (expense)	-23,645	-13,746	-101,483	0	0	-115,229	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income before tax	-654,398	-150,089	-230,286	-97,046	-203,542	-690,962	-467,919	-322,722	-198,514	-37,840	96,127	99,795	223,463	387,320	521,623	667,160	797,633	903,372	996,802	1,036,029
Tax provision	2,330	-968	-1,177	-1,177	-1,177	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399	-4,399
Net Income	-656,716	-149,221	-229,109	-98,869	-202,365	-676,563	-463,526	-318,223	-194,115	-33,441	60,526	104,165	227,862	391,719	526,022	671,579	802,032	907,771	1,001,201	1,032,817
Preferred stock dividend	8,597	2,149	2,569	2,569	2,569	9,856	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276
Net Income to Common	-675,313	-151,370	-231,678	-98,438	-204,934	-686,419	-473,799	-328,599	-204,391	-43,717	50,250	93,889	217,586	381,443	515,746	661,303	791,756	897,495	990,925	1,032,541
Average shares outstanding	221,930	253,213	266,099	269,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194	268,194
Cash Flow																				
EBITDA	-409,667	-48,853	-45,895	-33,147	-137,888	-265,782	-206,948	-88,114	54,095	219,053	309,084	344,219	456,086	602,311	713,681	829,903	926,157	992,334	1,041,028	1,084,669
Free Cash Flow	-352,418	-193,812	-93,269	-69,372	-131,463	-487,916	-311,406	-183,064	6,129	164,908	258,893	328,095	446,907	555,769	686,762	787,044	897,453	1,004,118	1,041,028	1,084,669
Company Guidance																				
Revenue						\$900M+														
Subscriber revenue	480M					\$810M-\$820M														
Fixed expenses																				
EBITDA	-360M																			
Cash Flow from Operations						positive														
EBITDA																				
Subscribers	6M																			
ARPU	up slightly					\$205M-\$230M														
Churn																				
SAC	down modestly																			
CPGA	down modestly																			
Conversion rate																				
Tax provision	2-3M																			

APPENDIX B

(Thousands)	2005A	1006A	2006A	3Q06E	4Q06E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net line availability			400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Cash and restricted investments	433,745	433,745	364,373	364,373	232,910	232,910	-78,498	-261,581	-255,432	-90,524	168,389	496,464	943,371	1,499,140	2,185,902	2,972,946	3,870,399	4,874,517	5,066,006	5,794,728
Liquidity			833,745	764,373	632,910	632,910	321,504	138,438	144,568	309,476	568,389	896,464	1,343,371	1,898,140	2,585,902	3,372,946	4,270,399	5,274,517	5,466,006	6,194,728
Balance Sheet																				
ASSETS																				
Cash and cash equivalents	710,991	520,820	431,087	361,715	230,252	230,252	-81,154	-264,219	-258,090	-93,182	165,711	493,806	940,713	1,496,482	2,183,244	2,970,288	3,867,741	4,871,859	5,063,348	5,792,070
Accounts receivable, net	47,247	41,742	40,926	43,376	46,813	46,813	63,215	81,610	101,229	121,437	141,781	161,850	182,356	202,905	222,652	240,890	256,415	269,280	280,693	291,815
Due from related parties	8,629	11,021	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189	13,189
Related party prepaid	54,752	49,645	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053	61,053
Prepaid programming content	65,738	83,384	62,854	69,139	76,053	76,053	95,067	114,080	131,192	144,311	155,135	162,891	171,036	179,588	188,567	197,995	207,895	218,290	229,204	240,853
Prepaid and other current assets	55,811	50,122	61,934	62,138	90,190	90,190	110,388	129,075	147,868	165,840	189,599	217,116	239,511	259,399	280,694	299,373	315,449	329,800	343,281	356,705
Total current assets	943,188	756,734	671,043	610,613	517,521	517,521	261,737	134,789	196,441	412,648	728,448	1,109,906	1,607,858	2,212,617	2,949,409	3,782,797	4,721,743	5,763,471	5,990,768	6,755,497
Restricted investments, net	5,438	5,418	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658
System under construction	216,527	232,392	302,563	328,698	406,863	406,863	514,763	577,263	0	0	0	0	0	0	0	0	0	0	0	907,554
Gross PP&E	1,274,154	1,289,923	1,330,694	1,336,852	1,342,969	1,342,969	1,405,230	1,469,119	2,111,970	2,173,538	2,286,971	2,302,325	2,369,657	2,439,026	2,510,494	2,584,122	2,659,979	2,738,123	2,801,832	3,000,499
Accumulated D&A	-600,482	-640,050	-681,785	-726,698	-772,499	-772,499	-847,485	-1,081,884	-1,225,131	-1,372,969	-1,525,116	-1,681,704	-1,842,867	-2,008,743	-2,179,475	-2,355,210	-2,536,098	-2,722,296	-2,907,167	-3,200,824
Net PP&E	673,672	649,873	648,909	610,154	570,469	570,469	557,745	387,235	888,839	800,569	711,855	620,620	526,790	430,283	331,019	228,913	123,879	15,627	-95,335	696,669
DARS license, net	141,276	141,389	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388	141,388
Intangibles, net	5,902	5,591	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276	5,276
Related party prepaid	9,809	11,381	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370	175,370
Prepaid and other assets	3,731	3,800	3,739	3,751	5,443	5,443	6,663	7,792	8,927	11,448	11,448	13,107	14,459	15,600	16,948	18,073	19,044	19,910	20,724	21,535
Investments	187,403	171,400	153,252	153,252	153,252	153,252	159,382	165,757	172,388	179,283	186,454	193,913	201,669	209,736	218,125	226,850	235,924	245,361	255,176	265,383
Deferred fin. fees & other assets, net	38,735	32,901	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436	43,436
TOTAL ASSETS	2,223,661	2,010,969	2,147,594	2,074,536	2,021,696	2,021,696	1,768,419	1,640,965	1,632,723	1,770,641	2,004,331	2,305,674	2,718,904	3,236,423	3,883,617	4,624,761	5,468,717	6,412,698	7,447,016	8,110,211
LIABILITIES																				
Accounts payable	145,691	97,200	75,198	103,962	180,844	150,844	184,653	215,952	247,393	277,462	317,211	363,249	400,718	433,993	469,620	500,870	527,768	551,778	574,332	596,791
Accrued expenses	154,125	71,092	80,648	80,914	117,403	117,403	143,717	169,077	192,548	215,951	246,888	282,719	311,882	337,780	365,508	389,831	410,766	429,453	447,007	464,487
Accrued satellite liability	104,300	134,040	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180	160,180
Current portion of long-term debt	7,608	7,669	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005	14,005
Due to related parties	60,750	47,676	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629	58,629
Accrued interest	5,603	20,285	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070
Deferred revenue	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137	10,137
Deferred revenue	275,944	298,053	313,501	313,953	369,965	369,965	472,203	563,102	650,176	732,647	803,011	883,545	967,293	1,030,943	1,087,898	1,110,862	1,118,627	1,128,329	1,133,994	1,141,408
Total current liabilities	764,158	686,152	732,368	761,850	901,233	901,233	1,063,594	1,210,152	1,353,138	1,489,081	1,630,131	1,792,535	1,942,914	2,065,736	2,186,047	2,264,584	2,320,181	2,370,581	2,418,354	2,465,706
10% senior sec. convert notes due 2009	143,472	102,443	80,838	80,838	80,838	80,838	87,365	87,365	87,365	87,365	87,365	87,365	87,365	87,365	87,365	87,365	87,365	87,365	87,365	87,365
9.75% senior notes due 2014	0	0	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
1.75% convertible senior notes due 2009	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Flloating notes due 2009	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Mortgage	36,455	39,272	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139	39,139
Capital leases	13,710	12,959	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094	35,094
Current portion of long-term debt	-7,808	-7,669	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005	-14,005
Long-term debt, net	1,035,584	995,165	1,341,066	1,341,066	1,341,066	1,341,066	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593	1,327,593
Due to related parties, net	53,901	57,648	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred revenue, net	84,694	85,125	85,737	85,860	101,179	101,179	129,139	153,969	177,812	200,366	219,609	241,634	264,538	281,945	297,521	303,801	305,925	308,031	310,127	312,155
Deferred income	141,073	138,732	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749	136,749
Other non-current liabilities	40,618	36,772	37,612	33,387	30,779	30,779	74,448	104,177	133,526	156,603	179,809	202,835	225,196	221,043	216,604	211,628	206,107			

