Wiley Rein LLP

DOCKET FILE COPY ORIGINAL

1776 K STREET NW
WASHINGTON, DC 20006
PHONE 202.719.7000
FAX 202.719.7049

7925 JONES BRANCH DRIVE
McLEAN, VA 22102
PHONE 703.905.2800
FAX 703.905.2820

www.wileyrein.com

March 18, 2007

Jennifer D. Hindin
202.719.4975
jhindin@wileyrein.com

VIA HAND DELIVERY

FILED/ACCEPTED
MAR 18 2008
Federal Communications Commission
Office of the Secretary

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: REDACTED – FOR PUBLIC INSPECTION
MB DOCKET NO. 07-57

Dear Ms. Dortch:

In accordance with the Order adopting the Protective Order,[1] the Order adopting the Second Protective Order,[2] and the instructions we have received from the staff of the Media Bureau, enclosed please find two *redacted* copies of documents requested by the staff of the Media Bureau, as well as a *redacted* production log.

Per the Protective Orders and staff instructions, Sirius is filing today, under separate transmittal, one redacted, public version of these documents via ECFS and one unredacted paper copy of these documents with the Secretary's Office. In addition, six unredacted paper copies, two unredacted electronic copies, and one redacted paper copy of the documents are being hand-delivered to Jamila Bess Johnson of the Industry Analysis Division of the Media Bureau.

The unredacted version of confidential information will be made available for inspection, pursuant to the terms of the First Protective Order or the Second Protective Order, as applicable, at the offices of Wiley Rein LLP, 1776 K Street NW, Washington, D.C. 20006. Counsel for parties to this proceeding should contact Peter D. Shields at (202) 719-3249 or Nicholas M. Holland at (202) 719-4632 to coordinate access after they comply with the terms of the First Protective Order or Second Protective Order, as applicable. Parties seeking access to

---

1 *Applications of Sirius Satellite Radio Inc. and XM Satellite Radio Holdings Inc. For Approval to Transfer Control*, MB Docket No. 07-57, Protective Order, DA 07-3135 (rel. Jul. 11, 2007) ("First Protective Order").

2 *Applications of Sirius Satellite Radio Inc. and XM Satellite Radio Holdings Inc. For Approval to Transfer Control*, MB Docket No. 07-57, Protective Order, DA 07-4666 (rel. Nov. 16, 2007) ("Second Protective Order").

No. of Copies rec'd 0+1
List ABCDE

Confidential or Highly Confidential documents should serve the required Acknowledgement of Confidentiality on Peter D. Shields and Nicholas M. Holland at Wiley Rein LLP, 1776 K Street, NW, Washington, D.C. 20006.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

Jennifer D. Hindin

Jennifer D. Hindin

Enclosures

cc: Jamila Bess Johnson, Industry Analysis Division, Media Bureau

SIRIUS SATELLITE RADIO INC.
PRODUCTION LOG – REDACTED FOR PUBLIC INSPECTION
MB DOCKET NO. 07-57

PRODUCTION LOG

<table>
<tr><th></th><th>Date</th><th>Description</th><th>Begin DOJ Bates Range</th><th>End DOJ Bates Range</th><th>Begin FCC Bates Range</th><th>End FCC Bates Range</th></tr>
<tr><td colspan="7">REDACTED SIRIUS-FCC-SUPP.000705 THROUGH SIRIUS-FCC-SUPP.000907</td></tr>
<tr><td>12</td><td>4/4/2007</td><td>Stifel Nicolaus report</td><td>SIRI-PR-00282793</td><td>SIRI-PR-00282793</td><td>SIRIUS-FCC-SUPP.000908</td><td>SIRIUS-FCC-SUPP.000932</td></tr>
<tr><td colspan="7">REDACTED SIRIUS-FCC-SUPP.000933 THROUGH SIRIUS-FCC-SUPP.001047</td></tr>
</table>

REDACTED – FOR PUBLIC INSPECTION

BATES RANGE:
SIRIUS-FCC-SUPP.000705 THROUGH SIRIUS-FCC-SUPP.000907

April 4, 2007

Still See 55%-60% Probability of Merger; Things Aren't That Bad Absent a Merger

Kit Spring, CFA **303.291.5201** **springk@stifel.com**

With another recent ~21% pullback in SIRI and XMSR since their merger announcement, we believe the shares offer an excellent risk/reward.

We continue to see a 55%-60% probability of merger approval and believe that recent NAB opposition highlights that terrestrial radio may be considered competition by the DOJ.

Recent weak February retail NPD data were in line with expectations, thus we see no reason to adjust subscriber estimates from a month ago. We continue to see subscriber growth of 34% for SIRI and 15% for XMSR in 2007.

Business models are not broken if OEMs ramp up penetration, in our view. While iPod jacks in cars, instead of satellite radio, is a likely risk, we continue to believe that satellite radio will utlimately be standard - similar to the ramp-up of CD players in cars.

Balance sheets are in pretty good order, in our view, with cash, borrowing capacity, and debt carve-out provisions.

Potential for positive catalysts: 1) merger could be unexpectedly approved by DOJ in late summer, 2) comparisons in retail channel get materially easier by 2Q, 3) a large OEM could commit to going standard, similar to several small operators.

What could go wrong: 1) XMSR's 2007 subscriber guidance is likely too high (we are at 8.77MM vs guidance of 9.0-9.2MM), 2) weak retail sales could be a leading indicator for rising churn or lower OEM conversion, 3) OEM's could stop at 40% instead of moving toward standard, 4) a merger could be denied, though we think that is already expected.

We find SIRI (Buy - \$3.09) a better value on a stand-alone basis. We are maintaining our \$18 target on XMSR (Buy - \$12.14) based on a 5-year DCF value of \$14.50, plus \$3.50 merger option and \$5 target on SIRI based on a stand-alone DCF.

Pullback offers an attractive buying opportunity: SIRI and XMSR are down 20% and 21%, respectively, since the proposed merger announcement, versus the S&P 2%. Other than stock market weakness/consumer spending concerns, we have seen no new data points that change our outlook on either the merger or a stand-alone basis. Our target prices remain \$5 for SIRI (based on a 5-year DCF or 16x 2012 FCF discounted at 13%) and \$18 for XMSR, based on a 5-year DCF, which assumes a 10x terminal multiple on EV/FCF and EV/EBITDA and a 10.3% WACC, plus option value of a merger of \$3.50. A merger completion in which XMSR received 58% of the \$5B of merger synergies would result in a \$23 target, all else being equal.

Continue to see 55%-60% probability of merger approval versus stock discounting only 25%: We think the Street is only discounting a 25% probability of a merger approval, perhaps because of early negative comments by FCC Chairmain Kevin Martin and several recent negative press articles highlighting studies. To the contrary, we heard nothing in early Congressional hearings that suggested a political roadblock. While there was healthy skepticism by congressman at hearings, there did not seem to be outrage. Nor has there been consumer uproar. We have included a more detailed section on our logic as to why a merger makes sense later in this note. We believe a merger is in the public interest because it would increase competition between terrestrial and satellite radio. Satellite radio's market share is pretty low - about 9% by year-end measured by listening or revenues. We believe most people will likely never subscribe. These people could benefit from a merger because it would likely cause free radio to cut back on the commercials - similar to Clear Channel's "Less Is More" program in 2005. For satellite radio subscribers the merger would be neutral - they could potentially raise prices (though switching between XMSR and SIRI is unlikely anyway in the OEM channel), but consumers would definitely get better programming. We continue to believe that the DOJ is the key to approving the merger - we doubt the FCC would go against the merger if approved by the DOJ. It is also our belief that the DOJ will look at the deal more intellectually, rather than pandering to political interests (less so for the FCC).

We believe "sneaky" lobbying efforts by the National Association of Broadcasters highlight that terrestrial radio should be considered competition. We believe shares of SIRI and XMSR have reacted negatively to press releases and articles concerning opposition to the deal by the Carmel Group, the Consumer Coalition for Competition in Satellite Radio, Criterion Economics, and the Alabama House of Representatives. It is our understanding that all of the parties are supported by, or have members of, the National Association of Broadcasters. Thus, such reports have conflicts of interest. We also read each of them except for the Carmel Group and found them to be filled with omissions and logical flaws. In our view, such lobbying efforts by the NAB point to the likelihood that terrestrial radio is competition for satellite radio. We are concerned that these lobbying efforts will work, but are optimistic that the DOJ may see past such conflicted studies.

Recent weak February retail NPD data were in line with expectations: Feb YOY sales were down 33%, though this represented a sequential improvement from Jan and in line with our estimates. Bears cite that such statistics prove interest for satellite radio is waning and that churn rates will soon rise. While we admit that the iPod popularity has probably negatively impacted satellite radio, we note there were tough Howard Stern comparisons. Also, cannibalization from the growing OEM channel lessens need to go to Best Buy, but doesn't mean consumers don't want satellite radio.

Business models are not broken if OEMs ramp up penetration: We believe investors are concerned that these companies are trying to merge because they overpaid for content and can't survive on their own. We admit that SIRI & XMSR likely overpaid for certain content (Martha, Oprah, MLB, and NASCAR) but think it is too draconian to say that the business models are broken. In our view, the key variable is the penetration rate of new cars - currently just below 30% of new vehicles. We believe penetration will rise to ~75% by 2012 - similar to CD players. This key assumption yields stand-alone target prices of $5 for SIRI and $14 for XMSR. If penetration only gets to 30%-40% because OEM's put iPod jacks in cars instead of satellite radio, then we see downside to $9 for XMSR and $2.75 for SIRI. We continue to believe it is more logical that OEM's ultimately factory install satellite radios for the following reasons: 1) XMSR and SIRI subsidize the equipment to OEM's and OEM's get revenue shares, 2) several small manufacturers have announced plans to go standard or near standard including Hyundai, KIA, Audi, Volkswagen, and Ford Canada, and 3) cost and size of installing radios should fall as radios are mass produced and new chipsets are introduced.

Balance sheets appear to be in pretty good order with cash, borrowing capacity, and debt carve-out provisions. SIRI ended 2006 with cash of $393MM and short-term investments of $93MM, adding to total cash and investments of $487MM. Additionally, SIRI has an existing credit facility with Loral of $100MM to fund future satellite launches. Our model suggests that SIRI will burn through $378MM of cash in 2007 and $189MM in 2008 before generating $250MM in 2009. Some might conclude that SIRI thus does not have enough liquidity based on the cash position and existing borrowing. We would view this as an incorrect conclusion, as it is our understanding that SIRI also has a carve-out provision on its debt covenants that allow it to borrow an additional $500MM. Certainly it is possible that if things get really bad, there won't be banks to lend SIRI money, but given such banks would be fairly high up in the capital strucutre we view such a doomsday scenario as unlikely. Our model shows that SIRI will have to borrow a peak of $220MM on its credit facilities in 2008, but that it would be able to quickly pay it off in 2009 or 2010. XMSR ended 2006 with $219MM of cash and $400MM of untapped credit facilities in place. XMSR also did a $244MM sale leaseback earlier this year. We project XMSR will burn $360MM of cash this year and $57MM in 2008 before turning cash flow positive in 2009. Our models indicate that XMSR will need to tap $50-$100MM of its credit facilities, leaving ample room for cushion in the event our cash estimates are too aggressive.

February NPD data :

XM improved its market share y/y, category sales declines continued at a similar pace: According to our proprietary analysis of retail sales data from NPD Techworld, total retail sales were down 33% y/y in February. This pace represents an improvement from the 45% y/y decline in January, the 47% y/y decline we saw in December, and the 45% decline in November (4Q06 overall was also down 45% y/y). The market-share split in February was 57%/43% SIRI/XMSR, versus a split of 55/45 in January. We view these results as consistent with our expectations. The y/y slowdowns in retail are likely due to consumer saturation, displacement of natural sub growth to earlier periods due to Howard Stern and more availability of radios in new cars. For 2007 we expect about half of net additions will be derived from retail for SIRI and about 20% from retail for XMSR.

XM's sales pace improved sequentially while Sirius' pace worsened, likely due to Howard Stern comp: XM's February sales were down about 37% y/y, and slightly worse than the 30% y/y decline in sales reported in January, but better than the 47% decline in 4Q06. Sirius' sales were down 33% y/y in February, an improvement from down 54% in January and 43% in 4Q06. SIRI had very tough Howard Stern comparisons in 4Q, January and February, which get substantially easier throughout the course of the year.

SIRI is a better stand-alone investment (absent a merger) than XMSR: This is mainly because we believe XMSR has some merger premium priced into the stock. We continue to derive a $5 target price with no merger synergies for SIRI. Our target is based on a 5-year DCF with a WACC of 10.2% and a terminal EV/FCF multiple of 9.1x. The key driver of value is new car penetration, which we forecast will continue to ramp up from 21% of production in 2006 to 65% by decade-end. We continue to see a 55% probability of merger approval, which could add $1 to our target for SIRI shares.

Maintaining target of $18 on shares of XMSR: Our target remains at $18 and is based on a 5-Year DCF, which assumes a 10x terminal multiple on EV/FCF and EV/EBITDA and a 10.3% WACC, plus option value of a merger of $3.45. A merger completion in which XMSR received 58% of the $5B of merger synergies would result in a $23 target, all else being equal.

Review of Merger Thoughts:

We believe the probability of an FCC/DOJ merger approval is ~55%, with market definition as the key variable. Whether or not the merger would be approved depends on if satellite radio is defined as part of a market that includes or excludes terrestrial radio and to a far lesser extent iPods/MP3 players and Internet radio over, both wired and wireless. We believe it is more than likely that all or some of the above would be considered listening alternatives, in which case XMSR and SIRI combined would have a minimal market share - 6% if the market is satellite radio plus terrestrial radio, 4% if the market is defined as satellite radio plus terrestrial radio plus iPods/digital music. The DOJ defines a market as "any grouping of sales (or other commercial transactions) in which each of the firms whose sales are included enjoys some advantage in competing with those firms whose sales are not included. The advantage need not be great, for so long as it is significant it defines an area of effective competition among the included sellers in which the competition of the excluded sellers is, ex hypothesis, less effective. The process of market definition may result in identification of several appropriate markets in which to test the probable competitive effects of a particular merger." According to the second sentence, we believe one could reasonably determine that the market is either overall radio, satellite radio, or a broader definition including iPods/digital music. The third sentence leads us to believe that satellite radio is its own market. Perhaps the final sentence, which says multiple definitions may be considered, is the most relevant. Based on our analysis of estimated market weightings, we calculate a 55% likelihood of a merger approval and a 45% possibility of disapproval. In our view it really comes down to whether terrestrial radio is a competitor or not. Given that satellite radio's revenue is now about 6% that of radio revenue and a projected ~21% by 2010, we put a higher likelihood on including terrestrial radio than not.

