SX Exhibit 222 RP

Morgan Stanley

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April 30, 2007

Stock Rating
++
Industry View
Cautious

XM Satellite Holdings

Reducing Net Adds to High-End Of Guidance

What's Changed

YE07E Subscriptions	**From 9.34 mm to 9.21 mm**
FY07E Adj. EBITDA Loss	**From $158.2 mm to $201.7 mm**

Conclusion: We are reducing our FY07E subscription estimates from 9.34 mm to 9.21 mm to reflect weaker than expected gross adds at retail which we believe could persist through the rest of the year. We are now at the high-end of company guidance. From a funding perspective, we believe it will be challenging for XM to reach CFFO positive in 2008, as it now indicates it will. A significant swing factor will be the level of cash generated from pre-payments, which will tend to rise or fall with the level of overall gross additions growth. In addition, the impact of rising Hyundai and Toyota XM-installed radios in 2H07 will have a negative initial impact on cash flow, as the SAC is incurred well ahead of revenue and associated incoming cash flow.

What's New: We are modestly raising our CPGA estimate to $112 for the year, and shifting where this expense is recognized from equipment subsidies to loss on equipment sales. This change reflects the growing % of retail subscriptions added through direct sales channels rather than through traditional retail. We have added roughly $24 mm of merger related expenses to our FY07 forecast and now expect full year adjusted EBITDA loss of $201.7 mm compared to our previous $158.3 mm estimate. Our current retail gross additions estimate now anticipates retail adds declining 9%- roughly 300 bps below our previous estimate.

Implications: Retail continues to be a concern, while OEM ramps as expected. As we again ratchet back our long-term subscriber estimates, the fixed cost base grows as an obstacle to reaching true positive FCF. Our current model assumes FCF positive in 2010, although that assumes a continued positive material contribution of cash from deferred revenue changes. This is a difficult working capital item to predict.

Key Ratios and Statistics

Reuters: XMSR.O Bloomberg: XMSR US
Cable/Satellite / United States of America

Price target	++
Shr price, close (Apr 30, 2007)	$11.70
Mkt cap, curr (mm)	$4,090
52-Week Range	$21.55-9 63

Fiscal Year (Dec)	2006	2007e	2008e	2009e
ModelWare EPS ($)*	(2.27)	(1.92)	(1.51)	(0.89)
Prior ModelWare EPS ($)	-	(1.87)	(1.46)	(0.84)
P/E	NM	NM	NM	NM
Consensus EPS ($)	(2.50)	(1.74)	(1.17)	(0.71)
Div yld (%)	0.0	0.0	0.0	0.0

* = Please see explanation of Morgan Stanley ModelWare later in this note
e = Morgan Stanley Research estimates
++ = Stock Rating, Price Target or Estimates are not available or have been removed due to applicable law and/or Morgan Stanley policy.

Quarterly ModelWare EPS

Quarter	2006	2007e Prior	2007e Current	2008e Prior	2008e Current
Q1	(0 57)	-	(0.39)a	-	-
Q2	(0.64)	(0 49)	(0.46)	-	-
Q3	(0.32)	(0.41)	(0 44)	-	-
Q4	(0 73)	(0.61)	(0.68)	-	-

e = Morgan Stanley Research estimates, a = Actual company reported data

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For analyst certification and other important disclosures, refer to the Disclosure Section.

Morgan Stanley & Co. Incorporated ("Morgan Stanley") is currently acting as financial advisor to Sirius Satellite Radio ("Sirius Satellite")in the announced proposed merger with XM Satellite Radio ("XM Satellite"). The proposed transaction is subject to the consent of Sirius Satellite shareholders, XM Satellite shareholders and other customary closing conditions. This report and the information provided herein is not intended to (i) provide voting advice, (ii) serve as an endorsement of the proposed transaction, or (iii) result in the procurement, withholding or revocation of a proxy or any other action by a security holder. Sirius Satellite has agreed to pay fees to Morgan Stanley for its financial advice, including transaction fees that are subject to the consummation of the proposed transaction. Please refer to the notes at the end of the report.

Investment Case

Summary & Conclusions

Please see our report from February 20th, "Satellite Radio: Merger, If Approved, Should Drive $4-5 Billion NPV Value," for a detailed analysis of the proposed merger between XM and SIRI.

Changes to Our Forecast:
Following the 1Q07 results, which were broadly in-line with expectations, we have made some modest reductions to our forecast. In summary,

- We have lowered our revenue and adjusted EBITDA loss outlook for FY07E by roughly $20 and $40 mm to $1.15 bn and $201.7 mm, respectively. Our revisions primarily result from a higher G&A estimate, which now includes an additional $24 mm of legal expenses related to XM's pending merger with Sirius.

- Our revised subscription growth estimates assume that retail gross additions decline ~9% YoY compared to our previous 6% decline estimate. We now expect XM to add 520K retail and 1.03 mm OEM net additions and to end the year with 9.21 mm subscriptions.

- We have increased our full year '07 CPGA estimate from $108 to $112. Our increases relate to the mismatch of expenses and subscriber recognition of non-GM and Honda subscribers which have increasingly becoming a larger % of OEM gross adds. We have also shifted the recognition of equipment expenses away from equipment subsidies to losses on equipment, in-line with XM's shift of promotional strategies displayed in the quarter.

Solid Overall 1Q07 Results, Retail Weakness Continues
XMSR posted in-line 1Q07 results, marked by lower than anticipated SAC and stronger than forecasted subscriber growth from OEM. Despite encouraging growth from the OEM channel, retail trends continue to disappoint. Retail gross additions of 331K fell roughly 36% from 1Q6 compared to our estimates of retail gross adds down 26% YoY. We have trimmed our FY07 retail gross additions estimates by 60K and now expect XMSR to end FY07 with 4.92 mm retail subscriptions and 9.21 mm total subscriptions for the year. Our full year subscription estimate remains at the high- end of company guidance of 9.0- 9.2 mm.

We have slightly reduced our FY07E revenue estimate to $1.16 bn, but now anticipate an adjusted EBITDA loss of $201.7 mm down from our previous $158.2 mm loss expectation. Our lowered EBITDA estimates primarily reflect our lowered sub growth estimates and $24 mm of additional merger related expenses that we assume for the remainder of FY07E. Excluding the incremental merger expenses, we forecast XMSR ending the year with a $170 mm adjusted EBITDA loss and $326.7 mm of pre-marketing EBITDA.

Exhibit 1
XMSR Subscription & Financial Summary; FY06-FY10E

	2006	2007E	2008E	2009E	2010E	'06E-'10E CAGR
EOP Subs	7,629	9,205	11,016	13,289	15,515	19.4%
Net Adds	1,696	1,577	1,811	2,273	2,226	7.0%
Churn	2.65%	2 90%	3.26%	3 50%	3 58%	0 93%
Modelware FCF	($866 0)	($495 1)	($165 8)	($63 5)	($3 7)	NM
CFFO less Capex	($737.1)	($407.7)	($92 1)	$12 4	$74 0	NM
Revenue	$933 4	$1,153 6	$1,501.8	$1,829 8	$2,224 0	24 2%
EBITDA	($234 2)	($273 5)	($79 8)	$4 4	$74 2	NM
Margin %	-25.1%	-23.7%	-5 3%	0 2%	3 3%	28.4%

Source Company data, Morgan Stanley Research

Company Description
XM Satellite Radio is America's leading satellite radio service company, providing music, entertainment and information programming for reception by vehicle, home and portable radios nationwide and over the internet..

Cable/Satellite/United States of America

Industry View: Cautious

GICS Sector: Consumer Discretionary
Strategist's Recommended Weight: 7 8%
S&P 500 Weight: 10.3%

XM reiterated that it expects positive cash flow from operations in full year '08. We believe much of its ability to reach positive CFFO depends on the level working capital in the back half of the year. The company generated roughly $25 mm of positive working capital from deferred revenues in 1Q07 and we expect approximately $100 of positive working cap from deferred revenues for the year. In the short term, we believe lower SAC from more modest retail growth displayed over the last several quarters could help drive positive CFFO.

Improved Direct Sales Lowers Subsidies, but Raises Equipment Cost

An increasing percentage of retail additions coming through direct channels (mainly XM's home website) has led to a shift away from radio subsidies towards increased equipment cost levels. This strategic change led to XM equipment cost of $18.3 mm coming in materially ahead of our estimates for the quarter. Due to the shift, we have increased our equipment cost estimates by roughly $75 mm to ~ $130 mm for FY07E.

OEM Ramp Helps to Offset Weakness at Retail

As anticipated, XM subscription growth has continued to become increasingly more dependent on the ramp of its OEM channel. In 1Q, the channel grew approximately 20% YoY and accounted for approximately 75% of XM's net additions in the quarter compared to just under 50% in 1Q06. XM has continued to increase the number of automotive partner agreements, while also bettering the type of installation programs and build- in rate agreements. The company signed new ten- year deals with both Honda and Toyota in the quarter, while also announcing that Infiniti will begin installing XM in all of its models under a new factory installation agreements beginning with the '08 model years. We also note that while growing its OEM subs by nearly 35% YoY, it has held its promotional OEM conversion ratios in the 51- 54% range.

We note the following points concerning the proposed merger of XMSR and SIRI:

- We estimate the value of combining these two assets at roughly $4.5-10.4 billion, on an NPV basis, depending on the level of incremental customer growth achieved by combining the two content platforms under Sirius' management. We believe the market will discount this value, however, given the risk the FCC does not approve the transaction. While there is specific language in the original FCC licenses issued to each operator prohibiting a merger, we believe enough of the competitive dynamics in the market has changed to warrant the FCC to take a fresh look at the consumer impact of a potential combination.

- We believe XM and SIRI are more valuable combined than they are independent. The most tangible near-term value creation would come from overhead, programming and CPGA reductions. This leads to our base case merger value of $4.5 billion. The near-term risk is that one or both operators do not focus on executing their business plans while the deal is under review, leading to further subscriber target misses and concerns regarding funding status.