XM Radio Subscribers

	2005A	1Q06A	2Q06A	3Q06E	4Q06E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Subscribers																				
Beginning	3,229,124	5,932,957	6,501,859	6,899,871	7,184,871	5,932,957	7,959,629	10,122,166	12,322,440	14,480,420	16,546,923	18,435,840	20,240,879	21,972,100	23,486,608	24,786,223	25,693,898	26,220,765	26,475,349	26,666,774
Gross adds	4,130,437	1,007,306	926,281	900,488	1,376,492	4,212,587	5,064,384	6,039,276	6,973,148	7,857,651	8,612,303	9,476,030	10,374,225	11,056,871	11,667,719	11,914,002	11,997,286	12,079,890	12,162,100	12,241,613
Churned subs	-1,426,604	-438,404	-528,269	-615,487	-603,735	-2,185,805	-2,901,847	-3,830,002	-4,815,168	-5,791,148	-6,723,366	-7,670,961	-8,643,004	-9,542,073	-10,366,384	-11,008,327	-11,470,419	-11,825,306	-11,970,675	-12,100,099
Ending Subscribers	5,932,957	6,501,859	6,899,871	7,184,871	7,959,629	7,959,629	10,122,166	12,322,440	14,480,420	16,546,923	18,435,840	20,240,879	21,972,100	23,486,608	24,786,223	25,693,898	26,220,765	26,475,349	26,666,774	26,809,289
Avg. subscribers	4,404,241	6,226,481	6,665,351	7,035,246	7,417,269	6,841,094	8,900,332	11,070,285	13,261,161	15,379,348	17,368,002	19,221,032	20,963,960	22,631,037	24,052,975	25,182,191	25,923,065	26,331,509	26,588,619	26,728,333
Subscriber growth - yoy	83.7%	72.5%	56.2%	42.7%	34.2%	34.2%	27.2%	21.7%	17.5%	14.3%	11.4%	9.8%	8.6%	6.9%	5.5%	3.7%	2.1%	1.0%	0.7%	0.5%
Gross Add Growth																				
% growth - yoy	60.3%	22.6%	-2.1%	-9.0%	0.3%	2.0%	20.2%	19.2%	15.5%	12.7%	9.6%	10.0%	9.5%	6.6%	5.5%	2.1%	0.7%	0.7%	0.7%	0.7%
% growth - seq	60.3%	-20.7%	-8.0%	-2.8%	5.3%	2.0%	20.2%	19.2%	15.5%	12.7%	9.6%	10.0%	9.5%	6.6%	5.5%	2.1%	0.7%	0.7%	0.7%	0.7%
Net Adds	2,703,833	568,902	398,012	285,000	774,757	2,026,672	2,162,537	2,200,274	2,157,980	2,066,503	1,888,917	1,805,038	1,731,221	1,514,799	1,301,325	905,675	526,867	254,584	191,425	141,514
% growth - yoy	44.7%	5.1%	-38.5%	-53.6%	-13.6%	6.7%	1.7%	-1.9%	-4.2%	-6.6%	-4.4%	-4.1%	-2.5%	-14.1%	-30.4%	-41.8%	-51.7%	-24.8%	-26.1%	-26.1%
% growth - seq	44.7%	-36.7%	-30.0%	-28.4%	17.8%	-25.0%	6.7%	1.7%	-1.9%	-4.2%	-6.6%	-4.4%	-4.1%	-2.5%	-14.1%	-30.4%	-41.8%	-51.7%	-24.8%	-26.1%
Total Churn	2.7%	2.3%	2.6%	2.9%	2.7%	2.7%	2.7%	2.7%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.7%	3.7%	3.8%	3.8%
Subscribers																				
Retail (ex. data services)	3,581,639	3,862,324	4,045,886	4,133,883	4,706,004	4,706,023	5,679,876	6,383,269	6,868,004	7,178,319	7,351,502	7,418,583	7,405,051	7,331,575	7,214,603	7,067,455	6,900,009	6,720,128	6,573,979	6,452,028
Data services	19,348	22,274	27,091	34,798	46,764	46,744	62,300	126,879	180,302	241,738	310,854	386,881	468,611	554,427	642,388	730,350	816,112	897,585	972,850	1,040,777
Total Retail	3,600,987	3,904,598	4,073,077	4,168,681	4,752,768	4,752,767	5,742,176	6,510,147	7,048,306	7,420,057	7,662,356	7,805,464	7,873,662	7,886,002	7,797,805	7,716,121	7,617,714	7,546,629	7,492,806	7,430,806
Avg. retail subs	3,731,982	3,944,155	4,087,377	4,305,519	4,522,348	4,522,348	5,129,649	5,985,852	6,594,128	7,002,991	7,253,654	7,380,682	7,412,696	7,373,089	7,280,732	7,150,645	6,994,616	6,821,761	6,656,553	6,520,930
Avg. total retail subs	2,542,836	3,752,793	3,998,838	4,118,489	4,343,901	4,051,005	5,191,886	6,087,577	6,744,246	7,210,017	7,525,457	7,724,609	7,835,130	7,879,030	7,873,422	7,831,296	7,762,272	7,673,314	7,586,922	7,523,385
OEM Subs	2,288,061	2,599,085	2,784,953	2,969,692	3,155,725	3,155,725	4,301,567	5,746,702	7,359,297	9,046,822	10,688,213	12,340,917	13,996,713	15,491,944	16,814,962	17,772,887	18,374,010	18,719,775	18,974,758	19,163,169
Rental car	43,928	37,184	41,841	46,498	51,155	51,155	58,382	65,609	72,836	80,063	87,290	94,517	101,744	108,971	116,198	123,425	130,652	137,879	145,106	152,333
Net Adds																				
Retail (ex. data services)	1,703,658	300,696	163,670	87,897	572,121	1,124,384	973,853	703,392	484,735	310,315	173,183	67,081	-13,532	-73,476	-116,882	-147,238	-167,440	-179,882	-146,149	-121,951
Data services	19,348	22,274	27,091	34,798	46,764	46,744	62,300	126,879	180,302	241,738	310,854	386,881	468,611	554,427	642,388	730,350	816,112	897,585	972,850	1,040,777
Total Retail	1,723,006	303,622	168,487	95,604	584,067	1,151,700	1,006,468	747,912	538,158	371,751	242,299	143,108	-28,921	-59,277	-81,683	-96,407	-107,765	-119,785	-104,123	-54,123
OEM Subs	904,907	184,612	199,751	152,716	186,101	1,199,128	1,376,909	1,464,025	1,438,258	1,428,496	1,321,480	1,248,256	1,230,496	1,214,880	1,196,799	1,170,277	1,150,277	1,130,277	1,110,277	1,090,277
OEM Promo Subs	58,627	87,412	25,117	32,024	-3,068	141,485	186,319	246,007	235,660	225,500	191,054	218,448	227,301	173,751	156,220	65,648	25,281	25,566	25,856	25,471
Total OEM	963,534	272,024	224,868	184,739	186,033	1,441,613	1,563,218	1,712,595	1,673,918	1,639,554	1,512,108	1,446,703	1,352,018	1,248,541	1,119,917	957,725	601,323	345,705	254,964	186,411
Rental car	17,293	-6,744	4,657	4,657	4,657	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227
Net Add Share																				
Retail (ex. data services)	63.0%	52.9%	41.1%	30.8%	73.8%	55.5%	45.0%	32.0%	22.5%	15.0%	9.2%	3.7%	-0.6%	-4.9%	-9.0%	-16.3%	-31.8%	-37.0%	-76.3%	-80.2%
Data services	0.7%	0.5%	1.2%	2.7%	1.5%	1.4%	1.6%	2.0%	2.5%	3.0%	3.7%	4.2%	4.7%	5.7%	6.8%	9.7%	16.3%	32.0%	39.4%	47.9%
Total Retail	63.7%	53.4%	42.3%	33.5%	75.4%	56.8%	46.7%	34.0%	24.9%	18.0%	12.9%	7.9%	3.9%	0.8%	-2.2%	-6.5%	-15.5%	-36.7%	-37.0%	-38.2%
OEM Subs	33.5%	50.2%	53.6%	50.2%	24.4%	35.8%	44.4%	54.5%	63.8%	70.8%	76.7%	79.6%	82.5%	87.2%	98.5%	109.3%	125.8%	137.7%	115.1%	115.1%
OEM Promo Subs	2.2%	15.4%	6.3%	11.2%	-0.4%	7.0%	8.6%	11.2%	10.9%	10.8%	10.1%	12.1%	13.1%	11.5%	12.0%	7.2%	4.8%	10.0%	13.5%	18.0%
Total OEM	35.6%	47.8%	56.5%	64.8%	24.0%	42.2%	53.0%	65.7%	74.7%	81.7%	86.8%	91.7%	95.6%	98.7%	101.7%	105.7%	114.1%	135.8%	133.2%	133.1%
Rental car	0.6%	-1.2%	1.2%	1.6%	0.6%	0.4%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.5%	0.6%	0.8%	1.4%	2.8%	3.8%	5.1%
Subscriber Share																				
Full-paying aftermarket, OEM, and other su	29.8%	29.1%	27.7%	25.6%	25.2%	25.2%	23.8%	22.0%	20.5%	19.0%	17.7%	16.2%	14.7%	13.4%	12.0%	10.8%	9.7%	8.4%	7.0%	5.7%
Multi-year prepayment subs	42.4%	41.6%	42.3%	42.8%	43.3%	43.3%	43.3%	44.3%	44.8%	45.3%	45.8%	46.3%	46.8%	47.3%	47.8%	48.3%	48.8%	49.3%	49.8%	50.3%
Family plan subs	19.0%	19.9%	20.7%	21.7%	22.7%	22.7%	23.2%	23.7%	24.2%	24.7%	25.2%	25.7%	26.2%	26.7%	27.2%	27.7%	28.2%	28.7%	29.2%	29.7%
Aftermarket, OEM, & other subs	91.2%	90.7%	90.7%	90.4%	91.2%	91.2%	90.8%	90.0%	89.5%	89.0%	88.7%	88.2%	87.7%	87.4%	87.0%	86.8%	86.7%	86.4%	86.0%	85.7%
Retail (ex. data services)	60.4%	59.7%	58.6%	57.5%	59.1%	59.1%	58.1%	57.8%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%	57.4%
Data services	0.3%	0.3%	0.4%	0.5%	0.6%	0.6%	0.8%	1.0%	1.2%	1.5%	1.7%	1.9%	2.1%	2.4%	2.6%	2.8%	3.1%	3.4%	3.6%	3.9%
Total Retail	60.7%	60.1%	59.0%	58.0%	59.7%	59.7%	58.6%	58.1%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%
OEM Subs	30.8%	30.9%	32.1%	32.9%	32.1%	34.7%	38.2%	42.1%	45.6%	48.8%	51.6%	54.0%	56.1%	57.9%	59.3%	60.3%	61.0%	61.4%	61.7%	61.7%
OEM promo subs	7.8%	8.4%	8.3%	8.4%	7.6%	7.6%	7.8%	8.4%	8.8%	9.0%	9.1%	9.4%	9.7%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Total OEM	38.6%	39.4%	40.4%	41.3%	39.6%	42.5%	46.6%	50.8%	54.7%	58.0%	61.0%	63.7%	66.0%	67.8%	69.2%	70.1%	70.7%	71.2%	71.5%	71.5%
Rental car subs	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%
Aftermkt, OEM, & Other Subs																				
Beginning	2,800,501	5,409,066	5,894,374	6,257,795	6,498,407	5,409,066	7,259,629	9,193,005	11,099,526	12,957,170	14,731,510	16,533,031	17,856,367	19,271,331	20,519,336	21,569,252	22,314,191	22,722,787	22,863,104	22,946,082
Retail gross adds (est.)	2,214,063	516,416	408,6																	

% growth - yoy	40.7%	21.1%	-1.2%	0.1%	24.7%	9.8%	39.3%	33.6%	24.1%	18.4%	13.3%	13.4%	12.3%	8.4%	6.0%	2.7%	1.0%	1.0%	1.0%	1.0%
% growth - seq	40.7%	12.0%	5.4%	6.2%	-0.6%	9.6%	39.3%	33.6%	24.1%	18.4%	13.3%	13.4%	12.3%	8.4%	6.0%	2.7%	1.0%	1.0%	1.0%	1.0%
Net Adds	58,627	87,412	25,117	32,024	-3,068	141,485	186,319	246,007	235,666	223,500	191,054	216,448	227,301	173,751	156,220	65,548	25,281	25,566	25,856	25,471
% growth - yoy	-28.1%	259.5%	-82.0%	-45.4%	-98.1%	141.3%	31.7%	32.0%	-4.2%	-5.2%	-14.5%	14.3%	4.1%	-23.0%	-10.1%	-58.0%	-61.4%	1.1%	1.1%	-1.5%
% growth - seq	-28.1%	-153.3%	-57.2%	27.5%	-108.6%	141.3%	31.7%	32.0%	-4.2%	-5.2%	-14.5%	14.3%	4.1%	-23.0%	-10.1%	-58.0%	-61.4%	1.1%	1.1%	-1.5%
Conversion to self-pay	57%	54%	55%	50%	54%	53%	53%	53%	52%	52%	51%	51%	50%	50%	49%	49%	48%	48%	47%	47%
Rental Car Subs																				
Ending subscribers	43,928	37,184	41,841	46,498	51,155	51,155	58,382	65,609	72,836	80,063	87,290	94,517	101,744	108,971	116,198	123,425	130,652	137,879	145,106	152,333
Avg. subscribers	39,232	40,615	39,421	43,937	48,594	43,142	54,407	61,634	68,861	76,089	83,315	90,542	97,769	104,996	112,223	119,450	126,677	133,904	141,131	148,358
Net Adds	17,293	-6,744	4,657	4,657	4,657	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227
Data Services Subs																				
Ending subscribers	19,348	22,274	27,091	34,798	46,744	46,744	82,360	126,879	180,302	241,738	310,854	386,881	468,611	554,427	642,388	730,350	816,112	897,586	972,950	1,040,777
Avg. subscribers	20,811	24,683	30,559	40,174	29,057	62,771	102,303	150,919	207,948	272,840	345,068	423,660	504,228	594,009	681,971	768,943	852,775	931,500	1,003,472	1,075,444
Net Adds	19,348	2,926	4,817	7,707	11,846	27,396	35,615	44,519	53,423	61,436	69,116	76,027	81,730	85,816	87,961	87,961	85,762	81,474	75,364	67,827
% growth - yoy					64.6%	60.0%	55.0%	41.6%	30.0%	25.0%	20.0%	15.0%	12.5%	7.5%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-7.5%
% growth - seq					64.6%	60.0%	55.0%	41.6%	30.0%	25.0%	20.0%	15.0%	12.5%	7.5%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-7.5%
ARPU																				
Full-paying subs	\$10.57	\$11.26	\$11.36	\$11.43	\$11.58	\$11.41	\$11.75	\$12.10	\$12.47	\$12.84	\$13.22	\$13.62	\$14.03	\$14.45	\$14.88	\$15.33	\$15.79	\$16.26	\$16.75	\$17.26
Multi-year prepayment subs	\$10.65	\$11.27	\$11.36	\$11.36	\$11.36	\$11.34	\$11.68	\$12.03	\$12.39	\$12.76	\$13.14	\$13.54	\$13.94	\$14.36	\$14.79	\$15.24	\$15.69	\$16.17	\$16.65	\$17.15
Family plan subs	\$6.99	\$6.99	\$6.99	\$6.99	\$6.99	\$6.99	\$7.20	\$7.42	\$7.64	\$7.87	\$8.10	\$8.35	\$8.60	\$8.85	\$9.12	\$9.39	\$9.68	\$9.97	\$10.27	\$10.57
Aftermarket, OEM, & other ARPU	\$9.97	\$10.35	\$10.38	\$10.36	\$10.36	\$10.30	\$10.57	\$10.85	\$11.14	\$11.44	\$11.75	\$12.06	\$12.38	\$12.71	\$13.05	\$13.41	\$13.77	\$14.14	\$14.52	\$14.91
OEM promo. ARPU	\$5.79	\$6.11	\$6.29	\$6.29	\$6.29	\$6.25	\$6.44	\$6.63	\$6.83	\$7.03	\$7.25	\$7.46	\$7.69	\$7.92	\$8.15	\$8.40	\$8.65	\$8.91	\$9.18	\$9.45
Rental car ARPU	\$9.88	\$8.27	\$5.55	\$5.55	\$5.55	\$6.19	\$6.38	\$6.57	\$6.76	\$6.97	\$7.18	\$7.39	\$7.61	\$7.84	\$8.08	\$8.32	\$8.57	\$8.83	\$9.09	\$9.36
Data services ARPU	\$14.23	\$29.74	\$29.93	\$29.93	\$29.93	\$29.88	\$30.78	\$31.70	\$32.65	\$33.63	\$34.64	\$35.68	\$36.75	\$37.85	\$38.99	\$40.16	\$41.36	\$42.61	\$43.88	\$45.20
Subscription ARPU	\$9.51	\$10.07	\$10.08	\$10.08	\$10.14	\$10.09	\$10.39	\$10.69	\$11.01	\$11.34	\$11.70	\$12.06	\$12.43	\$12.81	\$13.22	\$13.65	\$14.10	\$14.57	\$15.04	\$15.52
Net Ad ARPU	\$0.38	\$0.35	\$0.45	\$0.55	\$0.65	\$0.51	\$0.63	\$0.76	\$0.87	\$0.98	\$1.03	\$1.08	\$1.14	\$1.20	\$1.26	\$1.32	\$1.38	\$1.45	\$1.53	\$1.60
Activation, equipment, and other ARPU	\$0.68	\$0.71	\$0.83	\$0.82	\$0.93	\$0.93	\$0.84	\$0.85	\$0.87	\$0.88	\$0.90	\$0.92	\$0.94	\$0.96	\$0.98	\$1.01	\$1.03	\$1.06	\$1.08	\$1.11
Total ARPU	\$10.57	\$11.13	\$11.36	\$11.44	\$11.71	\$11.42	\$11.86	\$12.30	\$12.75	\$13.19	\$13.63	\$14.06	\$14.50	\$14.97	\$15.46	\$15.97	\$16.52	\$17.08	\$17.65	\$18.23
Costs																				
SAC	\$64	\$62	\$64	\$64	\$90	\$70	\$65	\$60	\$55	\$51	\$53	\$54	\$56	\$58	\$59	\$61	\$63	\$65	\$67	\$69
Advert. & mktg and retention & support p	\$45	\$36	\$47	\$50	\$60	\$48	\$49	\$45	\$41	\$39	\$35	\$33	\$31	\$30	\$29	\$30	\$30	\$31	\$32	\$32
Negative equipment margin per gross add	\$0	-\$4	\$1	\$5	\$5	\$2	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
CPGA	\$105	\$94	\$112	\$119	\$155	\$120	\$119	\$110	\$101	\$94	\$93	\$92	\$92	\$93	\$94	\$96	\$98	\$101	\$103	\$106
Customer care & billings/sub/month	\$1.44	\$1.20	\$1.30	\$1.05	\$1.35	\$1.23	\$1.10	\$0.99	\$0.89	\$0.80	\$0.83	\$0.85	\$0.88	\$0.91	\$0.93	\$0.96	\$0.99	\$1.02	\$1.05	\$1.08