Combined future (2010) revenue share would be slightly more than CCU's national share, but significantly less than the 35% local limit: If our long-term forecasts for XMSR and SIRI are correct, we foresee satellite radio's market share of radio industry revenues at ~21%. While this is slightly bigger than Clear Channel's current 18% revenue share of the radio industry's $21B pie, it does not seem to be an alarming share size relative to other sectors within the media industry (ex: cable, newspapers, local TV, etc.). Perhaps what is more important is not national share, but local share, since most radio listening is local in nature. Assuming a relatively proportionate dispersion of satellite radio customers by designated market area, satellite radio would have a similar local radio revenue market share (6% now and 21% by 2010).

Price increase restrictions could improve the likelihood of a deal passing: Sirius and XM could agree to price increase limitations and the deal would still make a ton of sense, in our opinion. The real goal of this merger is not to become a monopoly and gouge customers, but to offer more channels to consumers in order to better compete with radio and cut costs dramatically. We doubt Sirius & XM will initially suggest price restrictions as a way to close the deal, but should the DOJ object, such a scenario is plausible, in our view. This scenario will likely increase the probability of an approval.

Failing company clause is unlikely to come into play, in our veiw, but something to consider when calculating potential downside risk: According to the DOJ, "a merger which the Department would otherwise challenge will ordinarily not be challenged if (i) the resources of one of the merging firms are so depleted and its prospects for rehabilitation so remote that the firm faces the clear probability of a business failure". While both XMSR and SIRI have lost billions to date, we do not believe either firm is anywhere close to a liquidity crisis. However, politicians may consider the losses when deciding whether to lobby for or against this merger, which would be a positive in our view. In the event that XM and Sirius don't meet our financial projections and a liquidity event does occur, we believe the DOJ language above suggests a high likelihood of approval, though obviously our industry projections would have to come down, offsetting much of the merger upside potential.

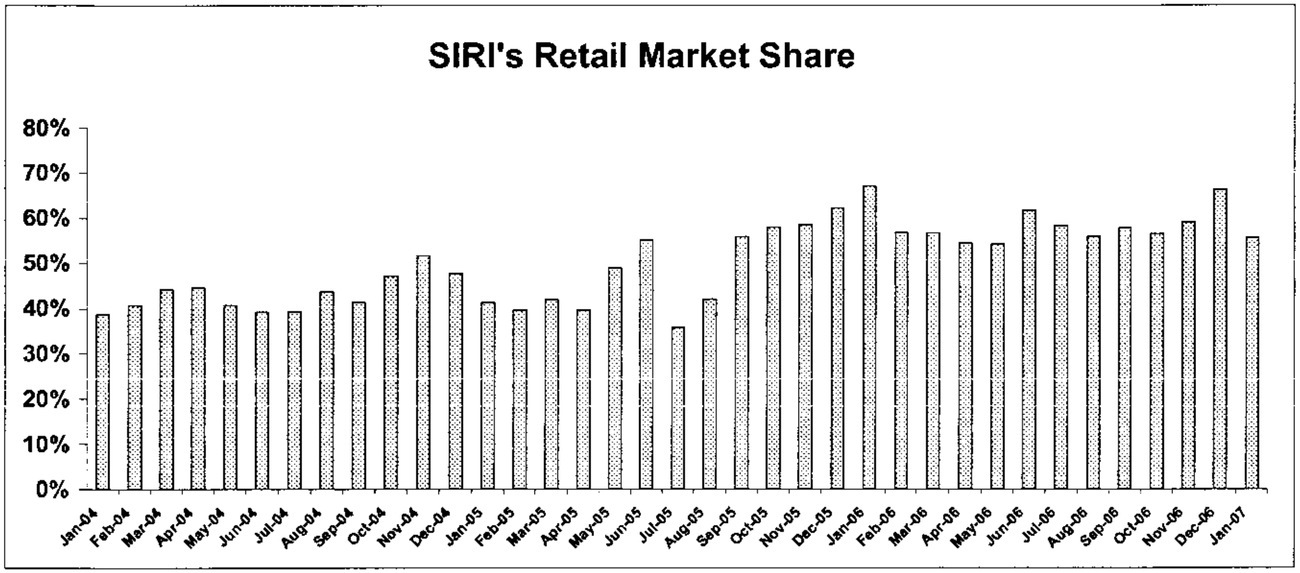
Political opposition may not be that bad. Merger perhaps a net positive for existing customers: As always, we believe politics will come into play as to whether the merger is approved. Overall, while there will be dissenters, we do not see vehement opposition by any powerful lobbying organizations. We believe the core reason is that consumers of satellite radio are typically of a higher income demographic who might look forward to the potential benefits of the merger (more programming and channels, lower cost, mass-produced radios, etc.) more than the potential disadvantages of increases in market power. One consideration is who's in charge - Democrats or Republicans. Democrats typically oppose media mergers, while Republicans typically approve. The Democrats are now in charge of the House and the Senate after the election, and this is probably a negative on the margin. However, Republicans still have the majority in terms of FCC commissioners. We believe it makes sense to try now in case Democrats regain the power there in the future. While Democrats have protested past media consolidation, we're not sure they would be up in arms against this deal. Satellite radio is one of the few radio outlets that carries a liberal alternative to Rush Limbaugh and it has virtually no share of political advertising.

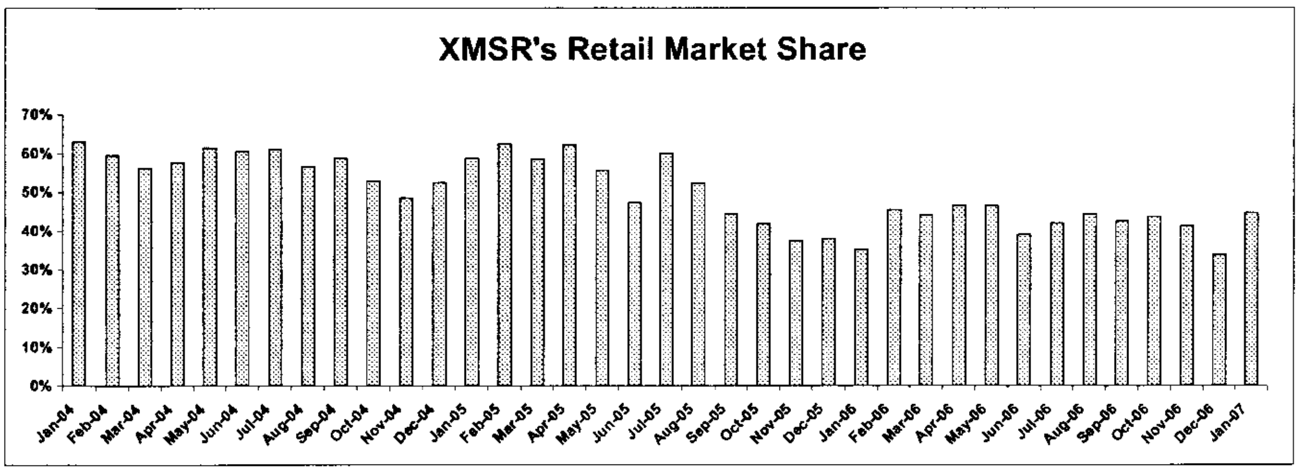
The radio industry is likely to disapprove of the merger since it could make the satellite product stronger, perhaps somewhat offset by the mentality that one competitor could be better than two. The radio industry is largely represented by the National Association of Broadcasters, a very powerful lobbying organization, particularly with the FCC, one of the two parties that would need to approve the merger. We think that the NAB is highly focused on loosening ownership limits in TV and to a lesser extent radio. It might be inconsistent for the NAB to strongly oppose this merger and still argue for its own consolidation agenda. The music industry, another powerful organization, probably shouldn't care and should perhaps support the merger. Music is a regulated monopoly, so the increased power of a combo wouldn't impact music's pricing whatsoever. Also, music gets higher royalties from satellite than terrestrial, arguing for support of a merger assuming it would result in more subs via more channels. Electronics retailers like Best Buy and Circuit City may prefer to have competition, offset by an easier product to sell. Manufacturers of radios probably wouldn't have extremely strong feelings - while they could lose some leverage over subsidies, one service would reduce risk and may spur more consumer interest. We believe the auto manufacturers might be generally opposed but have mixed feelings. The negative for OEMs is that the finance guys couldn't pit XMSR and SIRI against each other to get a higher cut of revenues. However, the operating guys would prefer to have one technology to support and the salespeople would likely welcome being able to offer more programming. Consumer groups could raise some opposition about pricing concerns, though we're not sure high income existing customers are going to raise a stink and note that both SIRI and XMSR already have no competition in factory-installed cars. Programmers like the NFL or NASCAR (and especially Howard Stern) would truly miss bidding up prices, but we wouldn't consider them powerful lobbying organizations. A decreased cost of programming going forward could actually be good for consumers.

DISH/DTV as a case study - radio market is different: We have often heard investors posit that because DISH/DTV, who had a competitor in cable and weren't allowed to merge in 2001, then XMSR/SIRI won't be allowed to merge. We think the main flaw with this logic is that that terrestrial radio is a much more viable listening substitute for satellite radio, as compared to terrestrial TV broadcasting (local ABC, CBS, NBC, FOX affiliates that can be received without cable) relative to satellite TV. This is evidenced by the market share of penetration for multichannel pay TV (86% of households) relative to satellite radio (~8% of households after adjusting subscribers down for family plans). This is perhaps due to the immature market for satellite radio, but also likely due to the idea that radio is less important than TV for most consumers and that exclusivity of programming is more contrasting for something like ESPN on cable/satellite than it is for ESPN radio on satellite radio.

Synergy estimate of $5B - nearly 40% upside potential relative to existing enterprise value: The media sector has historically been characterized by a consolidation mentality where bigger is better. We can think of countless mergers where companies stretched for synergies to get bigger. Contrary to the norm in media, in the case of XMSR/SIRI, we see dramatic synergies - $5B in present value terms - which equates to almost half of the current combined enterprise values. The essence of the synergies is that 1) the high fixed costs such as satellites and infrastructure could be effectively cut in half, and 2) XMSR and SIRI wouldn't have to beat each other up by overpaying for content and while negotiating the right to be in new cars.

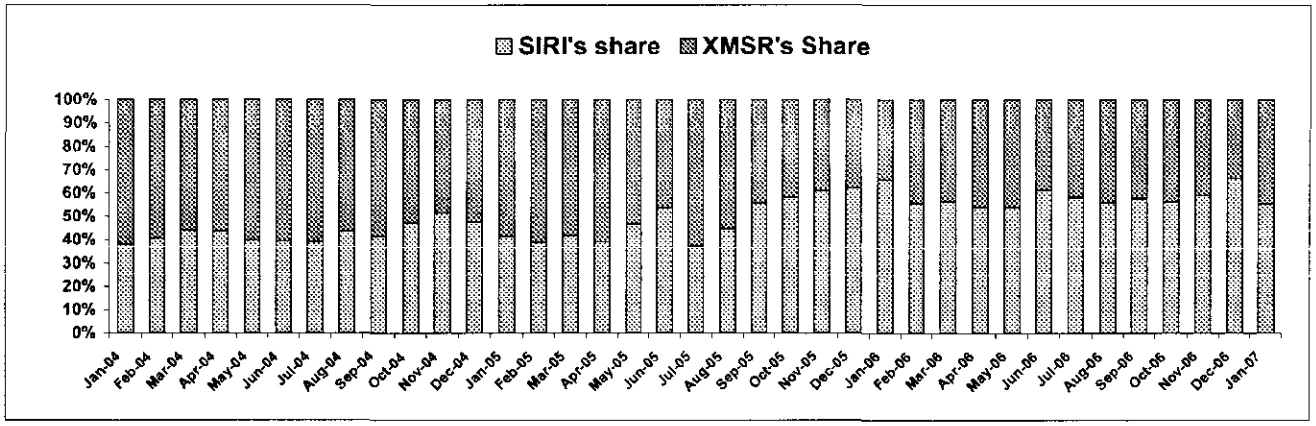
Merger model synergy assumptions are as follows: We have attached a line-by-line analysis of the income statement for revenue and expense synergies. We admit that there is a high variability of outcomes. One of our greatest challenges in figuring out potential synergies is the cost, time, and feasibility of combining the two networks. Certainly there are a variety of outcomes that only management could truly answer. We are currently assuming a total upfront cost of combining the networks of $1.4 billion, including merger and severance fees and network consolidation costs. On a normalized basis we then calculate $503MM of annual costs savings, which would have a present value of $6.4 billion, or $5 billion net of the upfront costs. On the revenue side, we assume the combo will be able to offer more programming by combining channels leading to .8MM more subs over time. We assume no ARPU synergies as the combo may have to agree to price restrictions to get a deal done. This yields $108MM of revenue synergies per annum. On the cost side we see synergies on almost every line item as the combo consolidates networks, R&D and G&A personnel. Over time the combo should be able to save on programming and OEM splits slightly. SAC and CPGA could come down modestly as the combo would lead to faster mass production of radios and less advertising.