- Improved sub growth from the combination of the two satellite radio companies would likely impact current OEM promotional conversion levels rather than drive new OEM gross additions, we believe. This impact would reduce the number of subscribers that disconnect following the initial promotional period.

1Q07 Results versus Morgan Stanley Estimates

- 1Q07 results were broadly in line with expectations for XMSR in the quarter. XM recorded 1Q07 revenue and an adjusted EBITDA loss of $264.1 mm and $27.0 mm compared to our $267.9 mm and $31.4 mm estimate.

- 1Q07 SAC and CPGA of $65 and $103 came in below our $74 and $104 estimates, respectively. Most of the SAC out-performance was driven from the shift of equipment operating expenses from equipment subsidies to the cost of equipment. XMSR also modified its definition of SAC to account for negative equipment margins.

- Total subscription growth in 1Q07 came in roughly 15K ahead of our estimates. Strength from the OEM channel was the source of the outperformance, while retail gross additions declined approximately 35% from 1Q06.

Exhibit 2

1Q07 XMSR Actuals vs Morgan Stanley Estimates

($ millions)

	4Q06A	4Q05A	Growth %	4Q06 MS	*Variance*
Gross subscriber additions (000s)	1,065	1,377	*-23%*	1,061	4
Growth %	-22.7%	48.4%		-23.0%	1.2%
Net subscriber additions (000s)	443	898	*-51%*	439	4
Aftermarket, OEM & other subscribers	517	1,060	*-51%*	327	189
OEM promotional subscribers	(59)	(164)	*-64%*	107	(166)
Rental car subscribers	(15)	2	*-933%*	5	(20)
Disconnects	622	479 0	*30%*	622	0
Ending subscribers (000s)	7,629	5,933 0	*29%*	7,625	4
Aftermarket, OEM & other subscribers	7,068	5,428.4	*30%*	6,879	189
OEM promotional subscribers	555	460 6	*21%*	721	(166)
Rental car subscribers	5	44	*-88%*	26	(20)
Average total subscribers	7,300	5,287.7	*38%*	7,296	5
Avg self-pay	6,655	4,633.1	*44%*	6,617	38
Avg promotional	599	550.8	*9%*	641	(41)
Avg rental car	17	42.6	*-61%*	22	(5)
Monthly churn (self-pay, reported)	1 79%	1 57%	*0%*	1 93%	-0.14%
Monthly churn (calculated on total subs)	2.84%	3 02%	*0%*	2 84%	0 00%
Key revenue data:					
ARPU - total (reported)	$10.07	$9.85	*2%*	$9.35	$0.72
Growth %	2%	10%		-5%	
Total ARPU	$11 74	$11.17	*5%*	$10.53	$1.21
Growth %	5%	9%		-6%	
ARPU - aftermarket, OEM & other	$10.28	$10.21	*1%*	$9.69	$0 59
ARPU - OEM promotional	$6.35	$5 84	*9%*	$6.15	$0.20
ARPU - rental car	$3.10	$9.64	*-68%*	$4.67	$(1 57)
Key marketing data					
SAC per gross add (SAC)	$70	$89	*-21%*	$64	$6
Cost per gross add (CPGA)	$128	$141	*-9%*	$129	$(1)
Fully Loaded CPGA (excl. rev share)	$134	$148	*-9%*	$135	$(1)

Source: Company data, Morgan Stanley Research

Exhibit 3

1Q07 XMSR Actuals vs Morgan Stanley Estimates (continued)

($ millions)

	4Q06A	4Q05A	Growth % 0	4Q06 MS	Variance
Revenues:					
Subscriber Related					
Subscription	$220.5	$156.3	*41%*	$204 5	$16.0
Activation	4.5	3 1	*45%*	4 1	0 3
Total Subscriber Revenues	$225 0	$159.3	*41%*	$208.7	$16.3
Equipment	10.1	8 6	*17%*	2.1	7.9
Advertising, Net of Commissions	11.0	7.3	*52%*	9 2	1.8
Other	11.0	1.9	*480%*	10.5	0.5
Total Revenues	**$257.1**	**$177.1**	*45%*	**$230.4**	**$26.7**
% Change	*45.2%*	*113 1%*		*30.1%*	*15.1%*
Cost of revenue					
Revenue Share & Royalties	$43.4	$27 9	*56%*	$45 7	$(2 3)
Customer Care & Billing	28 2	24 6	*15%*	31.1	(2.9)
Cost of Equipment	20.5	22.3	*-8%*	4.3	16.3
Ad Sales	3 9	3.6	*7%*	3 7	0 2
Satellite & Terrestrial	11.7	11 4	*3%*	13.1	(1.3)
Broadcast & Operations	13 0	11.6	*13%*	13.7	(0.7)
Programming & Content	42.2	30.6	*38%*	40.3	1 9
Total Cost of Revenues	$163.0	$131.8	*24%*	$151 8	$11.2
Per Avg. Subscriber per month	$7.4	$8 3	*-10%*	$6.9	$(0 1)
% of Total Revenue	63 4%	74.4%	*-11%*	65.9%	-2 5%
Gross Profit %	36 6%	25.6%	*11%*	34.1%	2.5%
Research and Development	$5.8	$10 2	*-43%*	$8.0	(2.2)
General & Administrative	$19 6	$13 2	*48%*	$16.2	3 5
Marketing Expense					
Retention & Support	$5.7	$6.6	*-13%*	$5.9	(0 2)
Subsidies & Distribution	$73.5	$113.9	*-35%*	$68 0	5 5
Advertising & marketing	52 8	66 7	*-21%*	66.7	(13 9)
Marketing pre-GM Liability	132.0	187.1	*-29%*	140.6	(8.7)
Total Reported CPGA	**$128**	**$141**	*-9%*	**$129**	$(1)
Amortization of GM liability	6.5	9.3	*-30%*	6.5	-
Total Marketing	138 5	196.5	*-30%*	147.1	(8.7)
Fully Loaded CPGA	$134	$148	*-9%*	$135	$(1)
% of Revenue	53 8%	110 9%	*-57%*	63 8%	-10 0%
Other income (expense)	-	-		-	-
Operating Cash Flow (EBITDA)	($69.8)	($174.6)	*60%*	($92.7)	**$22.8**
Depreciation & Amortization	44.0	39 0	*13%*	43.1	0 9
Operating Income (EBIT)	(139.9)	(213.6)	*35%*	(151.9)	12.0
Pre-Marketing EBITDA	**$68.6**	**$21.9**	*214%*	**$54.5**	**$14.2**
YoY Growth %	214%	135%		149%	65%

Exhibit 11

XMSR Fair Market Value

($ Millions Except Per Share Data)

Business Segment	2007E	2008E	2009E	2010E
XM Radio Service	$8,508 2	$9,200 7	$9,590.1	$9,556 3
PV of Tax Savings	357 0	388 6	419 2	449 2
Total Consolidated Asset Value	**$8,865.2**	**$9,589.3**	**$10,009.3**	**$10,005.5**
L-Band Spectrum	65 9	65 9	65 9	65 9
Worldspace shares	5 5	5 5	5 5	5 5
Canadian Satellite Radio	47 3	47 3	47 3	47 3
Total Estimated Asset Value	**$8,983.8**	**$9,708.0**	**$10,128.0**	**$10,124.1**
Less				
Debt	$1,578 7	$1,566 1	$1,090.8	$1,062 5
10% Senior Sec Discount Converts due 2009	(38 8)	(49 6)	0.0	0 0
1 75% Convertible Senior Notes due 2009	0 0	0 0	0 0	0 0
Debt (net of in-the-money converts)	$1,539 8	$1,516 5	$1,090 8	$1,062 5
Plus				
Cash	$116 2	$69 3	$64 8	$169 5
Proceeds from Warrants	38 2	38 2	38 2	38.2
Total Fair Market Value	**$7,598.3**	**$8,299.0**	**$9,140.2**	**$9,269.3**
Class A Common Shares Outstanding	319 871	323.123	326.407	329 724
Series A Convertible Preferred	5 393	5 393	5 393	5 393
Series B Convertible Preferred	0 000	0 000	0.000	0 000
Series C Convertible Preferred	0 000	0.000	0 000	0 000
Series D Convertible Preferred	0 000	0.000	0 000	0 000
10% Senior Sec Discount Converts due 2009	0 000	0.000	0 000	0 000
7 75% Convertible Subordinated Notes due 2006	0 000	0 000	0 000	0 000
1.75% Convertible Senior Notes due 2009	0 000	0.000	0 000	0 000
Warrants @ $3.18	12 000	12 000	12 000	12 000
Options	1 747	1 747	1 747	1.747
Total Shares Outstanding	339.011	342 263	345 547	348 864
FMV per Share	**$22.41**	**$24.25**	**$26.45**	**$26.57**
Return from current price	87 1%	102 4%	120 8%	121 8%
Supplemental Valuation Data				
Fwd. FCF per Share	($0 48)	($0 18)	($0 01)	$0 32
Adjusted Price / FCF	-47 1x	-134 3x	-2529 0x	83 8x
EOP Subscriber	9,205	11,016	13,289	15,515
EV / Subscriber	$924	$835	$722	$616
Concurrent EBITDA	($273 5)	($79.8)	$4 4	$74 2
EV / Concurrent EBITDA	NM	NM	2184 3x	128 8x
Forward EBITDA	($79 8)	$4 4	$74 2	$219 4
EV / Forward EBITDA	-106.7x	2095 6x	129 3x	43 5x
Concurrent Unlevered Free Cash Flow	($120.1)	$136 2	$163 9	$188 3
EV / Concurrent Unlevered FCF	NM	67 6x	58 5x	50 7x
Forward Unlevered Free Cash Flow	$136 2	$163 9	$188 3	$241 1
EV / Fwd Unlevered FCF	62 5x	56 1x	50 9x	39 6x