XM Radio Auto Subscribers

	2005A	1Q06A	2Q06A	3Q06A	4Q06E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
GM																				
Auto sales	4,454	950	1,086	1,104	869	4,009	3,709	3,709	3,820	3,858	3,897	3,936	3,975	4,015	4,055	4,095	4,136	4,178	4,219	4,262
Sales growth	-4.3%	-5.3%	-17.6%	-10.0%	-5.0%	-10.0%	-7.5%	0.0%	3.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
XM availability (est.)		80%	80%	80%	85%	81%	85%	90%	95%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
XM capable autos		760	869	883	739	3,251	3,152	3,338	3,629	3,858	3,897	3,936	3,975	4,015	4,055	4,095	4,136	4,178	4,219	4,262
Installation % (est.)		40%	40%	40%	45%	41%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%
Installs		304	348	353	332	1,337	1,419	1,669	1,996	2,315	2,533	2,755	2,981	3,212	3,447	3,686	3,723	3,760	3,798	3,835
Install growth							6%	18%	20%	16%	9%	9%	8%	8%	7%	7%	1%	1%	1%	1%
Penetration		32%	32%	32%	38%	33%	38%	45%	52%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%
Toyota																				
Auto sales	2,260	545	679	704	573	2,501	2,751	2,944	3,062	3,092	3,123	3,155	3,186	3,218	3,250	3,283	3,315	3,349	3,382	3,416
Sales growth	9.7%	7.5%	11.9%	5.0%	5.0%	10.7%	10.0%	7.0%	4.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
XM availability (est.)		5%	5%	5%	5%	5%	10%	25%	40%	55%	70%	85%	100%	100%	100%	100%	100%	100%	100%	100%
XM capable autos		27	34	35	29	125	275	736	1,225	1,701	2,186	2,681	3,186	3,218	3,250	3,283	3,315	3,349	3,382	3,416
Installation % (est.)		5%	5%	5%	5%	5%	10%	20%	30%	40%	50%	60%	70%	80%	90%	90%	90%	90%	90%	90%
Installs		1	2	2	1	6	28	147	367	680	1,093	1,609	2,230	2,574	2,925	2,954	2,984	3,014	3,044	3,074
Install growth							340%	435%	150%	85%	61%	47%	39%	15%	14%	1%	1%	1%	1%	1%
Penetration		0%	0%	0%	0%	0%	1%	5%	12%	22%	35%	51%	70%	80%	90%	90%	90%	90%	90%	90%
Honda/Acura																				
Auto sales	1,462	334	407	420	366	1,527	1,581	1,620	1,644	1,660	1,676	1,692	1,709	1,725	1,742	1,759	1,777	1,794	1,811	1,829
Sales growth	4.9%	8.4%	6.0%	0.0%	5.0%	4.5%	3.5%	2.5%	1.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
XM availability (est.)		90%	90%	90%	90%	90%	90%	95%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
XM capable autos		301	366	378	330	1,375	1,422	1,539	1,644	1,660	1,676	1,692	1,709	1,725	1,742	1,759	1,777	1,794	1,811	1,829
Installation % (est.)		35%	35%	40%	50%	40%	50%	55%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%	90%
Installs		105	128	151	165	550	711	846	986	1,079	1,173	1,269	1,367	1,467	1,568	1,583	1,599	1,614	1,630	1,646
Install growth							29%	19%	17%	9%	9%	8%	8%	7%	7%	1%	1%	1%	1%	1%
Penetration		32%	32%	36%	45%	36%	45%	52%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%	90%
Nissan/Infiniti																				
Auto sales	1,077	263	249	264	251	1,027	1,037	1,047	1,058	1,068	1,079	1,090	1,101	1,112	1,123	1,134	1,145	1,157	1,168	1,180
Sales growth	9.2%	-0.8%	-10.4%	0.0%	4.0%	-4.7%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
XM availability (est.)		10%	10%	25%	25%	18%	25%	75%	90%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
XM capable autos		26	25	66	63	180	259	785	952	1,068	1,079	1,090	1,101	1,112	1,123	1,134	1,145	1,157	1,168	1,180
Installation % (est.)		10%	10%	10%	10%	10%	15%	65%	80%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Installs		3	2	7	6	18	39	511	762	961	971	981	991	1,001	1,011	1,021	1,031	1,041	1,052	1,062
Install growth							116%	1213%	49%	26%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Penetration		1%	1%	3%	3%	2%	4%	49%	72%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Hyundai																				
Auto sales	455	106	128	125	111	470	494	509	514	519	524	529	535	540	545	551	556	562	567	573
Sales growth	8.6%	6.0%	3.2%	0.0%	5.0%	3.4%	5.0%	3.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
XM availability (est.)		0%	0%	0%	40%	9%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
XM capable autos		-	-	-	45	45	494	509	514	519	524	529	535	540	545	551	556	562	567	573
Installation % (est.)		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Installs		-	-	-	45	45	494	509	514	519	524	529	535	540	545	551	556	562	567	573
Install growth							1009%	3%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Penetration		0%	0%	0%	40%	9%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other																				
Installs		25	11	5	-	41	43	45	47	49	52	55	57	60	63	66	70	73	77	81
Total Sales	9,708	2,198	2,549	2,617	2,171	9,535	9,571	9,828	10,097	10,197	10,299	10,401	10,505	10,610	10,715	10,822	10,930	11,039	11,149	11,260
Total Installs	1,849	438	491	518	550	1,996	2,733	3,726	4,672	5,604	6,346	7,198	8,161	8,853	9,559	9,861	9,962	10,064	10,167	10,272
Penetration	19%	20%	19%	20%	25%	21%	29%	38%	46%	55%	62%	69%	78%	83%	89%	91%	91%	91%	91%	91%

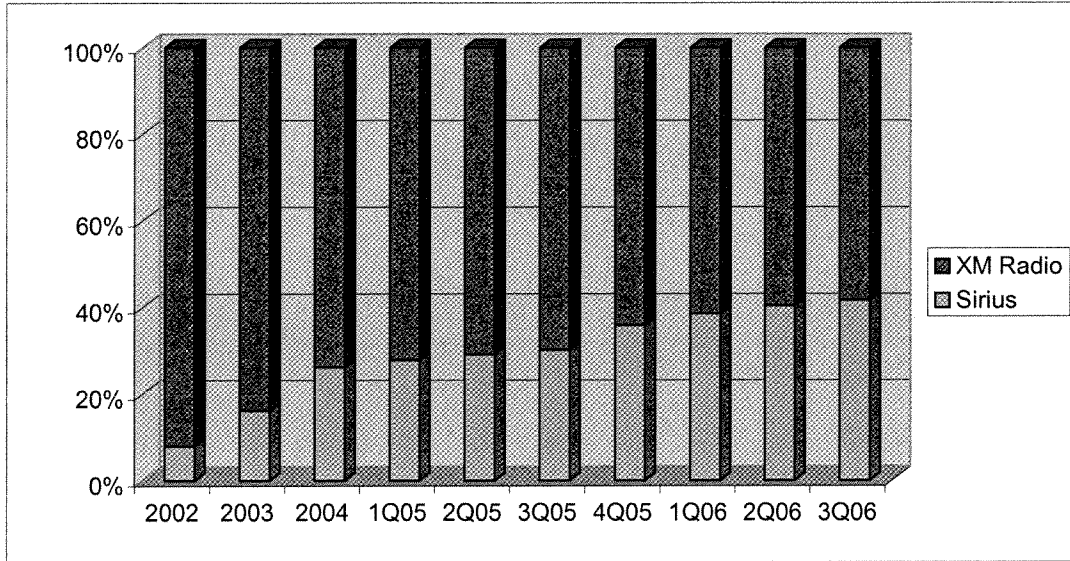
Note: Company direction: "Subscribers are those who are receiving and have agreed to pay for our service, either by credit card or by invoice, including those who are currently in promotional periods paid in part by vehicle manufacturers, as well as XM activated radios in vehicles for which we have a contractual right to receive payment for the use of our service. The automated activation program provides activated XM radios on dealer lots for test drives."