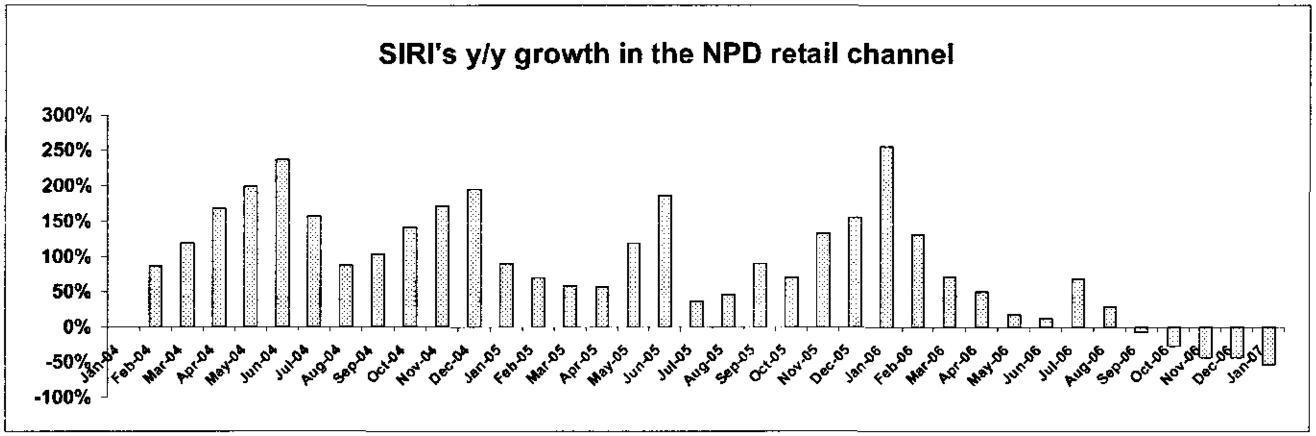




Source: NPD Techworld and Stifel Nicolaus estimates

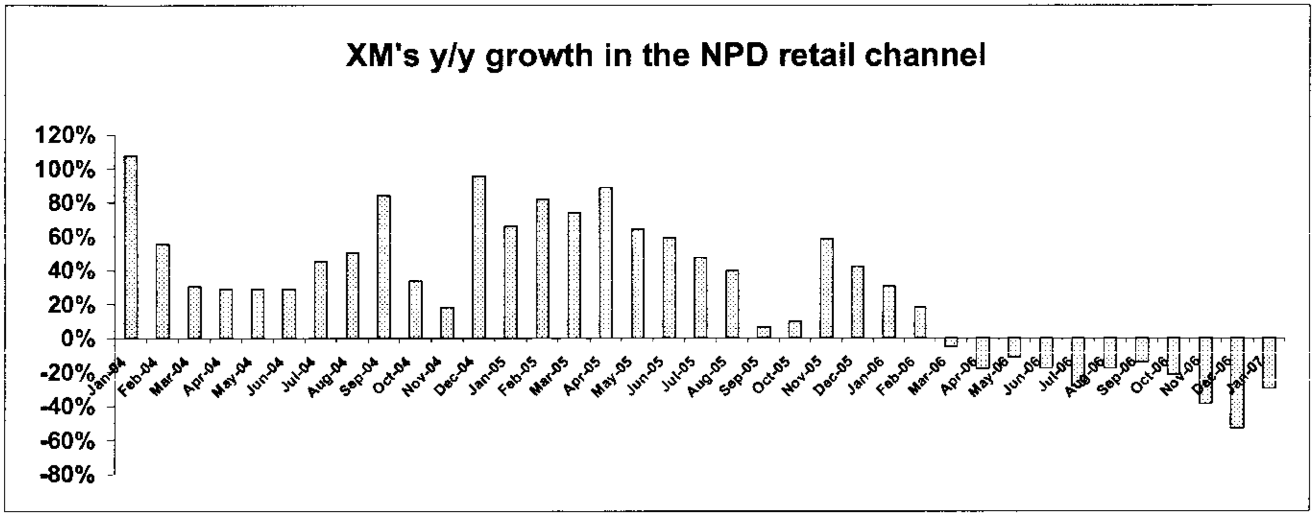
REDACTED - FOR PUBLIC INSPECTION

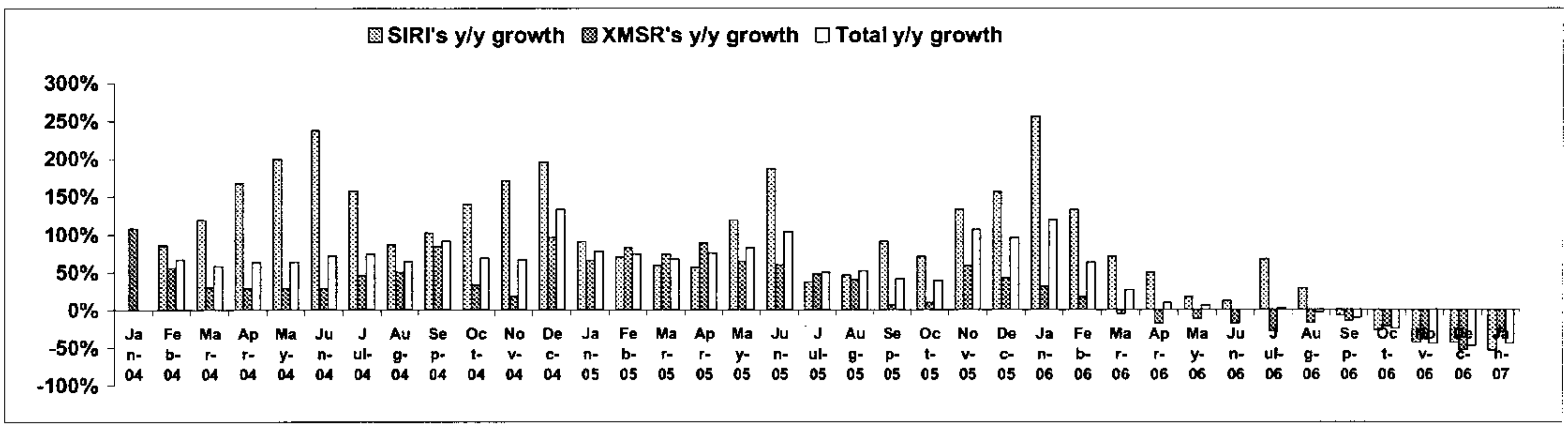




Source: NPD Techworld and Stifel Nicolaus estimates

SIRIUS-FCC-SUPP.000914





Source: NPD Techworld and Stifel Nicolaus estimates

Sirius Satellite Radio - SIRI
OEM Subscriber Adds Analysis
(subs in thousands)

	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
Sirius-installed automobiles (000s)													
Chrysler model year 2005 (11 model lines)	55	55	55	37									
Chrysler model year 2006 (750k)				63	188	188	188	100					
Chrysler model year 2007								67	238	238	238	158	
Chrysler model year 2008												84	252
Ford model year 2006 (1MM for '06 & '07)				17	50	50	50	33					
Ford model year 2007 (quadruple 2006 installs)								67	200	200	200	133	
Ford model year 2008 (??? - no guidance yet)												91	274
Other - Audi, BMW, Mazda, Mercedes, Mitsubishi, Volkswagon, etc.	55	63	82	61	36	38	152	59	78	25	25	25	25
Estimated gross adds	**110**	**118**	**137**	**176**	**273**	**276**	**390**	**326**	**516**	**463**	**463**	**492**	**552**
y/y change					148%	134%	184%	85%	89%	68%	19%	51%	7%
Subscribers in OEM Promotional Period		118	247	341	499	668	914	938	1,157	1,254	1,304	1,405	1,494
Churn													
Chrysler model year 2005 (12 month trial)					25	25	25	17					
Chrysler model year 2006 (12 month trial)								28	84	84	84	45	
Chrysler model year 2007 (12 month trial)												30	107
Chrysler model year 2008 (12 month trial)													
Ford model year 2006 (6 month trial)						8	23	23	23	15			
Ford model year 2007 (6 month trial)										30	90	90	90
Ford model year 2008 (6 month trial)													
Other	7	10	16	27	7	18	18	22	23	36	49	56	65
Estimated total OEM churn	**7**	**10**	**16**	**27**	**32**	**51**	**65**	**90**	**130**	**165**	**223**	**221**	**262**
Net OEM additions in the quarter	103	108	122	149	242	225	325	236	386	297	240	272	290
Net OEM additions in the year	182				620				1,135				1,098
Net retail additions in the quarter	376	199	245	210	901	535	276	206	559	199	152	125	466
Net retail additions in the year	696				1,554				1,576				943
Stifel estimated net additions in the quarter	**480**	**306**	**367**	**359**	**1,143**	**760**	**601**	**442**	**945**	**497**	**392**	**397**	**756**
Stifel estimated net additions in the year	**878**				**2,175**				**2,712**				**2,041**

Source: Company reports, Stifel Nicolaus estimates

Sirius Satellite Radio - SIRI
Quarterly Income Statement

($ in millions, except per share data)	2004A	2005A	1Q06A	2Q06A	3Q06A	4Q06A	2006A	1Q07E	2Q07E	3Q07E	4Q07E	2007E
Gross OEM additions	**0.196**	0.705	**0.276**	0.390	**0.326**	**0.456**	**1.448**	**0.463**	0.463	**0.492**	**0.552**	**1.969**
y/y growth		261%	134%	184%	85%	67%	105%	68%	19%	51%	21%	36%
Churn in quarter	0.01	0.08	0.051	0.065	0.090	0.107	0.313	0.165	0.223	0.221	0.262	0.871
Net OEM additions	**0.182**	0.620	**0.225**	**0.325**	**0.236**	**0.349**	**1.135**	**0.297**	0.240	**0.272**	**0.290**	**1.098**
y/y growth		241%	109%	167%	59%	44%	83%	32%	-26%	15%	-17%	-3%
% of total for the period	21%	29%	794%	54%	54%	12.295	42%	1253%	61%	68%	38%	54%
Gross retail additions	**0.782**	**1.815**	**0.682**	0.446	**0.409**	**0.785**	**2.322**	**0.409**	0.379	**0.360**	**0.707**	**1.854**
y/y growth		132%	187%	50%	42%	-21%	28%	-40%	-15%	-12%	-10%	-20%
Churn in quarter	0.09	0.26	0.148	0.169	0.203	0.226	0.746	0.210	0.227	0.234	0.241	0.911
Net retail additions	**0.696**	**1.554**	**0.535**	**0.276**	**0.206**	**0.559**	**1.576**	**0.199**	0.152	**0.125**	**0.466**	**0.943**
y/y growth		123%	169%	13%	-2%	-38%	1%	-63%	-45%	-39%	-17%	-40%
% of total for the period	79%	72%	70%	46%	47%	62%	58%	40%	39%	32%	62%	46%
Company reported gross adds in period	0.986	2.617	0.961	0.831	0.732	1.235	3.758					
Total gross additions	**0.982**	**2.519**	**0.959**	**0.835**	**0.733**	**1.238**	**3.766**	**0.872**	**0.841**	**0.852**	**1.258**	**3.823**
Incremental % of new additions for year	100%	100%	25%	22%	19%	33%	100%	23%	22%	22%	33%	100%
Total net additions	**0.882**	**2.173**	**0.761**	**0.600**	**0.441**	**0.905**	**2.708**	**0.497**	**0.392**	**0.397**	**0.756**	**2.041**
Incremental % of new additions for year	100%	100%	28%	22%	16%	33%	100%	24%	19%	19%	37%	100%
Ending Net OEM	**0.203**	**0.824**	**1.049**	**1.374**	**1.610**	**1.959**	**1.959**	**2.256**	**2.496**	**2.767**	**3.057**	**3.057**
% of Total	18%	25%	26%	29%	31%	33%	33%	35%	36%	38%	38%	38%
Ending Net Retail	**0.911**	**2.466**	**3.000**	**3.277**	**3.483**	**4.042**	**4.042**	**4.241**	**4.394**	**4.519**	**4.985**	**4.985**
% of Total	80%	74%	74%	70%	68%	67%	67%	65%	64%	62%	62%	62%
Ending Net Hertz	**0.029**	**0.028**	**0.028**	**0.028**	**0.027**	**0.024**	**0.024**	**0.024**	**0.024**	**0.024**	**0.024**	**0.024**
% of Total	2%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%
Ending Net Total Subscribers	**1.143**	**3.317**	**4.078**	**4.678**	**5.119**	**6.025**	**6.025**	**6.521**	**6.913**	**7.310**	**8.066**	**8.066**