Source: Company data, Morgan Stanley Research

Exhibit 4

XMSR Subscriber IRR Analysis

	2005A	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Average Subscribers (000's)	4,404	6,817	8,273	10,020	12,039	14,290	16 410	18,307	19,997	21,476	22,735
Subscription	$9 70	$10 29	$10 44	$11 21	$11 26	$11 43	$11 61	$11 91	$12 22	$12 55	$12 88
Activation	0.19	0 20	0 22	0 35	0 29	0 30	0 27	0 25	0 23	0 22	0 21
Advertising	0 38	0 43	0 54	0 69	0 85	1.02	1.18	1 34	1 52	1 72	1 92
Other	0 14	0.42	0 47	0 45	0 42	0.40	0 38	0 37	0.37	0 37	0 38
Total Monthly ARPU	$10 41	$11.34	$11.67	$12.70	$12 82	$13 15	$13 43	$13 87	$14 34	$14 85	$15 39
Growth %	9 6%	9 0%	2 9%	8 8%	1 0%	2.6%	2 1%	3.2%	3 4%	3 6%	3 6%
Satellite & Transmission	$0 80	$0 57	$0 50	$0 41	$0 35	$0 30	$0 27	$0.25	$0 24	$0 23	$0 22
Programming & Content	3.31	3 24	3.01	2 92	2.65	2 45	2 32	2 25	2 21	2 20	2 20
Customer Care & Billing	1 44	1 27	1.19	1 14	1 09	1 05	1 02	1.04	1 07	1 09	1 12
Revenue Share & Royalties	1 16	1 11	1 53	1 61	1.81	1 84	1.86	1.89	1 91	1 94	1 97
Retention Marketing	0 42	0 28	0.28	0 25	0 23	0 21	0 18	0 18	0 18	0 18	0 18
Advertising Sales	0 19	0 17	0.22	0 28	0 34	0 41	0 47	0 54	0.61	0 69	0 77
Total Direct Expenses per Sub	$7.32	$6 63	$6 73	$6 62	$6 47	$6 26	$6.13	$6.15	$6 22	$6 33	$6 47
% of Total Revenue	70.3%	58 5%	57.6%	52 1%	50 5%	47 6%	45 6%	44 4%	43 4%	42 6%	42.0%
Gross Profit per Sub	$3 09	$4.71	$4 94	$6 08	$6 35	$6 89	$7.30	$7.71	$8.12	$8.52	$8 92
Gross Profit Margin	29.7%	41 5%	42 4%	47 9%	49.5%	52 4%	54 4%	55 6%	56 6%	57 4%	58 0%
General & Administrative	$0 83	$0 74	$1.18	$0 70	$0 60	$0 55	$0 51	$0.48	$0.44	$0 44	$0.43
Engineering, Design & Development	0 59	0 35	0 27	0 26	0 25	0.25	0 24	0 24	0 23	0 23	0 22
Total Operating Expenses per Sub	$1.42	$1.09	$1 46	$0 96	$0 86	$0 80	$0 75	$0 71	$0 67	$0 66	$0 65
% of Total Revenue	13 6%	9 6%	12.5%	7.6%	6 7%	6 1%	5 6%	5.1%	4 7%	4 5%	4 3%
Periodic Cash Flow Used to Derive IRR											
Pre-marketing EBITDA	$1.67	$3 62	$3 49	$5 12	$5 50	$6 09	$6 55	$7 00	$7.44	$7.86	$8 27
EBITDA Margin %	16 0%	31.9%	29.9%	40 3%	42 9%	46 3%	48 8%	50 5%	51.9%	52 9%	53 7%
Depreciation Exp. Per month / sub	(2 76)	(2 06)	(1 86)	(1 53)	(0 76)	(0 62)	(0 53)	(0 54)	(0 52)	(0 48)	(0.45)
Pre-Tax Operating Income	(1.09)	1.56	1 62	3 59	4.74	5 47	6 02	6 46	6 92	7.38	7 82
Taxes @40%	0 44	(0 62)	(0 65)	(1 44)	(1.90)	(2.19)	(2 41)	(2 58)	(2.77)	(2 95)	(3 13)
NOPAT	(0.65)	0 93	0.97	2.16	2 85	3 28	3 61	3 88	4 15	4 43	4.69
Add Depreciation of Capitalized Assets	2 76	2 06	1 86	1.53	0.76	0 62	0 53	0 54	0.52	0 48	0.45
After-Tax Cash Flow Before Reinvestment	**$2.11**	**$3.00**	**$2.84**	**$3.68**	**$3.60**	**$3.90**	**$4.14**	**$4.42**	**$4.67**	**$4.91**	**$5.14**
Intial Invested Capital											
Expensed SAC	118	115	118	101	92	100	104	109	112	115	120
Tax Shield on Expensed SAC	(47)	(46)	(47)	(40)	(37)	(40)	(42)	(44)	(45)	(46)	(48)
Capitalized SAC	-	-	-	-	-	-	-	-	-	-	-
Fixed Investment in Network*	33	25	22	18	9	7	6	7	6	6	5
Total	$104	$94	$93	$79	$64	$68	$69	$72	$74	$75	$77

	2005A	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Monthly Subscriber Churn	**2.73%**	**2.65%**	**2.90%**	**3.26%**	**3.50%**	**3.58%**	**3.57%**	**3.52%**	**3.49%**	**3.46%**	**3.44%**
Life of Subscriber (Months)	***25***	***26***	***24***	***21***	***19***	***19***	***19***	***19***	***20***	***20***	***20***
Life of Network	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**
Annualized After-Tax IRR	**-43.6%**	**-18.3%**	**-28.7%**	**-7.6%**	**8.2%**	**11.7%**	**18.0%**	**21.2%**	**26.2%**	**31.1%**	**34.0%**
Payback (months)	**49**	**31**	**33**	**21**	**18**	**17**	**17**	**16**	**16**	**15**	**15**
After-Tax OCF per Sub per Year	$25	$36	$34	$44	$43	$47	$50	$53	$56	$59	$62
Amortization of Fully Loaded CPGA	(34)	(32)	(36)	(35)	(34)	(38)	(39)	(40)	(41)	(42)	(44)
Depr Expense as Proxy for Capex	(33)	(25)	(22)	(18)	(9)	(7)	(6)	(7)	(6)	(6)	(5)
After-Tax FCF per Sub per Year	($42)	($21)	($24)	($9)	$0	$1	$4	$6	$8	$11	$13
Value per Sub @ 14x After-Tax FCF	NM	NM	NM	NM	$3	$19	$58	$84	$119	$152	$179
Value per Sub @ 16x After-Tax FCF	NM	NM	NM	NM	$4	$21	$66	$96	$135	$174	$205
Value per Sub @ 20x After-Tax FCF	NM	NM	NM	NM	$4	$27	$83	$121	$169	$218	$256

Source. Company data, Morgan Stanley Research

Exhibit 5

XMSR Enterprise Value/ EBITDA Analysis

	Trading Multiple			Target Price		
	2007E	2008E	2009E	2007E	2008E	2009E
Fully Diluted Shares	339.011	342.263	345.547	339.011	342.263	345.547
XMSR - Stock Price	$11.98	$11.98	$11.98	$25.00	$25.00	$25.00
Total Market Value	**$4,061.4**	**$4,100.3**	**$4,139.7**	**$8,475.3**	**$8,556.6**	**$8,638.7**
Plus:						
Debt	$1,578.7	$1,566.1	$1,090.8	$1,578.7	$1,566.1	$1,090.8
10% Senior Sec. Discount Converts due 2009	(38.8)	(49.6)	0.0	(38.8)	(49.6)	0.0
1.75% Convertible Senior Notes due 2009	0.0	0.0	0.0	0.0	0.0	0.0
Debt (net of in-the-money converts)	$1,539 8	$1,516.5	$1,090.8	$1,539.8	$1,516 5	$1.090.8
Less:						
Cash	$116.2	$69.3	$64.8	$116.2	$69.3	$64.8
Proceeds from Warrants	38.2	38 2	38.2	38.2	38.2	38.2
Other Assets						
L-Band Spectrum	65.9	65 9	65.9	65.9	65.9	65.9
WorldSpace Investment	5.5	5.5	5.5	5.5	5.5	5.5
Total Other Assets	$71.4	$71.4	$71.4	$71.4	$71.4	$71.4
Enterprise Value	**$5,375.5**	**$5,438.0**	**$5,056.1**	**$9,789.4**	**$9,894.2**	**$9,555.1**
Concurrent EBITDA	($273.5)	($79.8)	$4.4	($273.5)	($79.8)	$4.4
EV / EBITDA	**(19.7x)**	**(68.2x)**	**1,151.6x**	**(35.8x)**	**(124.1x)**	**2,176.3x**
EV / EOP Subscriber	$584	$494	$380	$1,283	$1,075	$867
EV / Fwd. EOP Subscriber	$488	$409	$326	$1,063	$898	$719
Forward EBITDA	($79.8)	$4.4	$74.2	($79.8)	$4.4	$74.2
EV / EBITDA	**(67.4x)**	**1,238.6x**	**68.2x**	**(122.7x)**	**2,253.6x**	**128.8x**
Implied Subscriber Count (000's) @						
12x or $292 per Sub	18,407	18,621	17,313	33,522	33,881	32,719
16x or $389 per Sub	13,805	13,966	12,985	25,141	25,410	24,540
20x or $487 per Sub	11,044	11,173	10,388	20,113	20,328	19,632