Subscriber Market Share

APPENDIX C

Source: Sirius and XM Radio

	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06
Sirius	29,947	261,061	1,143,258	1,448,695	1,814,626	2,173,920	3,316,560	4,077,747	4,678,207	5,119,207
XM Radio	347,159	1,360,228	3,229,124	3,770,264	4,417,490	5,034,642	5,932,957	6,501,859	6,899,871	7,184,871



Satellite Radio Subscription Prices

APPENDIX D

Source: Sirius and XM Radio

	Sirius	XM Radio
Monthly Price:		
Basic	\$12.95	\$12.95
1 Year	\$11.87	\$11.87
2 Years	\$11.33	\$11.33
Family Plan ¹	\$6.99	\$6.99
Business	\$24.95	\$27.95
Lifetime Cost	\$499.99	\$599.40

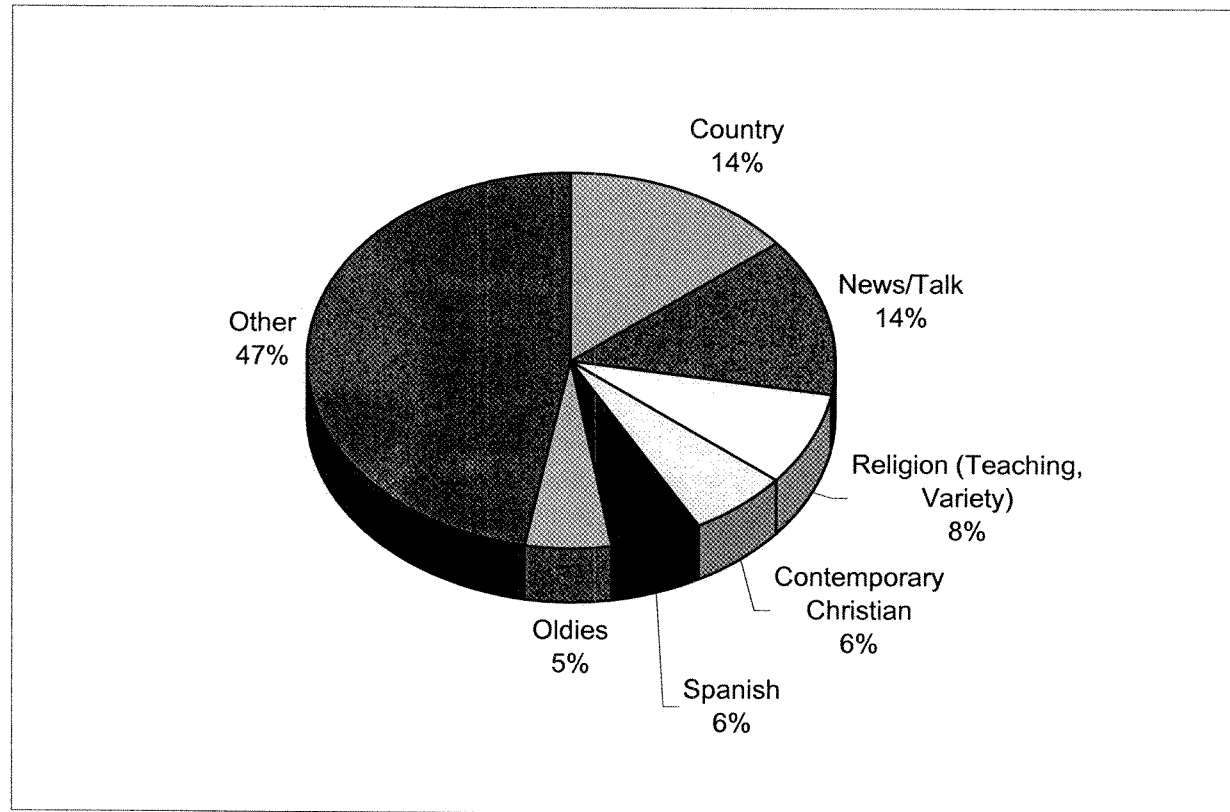
¹Additional radios

Broadcast Radio Formats

APPENDIX E

Source: Inside Radio

Format Category	Sep-06
Country	2,051
News/Talk	2,008
Religion (Teaching, Variety)	1,158
Contemporary Christian	890
Spanish	823
Oldies	758
Other	6,906
Adult Contemporary	664
Variety	655
Sports	531
Top 40	523
Classic Rock	463
Classic Hits	444
Adult Standards	385
Hot AC	385
Alternative Rock	382
Soft Adult Contemporary	298
Southern Gospel	298
Rock	294
Black Gospel	280
Classical	185
Modern Rock	177
Urban AC	171
R&B	155
Jazz	154
Ethnic	128
Stations off the air	128
Pre-Teen	58
R&B Adult/Oldies	49
Gospel	45
Easy Listening	29
Modern AC	20
Format Not Available	5
Construction Permits	771



Satellite Radio Channel Lineups

APPENDIX F

Source: Sirius and XM Radio

Channel Name	Category	Description
The 40s	Decades	Big Band/Swing/40s Hits
The 50s	Decades	50s Hits
The 60s	Decades	60s Hits
The 70s	Decades	70s Hits
The 80s	Decades	80s Hits
The 90s	Decades	90s Hits
America	Country	Classic Country
Nashville	Regional News and Talk	90s & Today Country
X Country	Country	Progressive Country
Willie's Place	Country	Traditional Country
Bluegrass Junction	Country	Bluegrass
The Village	Country	Folk
Highway 16	Country	New Country Hits
US Country	Country	Superstar Country Hits of 80's and 90's
Top 20 on 20	Hits	Top 20 Hits
KISS	Regional News and Talk	Contemporary Hits
MIX	Regional News and Talk	Modern Adult Hits
The Heart	Hits	All Love Songs 24/7
Sunny	Regional News and Talk	Beautiful Music
The Blend	Hits	Lite Pop Hits
Flight 26	Hits	Modern Hits 90s & Now
Cinematic	Hits	Movie Soundtracks
On Broadway	Hits	Show Tunes
U-Pop	Hits	Global Chart Hits
XM HitList	Hits	Today's Hits
The Message	Christian	Christian Pop & Rock
Spirit	Christian	Gospel
enLighten	Christian	Southern Gospel
Deep Tracks	Rock	Deep Album Rock
Boneyard	Rock	Hard Rock/Hairbands - XL
Liquid Metal	Rock	Heavy Metal - XL
XMU	Rock	Indie/College Rock
Fred	Rock	Classic Alternative
XM Cafe	Rock	Soft Alternative
Top Tracks	Rock	Classic Rock
Ethel	Rock	Modern Rock
Squizz	Rock	Hard Alternative - XL
Big Tracks	Rock	Later Classic Rock
The Loft	Rock	Acoustic Rock

Channel	Name	Genre	Description
1	SIRIUS Hits 1	Pop	Top 40 Hits
2	StarLite	Pop	Lite Pop
3	SIRIUS Love	Pop	Love Songs
4	Movin' Easy	Pop	Easy Listening
5	SIRIUS Gold	Pop	The '50s
6	'60s Vibrations	Pop	The '60s
7	Totally '70s	Pop	'70s Pop
8	Big '80s	Pop	'80s Pop
9	The Pulse	Pop	'90s Hits & Now
10	The Who Channel	Rock	The Who, 24/7
11	BBC Radio 1	Pop	New Music from the U.K.
12	Super Shuffle	Pop	SIRIUS Super mix
13	Elvis Radio	Pop	All Elvis Presley
14	Classic Vinyl	Rock	Early Classic Rock
15	Classic Rewind	Rock	Later Classic Rock
16	The Vault	Rock	Deeper Classic Rock
17	Jam_ON	Rock	Jam Bands
18	The Spectrum	Rock	Adult Album Rock
19	Buzzsaw	Rock	Classic Hard Rock
20	Octane	Rock	Pure Hard Rock
21	Alt Nation	Rock	Alternative Rock
22	First Wave	Rock	Classic Alternative
23	Hair Nation	Rock	80s Hair Bands
24	SIRIUS Disorder	Rock	Eclectic/Free Form
25	Underground Garage	Rock	Garage Rock
26	Left Of Center	Rock	New/College/Indie Rock
27	Hard Attack	Rock	Heavy Metal
28	Faction	Rock	Punk, Hip-Hop, Hard Rock Mix
30	The Coffee House	Rock	Singer-Songwriters and Acoustic Rock
31	Radio Margaritaville	Rock	Escape to Margaritaville
32	Reggae Rhythms	Rock	Reggae
33	Area 33	Electronic/ Dance	Trance & Progressive House
34	Boombox	Electronic/ Dance	Breakbeats, Electronic Rock & Mash-Ups
35	Chill	Electronic/ Dance	Smooth Electronic
36	The Beat	Electronic/ Dance	Dance Hits
37	The Strobe	Electronic/ Dance	Disco/Classic Dance
40	Hip-Hop Nation	Hip-Hop/R&B	From Non-stop Hip-Hop 24/7 to Hip-Hop Hits
41			
42			
43	BackSpin	Hip-Hop/R&B	Old Skool Rap
44			
45	Shade 45	Hip-Hop/R&B	Shady's Uncut Hip-Hop
46			
47			
48			
49			
50	Hot Jamz	Hip-Hop/R&B	Hip-Hop and R&B Hits

Channel Name	Category	Description
The Verge	Rock	New/Emerging Artists
Fungus	Rock	Punk/Hardcore/Ska - XL
Lucy	Rock	Modern Rock Hits
Soul Street	Urban	Classic Soul
Suite 62	Urban	Adult R&B Hits
The Groove	Urban	Old Skool R&B
The Rhyme	Urban	Snoop Dogg's Classic Hip-Hop/Rap - XL
RAW	Urban	New Uncut Hip-Hop - XL
The City	Urban	Urban Contemporary
The Heat	Urban	Rhythmic Top 40
Real Jazz	Jazz & Blues	Traditional Jazz
Watercolors	Jazz & Blues	Smooth Jazz
Beyond Jazz	Jazz & Blues	Modern Jazz
Frank's Place	Jazz & Blues	American Standards
Bluesville	Jazz & Blues	Blues
Hear Music™	Lifestyle	The Voice of Music at Starbucks
Fine Tuning	Lifestyle	Eclectic
Audio Visions	Lifestyle	New Age
Escape	Lifestyle	Easy Listening
The Move	Dance	Underground Dance
BPM	Dance	Dance Hits
The System	Dance	Electronica
Chrome	Dance	Disco
XM-Chill	Dance	Chill Music
Fuego	Latin	Reggaeton
Viva	Latin	Latin Pop Hits
Aguila	Latin	Regional Mexican
Caliente	Latin	Tropical
Air Musique	World	New & Emerging Music - <i>Broadcast in French</i>
The Joint	World	Reggae
Sur La Route	World	<i>Pop Hits Broadcast in French</i>
XM Classics	Classical	Traditional Classical
Vox	Classical	Opera/Classical Vocals
XM Pops	Classical	Popular Classical
Radio Disney	Kids	Radio Disney
XM Kids	Kids	Children