Subscribers:	2004A	2005A	1Q06A	2Q06A	3Q06A	4Q06A	2006A	1Q07E	2Q07E	3Q07E	4Q07E	2007E
Beginning of period subscribers	0.261	1.143	3.317	4.078	4.678	5.119	3.317	6.025	6.521	6.913	7.310	6.025
New gross additions	0.986	2.617	0.961	0.831	0.732	1.238	3.762	0.961	0.831	0.732	1.258	3.782
Churn	(0.105)	(0.443)	(0.200)	(0.230)	(0.291)	(0.333)	(1.054)	(0.464)	(0.439)	(0.335)	(0.502)	(1.741)
Monthly churn % (incl OEM promo)	1.6%	1.5%	1.8%	1.8%	2.0%	2.0%	1.9%	2.0%	2.2%	2.1%	2.2%	2.1%
Monthly churn % (excl OEM promo)						1.6%		1.65%	1.70%	1.70%	1.70%	1.69%
Net Additions	0.882 #	2.173	0.761	0.600	0.441	0.905	2.708	0.497	0.392	0.397	0.756	2.041
Ending Net Subscribers	**1.143**	**3.317**	**4.078**	**4.678**	**5.119**	**6.025**	**6.025**	**6.521**	**6.913**	**7.310**	**8.066**	**8.066**
Average Subscribers	0.702	2.230	3.697	4.378	4.899	5.572	4.671	6.273	6.717	7.112	7.688	7.045
Total ARPU	$10.16	$10.34	$10.80	$11.16	$11.17	$10.92	$11.01	$11.16	$11.57	$11.72	$11.42	$11.48
Subscriber rev, net of mail-in rebates	62.9	223.6	115.2	137.6	155.3	167.2	575.4	200.6	223.0	239.2	251.6	914.4
Advertising rev, net of agency fees	0.9	6.1	7.3	8.1	7.1	8.5	31.0	9.5	10.2	10.8	11.7	42.1
Other revenue	3.0	12.5	4.1	4.3	4.6	17.7	30.8	4.8	5.0	5.3	20.4	35.5
Total Revenue	66.8	242.2	126.7	150.1	167.1	193.4	637.2	214.8	238.2	255.4	283.7	992.0
Total cost of service	122.8	185.5	83.1	87.8	83.9	118.0	372.8	97.9	96.2	103.9	130.5	428.6
General & administrative	44.1	59.8	19.1	21.7	23.5	23.2	87.5	34.0	34.0	34.0	34.0	136.0
Research & development	30.0	42.9	12.7	12.8	20.5	12.8	58.7	15.8	15.8	15.8	15.8	63.0
Pre-Marketing Cash Flow	**(130.1)**	**(46.1)**	**11.8**	**27.8**	**39.2**	**39.4**	**118.2**	**67.1**	**92.2**	**101.7**	**103.4**	**364.5**
Subscriber acquisition costs	173.7	349.6	109.1	108.7	80.9	121.0	419.7	109.1	108.7	80.9	119.5	418.2
SAC	*$177*	*$138*	*$113*	*$131*	*$114*	*$103*	*$114*	*$95*	*$100*	*$100*	*$95*	*$97*
Sales & marketing, OEM	169.5	171.8	39.3	56.6	41.5	85.1	222.5	56.9	74.2	59.1	103.2	293.5
Total Subscriber Cost/CPGA	*$348*	*$199*	*$155*	*$199*	*$167*	*$167*	*$171*	*$173*	*$226*	*$191*	*$177*	*$188*
Sales, marketing & SAC	343.2	521.5	148.4	165.3	122.3	206.2	642.2	166.1	182.9	140.0	222.7	711.7
EBITDA - excluding 123r	**(473.3)**	**(567.5)**	**(136.7)**	**(126.5)**	**(83.2)**	**(166.8)**	**(513.1)**	**(98.9)**	**(79.8)**	**(38.2)**	**(119.3)**	**(347.2)**
EBITDA - including 123r			(421.2)	(193.8)	(126.6)	(209.4)	(951.0)	(226.9)	(124.8)	(83.2)	(164.3)	(610.2)
Depreciations & amortization	95.4	98.6	24.9	25.7	27.6	27.5	105.7	28.0	28.0	28.5	29.0	113.5
Corporate & non-cash stock comp	109.7	163.1	284.6	67.3	43.4	42.6	437.9	128.0	45.0	45.0	45.0	263.0
Total Operating expenses	745.2	1,071.4	572.8	380.5	321.3	430.3	1,704.9	469.8	401.9	367.1	476.9	1,715.7
Operating income	(678.4)	(829.2)	(446.2)	(230.5)	(154.2)	(236.9)	(1,067.7)	(254.9)	(163.7)	(111.7)	(193.3)	(723.7)
Interest and investment income	9.7	26.9	9.9	8.9	7.8	6.8	33.3	3.5	3.0	2.6	-	9.1
Interest expense	(21.7)	(45.4)	(17.1)	(15.7)	(15.9)	(15.3)	(64.0)	(16.2)	(16.2)	(16.2)	(16.2)	(64.7)
Other income (expense) net	(20.0)	(13.1)	(4.4)	0.0	0.0	-	(4.4)	-	-	-	-	-
Pretax income	(710.3)	(860.7)	(457.8)	(237.2)	(162.3)	(245.5)	(1,102.8)	(267.6)	(176.9)	(125.3)	(209.5)	(779.3)
Income tax expense (benefit)	1.7	2.3	0.8	0.6	0.6	0.6	2.5	0.6	0.6	0.6	0.6	2.4
Effective corporate tax	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net income (loss) from cont. ops	(712.0)	(863.0)	(458.5)	(237.8)	(162.9)	(246.1)	(1,105.3)	(268.2)	(177.5)	(125.9)	(210.1)	(781.7)
Preferred dividends	-	-	-	-	-	-	-	-	-	-	-	-
Preferred deemed dividends	-	-	-	-	-	-	-	-	-	-	-	-
Net income for common	(712.0)	(863.0)	(458.5)	(237.8)	(162.9)	(246.1)	(1,105.3)	(268.2)	(177.5)	(125.9)	(210.1)	(781.7)
EPS ex one-time items	**$ (0.57)**	**$ (0.65)**	**$ (0.33)**	**$ (0.17)**	**$ (0.12)**	**$ (0.17)**	**$ (0.79)**	**$ (0.19)**	**$ (0.12)**	**$ (0.09)**	**$ (0.15)**	**$ (0.54)**
Basic shares	1,239	1,326	1,387	1,404	1,405	1,414	1,403	1,436	1,438	1,440	1,442	1,439
Diluted treasury shares	1,239	1,326	1,387	1,404	1,405	1,414	1,403	1,436	1,438	1,440	1,442	1,439

Source: Company reports and Stifel Nicolaus estimates.

REDACTED - FOR PUBLIC INSPECTION

SIRIUS-FCC-SUPP.000917

Sirius Satellite Radio - SIRI
Annual Income Statement

($ in millions, except per share data)	2004A	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E
Total U.S. Cars	16.9	16.9	17.0	17.0	17.0	17.2	17.3	17.5	17.7
% Partnered w/ SIRI	40%	40%	40%	40%	40%	40%	40%	40%	40%
Cars Partnered w/ SIRI	6.8	6.8	6.8	6.8	6.8	6.9	6.9	7.0	7.1
Percent of new autos equipped w/ satellite capacit	3%	10%	21%	29%	42%	52%	65%	68%	70%
Autos produced with Sirius capacity	0.2	0.7	1.4	2.0	2.9	3.6	4.5	4.8	5.0
Take-rate (estimated)	60%	56%	54%	52%	50%	48%	46%	44%	42%
Gross OEM additions	0.196	0.705	1.448	1.969	2.856	3.571	4.509	4.764	4.953
y/y growth		261%	105%	36%	45%	25%	26%	6%	4%
Churn in year	0.014	0.085	0.313	0.871	1.211	1.881	2.551	3.395	3.915
Net OEM additions	0.182	0.620	1.135	1.098	1.645	1.690	1.958	1.369	1.038
y/y growth	747%	241%	83%	-3%	50%	3%	16%	-30%	-24%
Gross retail additions	0.782	1.815	2.322	1.854	1.669	1.502	1.427	1.356	1.288
y/y growth	279%	132%	28%	-20%	-10%	-10%	-5%	-5%	-5%
Churn in year	0.086	0.261	0.746	0.911	1.123	1.230	1.280	1.348	1.386
Net retail additions	0.696	1.554	1.576	0.943	0.546	0.273	0.147	0.008	(0.098)
y/y growth	271%	123%	1%	-40%	-42%	-50%	-46%	-95%	-1384%
Company reported gross adds in perio	0.986	2.617							
Total gross additions	0.982	2.519	3.766	3.823	4.525	5.073	5.936	6.120	6.241
y/y growth	375%	157%	50%	2%	18%	12%	17%	3%	2%
Total net additions	0.882	2.173	2.708	2.041	2.191	1.963	2.105	1.377	0.940
y/y growth	282%	146%	25%	-25%	7%	-10%	7%	-35%	-32%
Ending Net OEM	0.203	0.824	1.959	3.057	4.702	6.392	8.350	9.719	10.757
% of Total	18%	25%	33%	38%	46%	52%	58%	62%	65%
Ending Net Retail	0.911	2.466	4.042	4.985	5.531	5.804	5.951	5.958	5.861
% of Total	80%	74%	67%	62%	54%	47%	42%	38%	35%
Ending Net Hertz	0.029	0.028	0.024	0.024	0.024	0.024	0.024	0.024	0.024
% of Total	2%	1%	0%	0%	0%	0%	0%	0%	0%
Ending Net Total Subscribers	1.143	3.317	6.025	8.066	10.257	12.219	14.325	15.701	16.641
Subscribers:	2004A	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E
Beginning of period subscribers	0.261	1.143	3.317	6.025	8.066	10.257	12.219	14.325	15.701
New gross additions	0.986	2.617	3.762	3.823	4.525	5.073	5.936	6.120	6.241
Churn	(0.105)	(0.443)	(1.054)	(1.782)	(2.334)	(3.111)	(3.831)	(4.743)	(5.301)
Monthly churn % (excl OEM promo)	1.6%	1.50%	1.90%	1.69%	1.74%	1.79%	1.84%	1.89%	1.94%
Net Additions	0.882	2.173	2.708	2.041	2.191	1.963	2.105	1.377	0.940
Ending Net Subscribers	1.143	3.317	6.025	8.066	10.257	12.219	14.325	15.701	16.641
Average Subscribers	0.702	2.230	4.671	7.045	9.161	11.238	13.272	15.013	16.171
Net avg. monthly rev per sub	$10.02	$10.06	$10.45	$10.97	$11.63	$12.36	$13.15	$13.55	$13.96
y/y increase	7%	0%	4%	4%	6%	6%	6%	3%	3%
Net revenue	66.8	242.2	637.2	992.0	1,387.7	1,816.1	2,293.7	2,699.4	3,034.5
EBITDA - excluding 123r	(473.3)	(567.5)	(524.0)	(347.2)	(2.7)	303.8	581.9	855.4	1,046.9
EBITDA Margin	-708%	-234%	-82%	-35%	0%	17%	25%	32%	35%
EBITDA - including 123r	(473.3)	(567.5)	(951.0)	(610.2)	(182.7)	123.8	401.9	675.4	866.9
EBITDA Margin	*-709%*	*-234%*	*-149%*	*-62%*	*-13%*	*7%*	*18%*	*25%*	*29%*
Net income for common	(712.0)	(863.0)	(1,105.3)	(781.7)	(376.8)	(51.3)	258.8	552.3	763.6
Earnings per diluted share	($0.57)	($0.65)	($0.79)	($0.54)	($0.21)	($0.03)	$0.15	$0.31	$0.43
Ending fully diluted shares outstanding	1,626.2	1,715.0	1,748.7	1,773.7	1,773.7	1,773.7	1,773.7	1,773.7	1,773.7
Avg FD Shs (Treasury method) - EPS	1,233.5	1,325.7	1,402.6	1,438.9	1,773.7	1,773.7	1,773.7	1,773.7	1,773.7
YOY Growth Rates:									
Subscribers	338%	190%	82%	34%	27%	19%	17%	10%	6%
Revenues	419%	263%	163%	56%	40%	31%	26%	18%	12%
EBITDA	NM	NM	NM	NM	NM	NM	92%	47%	22%
EPS	NM	NM	NM	NM	NM	NM	NM	113%	38%
Statement of Cash Flows	2004A	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E
Cash Flow from Operations	(334.5)	(273.7)	(414.5)	(252.2)	11.1	350.3	652.2	949.5	1,163.4
Capital Expenditures (ex acq)	(28.6)	(49.9)	(99.8)	(125.0)	(200.0)	(100.0)	(125.0)	(125.0)	(150.0)
Free Cash Flow (CFO-Capex)	(363.1)	(323.6)	(514.4)	(377.2)	(188.9)	250.3	527.2	824.5	1,013.4
FCF/Share	($0.29)	($0.24)	($0.37)	($0.26)	($0.11)	$0.14	$0.30	$0.46	$0.57
FCF/Share multiple	NM	NM	NM	NM	NM	22x	10x	7x	5x
FCF Yield	NM	NM	NM	NM	NM	5%	10%	15%	18%
Cash Flow from Investing	(92.9)	(172.1)	20.2	(125.0)	(200.0)	(100.0)	(125.0)	(125.0)	(150.0)
Cash Flow from Financing	660.2	453.9	25.8	70.0	150.0	(200.0)	-	-	-
Net Cash Flow	232.9	8.1	(368.6)	(307.2)	(38.9)	50.3	527.2	824.5	1,013.4
Enterprise Value Calculation	2004A	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E
Net Debt (Cash) excl in the money converts	(470.1)	(147.5)	245.0	622.2	811.1	560.8	33.6	(790.9)	(1,804.3)
Total Other Assets	(1,240.5)	(1,489.3)	(1,651.5)	(1,739.3)	(1,836.6)	(1,944.5)	(2,064.2)	(2,144.8)	(2,087.8)
Y/E Market Cap. at $3.09 per share	5,024.8	5,299.5	5,403.4	5,480.6	5,480.6	5,480.6	5,480.6	5,480.6	5,480.6
Enterprise Value	3,314.2	3,662.6	3,996.8	4,363.5	4,455.1	4,096.9	3,449.9	2,544.9	1,588.5
Enterprise Value / Sub	$2,899	$1,104	$663	$541	$434	$335	$241	$162	$95
EV/EBITDA - Pro Forma	NM	NM	NM	NM	NM	13x	6x	3x	2x
EV / Sales			6x	4x	3x	2x	2x	1x	1x

Source: Company reports and Stifel Nicolaus estimates.

Sirius Satellite Radio - SIRI
Discounted Cash Flow Model
($ in millions, except per share data)

	Terminal value						
2007E EBITDA	$ (610.2)						
2012 EBITDA	$ 866.9						
Terminal multiple applied	9.2x	9.7x	10.2x	10.7x	11.2x	11.7x	12.2x
Terminal enterprise value	$ 7,932.4	$ 8,365.9	$ 8,799.3	$ 9,232.8	$ 9,666.3	$ 10,099.7	$ 10,533.2
2012 free cash flow	$ 1,013.4						
Implied EV/FCF multiple	7.8x	8.3x	8.7x	9.1x	9.5x	10.0x	10.4x

		Present value						
2012E Terminal Multiple:		9.2x	9.7x	10.2x	**10.7x**	11.2x	11.7x	12.2x
	8.5%	5,278.6	5,567.0	5,855.5	6,143.9	6,432.4	6,720.8	7,009.3
	9.0%	5,158.6	5,440.5	5,722.4	6,004.3	6,286.2	6,568.1	6,850.0
Discount Rate:	**9.5%**	5,041.9	5,317.4	5,592.9	**5,868.4**	6,144.0	6,419.5	6,695.0
	10.0%	4,928.3	5,197.6	5,467.0	5,736.3	6,005.6	6,274.9	6,544.2
	10.5%	4,817.8	5,081.1	5,344.4	5,607.6	5,870.9	6,134.2	6,397.4

		Plus NPV of interim FCF, net cash and other assets = market capitalization						
2012E Terminal Multiple:		9.2x	9.7x	10.2x	**10.7x**	11.2x	11.7x	12.2x
	8.5%	8,346.7	8,635.1	8,923.6	9,212.0	9,500.5	9,788.9	10,077.4
	9.0%	8,193.7	8,475.6	8,757.5	9,039.4	9,321.3	9,603.2	9,885.1
Discount Rate:	**9.5%**	8,044.8	8,320.3	8,595.8	**8,871.4**	9,146.9	9,422.4	9,697.9
	10.0%	7,899.8	8,169.1	8,438.4	8,707.7	8,977.1	9,246.4	9,515.7
	10.5%	7,758.6	8,021.9	8,285.2	8,548.4	8,811.7	9,075.0	9,338.2

		2007E stock price						
2012E Terminal Multiple:		9.2x	9.7x	10.2x	**10.7x**	11.2x	11.7x	12.2x
	8.5%	$4.71	$4.87	$5.03	$5.19	$5.36	$5.52	$5.68
	9.0%	$4.62	$4.78	$4.94	$5.10	$5.26	$5.41	$5.57
Discount Rate:	**9.5%**	$4.54	$4.69	$4.85	**$5.00**	$5.16	$5.31	$5.47
	10.0%	$4.45	$4.61	$4.76	$4.91	$5.06	$5.21	$5.36
	10.5%	$4.37	$4.52	$4.67	$4.82	$4.97	$5.12	$5.26

Weighted average cost of capital:	
Beta (our forecast)	1.2
Risk-free rate	4.83%
Equity risk premium	5.50%
Cost of Equity =	**11.43%**
Cost of debt	8.00%
Tax rate	38.00%
After tax cost of debt =	**4.96%**
Terminal debt/cap	30.00%
WACC =	**9.49%**
Net cash (debt) 12/31/07:	
Cash and equivalents	179.6
Debt	571.7
Net cash (debt)	**$ (392.2)**
Present value of free cash flow ('08-'12):	
Discount Rate:	**NPV of FCF**
8.5%	$1,721.0
9.0%	$1,688.0
9.49%	**$1,655.8**
10.0%	$1,624.4
10.5%	$1,593.7
Other 12/31/07	
Other assets/minority interest	1,739.3
Total other	**$ 1,739.3**
Diluted ending shares outstanding	
2007E	1,773.7

Or...