Source Company data, Morgan Stanley Research

Exhibit 6

Industry and XMSR Subscriber Summary, 2005- 2010E

	2005A	2006A	2007E	2008E	2009E	2010E
Industry Summary						
DARS Net Subscriber Adds	4,877	4,404	3,892	3,843	5,133	4,339
% Change	77%	-10%	-12%	-1%	34%	-15%
DARS EOY Subscribers	9,250	13,653	17,545	21,389	26,521	30,861
% Change	112%	48%	29%	22%	24%	16%
Market Share						
Sirius	36%	44%	48%	48%	50%	50%
XM Radio	64%	56%	52%	52%	50%	50%
XM Subscriber Breakdown						
Total Net Additions	2,704	1,696	1,577	1,811	2,273	2,226
% change	45%	-37%	-7%	15%	26%	-2%
Total XM Subscribers	5,933	7,629	9,205	11,016	13,289	15,515
% change	84%	29%	21%	20%	21%	17%
Subscriber Base						
OEM Subscribers	2,301	3,223	4,262	5,474	7,094	8,735
Retail Subscribers	3,588	4,400	4,920	5,487	6,108	6,661
Rental Car Subscribers	27	44	5	23	55	87
Net Additions						
OEM Subscribers	964	922	1,039	1,212	1,620	1,641
Retail Subscribers	1,723	812	520	567	621	553
Rental Car Subscribers	-	17	(38)	18	32	32
% of Base						
OEM Subscribers	39%	42%	46%	50%	53%	56%
Retail Subscribers	60%	58%	53%	50%	46%	43%
Rental Car Subscribers	0%	1%	0%	0%	0%	1%
% of Net Additions						
OEM Subscribers	36%	54%	66%	67%	71%	74%
Retail Subscribers	64%	48%	33%	31%	27%	25%
Rental Car Subscribers	0%	1%	-2%	1%	1%	1%

Source: Company data, Morgan Stanley Research

Exhibit 7

XMSR Subscriber Summary by Channel, 2005- 2010E

	2005A	2006A	2007E	2008E	2009E	2010E
Total XM OEM U.S. Sales (000's)	1,890	2,240	3,108	4,475	5,725	6,659
Non GM/ Honda Sales (000's)	80	240	567	1,457	2,085	2,675
OEM Subscribers (Assumes 3 month discount period)						
BOP Subscribers	1,337	2,301	3,223	4,262	5,474	7,094
Gross Additions	1,887	2,281	3,108	4,475	5,725	6,659
Non GM/ Honda Gross Additions	-	(216)	(315)	(445)	(314)	(295)
Promotional Disconnects	(576)	(884)	(1,180)	(1,877)	(2,575)	(3,189)
Net Gross Additions	1,310	1,180	1,612	2,154	2,835	3,175
Post-Promotion Churn	(347)	(258)	(573)	(942)	(1,215)	(1,534)
EOP Subscribers	2,301	3,223	4,262	5,474	7,094	8,735
Net Additions	964	922	1,039	1,212	1,620	1,641
Average Subscribers	1,857	2,792	3,675	4,868	6,284	7,915
Post-Promotion Churn %	1.56%	0 77%	1 30%	1 50%	1.50%	1.50%
Implied OEM Total Churn %	4 14%	3 41%	3.98%	4.82%	5 03%	4.97%
Conversion Ratio	57.2%	53.4%	51 5%	50 5%	49.5%	48.5%
OEM Promotional Base	461	555	815	1,125	1,470	1,708
Retail						
Total Aftermarket Subscribers						
BOP Subscribers	1,865	3,588	4,400	4,920	5,487	6,108
Gross Additions	2,214	1,781	1,624	1,623	1,797	1,850
Disconnects	(491)	(969)	(1,103)	(1,056)	(1,176)	(1,297)
EOP Subscribers	3,588	4,400	4,920	5,487	6,108	6,661
Average Subscribers	2,554	4,019	4,595	5,204	5,797	6,384
Net Additions	1,723	812	520	567	621	553
Monthly Churn %	1.60%	2.01%	2.00%	1.70%	1 70%	1 70%
Rental Car						
BOP Subscribers	27	44	5	23	55	87
Gross Additions	29	21	42	79	117	156
Disconnects	(12)	(59)	(25)	(47)	(85)	(124)
EOP Subscribers	44	5	23	55	87	119
Average Subscribers	40	31	21	39	71	103
Net Additions	17	(38)	18	32	32	32
Monthly Churn %	2 48%	22.13%	10 00%	10.00%	10.00%	10 00%

Source· Company data, Morgan Stanley Research

Exhibit 8

OEM Satellite Radio Additions as % of Annual Sales, 2005-2010E

	2005	2006E	2007E	2008E	2009E	2010E
XMSR Satellite Radio:						
Satellite Radio Additions						
DAIMLER-CHRYSLER	-	-	-	-	-	-
FORD	-	-	-	-	-	-
BMW/MINI	-	-	-	-	-	-
MITSUBISHI	-	-	-	-	-	-
GM	1,380.0	1,450.0	1,800.0	2,081.8	2,518.6	2,697.8
HONDA	411.2	529.9	656.7	812.9	975.3	1,127.4
ACURA	18.8	20.1	84.0	123.7	145.6	158.4
HYUNDAI	19.9	118.8	315.2	446.1	491.8	501.6
AUDI	2.8	2.3	-	-	-	-
INFINITI	6.5	7.7	11.2	18.1	40.9	53.6
KIA	-	-	-	-	-	-
LEXUS	14.2	53.1	102.2	163.9	197.6	232.5
NISSAN	15.8	23.4	33.9	581.9	771.6	946.4
PORSCHE	1.3	3.3	5.1	7.5	10.3	13.6
SUBARU	-	16.3	33.3	50.9	69.3	88.3
TOYOTA	8.9	8.6	66.0	188.3	503.9	838.8
VOLKSWAGEN	10.3	6.3	-	-	-	-
Total	**1,889.6**	**2,239.8**	**3,107.7**	**4,475.2**	**5,724.8**	**6,658.5**
Growth %	213%	100%	59%	33%	28%	19%
% Sat Radio of Annual Sales						
DAIMLER-CHRYSLER	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FORD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BMW/MINI	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
MITSUBISHI	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GM	31.0%	35.2%	43.2%	49.5%	59.3%	62.9%
HONDA	32.8%	41.1%	49.9%	60.6%	71.3%	80.8%
ACURA	9.0%	10.5%	42.8%	61.8%	71.3%	76.0%
HYUNDAI	4.4%	25.4%	66.0%	91.6%	99.0%	99.0%
AUDI	3.4%	2.9%	0.0%	0.0%	0.0%	0.0%
INFINITI	4.8%	6.7%	9.5%	15.0%	33.3%	42.8%
KIA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LEXUS	4.7%	17.6%	33.3%	52.3%	61.8%	71.3%
NISSAN	1.7%	2.6%	3.7%	61.6%	80.1%	96.3%
PORSCHE	4.0%	8.8%	13.5%	19.3%	26.0%	33.8%
SUBARU	0.0%	8.5%	17.0%	25.5%	34.0%	42.5%
TOYOTA	0.5%	0.4%	3.0%	8.4%	22.1%	36.1%
VOLKSWAGEN	5.0%	2.9%	0.0%	0.0%	0.0%	0.0%
Total	**11.5%**	**14.3%**	**19.5%**	**27.7%**	**35.0%**	**40.1%**

Source. Company data, Morgan Stanley Research

Exhibit 9

XMSR Subscriber and Revenue Forecast, 2005- 2010E

	2005A	2006A	2007E	2008E	2009E	2010E
Key subscriber data:						
Gross subscriber additions (000s)	4,148.3	3,866.2	4,458.6	5,731.6	7,324.5	8,369.1
Growth %	60.9%	-6.8%	15.3%	28.6%	27.8%	14.3%
Net subscriber additions (000s)	2,703.8	1,695.6	1,576.9	1,810.7	2,272.6	2,226.0
Aftermarket, OEM & other subscribers	2,627.9	1,639.6	1,299.1	1,469.3	1,895.5	1,955.7
OEM promotional subscribers	58.6	94.5	260.2	309.5	345.1	238.3
Rental car subscribers	17.3	(38.5)	17.5	32.0	32.0	32.0
Disconnects	1,444.4	2,170.6	2,881.7	3,920.9	5,051.9	6,143.1
Ending subscribers (000s)	5,933.0	7,628.6	9,205.4	11,016.1	13,288.7	15,514.7
Aftermarket, OEM & other subscribers	5,428.4	7,068 0	8,367.1	9,836.4	11,731.9	13,687.6
OEM promotional subscribers	460.6	555.1	815 3	1,124.8	1,469.8	1,708.1
Rental car subscribers	43.9	5.4	22.9	54.9	86.9	118.9
Average total subscribers	4,404.2	6,816.7	8,273.5	10,020.2	12,038.8	14,290.4
Avg self-pay	3,785.3	6,229.8	7,651.0	9,028.3	10,689.4	12,612.0
Avg promotional	511.3	562.5	614.4	954.6	1,280.1	1,577.1
Avg rental car	39.3	32.3	20.5	37.3	69.3	101.3
Monthly churn (self-pay, reported)	1.91%	1.72%	1.85%	1.89%	1.93%	1.95%
Monthly churn (calculated on total subs)	2.73%	2.65%	2.90%	3.26%	3.50%	3.58%
Key revenue data:						
Subscription ARPU - total (reported)	$9.51	$10.09	$10.22	$10.86	$10.97	$11.13
Growth %	10%	6%	1%	6%	1%	1%
Total ARPU	$10.56	$11.41	$11.62	$12.49	$12.67	$12.97
Growth %	10%	8%	2%	7%	1%	2%
ARPU - aftermarket, OEM & other	$10.18	$10.45	$10.43	$11.28	$11.47	$11.69
ARPU - OEM promotional	$5.79	$6.23	$6.23	$6.23	$6.23	$6.23
ARPU - rental car	$9.88	$5.87	$5.87	$5.87	$5.87	$5.87
Key marketing data:						
SAC per gross add (reported SAC)	$64	$61	$78	$66	$61	$59
Cost per gross add (reported CPGA)	$109	$108	$112	$96	$88	$97
Fully Loaded CPGA (excl. rev share)	$118	$115	$118	$101	$92	$100