Channel	Name	Genre	Description
51	Heart & Soul	Hip-Hop/R&B	R&B Hits
52			
53	Soul Town	Hip-Hop/R&B	Classic Soul & Motown
54			
60	New Country	Country	Today's Country Hits
61	Prime Country	Country	'80s & '90s Country Hits
62	The Roadhouse	Country	Classic Country
63	Outlaw Country	Country	Outlaw Country
65	Bluegrass	Country	Bluegrass
66	Spirit	Christian	Christian Hits
67	Revolution	Christian	Christian Rock
68	Praise	Christian	Gospel
70	Planet Jazz	Jazz/Blues	Contemporary Jazz
71	Jazz Cafe	Jazz/Blues	Smooth Jazz
72	Pure Jazz	Jazz/Blues	Classic Jazz
73	Spa 73	Jazz/Blues	New Age
74	SIRIUS Blues	Jazz/Blues	Blues
75	Standard Time	Standards	Standards/Swing
76			
77	Broadway's Best	Standards	Broadway Show Music
78			
80	Symphony Hall	Classical	Symphonic and Chamber music
81			
82			
83			
84			
85	Metropolitan Opera Radio	Classical	Opera
86	SIRIUS Pops	Classical	Classical Pops
90	Universo Latino	Latin/ International	Latin Pop Mix
91			
92	Rumbon	Latin/ International	Reggaeton/Tropical
93	bande a part	Latin/ International	New French-language Music
94	CBC Radio 3	Rock	Canadian Indie Music
95	Iceberg Radio	Rock	Canadian Adult Alternative
98	Rolling Stones Radio	Rock	Rolling Stones music
100	Howard 100	Howard Stern	Nothing is off limits except censorship
101	Howard 101	Howard Stern	Nothing is off limits except censorship
102	SIRIUS Stars	Entertainment	<i>The SIRIUS Difference</i>
103	Blue Collar Comedy	Comedy	All-American Comedy with universal appeal
104	Raw Dog	Comedy	Comedy Uncensored
105	Laugh Break	Comedy	Comedy
106	SIRIUS OutQ	Entertainment	America's GLBT Radio Station
107	E! Entertainment Radio	Entertainment	E! Entertainment Radio
108	Maxim Radio	Entertainment	Maxim Radio
110	Court TV Radio	Entertainment	Court TV Radio
111	Cosmo Radio	Entertainment	Cosmo Radio
112	Martha Stewart Living Radio	Martha Stewart	How-to and homekeeping
113			
114	LIME	Family & Kids	Healthy living with a twist
115	Radio Disney	Family & Kids	Radio Disney
116	Kids Stuff	Family & Kids	Kids
118	RadioClassics	Family & Kids	Classic Radio Shows

Channel Name	Category	Description
FOX News	News	FOX News
CNN	News	CNN News
CNN Headline News	News	CNN Headline News
ABC News & Talk	News	ABC News & Talk
The Weather Channel	News	The Weather Channel
CNN en Español	News	CNN in Spanish
CNBC	News	CNBC
Bloomberg Radio/Business	News	Bloomberg Radio/Business
BBC World Service	News	BBC World Service
C-SPAN Radio	News	C-SPAN Radio
XM Public Radio	News	XM Public Radio
ESPN Radio	Sports	Sports
ESPNEWS	Sports	The Definitive 24-hour Sports News Network
FOX Sports Radio	Sports	Sports Talk
XM Sports Nation	Sports	Sports
NASCAR Radio	Sports	NASCAR
IndyCar Series Racing	Sports	IndyCar Series Racing
PGA TOUR Network	Sports	Golf Talk
XM Deportivo	Sports	Spanish Sports Talk
XM Comedy	Comedy	Uncensored Comedy - XL
Laugh USA	Comedy	Comedy
Extreme XM	Talk & Entertainment	Extreme Talk
Laugh Attack	Comedy	Uncensored Comedy - XL
National Lampoon Comedy Radio	Comedy	Comedy Radio
Take Five	Talk & Entertainment	Women's Talk & Lifestyle
Oprah & Friends	Talk & Entertainment	Now Oprah's Friends Are Just A Phone Call Away
WSIX	Regional News and Talk	Nashville Country
E! Entertainment Radio	Talk & Entertainment	Entertainment
Sonic Theater	Talk & Entertainment	Books & Drama
Radio Classics	Talk & Entertainment	Old Time Radio
Talk Radio	Talk & Entertainment	Experts Talk
America Right	Talk & Entertainment	Conservative Talk
Air America Radio	Talk & Entertainment	Progressive Talk
FOX News Talk	Talk & Entertainment	FOX News Talk
The Power	Talk & Entertainment	African-American Talk
FamilyTalk	Talk & Entertainment	Christian Talk
Open Road	Talk & Entertainment	Truckers' Channel

Channel	Name	Genre	Description
119	Discovery Channel Radio	Family & Kids	Discovery Channel Radio
120	ESPN Radio	Sports Talk & News	ESPN Radio
121	ESPNEWS	Sports Talk & News	ESPN News
122	Sports Byline USA	Sports Talk & News	Sports Talk and Play-by-Play
123	SIRIUS Sports Action	Sports Talk & News	Sports Talk and Play-by-Play
124	SIRIUS NFL Radio	NFL	Nonstop NFL Talk.
125	Sports Play-by-Play 1	More Sports	Play-by-Play
126			
127	NBA Radio on SIRIUS	NBA	NBA Radio on SIRIUS
128	NASCAR	NASCAR	Moving to SIRIUS in 2007
129	CNBC	Financial News	CNBC
130	Bloomberg Radio	Financial News	Bloomberg Radio
131	Fox News Channel	US News	Fair and Balanced News
132	CNN	US News	The Most Trusted Name in News
133	CNN Headline News	US News	CNN Headline News
134	NPR Now	Public Radio	NPR Now
135	NPR Talk	Public Radio	NPR Talk
137	CBC Radio One	International News	National/International News
138	Premiere Plus	International News	Canadian Current Affairs
139	C-SPAN Radio	Public Radio	C-SPAN Radio
140	World Radio Network	International News	News Around the World
141	BBC World Service News	International News	BBC World Service News
142			
143	ABC News & Talk	US News	ABC News & Talk
144	SIRIUS Patriot	Talk	Conservative Values
145	Fox News Talk Channel	US News	FOX News Talk
146	SIRIUS Left	Talk	Liberal Talk
147	Road Dog Trucking	Entertainment	Talk for Truckers
148	New York	Traffic & Weather	Traffic & Weather
149	Boston / Philadelphia	Traffic & Weather	Traffic & Weather
150	Los Angeles	Traffic & Weather	Traffic & Weather
151	Chicago / St. Louis	Traffic & Weather	Traffic & Weather
152	Baltimore / Washington D.C.	Traffic & Weather	Traffic & Weather
153	Atlanta / Miami	Traffic & Weather	Traffic & Weather
154	Dallas-Ft. Worth / Houston	Traffic & Weather	Traffic & Weather
155	Detroit / Las Vegas	Traffic & Weather	Traffic & Weather
156	San Francisco / Seattle	Traffic & Weather	Traffic & Weather
157	San Diego / Phoenix	Traffic & Weather	Traffic & Weather
158	Orlando / Tampa-St. Petersburg	Traffic & Weather	Traffic & Weather
159	The Catholic Channel	Religion	The Catholic Channel
160	EWTN Global Catholic Network	Religion	EWTN Radio Catholic Network
161	Christian Talk	Religion	Christian Talk
162			
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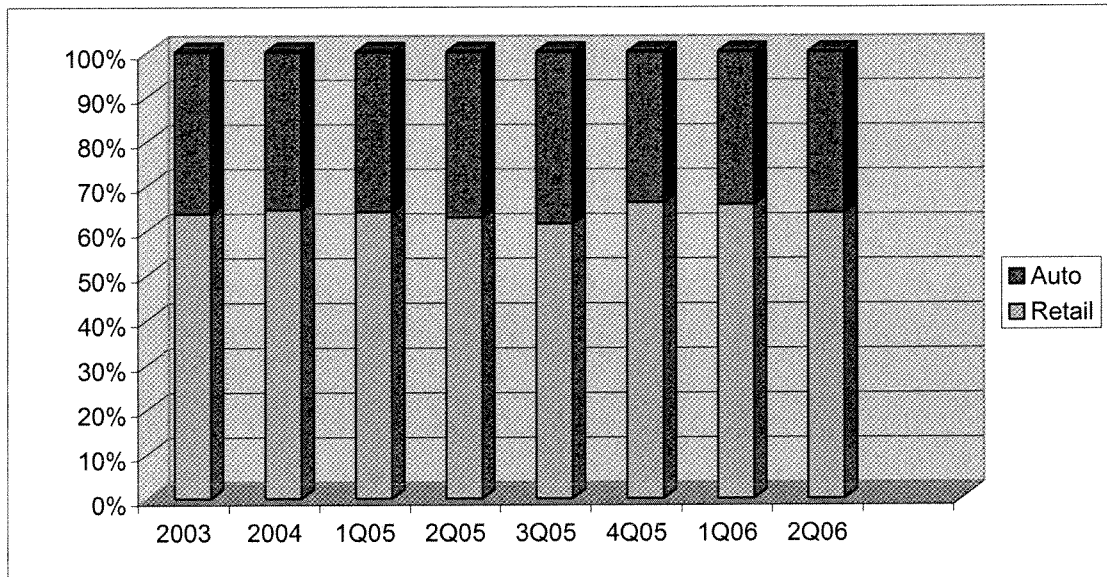
Channel Name	Category	Description	Channel	Name	Genre	Description
Sport Plus	Sports	Men's Lifestyle and Sports Talk - Broadcast in French	172			
WLW	Talk & Entertainment	News Talk	173			
XM Sports Guide	Sports	All of XM's sports schedules	174			
MLB Home Plate™	Sports	24/7 Major League Baseball Channel	175			
MLB Play-by-Play Channels	Sports	Play-by-Play MLB Action	181	ESPN Deportes	Sports Talk & News	ESPN Deportes Radio
			182	CNN En Espanol	International News	CNN En Espanol
			183	Radio Korea	International News	Korean Language Radio
			184	SIRIUS Weather & Emergency	Traffic & Weather	SIRIUS Weather & Emergency
			185	Canada Weather	Traffic & Weather	Canada Weather
			186	Hardcore Sports	Sports Talk & News	Hardcore Sports Talk Radio
			187	Info Plus	International News	All News Radio
			188	RCI Plus	International News	International Talk
MLB Play-by-Play en Español	Sports	Play-by-Play MLB Action en Español	190			
College Sports - ACC	Sports	ACC Sports	191-193			
			192	Rock Velours	Latin/ International	Canadian Soft Rock
			193	Energie 2	Latin/ International	Pop, Rock & Urban Music
College Sports - PAC-10	Sports	PAC-10 Sports	194-196			
College Sports - Big Ten	Sports	Big Ten Sports	197-199			
			198	Playboy Radio	Entertainment	Playboy Radio
XM Live	Talk & Entertainment	Concerts / Festivals / Special Features	200			
High Voltage	Talk & Entertainment	Opie & Anthony! - XL	202			
Home Ice	Sports	NHL Talk and Play-by-Play	204-209			
Boston, MA	Traffic & Weather	Local Traffic/Weather	210			
New York, NY	Traffic & Weather	Local Traffic/Weather	211			
Philadelphia, PA	Traffic & Weather	Local Traffic/Weather	212			
Baltimore, MD	Traffic & Weather	Local Traffic/Weather	213			
Washington, DC	Traffic & Weather	Local Traffic/Weather	214			
Pittsburgh, PA	Traffic & Weather	Local Traffic/Weather	215			
Detroit, MI	Traffic & Weather	Local Traffic/Weather	216			
Chicago, IL	Traffic & Weather	Local Traffic/Weather	217			
St. Louis, MO	Traffic & Weather	Local Traffic/Weather	218			
Minneapolis/St. Paul, MN	Traffic & Weather	Local Traffic/Weather	219			
Seattle, WA	Traffic & Weather	Local Traffic/Weather	220			
San Francisco Bay Area, CA	Traffic & Weather	Local Traffic/Weather	221			
Los Angeles, CA	Traffic & Weather	Local Traffic/Weather	222			
San Diego, CA	Traffic & Weather	Local Traffic/Weather	223			
Phoenix, AZ	Traffic & Weather	Local Traffic/Weather	224			
Dallas/Ft. Worth, TX	Traffic & Weather	Local Traffic/Weather	225			
Houston, TX	Traffic & Weather	Local Traffic/Weather	226			
Atlanta, GA	Traffic & Weather	Local Traffic/Weather	227			
Tampa, FL	Traffic & Weather	Local Traffic/Weather	228			
Orlando, FL	Traffic & Weather	Local Traffic/Weather	229			
Miami/Ft. Lauderdale, FL	Traffic & Weather	Local Traffic/Weather	230			
Canada 360	News	News & Information	244			
Quoi de Neuf	News	News & Information - Broadcast in French	245			
XM Emergency Alert 24/7	Traffic & Weather	24/7 Emergency Information	247			

Retail Subscriber Share

APPENDIX G

Source: Sirius and XM Radio

	2003	2004	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06
Retail	995,490	2,776,401	3,294,373	3,868,188	4,383,286	6,066,350	6,904,919	7,349,692
Auto	568,180	1,527,996	1,847,441	2,292,877	2,755,965	3,111,754	3,609,121	4,158,563