$0.57	**2012 FCF per share**
16x	Multiple
$9.22	**2011 stock price**
13%	Equity discount rate
$5.00	**Implied 2007 stock price**
$5.00	**= 2007 price target**

Potential extra value if Merger is approved:	
Total Merger synergies:	5,000
Attributable to SIRI:	2,000
Per share:	**$1.13**

Source: Company reports and Stifel Nicolaus estimates

Sirius Satellite Radio (SIRI) & XM Satellite Radio (XMSR)
Merger Analysis
($ in millions, except per share data, ticker SATR = post-merger entity)

	2007 Estimates			Normalized annual merger synergies	Comment
	Sirius	XM	Combined		
Ending Net Subscribers	8.101	8.648	16.749	0.800	Better product for consumers due to increased programming
Average Subscribers	7.062	8.336	15.198	0.800	
Net avg. monthly rev per sub	$10.85	$10.00	$10.29	$10.29	No change, though this could be conservative if no price restrictions
y/y increase	4%	0%			
Subscriber revenue	916.1	959.7	1,875.8	98.7	More subs drive higher subscription revenue
Advertising rev, net of agency fees	55.4	41.4	96.8	4.8	Advertisers pay disproportionately more for bigger audiences/higher ratings
Other revenue	30.0	60.3	90.3	4.5	Small synergies expected here
Total revenue	1,001.6	1,061.4	2,063.0	108.1	
Satellite & transmission	32.0	58.4	90.4	(15.0)	Large cost savings after combining platforms
Programming & content	271.5	160.0	431.5	(25.0)	No synergies in short-term, but eventually they won't have to bid against eachother for content
Cost of equipment, revenue share and royalties, ad sales and other	20.0	316.7	336.7	(15.0)	Moving all technology and manufacturing onto one platform results in savings
Customer service & billing	97.9	115.7	213.6	(42.7)	Large cost savings after combining platforms
Monthly Cost Per Average Sub	*$1.15*	*$1.19*	*$1.17*	*($0.21)*	
Total cost of service	421.4	650.8	1,072.2	(97.7)	
General & administrative	98.0	81.4	179.4	(53.8)	Large cost savings after combining platforms
Research & development	70.0	36.0	106.0	(20.0)	Losing main competitor and moving all technology onto one platform results in large savings
Pre-Marketing Cash Flow	412.2	293.1	705.3	279.6	
Equipment / Retail Subsidies	401.6	231.9	633.5	(101.0)	Mass production of radios leads to lower costs
Variable Subscriber Acquisition Cost	*$90*	*$62*	*$77*	*($12)*	
Fixed Advertising, OEM Agreements, other	298.8	215.3	514.1	(60.0)	Less advertising results in cost savings
Sales, marketing & SAC	700.4	447.3	1,147.7	(161.0)	
Total Cost Per Gross Addition	*$179*	*$130*	*$139*	*($20)*	
Amortization of GM liability	-	30.7	30.7	-	No synergies expected here
EBITDA - excluding 123r	(288.1)	(126.8)	(414.9)	440.7	
D&A / Normalized Present Value of Capex Savings	113.5	179.0	292.5	(62.1)	Large capex savings after combining
Normalized EBIT	(401.6)	(305.8)	(707.4)	502.7	
			Total normalized annual cash merger synergies:	502.7	
			Initial cost to combine platforms:	(1,410.0)	

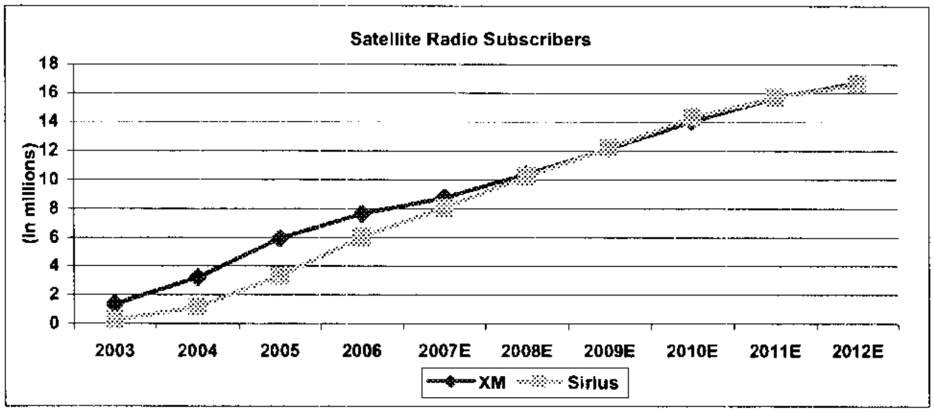
Source: Company reports and Stifel Nicolaus estimates

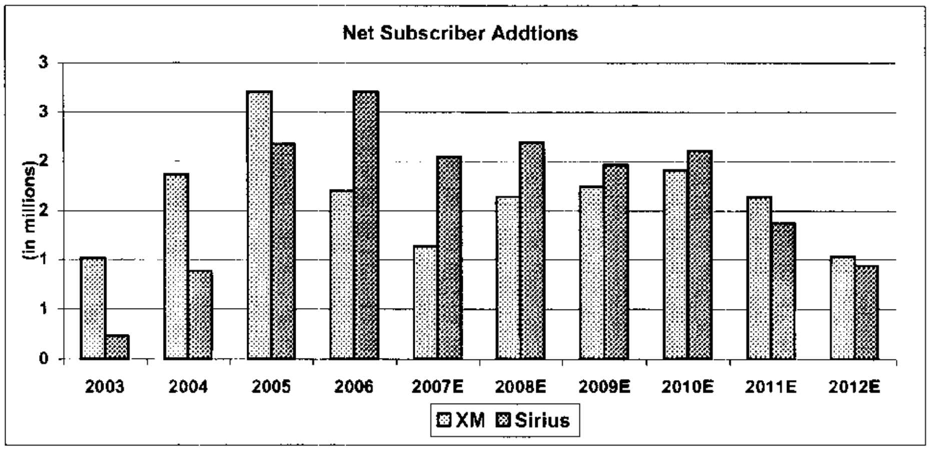
Sirius Satellite Radio (SIRI) & XM Satellite Radio (XMSR)
Merger Analysis
($ in millions, except per share data: ticker SATR = post-merger entity)

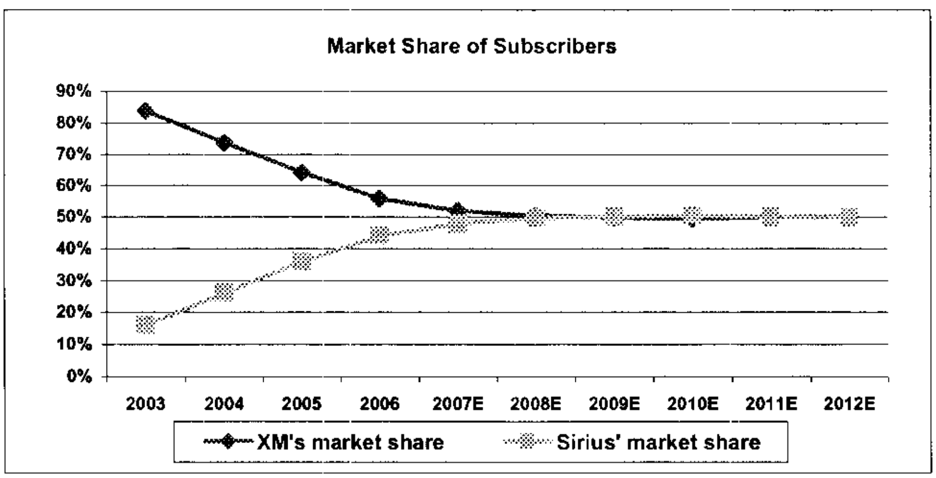
	Low-end	Middle	High-end
Possible synergies per year	[illegible]	[illegible]	[illegible]
Growth of synergies going forward	[illegible]	[illegible]	[illegible]
Discount rate	[illegible]	[illegible]	[illegible]
NPV of synergies as a perpetuity	3,860.0	6,410.0	8,960.0
Minus initial cost to combine the Sirius and XM platforms	(1,410.0)	(1,410.0)	(1,410.0)
Total NPV of merger-created value	2,450.0	5,000.0	7,550.0

	Low-end SIRI	Low-end XMSR	Low-end SATR	Middle SIRI	Middle XMSR	Middle SATR	High-end SIRI	High-end XMSR	High-end SATR
Current share price	[illegible]	[illegible]		$3.09	$12.14		$3.09	$12.14	
Takeout price for XMSR		$12.14			$16.88			$16.88	
Offer premium to XMSR shareholders in %		0.0%			39.0%			39.0%	
Offer premium to XMSR shareholders in $		-			1,644.8			1,644.8	
Offer premium to XMSR as % of total merger-created value		0.0%			32.9%			21.8%	
Shares outstanding inc all option warrants and in the money converts	1,773.7	[illegible]		1,773.7	347		1,773.7	347.0	
Equity Market capitalization using offer price	5,480.6	4,212.6	9,693.2	5,480.6	5,857.4	11,338.0	5,480.6	5,857.4	11,338.0
Market Cap./SATR ownership split after merger	57%	43%		48%	52%		48%	52%	
Plus: Net debt (debt - cash) excluding in the money converts	622.2	1,432.0	2,054.2	622.2	1,432.0	2,054.2	622.2	1,432.0	2,054.2
Minus: Other assets (proceeds from options & warrants, PV of NOL tax savings, equity in Canada)	(1,739.3)	(1,007.0)		(1,739.3)	(1,007.0)	(2,746.3)	(1,739.3)	(1,007.0)	(2,746.3)
Enterprise value	4,363.5	4,637.6	9,001.1	4,363.5	6,282.4	10,645.9	4,363.5	6,282.4	10,645.9
Enterprise value split	48.5%	51.5%		41.0%	59.0%		41.0%	59.0%	
Remaining merger-created value after buyout premium, split according to % ownership	1,385.3	1,064.8	2,450.0	1,621.9	1,733.4	3,355.2	2,854.5	3,050.7	5,905.2
Remaining synergy value per share	$0.78	$3.07		$0.91	$5.00		$1.61	$8.79	
Total merger-created value attributed to each company	1,385	1,065	2,450	1,622	3,378	5,000	2,855	4,696	7,550
Ultimately realized synergy value split	56.5%	43.5%		32.4%	67.6%		37.8%	62.2%	
Immediate Value after successful merger and synergies	$3.87	$15.21		$4.00	$21.88		$4.70	$25.67	
% upside from current levels	25.3%	25.3%		29.6%	80.2%		52.1%	111.5%	
Current Spread	17%								

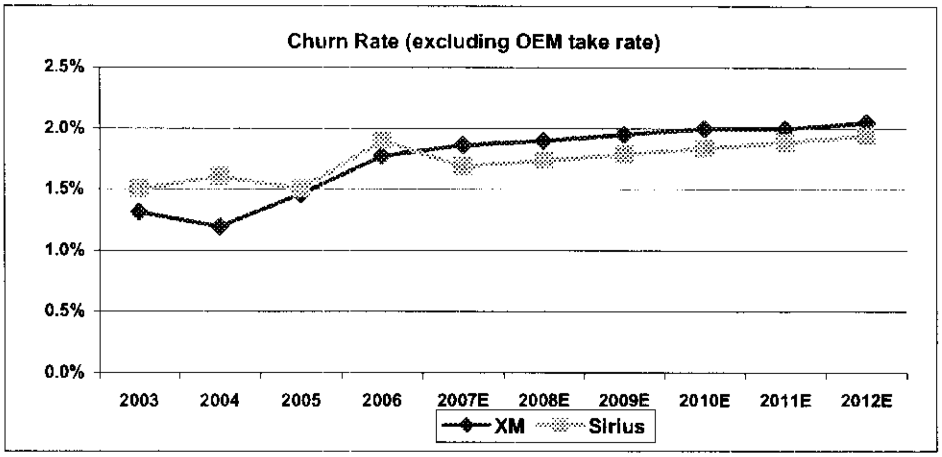
Source: Company reports and Stifel Nicolaus estimates