Source: Company data, Morgan Stanley Research

Exhibit 10

XMSR Revenue and EBITDA, 2005- 2010E

	2005A	2006A	2007E	2008E	2009E	2010E
Revenues:						
Subscriber Related						
Subscription	$502.6	$825 6	$1,015.1	$1,306 1	$1,585.1	$1,908 7
Activation	10 1	16 2	21 6	42 2	41 8	51 6
Total Subscriber Revenues	$512.7	$841 8	$1,036 6	$1,348 3	$1,626 8	$1,960 3
Equipment	$18 2	$21 7	$16 3	$16 8	$19 1	$20 3
Advertising, Net of Commissions	20 1	35 3	53 9	83 0	123.1	175.6
Other	7.3	34 5	46 8	53.8	60.8	67.8
Total Revenues	**$558.3**	**$933.4**	**$1,153.6**	**$1,501.8**	**$1,829.8**	**$2,224.0**
% Change	*128.4%*	*67.2%*	*23.6%*	*30 2%*	*21 8%*	*21.5%*
Cost of revenue:						
Revenue Share & Royalties	$93 9	$149 0	$221.0	$299 2	$389 5	$471.3
Customer Care & Billing	76 2	103 5	117.8	137 2	157.1	179.7
Cost of Equipment	40 7	48 9	127.4	114 6	126 9	130 6
Cost per Device	$113	$103	$311	$279	$279	$279
Ad Sales	10 1	13 6	21 6	33 2	49 3	70.4
Satellite & Terrestrial	42 4	46.4	49.8	49 5	50 9	52 3
Broadcast & Operations	41.1	52.4	59 3	65 8	71 4	77 7
Programming & Content	101 0	154 3	170 5	180.7	183.5	187 2
Total Cost of Revenues	$405 3	$568.2	$767 3	$880 2	$1,028 5	$1,169.1
Per Avg. Subscriber per month	$7 67	$6.95	$7 73	$7 32	$7.12	$6 82
% of Total Revenue	72 6%	60 9%	66 5%	58.6%	56 2%	52.6%
Gross Profit %	27 4%	39.1%	33 5%	41.4%	43 8%	47 4%
Research & Development	$31 2	$28 8	$27.0	$31 6	$36.6	$42 3
General & Administrative	$43 9	$60 5	$117.6	$84 0	$87.0	$95 1
Marketing Expense						
Retention & Support	$22 3	$23 1	$28 0	$30 5	$33 0	$35 2
Per Avg Subscriber per month	$0.42	$0 28	$0 28	$0 25	$0 23	$0.21
Subsidies & Distribution	$264.7	$237 3	$238 5	$278 6	$340.1	$383.0
Per gross add	*$69*	*$68*	*$78*	*$66*	*$61*	*$59*
Advertising & marketing	163 3	151 9	150 8	176.7	198 0	320 6
Per gross add	*$39*	*$39*	*$34*	*$31*	*$27*	*$37*
Marketing pre-GM Liability	$450 3	$412 4	$417 3	$485.7	$571 1	$738 8
Total Reported CPGA	**$109**	**$108**	**$112**	**$96**	**$88**	**$97**
Amortization of GM liability	37.3	29 8	26 0	26 0	26 0	26 0
Total Marketing	**$487.6**	**$442.1**	**$443.3**	**$511.8**	**$597.2**	**$764.8**
Fully Loaded CPGA	$118	$115	$118	$101	$92	$100
% of Revenue	87.3%	47.4%	38 4%	34.1%	32 6%	34 4%
Other income (expense)	-	-	-	-	-	-
Operating Cash Flow (EBITDA)	**($409.7)**	**($166.2)**	**($201.7)**	**($5.8)**	**$80.6**	**$152.6**
YoY Growth %	31%	-59%	21%	-97%	-1487%	89%
Margin %	-73%	-18%	-17%	0%	4%	7%
Impairment of goodwill	-	-	-	-	-	-
Equity Granted to Third Parties		68.0	71.8	73 9	76 2	78 5
Depreciation & Amortization	145 9	168 9	185 0	183 5	109 2	106 6
Operating Income (EBIT)	(555 5)	(403.1)	(458 5)	(263.2)	(104 8)	(32 5)
Pre-Marketing EBITDA	**$63.2**	**$273.4**	**$326.7**	**$577.7**	**$759.4**	**$1,001.7**
YoY Growth %	-249%	333%	19%	77%	31%	32%
Margin %	11%	29%	28%	38%	42%	45%

Source Company data, Morgan Stanley Research

Exhibit 11

XMSR Annual Income Statement, 2005- 2010E

	2005A	2006A	2007E	2008E	2009E	2010E
Total Revenue	$558 3	$933.4	$1,153.6	$1,501.8	$1,829.8	$2,224.0
Cost of Revenue	405.3	568.2	767.3	880.2	1,028 5	1,169.1
Gross Profit	$153.0	$365.2	$386.3	$621.6	$801.3	$1,054.9
Research & Development	$31.2	$28 8	$27.0	$31 6	$36.6	$42.3
Marketing Expense	487.6	442.1	443.3	511 8	597.2	764.8
G&A	43.9	60.5	117.6	84.0	87.0	95 1
Total SG&A	**$562.6**	**$531.4**	**$587.9**	**$627.4**	**$720.7**	**$902.2**
Stock Comp Expense	-	**$68.0**	**$71.8**	**$73.9**	**$76.2**	**$78.5**
Operating Cash Flow (EBITDA)	($409.7)	($234 2)	($273.5)	($79.8)	$4.4	$74.2
Margin (%)	-73 4%	-25 1%	-23.7%	-5.3%	0.2%	3.3%
Impairment of goodwill	-	-	-	-	-	-
Depreciation & Amortization	145 9	168.9	185.0	183.5	109.2	106 6
Operating Income (EBIT)	($555 5)	($403 1)	($458 5)	($263 2)	($104 8)	($32.5)
Interest income	$23.6	$21.7	$10.9	$5.8	$3.5	$3.2
Interest expense	(107.8)	(121.3)	(130.7)	(128.5)	(112.8)	(103.9)
Equity Income (Loss)	-	(23.2)	(21.7)	(100.0)	(75 0)	(40.0)
Other	(24.6)	(192 9)	(4.2)	-	-	-
Income Before Taxes	($664.4)	($718.9)	($604.1)	($486.0)	($289.1)	($173.1)
Current Taxes	-	-	-	-	-	-
Deferred Taxes	(2.3)	0.0	-	-	-	-
Total Income Taxes	($2.3)	$0.0	$0.0	$0.0	$0.0	$0.0
Minority Interest Expense	-	-	-	-	-	-
Extraordinary Income (Expense)	-	-	-	-	-	-
Net Income	**($666.7)**	**($718.9)**	**($604.1)**	**($486.0)**	**($289.1)**	**($173.1)**
Preferred Dividends & Charges						
8.25% Series B preferred stock dividend	($2.1)	($1.4)	$0.0	$0.0	$0.0	$0 0
8.25% Series B Preferred Retirement Gain (Loss)	-	-	-	-	-	-
8.25% Series C stock dividend requirement	($6 5)	($11 4)	$0 0	$0.0	$0.0	$0.0
8.25% Series C Preferred Retirement Gain (Loss)	-	-	-	-	-	-
Total Preferred Dividends	($8.6)	($12 8)	$0 0	$0.0	$0 0	$0 0
Net Income to Common	**($675.3)**	**($731.7)**	**($604.1)**	**($486.0)**	**($289.1)**	**($173.1)**
Average Basic Shares Outstanding	219.6	270.6	312.8	321.5	324 8	328.1
Reported Basic EPS	($3.07)	($2 70)	($1 93)	($1.51)	($0.89)	($0.53)
Average Fully Diluted Shares Outstanding	219.6	270.6	312.8	321 5	324.8	328.1
Reported Fully Diluted EPS	($3 07)	($2.70)	($1.93)	($1.51)	($0.89)	($0 53)
Less: Extraordinary and Nonrecurring Items per Share	(0.07)	(0.43)	(0.01)	0.00	0.00	0.00
Adjusted Fully Diluted EPS	($3.01)	($2.28)	($1 92)	($1.51)	($0.89)	($0.53)

Source: Company data, Morgan Stanley Research

Exhibit 12

XMSR Annual Balance Sheet, 2005- 2010E

In $ Millions

	2005A	2006A	2007E	2008E	2009E	2010E
Cash & Equivalents	$711.0	$218.2	$116.2	$69.3	$64 8	$169 5
Short-term & Restricted Investments	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	47.2	62.3	77.0	100.2	122.1	148.4
Related party prepaid expenses	54.8	66.9	82.7	107.7	131.2	159.5
Due from related parties	8.6	14.0	17.3	22.5	27.4	33.3
Prepaid & other	121.5	71.2	88.0	114.6	139.6	169 7
Total Current Assets	$943.2	$432.7	$381.2	$414.3	$485 2	$680.4
Gross Prop., Plant, & Equip (Rpt)	$1,274.2	$1,617.4	$1,606.7	$1,202.6	$1,178.0	$1,156 3
Accumulated Depreciation	600.5	767.8	873.8	590.7	622.3	654.2
Systems Under Construction	216.5	126 0	249.0	267.7	287 4	308.6
Net Prop., Plant, & Equip.	$890.2	$975.7	$981 9	$879.6	$843.1	$810.7
Goodwill and intangibles	5 9	4 6	3.3	2 0	0 7	0.0
DARS License	141 3	141 4	141.4	141.4	141 4	141.4
Deferred Taxes and Other Assets	243.1	286.2	244.5	144.5	69.5	29.5
Total Assets	$2,223.7	$1,840 6	$1,752.4	$1,581.9	$1,540 0	$1,662.0
Short-term debt	$7.6	$14 4	$15.8	$15.7	$10 9	$10.6
Accounts payable	145 7	51.8	71 6	78 4	85.9	100 2
Accrued Expenses	154.1	147 6	203.8	223.1	244.5	271.6
Accrued XM-4 Liability	104 3	64.9	0 0	0 0	0 0	0.0
Accrued Network Optimization Expenses	0.0	0.0	0.0	0.0	0.0	0.0
Due to Related Parties	60.8	46.5	61.1	66.9	73.3	85.5
Accrued Interest	5 6	18 5	22.4	22.0	19 3	17.8
Deferred revenue & Other	370.8	437.1	546 0	710 8	866.0	999.9
Total Current Liabilities	$848.9	$780.8	$920.6	$1,116.8	$1,300.0	$1,485.7
Long-term Debt	$1,035.6	$1,286 2	$1,562.9	$1,550.4	$1,079.9	$1,051.9
Other non-current liabilities	258.3	171.5	171 5	171.5	171.5	171.5
Total liabilities	$2,142.7	$2,238 5	$2,655.0	$2,838 8	$2,551 4	$2,709.1
Preferred Equity	0.1	0.1	0.1	0.1	0.1	0.1
Common Equity	2.4	3.1	3 1	3.1	3 1	3.1
Additional Paid-In-Capital	2,852.1	3,093.9	3,193 3	3,325.1	3,859 6	3,997.0
Accumulated Other Comprehensive Income (Loss)	6.0	3.6	3.6	3.6	3.6	3 6
Retained Earnings (Deficit)	(2,779.6)	(3,498.2)	(4,102.4)	(4,588 3)	(4,877.5)	(5,050.5)
Shareholder's equity	80.947	(397 6)	(902.3)	(1,256.6)	(1,011.2)	(1,046 8)
Total Liabilities & Equity	$2,223.7	$1,840.9	$1,752.7	$1,582.2	$1,540.2	$1,662.2