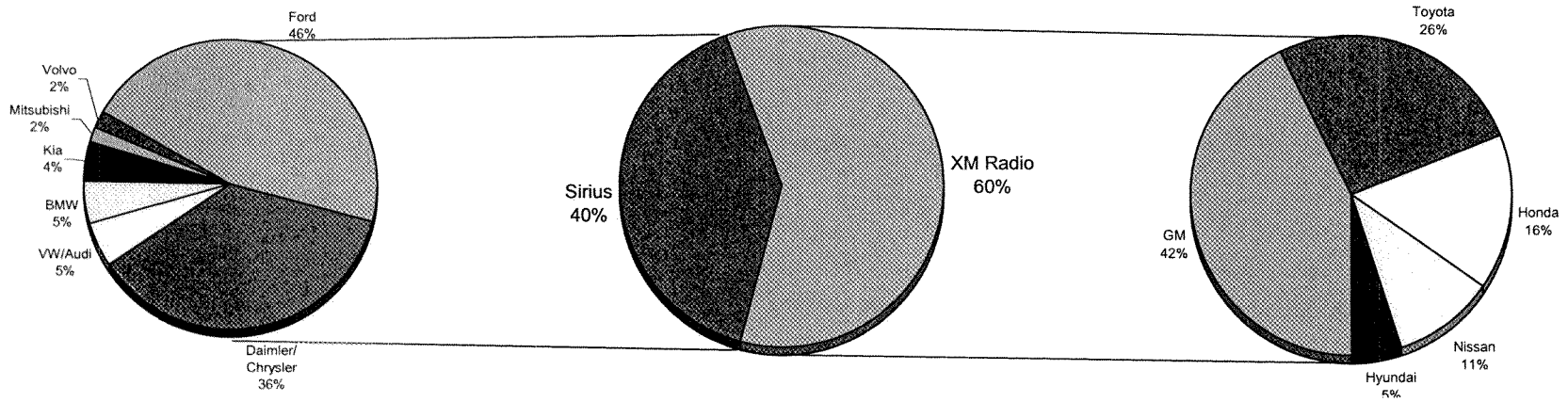


U.S. Auto Sales Share by SDARS Partner

APPENDIX H

Source: Automotive News

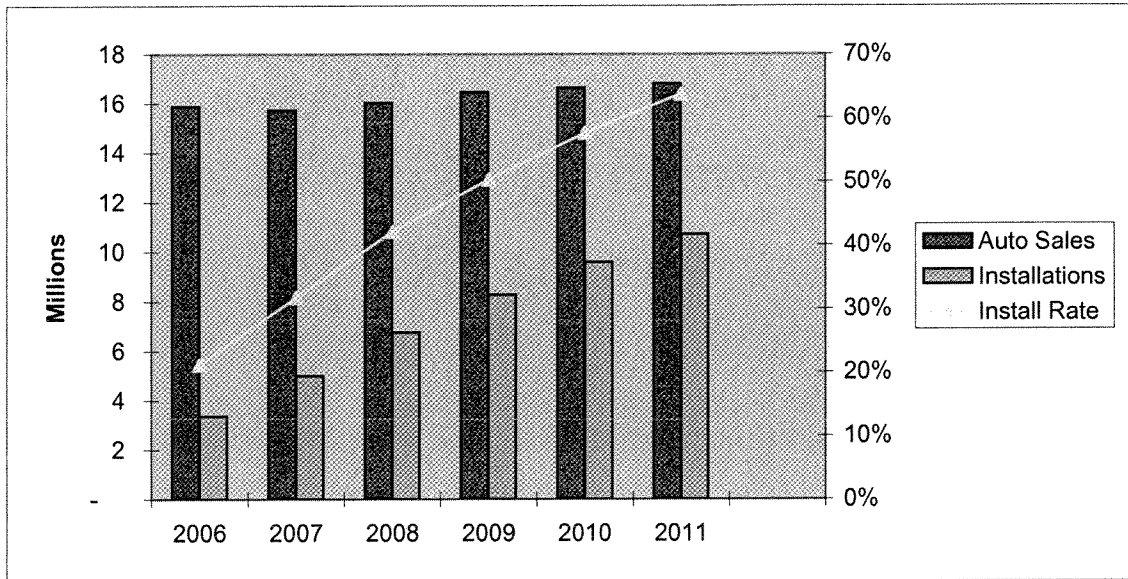
	YTD 06		YTD 06
XM Radio	7,364	Ford	2,274
Sirius	4,958	Daimler/ Chrysler	1,805
		VW/Audi	247
GM	3,140	BMW	230
Toyota	1,928	Kia	222
Honda	1,161	Mitsubishi	90
Nissan	776	Volvo	90
Hyundai	359		



SDARS Auto Factory Installation
APPENDIX I

Source: Sean Butson, Sirius, XM Radio

	2006	2007	2008	2009	2010	2011
Auto Sales	16	16	16	16	17	17
Installations	3	5	7	8	10	11
Install Rate	21%	32%	42%	50%	58%	64%



Incremental Subscriber Margins

APPENDIX J

Source: Sean Butson

	Amount	Margin
Churn	2.1%	
Average Subscriber Life (months)	48.0	
ARPU	\$11.00	
Revenue	\$528	
Variable Costs (excluding royalties)	174	33%
Sales and Marketing	40	8%
Incremental Cash Flow	<u>\$314</u>	<u>59%</u>

SDARS Margins

APPENDIX K

Source: Sean Butson

XM Labels	2006			Sirius Labels
	XM	SIRI	Total	
Total Revenue	100.0%	100.0%	100.0%	Same
Revenue share (est.)	10.5%	7.0%	9.1%	Same
Royalties (est.)	6.2%	6.5%	6.3%	Same
Customer care and billings	10.7%	11.0%	10.8%	Customer service and billing
Cost of merchandise	4.5%	2.6%	3.7%	Cost of equipment
Ad sales	1.8%	NA	1.1%	NA
Subsidies and distribution	31.0%	72.7%	47.6%	Subscriber acquisition costs
Variable Costs	64.7%	99.6%	78.7%	Same
Advertising and marketing*	22.1%	32.8%	26.4%	Sales and marketing, excluding revenue share (est.)
Semi-Variable	22.1%	32.8%	26.4%	Same
Satellite and terrestrial	5.1%	6.4%	5.6%	Satellite and transmission
Broadcast	2.1%	NA	1.3%	NA
Operations	3.7%	NA	2.2%	NA
Programming and content	18.0%	32.1%	23.6%	Programming and content, excluding royalties (est.)
R&D	3.9%	8.3%	5.7%	Engineering, Design, and Development
G&A	5.6%	14.0%	8.9%	Same
Amortization of GM liability	3.2%	NA	1.9%	NA
Fixed Costs	41.5%	60.8%	49.2%	Same
EBITDA	-28.3%	-93.2%	-54.3%	Same

*Includes Retention and support, which XM breaks out separately in its financials

Satellite Radio Major Content Deals

APPENDIX L

Source: Sirius and XM Radio

	Date	Exclusive	Amount	Term (years)
XM Radio				
NASCAR	1/6/00	Until 1/1/07	Undisclosed	7
MLB ¹	10/20/04	Yes	\$650M	11
NHL ²	9/12/05	Starting 07-08 season	\$100M	10
Oprah & Friends	2/9/06	Yes	\$55M	3
¹ Term includes 3 year MLB option				
² \$69M funded by XM Canada				
Sirius				
NFL	12/16/03	Yes	\$188M	7
Howard Stern	10/6/04	Yes	\$500M	5
NASCAR	2/22/05	Starting 1/1/07	\$107.5M	5
Martha Stewart	4/18/05	Yes	\$30M	4

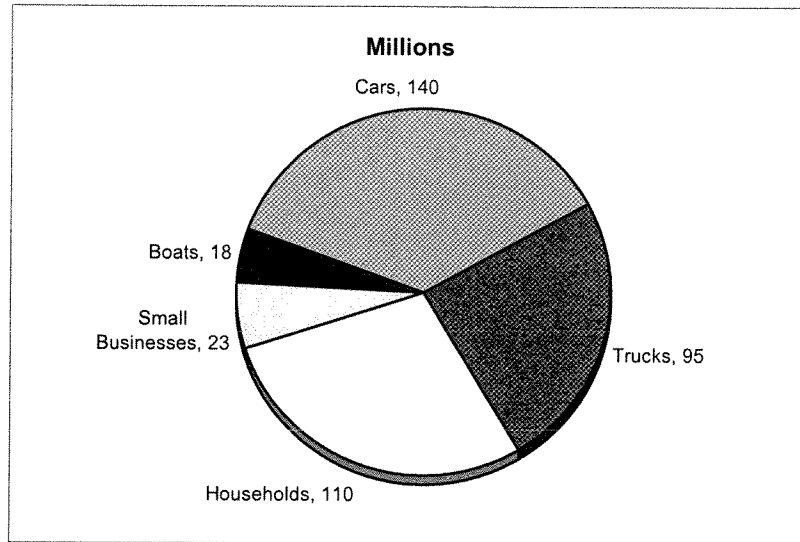
SDARS Market Potential

APPENDIX M

(millions)

Source: FCC, Small Business Administration, U.S. Dept. of Transportation, National Marine Manufacturers Association

Cars	140
Trucks	95
Households	110
Small Businesses	23
Boats	18
Total	386

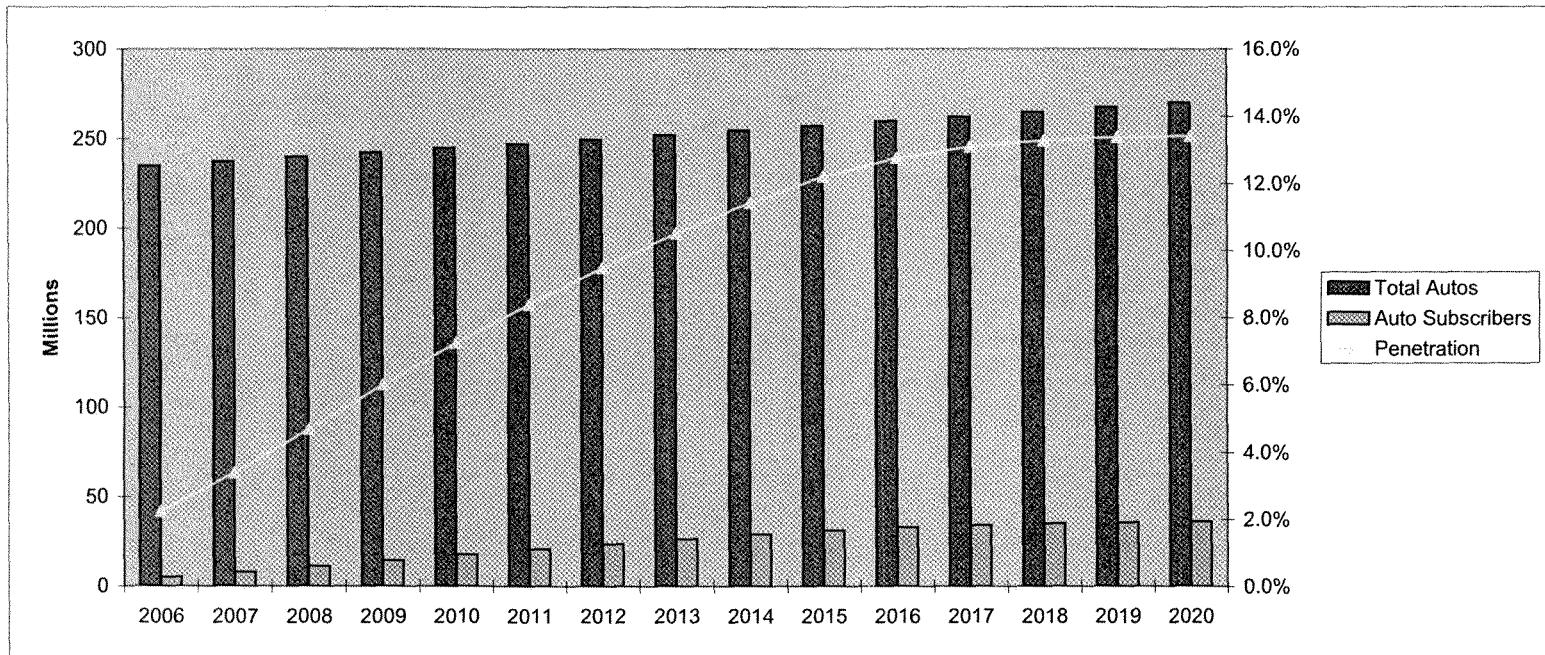


SDARS Auto Subscribers

APPENDIX N

Source: Sean Butson

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Autos	235	237	240	242	245	247	249	252	254	257	260	262	265	267	270
Auto Subscribers	5.3	8.0	11.2	14.5	17.7	20.7	23.6	26.5	29.0	31.3	33.1	34.3	35.2	35.8	36.2
Penetration	2.2%	3.4%	4.7%	6.0%	7.2%	8.4%	9.5%	10.5%	11.4%	12.2%	12.8%	13.1%	13.3%	13.4%	13.4%