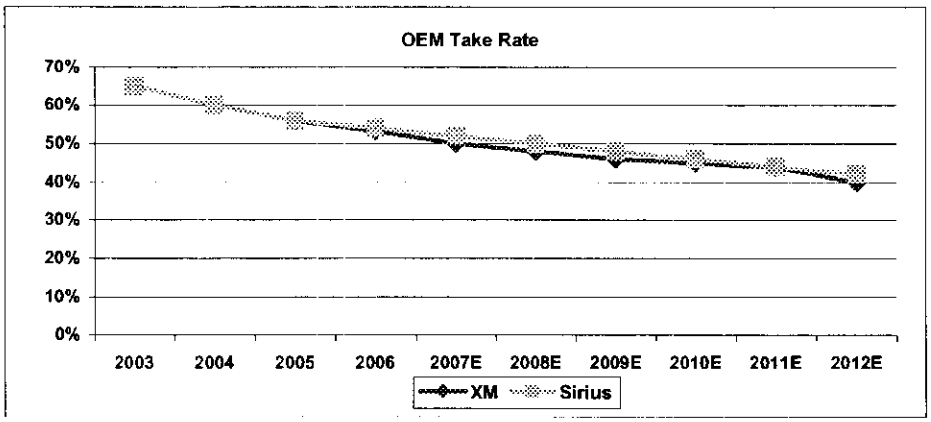


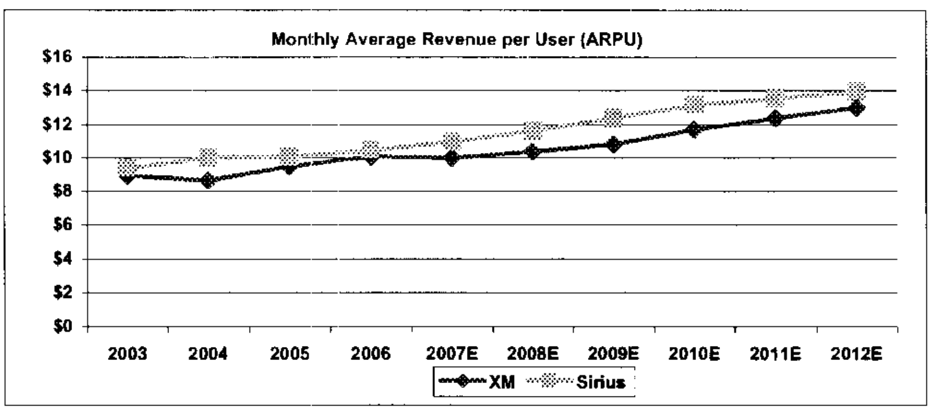




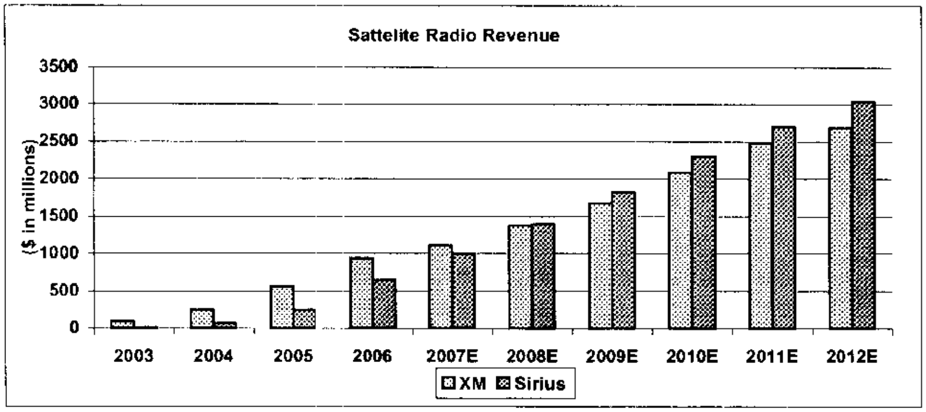
Source: Company reports and Stifel Nicolaus Estimates

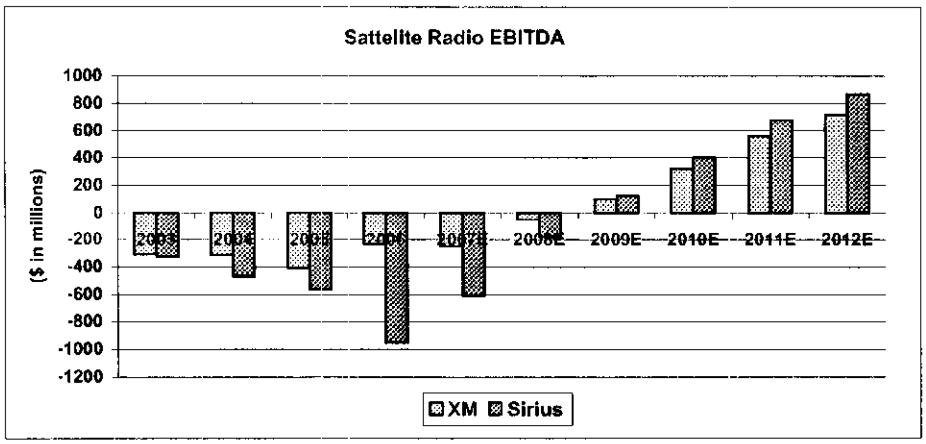


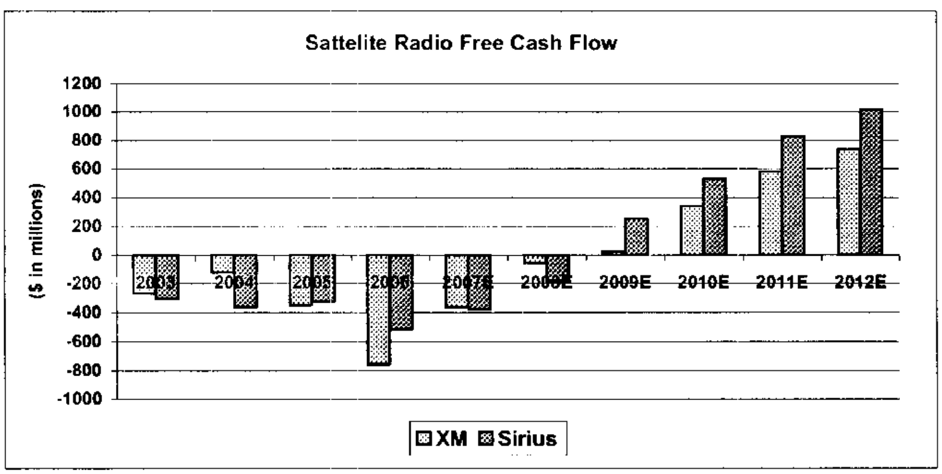




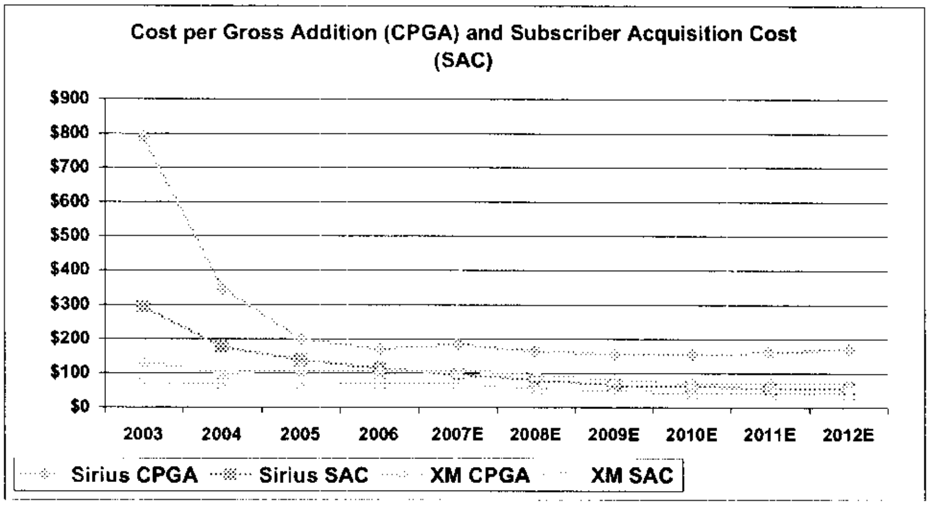
Source: Company reports and Stifel Nicolaus Estimates