Source: Company data, Morgan Stanley Research

Exhibit 13

XMSR Annual Cash Flow Statement, 2005-2010E

	2005A	2006A	2007E	2008E	2009E	2010E
Net Income	($666.7)	($718.9)	($604.1)	($486.0)	($289.1)	($173.1)
Depreciation	$144.6	$167 6	$183.5	$182.0	$107.7	$105.1
Amortization	$1.3	$1.3	$1.3	$1.3	$1.3	$0.7
Provision for doubtful accounts	8.3	15.2	0.0	0.0	0.0	0.0
Interest accretion expense	45.6	0.0	0.0	0.0	0.0	0.0
Net Non-Cash Loss on Red/Conv. of Notes	25.6	122.2	0.0	0.0	0.0	0.0
Deferred Stock Based Compensation	6.0	68.0	71.8	73.9	76.2	78.5
Equity in Net Loss of Affiliates	0.5	23.2	21.7	100.0	75.0	40.0
Amortization of Deferred Financing Fees	30.2	31.2	20.0	0.0	0.0	0.0
Impairment of Goodwill	0.0	76.6	0.0	0.0	0.0	0.0
Other, Net	(0.9)	0.3	0.0	0.0	0.0	0.0
Deferred Taxes	2.3	(0.0)	0.0	0.0	0.0	0.0
Gain on sale of assets	0.0	(4.5)	0.0	0.0	0.0	0 0
Change in Working Capital Requirements	235.3	(244.3)	87.9	116.4	112.6	95.4
CFFO	($168.0)	($462.1)	($218.0)	($12.4)	$83.6	$146.7
Net maturity (purchase) of ST & Restricted Investments	($1.0)	$3.4	$0.0	$0.0	$0.0	$0.0
Acquisitions/Disposals	(27.0)	7.2	0.0	0.0	0.0	0.0
Capital Expenditures (Addit. To PPE & Syst. Und. Cons)	(179.8)	(275.0)	(189.7)	(79.7)	(71.1)	(72.7)
Insurance Proceeds from Satellite Recovery	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
CFFI	($207.8)	($264.4)	($189.7)	($79.7)	($71.1)	($72.7)
Change in Debt	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Paydown of Existing Debt	(47.9)	(527.2)	0.0	(23.4)	(475.3)	(28.3)
Additional Borrowings	100.0	800.0	278.0	10.8	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds From Offerings and Exercise of Stock Options	319.6	6.4	27.6	57.8	58.4	58.9
Proceeds From Preferred Offerings & Refinancings	0.0	0.0	0.0	0.0	0.0	0.0
Share Repurchase	0.0	(24.0)	0.0	0.0	400.0	0.0
Deferred Financing Cost & Other	(2.4)	(21.5)	0.0	0.0	0.0	0.0
CFFF	$369.4	$233.8	$305.7	$45.2	($16.9)	$30.7
BOP Cash Balance	$717.9	$711.0	$218.2	$116.2	$69.3	$64.8
Net Increase (Decrease) in Cash	(6.4)	(492.8)	(102.0)	(46.9)	(4.5)	104.6
EOP Cash Balance	$711.5	$218.2	$116.2	$69.3	$64.8	$169.5

Source: Company data, Morgan Stanley Research

Exhibit 14

XMSR Free Cash Flow Forecast

($ Millions)
FYE December 31

	2005A	2006A	2007E	2008E	2009E	2010E
EBITDA	**($409.7)**	**($234.2)**	**($273.5)**	**($79.8)**	**$4.4**	**$74.2**
Capital Spending	(179.8)	(275.0)	(189.7)	(79.7)	(71.1)	(72.7)
Working Capital	235.3	(244.3)	87.9	116.4	112.6	95.4
Taxes	0.0	0.0	0.0	0.0	0.0	0.0
Interest	(84.2)	(99.6)	(119.8)	(122.7)	(109.4)	(100.6)
Dividends	(8.6)	(12.8)	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (Modelware)	($446.9)	($866.0)	($495.1)	($165.8)	($63.5)	($3.7)
"No-Growth" Free Cash Flow						
Net Additions (000s)	2,704	1,696	1,577	1,811	2,273	2,226
Fully Loaded CPGA	$118	$115	$118	$101	$92	$100
CPGA related to net additions ($ mm)	$318.0	$195.7	$186.2	$182.9	$208.5	$223.4
"No-Growth" Free Cash Flow	($129.0)	($670.3)	($308.9)	$17.1	$144.9	$219.7
Tax Effected Free Cash Flow						
FCF to Equity Holders	($446.9)	($866.0)	($495.1)	($165.8)	($63.5)	($3.7)
Taxes from Tax Rate	265.8	287.6	241.7	194.4	115.6	69.2
Tax Effected FCF	($181.2)	($578.5)	($253.4)	$28.6	$52.1	$65.5
Tax Effected FCF / Share	($0.55)	($1.75)	($0.73)	$0.08	$0.15	$0.18
Current Share Price	$11.98	$11.98	$11.98	$11.98	$11.98	$11.98
NOL Value per Share	($0.91)	($0.99)	($1.03)	($1.11)	($1.19)	($1.26)
Share Price Adjusted for NOL Value	$11.07	$10.99	$10.95	$10.87	$10.79	$10.72
Adjusted Price / Tax Effected FCF	(20.0x)	(6.3x)	(14.9x)	132.7x	72.9x	58.1x
Trading Multiples						
Basic Shares	240.7	305.8	319.9	323.1	326.4	329.7
Fully Diluted Shares	327.8	329.8	345.5	348.9	352.2	355.5
Free Cash Flow per Share	($1.36)	($2.63)	($1.43)	($0.48)	($0.18)	($0.01)
Earnings per Share	($3.01)	($2.28)	($1.92)	($1.51)	($0.89)	($0.53)
"No-Growth" FCF / Share	($0.39)	($2.03)	($0.89)	$0.05	$0.41	$0.62
Tax Effected FCF / Share	($0.55)	($1 75)	($0.73)	$0.08	$0.15	$0.18
Price / FCF	(8.8x)	(4.6x)	(8.4x)	(25.2x)	(66 4x)	(1,146.1x)
Price / EPS	NM	NM	NM	NM	NM	NM
Adjusted Price / Tax Effected FCF	(20.0x)	(6.3x)	(14.9x)	132.7x	72.9x	58.1x
Price / "No-Growth" FCF / Share	(30.4x)	(5.9x)	(13.4x)	244.3x	29.1x	19.4x

Source Company data, Morgan Stanley Research

Exhibit 15

XMSR Advertising Forecast

	2005A	2006A	2007E	2008E	2009E	2010E
Total Listeners						
Average Subscribers (mm)	4.4	6.8	8.3	10.0	12 0	14.3
Number of Listeners per subscription	2.3	2.3	2.3	2.3	2.3	2.3
Reach Population	10.1	15.7	19.0	23.0	27.7	32.9
% of reach population listening to radio weekly	95.2%	95.2%	95.2%	95.2%	95 2%	95.2%
Total XM Satellite Radio Listeners	9.6	14.9	18.1	21.9	26.4	31.3
Total XM Satellite Radio Listeners x 1 M	9,643,526	14,925,887	18,115,589	21,940,302	26,360,135	31,290,267
Time Spent Listening						
XM Satellite Radio Listening Hours per week	7.2	7.4	7 6	7.8	8.0	8.2
XM Satellite Radio Listening Quarter Hours per week	28.7	29.5	30.4	31.3	32.1	32.8
Total Quarter Hours in a week	505	505	505	505	505	505
Average Quarter Hour Persons (AQH)	548,200	873,090	1,091,535	1,358,868	1,678,007	2,033,783
AQH per channel (100)	5,482	8,731	10,915	13,589	16,780	20,338
Average Unit Rate						
CPM (cost per thousand) - net of fees	$5.46	$5.46	$5.63	$5.79	$5.97	$6.15
x AQH per channel/1000	5	9	11	14	17	20
Average Unit Rate	$30	$48	$61	$79	$100	$125
Advertising Spots Sold						
Music						
30 Second Spots/Hour	-	-	-	-	-	-
Music Channels with Advertising	-	-	-	-	-	-
Hours of Advertising per Year (18*7*52)	6,552	6,552	6,552	6,552	6,552	6,552
Total Music Advertising Spots	-	-	-	-	-	-
Inventory Sell-out Ratio	0%	0%	0%	0%	0%	0%
Music Spots Sold	-	-	-	-	-	-
XM Music Advertising Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Shared Revenue	0.0	0.0	0.0	0.0	0.0	0.0
Net XM Music Advertising Revenue	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Talk						
30 Second Spots/Hour	20	20	20	20	20	20
Talk Channels with Advertising	67	67	67	67	67	67
Hours of Advertising per Year (18*7*52)	6,552	6,552	6,552	6,552	6,552	6,552
Total Talk Advertising Spots	6,355,440	8,779,680	8,779,680	8,779,680	8,779,680	8,779,680
Inventory Sell-out Ratio	20%	16%	20%	24%	28%	32%
Talk Spots Sold	**1,271,088**	**1,404,749**	**1,755,936**	**2,107,123**	**2,458,310**	**2,809,498**
XM Music Advertising Revenue	$38.1	$67.0	$107.8	$165.9	$246.2	$351.2
Shared Revenue	(19.0)	(33.5)	(53 9)	(83.0)	(123.1)	(175.6)
Net XM Music Advertising Revenue	**$19.0**	**$33.5**	**$53.9**	**$83.0**	**$123.1**	**$175.6**
Total XM Advertising Revenue	**$19.0**	**$33.5**	**$53.9**	**$83.0**	**$123.1**	**$175.6**
Growth %	*124%*	*76%*	*61%*	*54%*	*48%*	*43%*
% of Revenue	*3%*	*4%*	*5%*	*6%*	*7%*	*8%*