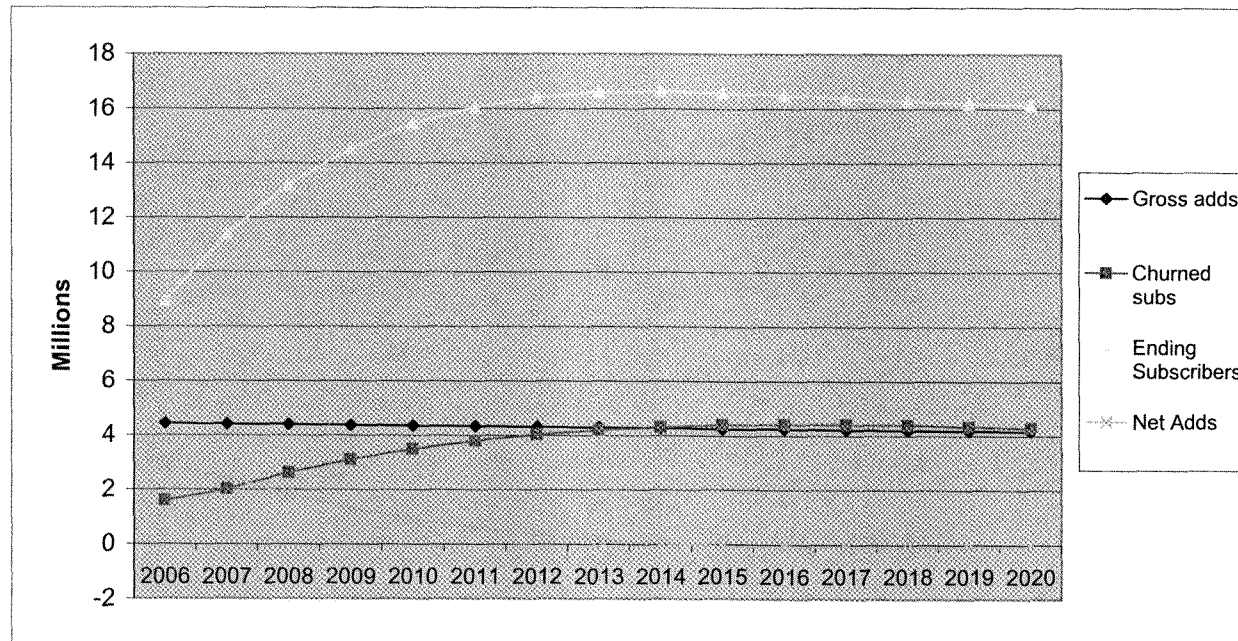


SDARS Retail Subscribers

APPENDIX O

Source: Sean Butson

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross adds	4.4	4.4	4.4	4.4	4.4	4.3	4.3	4.3	4.3	4.3	4.2	4.2	4.2	4.2	4.2
Churned subs	1.6	2.0	2.6	3.1	3.5	3.8	4.0	4.2	4.3	4.4	4.4	4.4	4.4	4.3	4.3
Ending Subscribers	8.9	11.4	13.2	14.5	15.4	16.1	16.4	16.6	16.6	16.6	16.5	16.4	16.3	16.2	16.2
Net Adds	2.9	2.4	1.8	1.3	0.9	0.6	0.4	0.2	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1

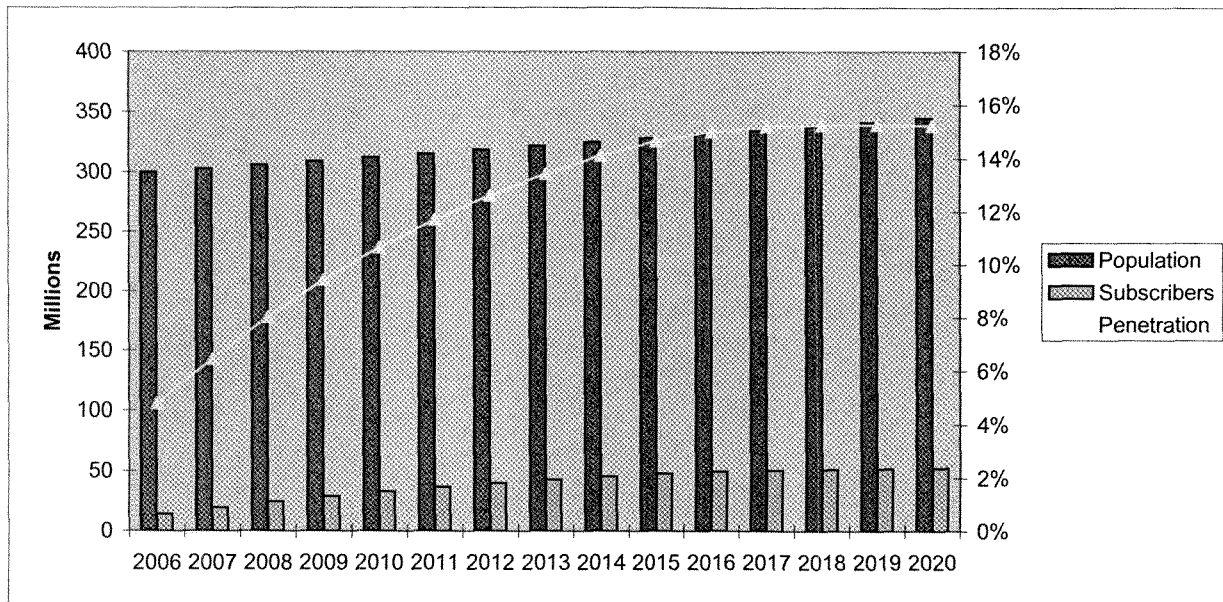


Satellite Radio Penetration

APPENDIX P

Source: Sean Butson

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Population	300	303	306	309	312	315	318	322	325	328	331	335	338	341	345
Subscribers	14	19	25	29	33	37	40	43	46	48	50	51	52	52	53
Penetration	5%	6%	8%	9%	11%	12%	13%	13%	14%	15%	15%	15%	15%	15%	15%

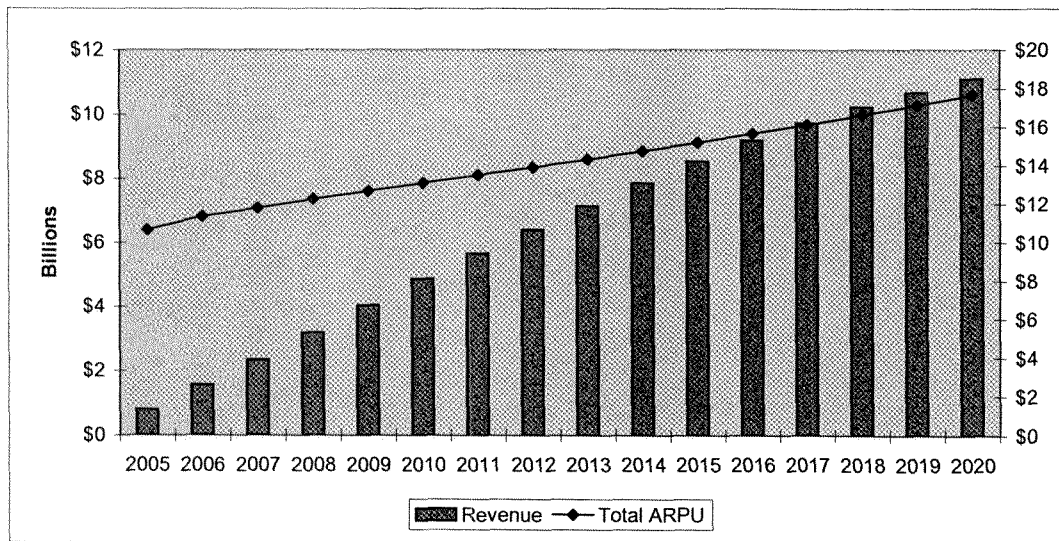


SDARS Revenue Forecast

APPENDIX Q

Source: Sean Butson

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	\$0.8	\$1.6	\$2.3	\$3.2	\$4.0	\$4.9	\$5.6	\$6.4	\$7.1	\$7.8	\$8.5	\$9.2	\$9.7	\$10.2	\$10.7	\$11.1
Total ARPU	\$10.66	\$11.36	\$11.80	\$12.25	\$12.67	\$13.09	\$13.50	\$13.90	\$14.32	\$14.74	\$15.19	\$15.65	\$16.14	\$16.63	\$17.14	\$17.66
Avg. Subs	6.3	11.5	16.6	21.7	26.5	30.9	34.9	38.3	41.5	44.4	46.8	48.8	50.3	51.2	51.9	52.4

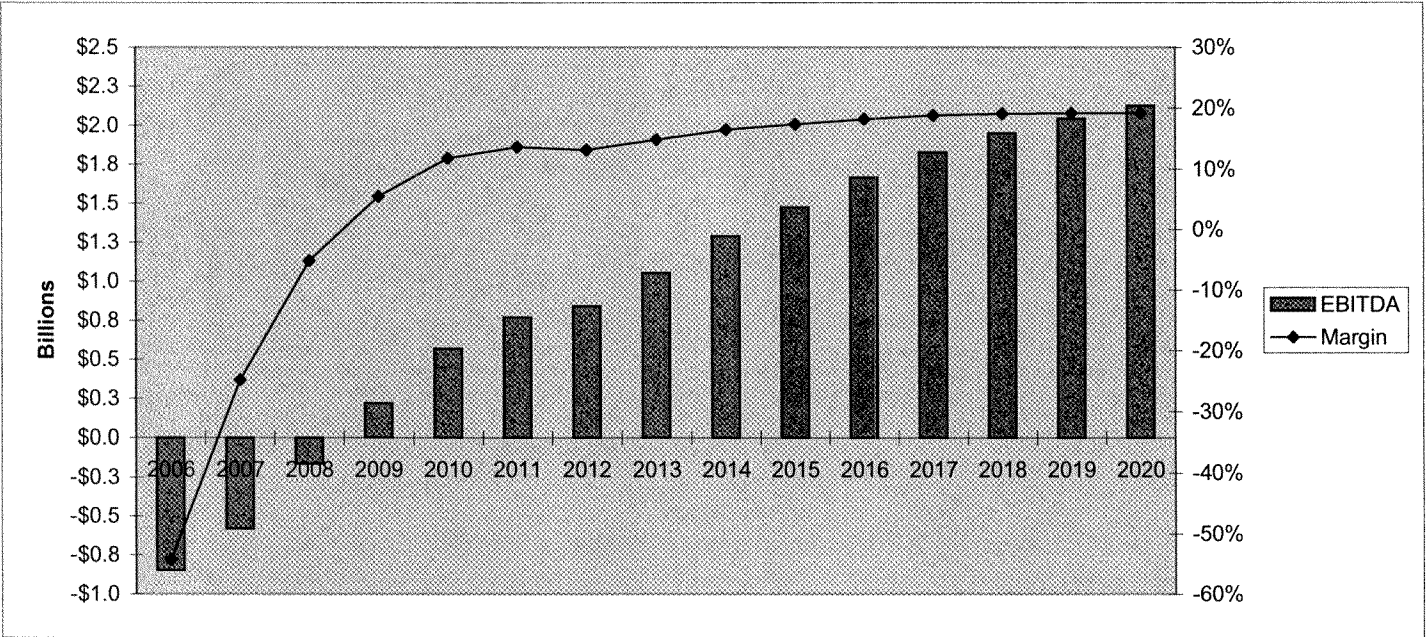


SDARS EBITDA Forecast

APPENDIX R

Source: Sean Butson

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EBITDA	-\$0.8	-\$0.6	-\$0.2	\$0.2	\$0.6	\$0.8	\$0.8	\$1.1	\$1.3	\$1.5	\$1.7	\$1.8	\$1.9	\$2.0	\$2.1
Margin	-54%	-25%	-5%	5%	12%	14%	13%	15%	16%	17%	18%	19%	19%	19%	19%