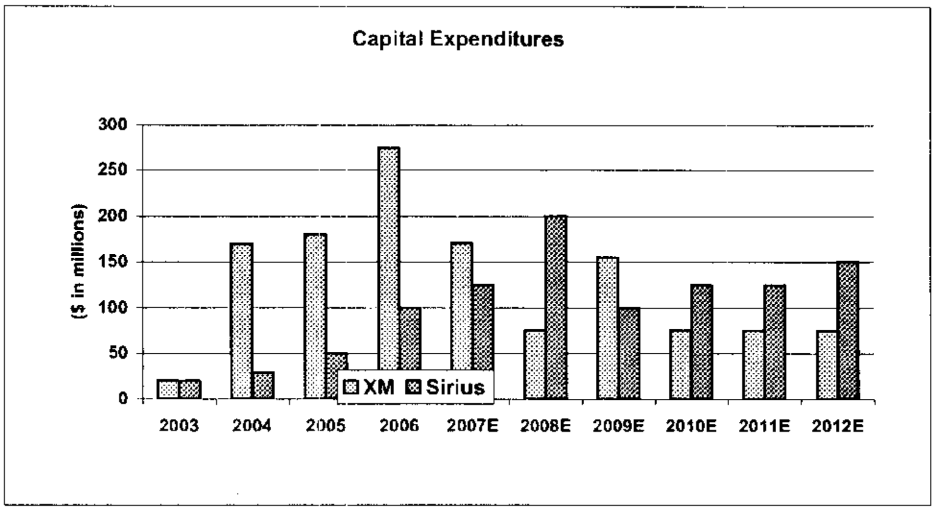


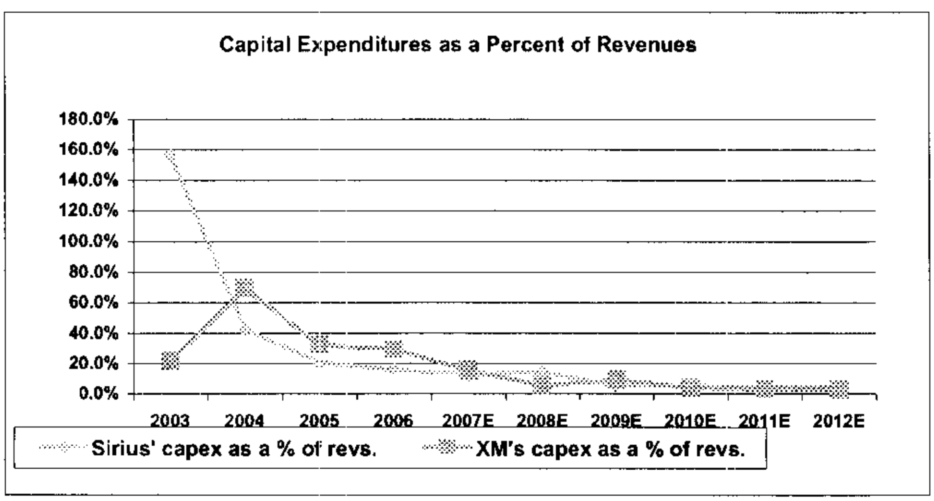




Source: Company reports and Stifel Nicolaus Estimates







Source: Company reports and Stifel Nicolaus Estimates

XM Satellite Radio - XMSR
Quarterly Income Statement

$ in millions, except per share data	2004A	2005A	1Q06A	2Q06A	3Q06A	4Q06A	2006A	1Q07E	2Q07E	3Q07E	4Q07E	2007E
Gross OEM additions	1.380	1.916	0.491	0.518	0.553	0.524	2.085	0.575	0.600	0.625	0.800	2.600
y/y growth	58%	39%	21%	-1%	1%	20%	9%	17%	16%	13%	53%	25%
Subs in OEM Promotional Period	0.402	0.461	0.548	0.573	0.613	0.555	0.555	0.631	0.663	0.691	0.869	0.869
Churn in quarter	0.59	0.94	0.226	0.288	0.335	0.353	1.20	0.379	0.411	0.433	0.453	1.676
Net OEM additions	0.790	0.981	0.265	0.230	0.217	0.172	0.884	0.196	0.189	0.192	0.347	0.924
y/y growth	56%	24%	20%	-31%	-30%	48%	-10%	-26%	-18%	-12%	102%	5%
% of total for the period	42%	36%	47%	58%	76%	39%	52%	72%	86%	98%	77%	81%
Gross retail additions	1.220	2.214	0.491	0.409	0.315	0.540	1.755	0.324	0.276	0.250	0.350	1.200
y/y growth	121%	81%	18%	-3%	-28%	-42%	-21%	-34%	-33%	-21%	-35%	-32%
Churn in quarter	0.14	0.49	0.187	0.240	0.246	0.270	0.94	0.247	0.244	0.246	0.246	0.98
Net retail additions	1.077	1.723	0.304	0.168	0.069	0.271	0.812	0.078	0.031	0.004	0.104	0.216
y/y growth	113%	60%	-5%	-47%	-77%	-65%	-53%	-74%	-81%	-94%	-62%	-73%
% of total for the period	58%	64%	53%	42%	24%	61%	48%	28%	14%	2%	23%	19%
Total net additions	1.867	2.704	0.569	0.398	0.286	0.443	1.696	0.274	0.220	0.196	0.450	1.140
y/y growth	84%	45%	5%	-39%	-54%	-51%	-37%	-52%	-45%	-32%	2%	-33%
Incremental % of new additions for year	100%	100%	34%	23%	17%	26%	100%	24%	19%	17%	39%	100%
Ending Net OEM	1.436	2.417	2.682	2.911	3.129	3.300	3.300	3.497	3.686	3.878	4.224	4.224
% of Total	44%	41%	41%	42%	44%	43%	43%	44%	45%	47%	48%	48%
Ending Net Retail	1.791	3.514	3.818	3.986	4.055	4.326	4.326	4.404	4.435	4.439	4.542	4.542
% of Total	55%	59%	59%	58%	56%	57%	57%	56%	55%	53%	52%	52%
Ending Net Total Subscribers	3.229	5.933	6.502	6.900	7.186	7.628	7.628	7.903	8.123	8.318	8.769	8.769
Subscribers:	**2004A**	**2005A**	**1Q06A**	**2Q06A**	**3Q06A**	**4Q06A**	**2006A**	**1Q07E**	**2Q07E**	**3Q07E**	**4Q07E**	**2007E**
Beginning of period subscribers	1.361	3.229	5.933	6.502	6.900	7.186	5.933	7.628	7.903	8.123	8.318	7.628
New gross additions	2.601	4.130	0.982	0.926	0.868	1.065	3.841	0.899	0.876	0.875	1.150	3.800
Churn	(0.733)	(1.427)	(0.413)	(0.528)	(0.582)	(0.622)	(2.145)	(0.625)	(0.656)	(0.679)	(0.700)	(2.660)
Monthly churn (incl OEM Trial Churn)	2.8%	2.7%	2.4%	2.6%	2.8%	2.8%	2.6%	2.4%	2.6%	2.9%	2.9%	2.7%
Monthly churn (ex OEM Trial Churn)	1.2%	1.5%	1.64%	1.83%	1.82%	1.79%	1.8%	1.90%	1.85%	1.85%	1.85%	1.9%
Net Additions	1.867	2.704	0.569	0.398	0.286	0.443	1.696	0.274	0.220	0.196	0.450	1.140
Ending net subscribers	**3.229**	**5.933**	**6.502**	**6.900**	**7.186**	**7.628**	**7.628**	**7.903**	**8.123**	**8.318**	**8.769**	**8.769**
Avg. subscribers	2.295	4.581	6.217	6.701	7.043	7.407	6.781	7.766	8.013	8.220	8.544	8.199
Avg. monthly subscription rev/sub - ARPU	$8.68	$9.51	$10.07	$10.08	$10.15	$10.07	$10.09	$10.00	$10.00	$10.00	$10.00	$10.00
Total monthly revenue/subscriber	$9.59	$10.57	$11.13	$11.36	$11.36							
	2004A	**2005A**	**1Q06A**	**2Q06A**	**3Q06A**	**4Q06A**	**2006A**	**1Q07E**	**2Q07E**	**3Q07E**	**4Q07E**	**2007E**
Sub + Activation	233.1	530.9	195.2	211.0	222.2	225.0	853.5	239.5	245.9	251.6	257.3	994.3
Advertising rev, net of agency fees	8.5	20.1	6.5	9.0	8.8	11.0	35.3	8.1	10.7	10.3	12.7	41.9
Other revenue (CSR, NHL, O&A Syn)	2.8	7.3	6.2	7.9	9.5	21.1	44.6	15.0	17.0	18.0	25.0	75.0
Total Revenue	**244.4**	**558.3**	**208.0**	**227.9**	**240.4**	**257.1**	**933.4**	**262.6**	**273.6**	**279.9**	**295.0**	**1,111.1**
Total rev share, royalties, & cost of equip.	62.2	134.6	42.3	48.2	43.6	63.9	198.0	57.9	62.2	63.4	76.6	260.1
Ad Sales	6.2	10.1	3.4	4.5	3.4	4.8	16.0	3.9	5.1	3.9	5.4	18.3
Customer care & billing	40.9	76.2	22.5	26.4	27.2	28.9	104.9	26.0	26.8	27.5	28.6	108.8
Satellite & terrestrial	35.9	42.4	13.0	11.6	11.7	12.7	49.0	13.0	13.0	13.0	13.0	52.0
Broadcast & operations	24.0	41.1	14.7	14.0	14.0	15.0	57.7	14.5	14.5	15.0	15.0	59.0
Programing & content	32.7	101.0	37.6	42.3	38.9	46.4	165.2	46.0	46.0	46.0	46.0	184.0
Total cost of revenue	**201.9**	**405.3**	**133.5**	**146.8**	**138.7**	**171.7**	**590.7**	**161.3**	**167.6**	**168.7**	**184.5**	**682.1**
Research & development	23.5	31.2	11.0	8.5	8.8	9.1	37.4	9.1	9.1	9.1	9.1	36.4
General & administrative	28.6	43.9	17.8	18.7	22.0	30.3	88.8	35.0	42.5	42.5	47.5	167.5
Other	-	2.0	-	-	-		-	-	-	-	-	-
Impairment of goodwill												
Pre-Marketing Cash Flow	**(9.6)**	**79.8**	**45.7**	**53.9**	**70.9**	**46.0**	**216.5**	**57.2**	**54.4**	**59.5**	**53.9**	**225.1**
Marketing, net of GM amortization	267.1	450.3	97.4	106.2	82.1	135.3	421.1	111.4	104.3	101.6	129.9	447.3
Amortization of GM liability	37.3	37.3	9.3	7.4	6.5	6.5	29.8	9.3	7.4	6.5	7.5	30.7
EBITDA - including 123r options expense	(313.9)	(407.7)	(61.0)	(59.8)	(17.7)	(95.8)	(234.3)	(63.5)	(57.3)	(48.6)	(83.5)	(252.8)
FAS 123R options expense			12.1	13.9	16.0	26.0	68.0	12.1	13.9	16.0	26.0	68.0
EBITDA excluding options expense			**(49.0)**	**(45.9)**	**(1.6)**	**(69.8)**	**(166.3)**	**(51.4)**	**(43.4)**	**(32.5)**	**(57.4)**	**(184.8)**
Depreciations & amortization	147.2	145.9	39.9	41.8	43.1	44.0	168.9	44.0	44.5	45.0	45.5	179.0
Total Operating expenses	705.5	1,111.8	308.9	329.5	301.2	397.0	1,336.6	370.0	375.5	373.5	424.0	1,543.0
Operating income	(461.0)	(553.6)	(100.9)	(101.7)	(60.8)	(139.9)	(403.2)	(107.5)	(101.8)	(93.6)	(129.0)	(431.8)
Interest income	6.2	23.6	6.6	6.4	5.2	3.5	21.7	2.3	1.0	0.7	0.7	4.6
Interest expense	(85.8)	(107.8)	(33.2)	(29.3)	(23.8)	(35.0)	(121.3)	(26.2)	(28.7)	(28.7)	(28.7)	(112.3)
Other	(74.9)	(26.6)	(22.6)	(105.7)	(3.7)	(84.1)	(216.1)	-	-	-	-	-
Pretax income	(615.4)	(664.4)	(150.2)	(230.3)	(83.0)	(255.5)	(719.0)	(131.3)	(129.6)	(121.6)	(157.0)	(539.5)
Income tax expense (benefit)	27.3	2.3	(0.9)	(1.2)	0.8	1.2	(0.0)	-	-	-	-	-
Effective corporate tax	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Net income (loss) from cont. ops	**(642.8)**	**(666.7)**	**(149.4)**	**(229.1)**	**(83.8)**	**(256.7)**	**(719.0)**	**(131.3)**	**(129.6)**	**(121.6)**	**(157.0)**	**(539.5)**
Series B & C p/s dividend requirement	(8.5)	(8.6)	(2.1)	(2.6)	(1.6)	(0.5)	(6.9)	(2.1)	(2.6)	(1.6)	(1.6)	(8.0)
Series B p/s conversion gain												
Series C retirement loss						(5.9)	(5.9)					
Other												
Net income for common	(651.3)	(675.3)	(151.5)	(231.7)	(85.5)	(263.2)	(731.8)	(133.5)	(132.1)	(123.3)	(158.6)	(547.5)
EPS ex one-time items	**$ (3.30)**	**$ (3.07)**	**$ (0.60)**	**$ (0.87)**	**$ (0.32)**	**$ (0.98)**	**$ (2.70)**	**$ (0.44)**	**$ (0.43)**	**$ (0.40)**	**$ (0.52)**	**$ (1.79)**

Source: Company reports and Stifel Nicolaus estimates

XM Satallite Radio - XMSR
Annual Income Statement
$ in millions, except per share data

	2004A	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E
Total U.S. Cars	16.9	16.9	17.0	17.0	17.0	17.1	17.3	17.5	17.6
% Partnered w/ XM	58%	58%	58%	60%	60%	60%	60%	60%	60%
Cars Partnered w/ XM	9.8	9.9	9.9	9.9	10.0	10.1	10.2	10.3	10.4
Percent of new autos equipped w/ satellite capacity	14%	19%	21%	26%	43%	53%	66%	69%	71%
Autos produced with XM capacity	1.4	1.9	2.1	2.6	4.3	5.3	6.7	7.1	7.4
Take-rate	60%	56%	53%	50%	48%	46%	45%	44%	40%
Incremental XM subs from new autos, after take-rate churn	0.966	1.284	1.355	1.630	2.605	3.159	3.942	4.124	4.076
Gross OEM adds	1.380	1.916	2.085	2.600	4.028	5.024	6.273	6.660	6.910
y/y growth	58%	39%	9%	25%	55%	25%	25%	6%	4%
Ending subs in OEM promotional period	0.402	0.461	0.555	0.869	1.175	1.422	1.719	1.785	1.818
Churn	0.590	0.936	1.202	1.676	2.430	3.238	4.252	4.884	5.701
Incremental net OEM	0.790	0.981	0.884	0.924	1.598	1.786	2.020	1.776	1.209
% of total	42%	36%	52%	81%	97%	103%	106%	108%	117%
y/y growth	56%	24%	-10%	5%	-5%	12%	13%	-12%	-32%
Gross Retail adds	1.220	2.214	1.755	1.200	1.080	1.026	0.975	0.926	0.880
y/y growth	121%	81%	-21%	-32%	-10%	-5%	-5%	-5%	-5%
Churn	0.144	0.491	0.944	0.983	1.036	1.073	1.089	1.062	1.055
Incremental net retail	1.077	1.723	0.812	0.216	0.044	(0.047)	(0.115)	(0.136)	(0.175)
% of total	58%	64%	48%	19%	3%	-3%	-6%	-8%	-17%
y/y growth	113%	60%	-53%	-73%	-80%	-207%	142%	18%	29%
Total net additions	1.867	2.704	1.696	1.140	1.642	1.738	1.905	1.640	1.034
Ending net OEM	1.436	2.417	3.300	4.224	5.822	7.608	9.628	11.404	12.613
% of total	44%	41%	43%	48%	56%	63%	69%	73%	75%
Ending net retail	1.791	3.514	4.326	4.542	4.587	4.539	4.425	4.289	4.113
% of total	55%	59%	57%	52%	44%	37%	31%	27%	25%

Subscribers:	**2004A**	**2005A**	**2006A**	**2007E**	**2008E**	**2009E**	**2010E**	**2011E**	**2012E**
Beginning of period subs	1.360	3.229	5.933	7.628	8.769	10.411	12.149	14.055	15.694
Gross new additions	2.60	4.130	3.841	3.800	5.108	6.050	7.247	7.586	7.790
Less Churn	(0.733)	(1.427)	(2.145)	(2.660)	(3.466)	(4.311)	(5.342)	(5.946)	(6.756)
Monthly churn (ex OEM Trial Churn)	*1.2%*	*1.5%*	*1.8%*	*1.86%*	*1.90%*	*1.95%*	*2.00%*	*2.00%*	*2.05%*
Net Additions	1.867	2.704	1.696	1.140	1.642	1.738	1.905	1.640	1.034
Ending subscribers	3.229	5.933	7.628	8.769	10.411	12.149	14.055	15.694	16.728
Revenue	244.4	558.3	933.4	1,111.1	1,371.6	1,669.6	2,079.1	2,474.7	2,679.5
EBITDA incld Stock Options	(313.9)	(407.7)	(234.3)	(252.8)	(56.9)	99.8	322.8	558.4	713.3
EBITDA Margin					-4%	6%	16%	23%	27%
FAS 123R options expense			68.0	68.0	68.0	68.0	68.0	68.0	68.0
EBITDA excld Stock Options	(313.9)	(407.7)	(166.3)	(184.8)	11.2	167.9	390.8	626.5	781.3
EPS ex one-time Items	($3.17)	($3.07)	($2.68)	($1.79)	($1.15)	($0.69)	$0.05	$0.77	$1.29
Ending Fully Diluted Shares Outstanding	279.2	315.2	348.5	347.0	348.5	350.1	350.6	350.6	350.6
Avg FD Shs (Treasury method) - EPS	197.3	219.6	270.6	306.5	309.5	306.5	350.6	350.6	350.6
YOY Growth Rates									
Subscribers	137%	84%	29%	15%	19%	17%	16%	12%	7%
Revenues	166%	128%	67%	19%	23%	22%	25%	19%	8%
EBITDA					-78%	-275%	223%	73%	28%
EPS						-40%	-108%	1366%	66%
FCF					-84%	-143%	1304%	71%	26%

Statement of Cash Flows	**2004A**	**2005A**	**2006A**	**2007E**	**2008E**	**2009E**	**2010E**	**2011E**	**2012E**
Cash Flow from Operations	(85.6)	(168.4)	(483.9)	(189.9)	18.3	179.2	415.6	657.2	809.0
Cash Flow from Investing	(36.3)	(207.8)	(264.2)	(170.0)	(75.0)	(155.0)	(75.0)	(75.0)	(75.0)
Cash Flow from Financing	421.4	369.4	255.7	294.0	50.0	-	(300.0)	-	-
Net Cash Flow	299.6	(6.9)	(492.5)	(65.9)	(6.7)	24.2	40.6	582.2	734.0
FCF calculation:									
Cash flow from operations	(85.6)	(168.4)	(483.9)	(189.9)	18.3	179.2	415.6	657.2	809.0
- Capital expenditures	(169.9)	(179.8)	(274.2)	(170.0)	(75.0)	(155.0)	(75.0)	(75.0)	(75.0)
+ Insurance proceeds	133.9	-	-	-	-	-	-	-	-
Free Cash Flow	(121.6)	(348.2)	(758.2)	(359.9)	(56.7)	24.2	340.6	582.2	734.0
FCF/Share	($0.44)	($1.10)	($2.18)	($1.04)	($0.16)	$0.07	$0.97	$1.66	$2.09
FCF/Share multiple	NM	NM	NM	NM	NM	175x	12x	7x	6x

Enterprise Value Calculation	**2004A**	**2005A**	**2006A**	**2007E**	**2008E**	**2009E**	**2010E**	**2011E**	**2012E**
	955.3	1,035.6	1,286.2	1,580.5	1,633.8	1,637.6	1,197.5	1,197.5	1,197.5
Net Debt incl converts	237.4	324.6	1,067.7	1,427.8	1,487.9	1,467.4	986.8	404.6	(329.4)
Warrant & Option Proceeds & other investments	(225.7)	(764.0)	(967.1)	(1,009.2)	(1,078.5)	(1,154.8)	(1,238.7)	(1,319.6)	(1,293.6)
Y/E Market Cap. at $12.14 per share	3,389.7	3,826.5	4,230.3	4,212.1	4,230.8	4,250.7	4,256.8	4,256.8	4,256.8
Enterprise Value	3,241.3	3,243.6	4,297.9	4,597.7	4,603.8	4,523.2	4,004.9	3,341.8	2,633.7
EV/EBITDA Pro Forma	NM	NM	NM	NM	NM	45.3x	12.4x	6.0x	3.7x
Enterprise value / subscriber	1,004	547	563	524	442	372	285	213	157
Enterprise value / sales		5.8x	4.6x	4.1x	3.4x	2.7x	1.9x	1.4x	1.0x
Liquidity (Cash + Unused Debt Capacity)			719	603	546	570	611	1,193	1,927

Source: Company reports and Stifel Nicolaus Estimates

XM Satalite Radio - XMSR
Discounted Cash Flow Model
($ in millions, except per share data)

		Terminal value						
2007E EBITDA		$ (252.8)						
2012 EBITDA		$ 713.3						
Terminal multiple applied		8.6x	9.1x	9.6x	10.1x	10.6x	11.1x	11.6x
Terminal enterprise value		$ 6,112.9	$ 6,469.5	$ 6,826.2	$ 7,182.8	$ 7,539.5	$ 7,896.1	$ 8,252.7
2012 free cash flow		$ 734.0						
Implied EV/FCF multiple		8.3x	8.8x	9.3x	**9.8x**	10.3x	10.8x	11.2x

		Present value						
2012E Terminal Multiple:		8.6x	9.1x	9.6x	**10.1x**	10.6x	11.1x	11.6x
	9.3%	3,913.9	4,142.3	4,370.6	4,599.0	4,827.3	5,055.7	5,284.0
	9.8%	3,825.6	4,048.8	4,272.0	4,495.2	4,718.4	4,941.6	5,164.8
Discount Rate:	**10.33%**	3,739.7	3,957.9	4,176.1	**4,394.3**	4,612.5	4,830.6	5,048.8
	10.8%	3,656.1	3,869.4	4,082.7	4,296.0	4,509.4	4,722.7	4,936.0
	11.3%	3,574.7	3,783.3	3,991.9	4,200.4	4,409.0	4,617.6	4,826.1

		Plus NPV of interim FCF, net cash and other assets = market capitalization						
2012E Terminal Multiple:		8.6x	9.1x	9.6x	**10.1x**	10.6x	11.1x	11.6x
	9.3%	4,634.8	4,863.1	5,091.5	5,319.8	5,548.2	5,776.5	6,004.9
	9.8%	4,525.0	4,748.2	4,971.4	5,194.6	5,417.8	5,641.0	5,864.2
Discount Rate:	**10.33%**	4,418.2	4,636.4	4,854.5	**5,072.7**	5,290.9	5,509.1	5,727.3
	10.8%	4,314.1	4,527.4	4,740.7	4,954.0	5,167.4	5,380.7	5,594.0
	11.3%	4,212.8	4,421.4	4,629.9	4,838.5	5,047.0	5,255.6	5,464.2

		2007E stock price						
2012E Terminal Multiple:		8.6x	9.1x	9.6x	10.1x	10.6x	11.1x	11.6x
	9.3%	$13.36	$14.02	$14.67	$15.33	$15.99	$16.65	$17.31
	9.8%	$13.04	$13.69	$14.33	$14.97	$15.62	$16.26	$16.90
Discount Rate:	**10.33%**	$12.73	$13.36	$13.99	**$14.62**	$15.25	$15.88	$16.51
	10.8%	$12.43	$13.05	$13.66	$14.28	$14.89	$15.51	$16.12
	11.3%	$12.14	$12.74	$13.34	$13.95	$14.55	$15.15	$15.75

Plus: Option value of merger w/ Sirius further haircut by 25% $ 3.45

2007 Target	**$18.07**

Or...