Source: Company data, Morgan Stanley Research

Exhibit 16

XMSR Ownership

XM Satellite Radio -- Diluted Share Count

	Outstanding	Book Value	Convert @	Proceeds	F.D. Shares	Treasury
Class A Common Stock					305,781,515	
Class B Common Stock	—		1 0x		—	
Restricted Stock Units					260 000	
Common Stock Outstanding					306,041,515	
Options to purchase Common Stock	4,094,125		$15 37	out of money	14,686,161	-
Warrants- GM	10,000,000		$3 18	31,800,000	12,000,000	9,345,576
10% Senior Sec. Discount Converts due 2009		$34,294,566	$3 28		10,455,660	
1 75% Convertible Senior Notes due 2009	-	$400,000,000	$50 00		8,000,000	
Series A Convertible Preferred Stock					5,393,252	
8 25% Series B Convertible Preferred Stock	474,289	—	1 25x		592,861	
Diluted Share Count					357,169,450	

XM Satellite Radio -- Diluted Ownership

	Common Stock			Preferreds		Convertible			Diluted	
	Class A	Class B	Options	Series A	Series B	Notes	RSUs	Warrants	Shares	Ownership
General Motors	695,450	—	—	5,393,252	—	—	—	—	6,088,702	1 7%
Clear Channel Communications	8,329,877	—	—	—	—	—	—	—	8,329,877	2 3%
Telecom Ventures	2,581,211	—	—	—	—	—	—	—	2,581,211	0 7%
Columbia Capital	3,753,112	—	—	—	—	—	—	—	3,753,112	1 1%
Baron Capital	5,843,386	—	—	—	—	—	—	—	5,843,386	1 6%
AEA Investors	6,909,000	—	—	—	—	—	—	—	6,909,000	1 9%
Honda Motor Corp	27,357,272	—	—	—	—	—	—	—	27,357,272	7 7%
Employees & Directors	7,553,881	—	14,686,161	—	—	—	260,000	—	22,500,042	6 3%
Public	242 758,326	—	—	—	592,861	18,455,660	—	12,000,000	273,806,848	76 7%
Total	305,781,515	—	14,686,161	5,393,252	592,861	18,455,660	260,000	12,000,000	357,169,450	100 0%

Source· Company data, Morgan Stanley Research

Exhibit 17

XMSR Quarterly Subscriber Forecast, 2006E- 2007E

	1Q06A	2Q06A	3Q06A	4Q06A	2006A	1Q07A	2Q07E	3Q07E	4Q07E	2007E
Industry Summary										
DARS Net Subscriber Adds	1,330	998	727	1,347	4,403	983	938	899	1,353	4,173
% Change	57%	-1%	-26%	-34%	-10%	-26%	-6%	24%	0%	-5%
DARS EOY Subscribers	10,580	11,578	12,305	13,653	13,653	14,636	15,574	16,473	17,826	17,826
% Change	103%	86%	71%	48%	48%	38%	35%	34%	31%	31%
Market Share										
Sirius	39%	40%	42%	44%	44%	46%	47%	48%	48%	48%
XM Radio	61%	60%	58%	56%	56%	54%	53%	52%	52%	52%
XM Subscriber Breakdown										
Total Net Additions	569	398	286	443	1,696	285	292	421	578	1,577
% change	5%	-39%	-54%	-51%	89%	-50%	-27%	47%	31%	256%
Total XM Subscribers	6,502	6,900	7,186	7,629	7,629	7,914	8,206	8,627	9,205	9,205
% change	72%	56%	43%	29%	29%	22%	19%	20%	21%	21%
Subscriber Base										
OEM Subscribers	2,573	2,798	3,036	3 223	3,223	3 431	3,602	3,924	4 262	4,262
Retail Subscribers	3,892	4,060	4,129	4,400	4,400	4,460	4,580	4,680	4,920	4,920
Rental Car Subscribers	37	42	21	5	5	23	23	23	23	23
Net Additions										
OEM Subscribers	272	225	239	187	922	207	172	321	338	1,039
Retail Subscribers	304	168	69	271	812	60	120	100	240	520
Rental Car Subscribers	(7)	5	(21)	(15)	(38)	18	-	-	-	18
% of Base										
OEM Subscribers	40%	41%	42%	42%	42%	43%	44%	45%	46%	46%
Retail Subscribers	60%	59%	57%	58%	58%	56%	56%	54%	53%	53%
Rental Car Subscribers	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%
% of Net Additions										
OEM Subscribers	48%	56%	83%	42%	54%	73%	59%	76%	59%	66%
Retail Subscribers	53%	42%	24%	61%	48%	21%	41%	24%	41%	33%
Rental Car Subscribers	-1%	1%	-7%	-3%	-2%	6%	0%	0%	0%	1%

Source· Company data, Morgan Stanley Research

Exhibit 18

XMSR Quarterly Subscriber Summary by Channel, 2006E-2007E

	1Q06A	2Q06A	3Q06A	4Q06A	2006A	1Q07A	2Q07E	3Q07E	4Q07E	2007E
Total XM OEM U.S. Sales (000's)	486	508	622	664	2,281	617	746	839	906	3,108
Non GM/ Honda Sales (000's)	-	12	72	156	240	113	125	142	187	567
OEM Subscribers (Assumes 3 month discount period)										
BOP Subscribers	2,301	2,573	2,798	3,036	2,301	3,223	3,431	3,602	3,924	3,223
Gross Additions	486	508	622	664	2,281	617	746	839	906	3,108
Non GM/ Honda Gross Additions	-	-	(72)	(144)	(216)	(101)	(113)	(70)	(31)	(315)
Promotional Disconnects	(197)	(197)	(232)	(258)	(884)	(197)	(322)	(299)	(362)	(1,180)
Net Gross Additions	289	312	318	262	1,180	318	311	470	513	1,612
Post-Promotion Churn	(17)	(87)	(80)	(75)	(258)	(111)	(139)	(149)	(174)	(573)
EOP Subscribers	2,573	2,798	3,036	3,223	3,223	3,431	3,602	3,924	4,262	4,262
Net Additions	272	225	239	187	922	207	172	321	338	1,039
Average Subscribers	2,437	2,685	2,917	3,130	2,792	3,327	3,517	3,763	4,093	3,675
Post-Promotion Churn %	0 23%	1 08%	0 91%	0 80%	0 77%	1.11%	1 30%	1 30%	1 40%	1 30%
Implied OEM Total Churn %	2 93%	3 52%	3 56%	3 55%	3 41%	3 09%	4 37%	3 97%	4 37%	3 98%
Conversion Ratio	54 3%	54.5%	52 2%	52 4%	53 4%	51 5%	51 5%	51 5%	51 5%	51.5%
OEM Promotional Base	548	573	614	555	555	565	534	686	815	815
Retail										
Total Aftermarket Subscribers										
BOP Subscribers	3,588	3,892	4,060	4,129	3,588	4,400	4,460	4,580	4,680	4,400
Gross Additions	516	409	316	540	1,781	331	391	378	524	1,624
Disconnects	(213)	(240)	(247)	(270)	(969)	(271)	(271)	(278)	(284)	(1,103)
EOP Subscribers	3,892	4,060	4,129	4,400	4,400	4,460	4,580	4,680	4,920	4,920
Average Subscribers	3,740	3,976	4,095	4,264	4,019	4,430	4,520	4,630	4,800	4,595
Net Additions	304	168	69	271	812	60	120	100	240	520
Monthly Churn %	1.90%	2.02%	2 01%	2.14%	2 02%	2 04%	2 00%	2 00%	2 00%	2.01%
Rental Car										
BOP Subscribers	44	37	42	21	44	5	23	23	23	5
Gross Additions	5	9	2	4	21	22	7	7	7	42
Disconnects	(12)	(5)	(23)	(19)	(59)	(4)	(7)	(7)	(7)	(25)
EOP Subscribers	37	42	21	5	5	23	23	23	23	23
Average Subscribers	41	40	31	13	31	14	23	23	23	21
Net Additions	(7)	5	(21)	(15)	(38)	18	-	-	-	18
Monthly Churn %	9 52%	4 00%	25 0%	50 0%	22 1%	10 0%	10 0%	10 0%	10 0%	10 0%