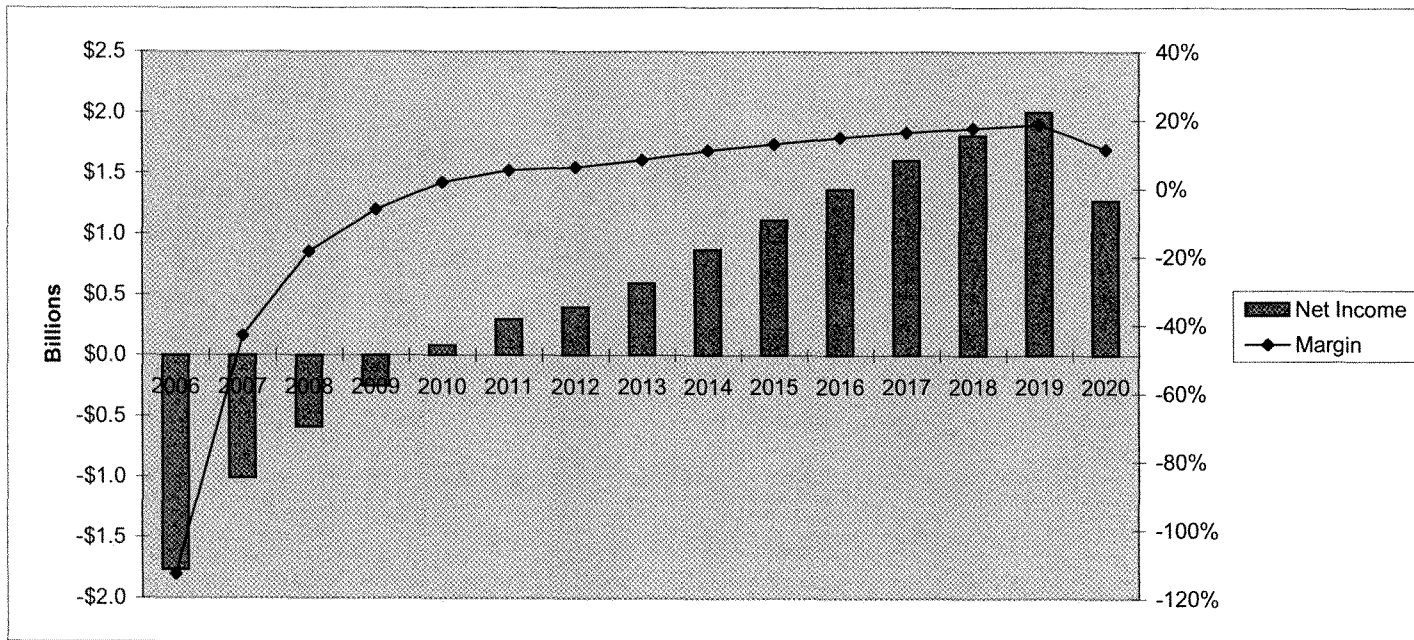


SDARS Net Income Forecast

APPENDIX S

Source: Sean Butson

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Income	-\$1.8	-\$1.0	-\$0.6	-\$0.3	\$0.1	\$0.3	\$0.4	\$0.6	\$0.9	\$1.1	\$1.4	\$1.6	\$1.8	\$2.0	\$1.3
Margin	-113%	-43%	-19%	-6%	2%	5%	6%	8%	11%	13%	15%	17%	18%	19%	12%

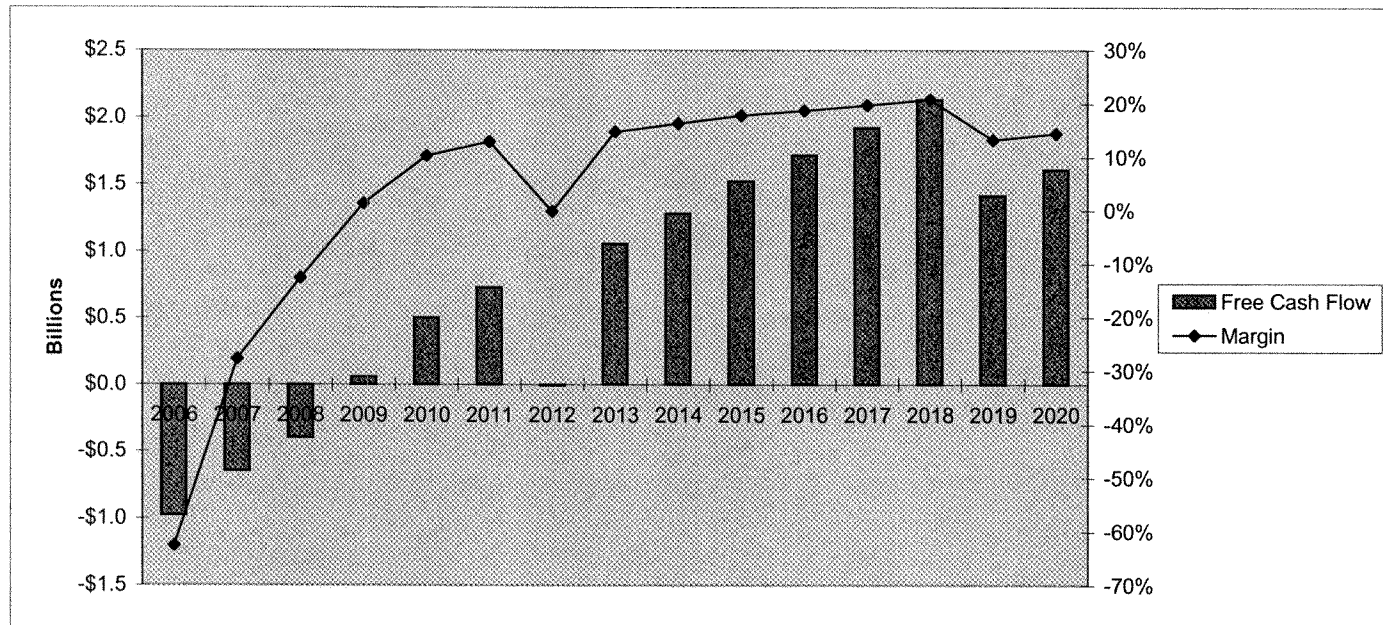


SDARS Free Cash Flow Forecast

APPENDIX T

Source: Sean Butson

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Free Cash Flow	-\$1.0	-\$0.6	-\$0.4	\$0.1	\$0.5	\$0.7	\$0.0	\$1.1	\$1.3	\$1.5	\$1.7	\$1.9	\$2.1	\$1.4	\$1.6
Margin	-63%	-28%	-13%	1%	10%	13%	0%	15%	16%	18%	19%	20%	21%	13%	14%



Sensitivity Analysis

APPENDIX U

Source: Sean Butson

	2020			2006
	Revenue	EBITDA	Free Cash Flow	Enterprise Value
+/- 20%				
SAC	0%	-14%	-17%	-19%
Churn	-12%	-36%	-41%	-43%
ARPU	-20%	-64%	-78%	-92%

Base Case				
Sirius	5,244	1,041	878	4,889
XM Radio	5,848	1,085	729	4,378
Total	11,092	2,126	1,607	9,267

+/- 20%				
SAC				
Sirius	5,244	921	762	4,116
XM Radio	5,848	916	572	3,391
Total	11,092	1,837	1,334	7,507

Churn				
Sirius	4,639	691	577	3,000
Churn	5,076	660	371	2,304
Total	9,715	1,351	948	5,304

ARPU				
Sirius	4,195	391	267	608
XM Radio	4,690	382	84	125
Total	8,885	773	351	733

SEAN PAUL BUTSON, CFA

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CAREER SUMMARY

Over a decade of experience in both debt and equity capital markets, either providing capital or advising institutional investors. Performed extensive valuation and competitive landscape analysis via complex financial models and written reports, with a focus on the media and telecom industries. Developed significant relationships and received the following awards in 2002: #1 in stockpicking from the *Wall Street Journal* for Wireless Services and #3 in the Greenwich Institutional Investor Poll for Communications Towers.

WORK EXPERIENCE

Legg Mason, Baltimore, MD, 1997-2005

Principal/Equity Analyst, Media Industry, 2003-2005

- Senior media equity research analyst covering the satellite radio, Hispanic media, cable networks, film, and TV broadcasting sectors (including XM Radio, Sirius, Viacom, and Univision) via financial models, written reports, and oral communication with clients throughout the U.S. and Europe
- Established as one of the premier satellite radio analysts, with average annualized Buy-rated stock appreciation of 100%
- Authored dozens of reports on the satellite radio industry, including forward-looking pieces on technology, subscriber growth, and content
- Frequently appeared on CNBC and quoted in major publications regarding the media industry
- Asked to lecture MBA courses on finance and capital markets

Principal/Equity Analyst, Wireless Services and Tower Industries, 2000-2002

- Received *Wall Street Journal* award as the #1 stockpicker (co-coverage) in the wireless services industry (including Nextel, Sprint PCS, and AT&T Wireless) in only year eligible (2002)
- Finished 3rd in the 2002 Greenwich Institutional Investor Poll for Communications Towers
- Leading analyst covering the tower industry; provided extensive research coverage of American Tower, Crown Castle, and SBA Communications, while avoiding Pinnacle and SpectraSite, both of which went bankrupt
- Top-5 analyst in department of 35+ professionals
- Authored major reports on the wireless industry, including The Wireless Industry Scorecard and What's Next for Wireless
- Served as an expert witness

Associate Equity Analyst, Wireless Services, Towers, and Equipment Industries, 1997-1999

- First associate analyst promoted to analyst of 1997 hires
- Drafted equity research reports, built valuation models, and discussed investment theses with Legg Mason clients in the wireless services, equipment, and tower industries (including Nokia, Ericsson, and Motorola)

Bank of America, Bethesda, MD, 1995-1997

Portfolio Manager, 1997

- Manager of a \$20 million debt portfolio of middle market clients with annual revenues from \$10-\$250 million
- Structured debt financing for clients, which included senior debt, revolving credit facilities, and standby letters of credit

Credit Analyst, 1995-1996

- Graduated the credit training program with the "Top Analyst" Award
- Underwrote various debt facilities for middle market clients

Kaulkin and Associates, Bethesda, MD, 1994

Mergers and Acquisitions Analyst

- Produced valuation analysis for mergers & acquisitions in the debt collections industry
- Composed company reports and contacted potential investors to market investment banking ideas

USF&G Insurance Corporation, Baltimore, MD, 1993

Financial Planning and Budgeting Analyst

- Designed and implemented expense forecasting models for the claims budgeting process for 37 branch offices
- Formulated cost analyses of competing records management systems

EDUCATION

Achieved Chartered Financial Analyst designation in minimum number of years (3)

Series 7, 86, and 87 registered

University of Maryland, College Park, MD, 1994

Bachelor of Science, Finance: **3.8 GPA**

Wake Forest University, Winston-Salem, NC, 1993

Bachelor of Arts, Politics: **Dean's List**