$	2.09	**2012 FCF per share**
	14x	Multiple
$	29.31	**2011 stock price**
	15%	Equity discount rate
$	**14.57**	**Implied 2007 stock price**
$	3.45	Option value of merger w/ Sirius further haircut by 25%
$	**18.02**	**= 2007 price target**

Weighted average cost of capital:		
Beta (our forecast)		1.20
Risk-free rate		**4.83%**
Equity risk premium		6.50%
Cost of Equity =		**12.63%**
Cost of debt		8.00%
Tax rate		38.00%
After tax cost of debt =		**4.96%**
Terminal debt/cap		30.00%
	WACC =	**10.33%**
Net cash (debt) 12/31/07:		
Cash and equivalents		152.6
Debt		1,547.5
Net cash (debt)	$	**(1,394.8)**
Present value of free cash flow ('08-'12):		
Discount Rate:		**NPV of FCF**
9.3%		$1,106.5
9.8%		$1,085.0
10.33%		**$1,064.1**
10.8%		$1,043.6
11.3%		$1,023.7
Other 12/31/07		
Other assets/minority interest		1,009.2
Total other	$	**1,009.2**
Diluted ending shares outstanding		
2007E		347.0

Source: Company reports and Stifel Nicolaus estimates

XM OEM Rollout Assumptions
(Cars in millions)

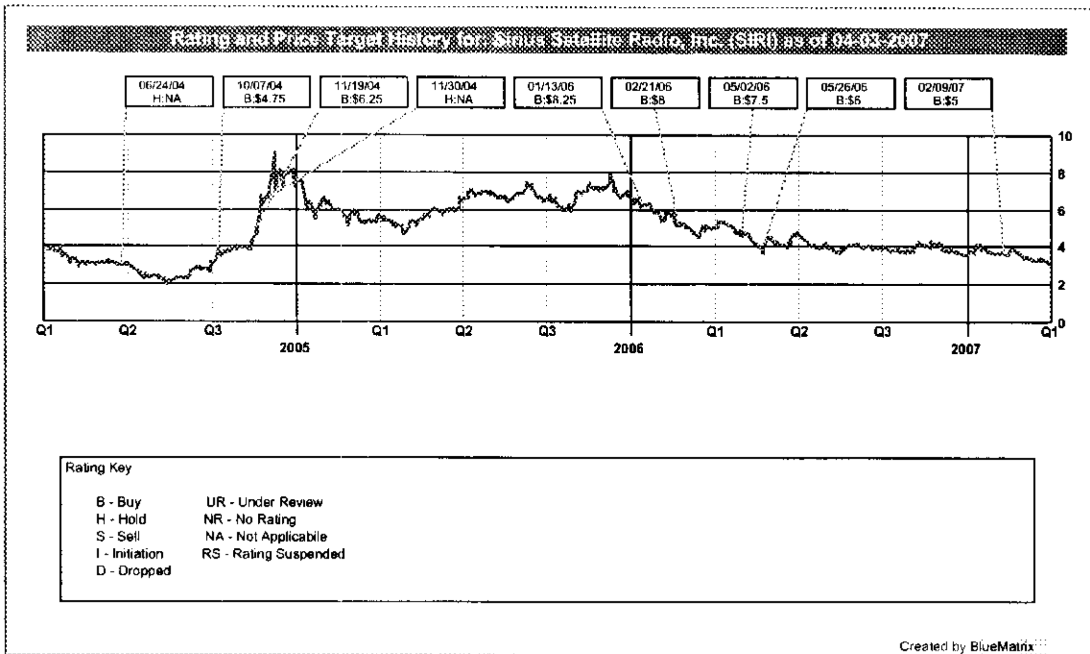
	Calendar Year							
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
GM Factory Installs	1.300	1.395	1.700	**2.200**	**2.500**	**3.000**	**3.200**	**3.300**
GM Production	4.518	4.292	4.292	4.292	4.292	4.292	4.292	4.292
GM Penetration	29%	33%	40%	51%	58%	70%	75%	77%
Toyota Factory Installs	-	0.005	0.010	**0.210**	**0.500**	1.000	1.200	1.400
Toyota Production	2.260	2.486	2.486	2.486	2.486	2.486	2.486	2.486
Toyota Penetration	0%	0%	0%	8%	20%	40%	48%	56%
Honda Factory Installs	0.400	0.550	0.650	**0.800**	**1.000**	**1.200**	**1.200**	**1.200**
Honda Production	1.462	1.536	1.536	1.536	1.536	1.536	1.536	1.536
Honda Penetration	27%	36%	42%	52%	65%	78%	78%	78%
Nissan Factory Installs	-	-	**0.050**	0.550	**0.800**	1.000	1.000	1.000
Nissan Production	1.077	1.109	1.109	1.109	1.109	1.109	1.109	1.109
Nissan Penetration			5%	50%	72%	90%	90%	90%
Hyundai Factory Installs	-	**0.143**	0.188	0.500	0.500	0.500	0.500	0.500
Hyundai Production	0.455	0.478	0.500	0.500	0.500	0.500	0.500	0.500
Hundai Penetration		30%	38%	100%	100%	100%	100%	100%
Other Factory/Dealer Installs	**0.216**	**(0.008)**	**0.010**	**0.010**	**0.010**	**0.010**	**0.010**	**0.010**
Total Installs	1.916	2.229	2.608	4.270	5.310	6.710	7.110	7.410
Total Gross OEM*	1.916	2.085	2.600	4.028	5.024	6.273	6.660	6.910
Total OEM Partner Production	**9.883**	**9.883**	**9.883**	**9.981**	**10.081**	**10.182**	**10.284**	**10.387**
Total OEM Partner Penetration	**19%**	**23%**	**26%**	**43%**	**53%**	**66%**	**69%**	**71%**

* Adjusts installs for free trials at Hyundai & Toyota not counted in gross subscribers
Blue numbers indicate OEM guidance

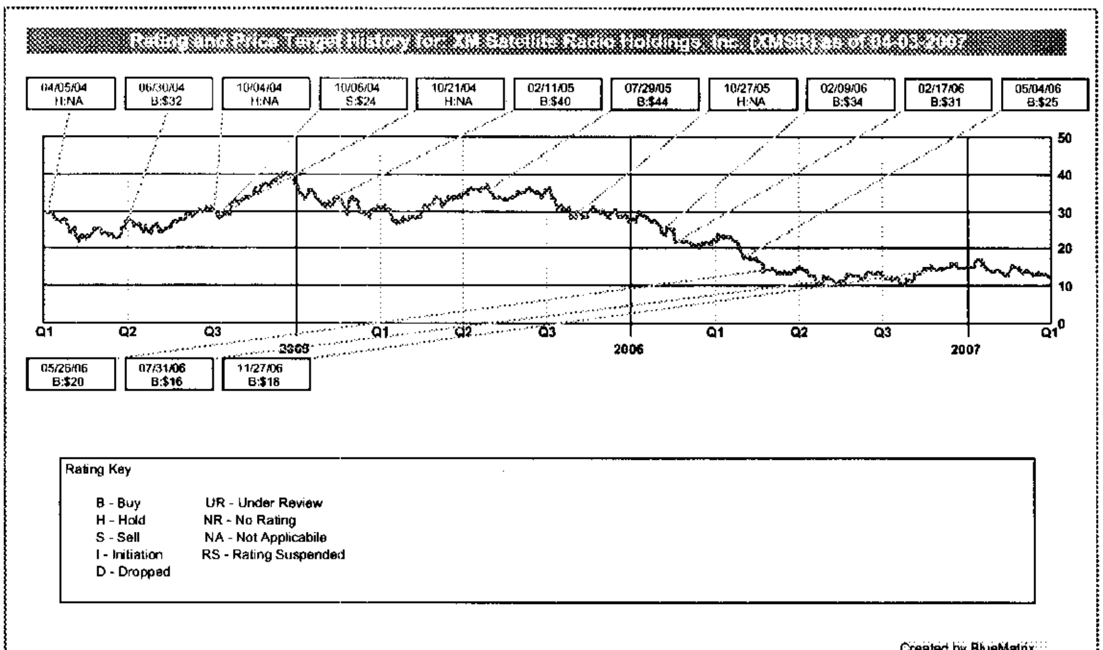
Source: Company reports and Stifel Nicolaus estimates

Important Disclosures and Certifications

I, Kit Spring, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I, Kit Spring, certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.



For a price chart with our ratings and target price changes for SIRI go to http://sf.bluematrix.com/bluematrix/Disclosure?ticker=SIRI



For a price chart with our ratings and target price changes for XMSR go to http://sf.bluematrix.com/bluematrix/Disclosure?ticker=XMSR

Prior to December 1, 2005, Stifel, Nicolaus & Company, Inc. utilized several investment rating systems that were different than the rating system currently utilized as described above. For purposes of Sirius Satellite Radio, Inc.'s price chart, "Strong Buy", "Buy" and "Market Outperform" under the former Stifel Nicolaus investment rating systems shall correspond to "Buy" under the current Stifel Nicolaus investment rating system, and "Market Perform" and "Market Underperform" under the former Stifel Nicolaus investment rating systems shall correspond to "Hold" and "Sell", respectively, under the current Stifel Nicolaus investment rating system. Please contact the Stifel Nicolaus Equity Research Department at (410) 454-5753 for a written description of the investment rating systems previously utilized by Stifel Nicolaus research analysts during the past three years.

Prior to December 1, 2005, Stifel, Nicolaus & Company, Inc. utilized several investment rating systems that were different than the rating system currently utilized as described above. For purposes of XM Satellite Radio Holdings, Inc.'s price chart, "Strong Buy", "Buy" and "Market Outperform" under the former Stifel Nicolaus investment rating systems shall correspond to "Buy" under the current Stifel Nicolaus investment rating system, and "Market Perform" and "Market Underperform" under the former Stifel Nicolaus investment rating systems shall correspond to "Hold" and "Sell", respectively, under the current Stifel Nicolaus investment rating system. Please contact the Stifel Nicolaus Equity Research Department at (410) 454-5753 for a written description of the investment rating systems previously utilized by Stifel Nicolaus research analysts during the past three years.

Stifel, Nicolaus & Company, Inc. or an affiliate makes a market in the securities of Sirius Satellite Radio, Inc.

Stifel, Nicolaus & Company, Inc. or an affiliate makes a market in the securities of XM Satellite Radio Holdings, Inc.

Stifel, Nicolaus & Company, Inc.'s research analysts receive compensation that is based upon (among other factors) Stifel Nicolaus' overall investment banking revenues.

Our investment rating system is three tiered, defined as follows:

BUY -We expect this stock to outperform the S&P 500 by more than 10% over the next 12 months. For higher-yielding equities such as REITs and Utilities, we expect a total return in excess of 12% over the next 12 months.

HOLD -We expect this stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. A Hold rating is also used for those higher-yielding securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

SELL -We expect this stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value.

Of the securities we rate, 41% are rated Buy, 56% are rated Hold, and 3% are rated Sell.

Within the last 12 months, Stifel, Nicolaus & Company, Inc. or an affiliate has provided investment banking services for 16%, 11% and 13% of the companies whose shares are rated Buy, Hold and Sell, respectively.

Additional Disclosures

Please visit the Research Page at www.stifel.com for the current research disclosures applicable to the companies mentioned in this publication that are within Stifel Nicolaus' coverage universe.

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of Stifel, Nicolaus & Company, Inc. or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed within.

Each of Stifel, Nicolaus & Company, Inc. and Ryan Beck & Co., Inc. is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as a placement agent in private transactions. Moreover, Stifel Nicolaus, Ryan Beck and their respective shareholders, directors, officers and/or employees, may from time to time have long or short positions in such securities or in options or other derivative instruments based thereon.

These materials have been approved by Stifel Nicolaus Limited, authorized and regulated by the Financial Services Authority (UK), in connection with its distribution to intermediate customers and market counterparties in the European Economic Area. (Stifel Nicolaus Limited home office: London +44 20 7557 6030.) No investments or services mentioned are available in the European Economic Area to private customers or to anyone in Canada other than a Designated Institution.This investment research report is classified as objective for the purposes of the FSA requirements relating to Conflicts of Interest management. Additional information is available upon request. Please contact a Stifel Nicolaus entity in your jurisdiction.

Additional Information Is Available Upon Request

REDACTED – FOR PUBLIC INSPECTION

BATES RANGE:
SIRIUS-FCC-SUPP.000933 THROUGH SIRIUS-FCC-SUPP.001047