Source: Company data, Morgan Stanley Research

Exhibit 19

XMSR Quarterly Subscriber & Revenue Forecast, 2006E- 2007E

	1Q06A	2Q06A	3Q06A	4Q06A	2006E	1Q07A	2Q07E	3Q07E	4Q07E	2007E
Revenues:										
Subscriber Related										
Subscription	$188.1	$202 2	$214.8	$220 5	$825 6	$236 5	$247.8	$260 4	$270 4	$1,015 1
Activation	3 6	3 9	4 2	4.5	16 2	4 7	5 2	5 5	6 1	21 6
Total Subscriber Revenues	$191 7	$206.1	$219 0	$225 0	$841 8	$241 1	$253 0	$265.9	$276 6	$1,036 6
Equipment	3 6	4 9	3 2	10 1	21.7	5 3	4 5	2.6	3 9	16 3
Advertising, Net of Commissions	6 5	9 0	8 8	11.0	35.3	7 5	13.0	15 0	18.4	53.9
Other	6 2	7 9	9 5	11.0	34.5	10 2	11 2	12.2	13 2	46 8
Total Revenues	**$208.0**	**$227.9**	**$240.4**	**$257.1**	**$933.4**	**$264.1**	**$281.7**	**$295.7**	**$312.1**	**$1,153.6**
% Change	*102 8%*	*81 6%*	*57 0%*	*45 2%*	*67.2%*	*27 0%*	*23.6%*	*23 0%*	*21.4%*	*23 6%*
Cost of revenue:										
Revenue Share & Royalties	$34 3	$37 9	$33.4	$43.4	$149.0	$47.4	$53 0	$57.0	$63 5	$221.0
Customer Care & Billing	22 4	26.1	26 8	28.2	103.5	27 5	28 7	30 0	31 6	117.8
Cost of Equipment	8 0	10 3	10 2	20 5	48 9	18.3	27 7	32.6	48 9	127.4
Cost per Device	$123	$108	$159	$82	$103	$311	$311	$311	$311	$311
Ad Sales	2 9	3 9	2 8	3.9	13 6	3 0	5 2	6.0	7.4	21 6
Satellite & Terrestrial	12 6	11 1	11 0	11.7	46.4	13 4	11 9	11 8	12.7	49.8
Broadcast & Operations	13 7	13 0	12 7	13 0	52.4	15.3	13 9	14 6	15.4	59.3
Programming & Content	35 8	40 1	36 2	42 2	154 3	41.8	44 7	39.3	44 7	170 5
Total Cost of Revenues	$129 6	$142 4	$133.1	$163 0	$568.2	$166.7	$185.1	$191.3	$224 3	$767.3
Per Avg. Subscriber per month	$6 9	$7 1	$6 3	$7 4	$6 9	$7.2	$7 7	$7.6	$8.4	$7 7
% of Total Revenue	62 3%	62 5%	55 4%	63 4%	60.9%	63.1%	65 7%	64 7%	71 9%	66.5%
Gross Profit %	37 7%	37 5%	44 6%	36.6%	39.1%	36 9%	34 3%	35 3%	28 1%	33.5%
Research & Development	$9 5	6.7	6 7	5 8	$28 8	$5 6	$6 0	$7.0	$8.4	$27.0
General & Administrative	$12 6	$12.7	$15 7	$19 6	$60.5	$28 1	$29 0	$30 0	$30.5	$117.6
Marketing Expense										
Retention & Support	$6.4	$5.7	$5 3	$5 7	$23 1	$7.9	$6.9	$6.3	$6 9	$28 0
Per Avg Subscriber per month	$0 34	$0 29	$0.25	$0 26	$0 28	$0 34	$0 29	$0 25	$0 26	$0.28
Subsidies & Distribution	$55.5	$61.1	$47.3	$73.5	$237 3	$43 6	$53 5	$61 2	$80 3	$238 5
Per gross add	*$59*	*$72*	*$63*	*$79*	*$61*	*$65*	*$74*	*$79*	*$89*	*$53*
Advertising & marketing	33 9	37 7	27 5	52 8	151 9	32 8	37 7	27 5	52.8	150.8
Per gross add	*$34*	*$41*	*$32*	*$50*	*$39*	*$38*	*$37*	*$24*	*$38*	*$34*
	-									
Marketing pre-GM Liability	95.8	104 5	80 1	132 0	412.4	84.3	98.0	94 9	140.0	417 3
Total Reported CPGA	**$93**	**$112**	**$94**	**$128**	**$108**	**$103**	**$111**	**$103**	**$127**	**$112**
Amortization of GM liability	9 3	7.4	6.5	6.5	29.8	6 5	6.5	6 5	6 5	26 0
Total Marketing	105 1	112.0	86.6	138 5	442.1	90 8	104 5	101 4	146 5	443.3
Fully Loaded CPGA	$102	$120	$102	$134	$115	$110	$117	$108	$131	$118
% of Revenue	50 6%	49 1%	36 0%	53 8%	47 4%	34 4%	37.1%	34 3%	46 9%	38.4%
Other income (expense)	-	-	-	-	-	-	-	-	-	-
Operating Cash Flow (EBITDA)	**($48.9)**	**($45.9)**	**($1.6)**	**($69.8)**	**($166.2)**	**($27.0)**	**($43.0)**	**($34.0)**	**($97.6)**	**($201.7)**
YoY Growth %										
Margin %										
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-
Equity Granted to Third Parties	12 1	13 9	16.0	26 0	68 0	14 1	14 3	16 5	26 8	71.8
Depreciation & Amortization	39 9	41.8	43 1	44 0	168 9	46 9	46 0	46 0	46 0	185 0
Operating Income (EBIT)	(100 8)	(101 7)	(60 8)	(139 9)	(403.1)	(88 0)	(103 4)	(96 6)	(170 5)	(458 5)
Pre-Marketing EBITDA	**$51.4**	**$64.0**	**$85.5**	**$72.6**	**$273.4**	**$70.2**	**$78.2**	**$90.9**	**$87.3**	**$326.7**
YoY Growth %	831%	718%	262%	177%	333%	37%	22%	6%	20%	19%
Margin %	25%	28%	36%	28%	29%	27%	28%	31%	28%	28%

Source Company data, Morgan Stanley Research

Exhibit 20

XMSR Quarterly Income Statement, 2005-2006E

	1Q06A	2Q06A	3Q06A	4Q06A	1Q07A	2Q07E	3Q07E	4Q07E
Total Revenue	$208 0	$227 9	$240 4	$257 1	$264 1	$281.7	$295.7	$312.1
Cost of Revenue	$129.6	142.4	133.1	163.0	166 7	185.1	191 3	224.3
Gross Profit	$78 4	$85.5	$107 3	$94 1	$97.5	$96.5	$104 4	$87.8
Research & Development	$9.5	$6.7	$6.7	$5 8	$5.6	$6.0	$7.0	$8 4
Marketing Expense	$105.1	112 0	86.6	138 5	90 8	104.5	101.4	146 5
G&A	$12.6	12.7	15.7	19.6	28.1	29.0	30.0	30 5
Total SG&A	**$127.2**	**$131.4**	**$108.9**	**$163.9**	**$124.5**	**$139.5**	**$138.4**	**$185.4**
Stock Comp Expense	**$12.1**	**$13.9**	**$16.0**	**$26.0**	**$14.1**	**$14.3**	**$16.5**	**$26.8**
Operating Cash Flow (EBITDA)	($60.9)	($59 8)	($17 7)	($95.8)	($41.2)	($57.3)	($50 5)	($124.4)
Margin (%)	-29.3%	-26 2%	-7 3%	-37 3%	-15.6%	-20.4%	-17 1%	-39 9%
Impairment of goodwill	-	-	-	-	-	-	-	-
Depreciation & Amortization	39.9	41.8	43 1	44 0	46.9	46.0	46.0	46.0
Operating Income (EBIT)	($100 8)	($101.7)	($60 8)	($139 9)	($88.0)	($103.4)	($96 6)	($170.5)
Interest income	6.6	6.4	5.2	3.5	3.5	2 5	2.5	2.5
Interest expense	(33.2)	(29.3)	(23 8)	(35.0)	(27 6)	(34.4)	(34.4)	(34.4)
Equity Income (Loss)	(8.9)	(4 2)	(4.9)	(5 3)	(5 4)	(5.4)	(5.4)	(5 4)
Other	(13.7)	(101.5)	1.2	(78.9)	(4.2)	---	---	---
Income Before Taxes	($150.1)	($230.3)	($83.0)	($255 5)	($121 8)	($140.7)	($133.9)	($207.8)
Current Taxes	-	-	-	-	-	-	-	-
Deferred Taxes	0.9	1.2	(0.8)	(1.2)	(0 7)	0.2	0.2	0 2
Total Income Taxes	$0 9	$1.2	($0.8)	($1.2)	($0.7)	$0 2	$0 2	$0 2
Minority Interest Expense	-	-	-	-	-	-	-	-
Extraordinary Income (Expense)	-	-	-	-	-	-	-	-
Net Income	**($149.2)**	**($229.1)**	**($83.8)**	**($256.7)**	**($122.4)**	**($140.5)**	**($133.7)**	**($207.6)**
Preferred Dividends & Charges								
8 25% Series B preferred stock dividend	($0.5)	($0.8)	$0.4	($0.5)	$0 0	$0.0	$0.0	$0 0
8 25% Series B Preferred Retirement Gain (Loss)	-	-	-	-	-	-	-	-
8.25% Series C stock dividend requirement	($1.6)	($1.8)	($2 1)	($5 9)	$0 0	$0 0	$0.0	$0.0
8.25% Series C Preferred Retirement Gain (Loss)	-	-	-	-	-	-	-	-
Total Preferred Dividends	($2.1)	($2 6)	($1.6)	($6.5)	$0.0	$0.0	$0.0	$0.0
Net Income to Common	**($151.4)**	**($231.7)**	**($85.5)**	**($263.2)**	**($122.4)**	**($140.5)**	**($133.7)**	**($207.6)**
Average Basic Shares Outstanding	253.2	266.1	268.4	293.8	305.9	305.8	305.8	305.8
Reported Basic EPS	($0.60)	($0.87)	($0.32)	($0.90)	($0 40)	($0 46)	($0.44)	($0 68)
Average Fully Diluted Shares Outstanding	253 2	266 1	268 4	293 8	305.9	305.8	305.8	305.8
Reported Fully Diluted EPS	($0.60)	($0.87)	($0 32)	($0.90)	($0.40)	($0 46)	($0.44)	($0 68)
Less: Extraordinary and Nonrecurring Items per Share	(0.03)	(0.23)	0 00	(0.16)	(0.01)	0.00	0.00	0.00
Adjusted Fully Diluted EPS	($0.57)	($0 64)	($0.32)	($0 73)	($0 39)	($0 46)	($0.44)	($0 68)

Source: Company data, Morgan Stanley Research