BEAR STEARNS

SX Exhibit 230 RP

SATELLITE COMMUNICATIONS

Bear, Stearns & Co. Inc. – U.S. Equity Research

June 4, 2007

Rating Information	
Sector Rating	Market Weight
Target Price YE '08	$4
Long-Term Growth	22.8%

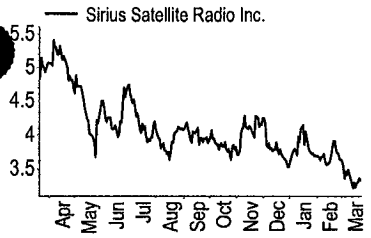
Trading Data	
52-Wk Range	$3.21 - $5.57
Market Cap.	$4,835 MM
Shares Out.	1,434.6 MM
Dividend Yield	0.0%
Avg Daily Vol.	41,490,000
Float	NA

Source: FactSet

Fundamental Data	
EV/EBITDA	(5.8)x
Enterprise Value	$5,903.2 MM
LT Debt to Total Cap.	157.3%
Book Value	$(0.30)

Source: FactSet

Price Performance Chart



Source: FactSet

Securities in this report priced as of:

June 01, 2007 16:00 ET

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Sirius Satellite Radio
(SIRI-$2.88-Outperform)

The Dog Has Bite and Where's the Bark? Upgrading to Outperform

- **INVESTMENT SUMMARY.** We are upgrading our rating on Sirius to Outperform with a $4 2008 target. We believe that the merger overhang has overly weighed on the stock, creating attractive risk / reward levels. Further, we think that conservative fundamentals alone support our upgrade; and while we believe the merger closing probability is higher than market sentiment, we think investors can still enter assuming the merger fails. **Hence we think Sirius' dog will give its shareholders' investment a strong bite over the next several quarters.**

- **BASED ON CONSERVATIVE MODEL.** In our note, we layout out multiple points on how our model is built conservatively around: subscriber estimates, churn & conversion rates, ARPU & SAC, and overall revenue & cost estimates. Further our base case assumes: the merger will fail, the company will need to raise money, lower estimates than consensus, and much lower FCF than the previous company guidance.

- **VALUATION.** Our $4 2008 target is predicated on a DCF that assumes no merger and therefore $0 in merger synergies. Further, our target is supported by a fully taxed FCF multiple, presenting ~25% annualized potential returns. Hence, we think an approved merger is therefore a free call option for investors.

- **FILLING LIQUIDITY GAP NOT XM DEPENDANT.** Our model indicates that Sirius will need to raise ~$200m in the next 9 months and ~$300m more to refinance the convertible due in 1Q '09. However, we believe this is not an issue because: the markets are already aware of this and would be very receptive to a funding, the funding can be in stages, and **Sirius will not need any XM approvals to do so**.

Sector View: Market Weight

GAAP Estimates Post Option Expense †(All values are in USD)

	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Year	P/E
2006	(0.33)	(0.17)	(0.12)	(0.17)	(0.79)	NM
2007	(0.10)	(0.10)	(0.09)	(0.13)	(0.41)	NM
Previous	(0.10)	(0.09)	(0.08)	(0.12)	(0.39)	
2008	(0.11)	(0.08)	(0.06)	(0.09)	(0.34)	NM
Previous					(0.30)	NM

† All numbers are after stock-based compensation expense, normalized consistent with BSC option expense policy.

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PLEASE REFER TO PAGE 27 OF THIS REPORT FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

EXECUTIVE SUMMARY

When we downgraded Sirius on December 5, 2006 (please see note "*Reducing to Underperform from Outperform*," we were concerned about the difficult retail markets, tough YoY comps, and consensus estimates that seemed difficult to reach. Since then, we think the market has reduced its expectations significantly, has let the merger become an overhang obscuring fundamentals, and has become blasé on satellite radio. As such, today, we are upgrading Sirius to Outperform from Peer Perform and a $4 target price at 2008 year-end; our valuation implies > 25% potential annualized returns. Therefore, we think investors with stronger risk appetites can take advantage of the indifferent sentiment, basing their investment thesis on a conservative model that supports significant upside potential. While we believe near term that XM and Sirius likely will trade in tandem driven more by merger expectations, we think current valuation levels offer an attractive entry point with a favorable risk/reward profile. Regardless of which way the regulatory decision regarding the merger goes, we think the stock likely will trade higher once the decision is digested by the investment community. **Hence we think Sirius' dog will give its shareholders' investment a strong bite over the next several quarters.**

MERGER QUICK NOTE - THE DOG THAT DIDN'T BARK...

Sir Arthur Conan Doyle wrote over 50 Sherlock Holmes short stories. One of our favorites was the one titled *Silver Blaze*, in which a race horse disappears during the night and a man is found murdered. One of the major clues in this story was that the watch dog didn't bark and cause a scene – hence, the dog must have known the perpetrator. While today's call is not a call on the likelihood of the merger passing, we continue to believe that the merger still has the potential to pass for several reasons:

1) **The Washington dogs aren't barking**. When Echostar tried to merge with Hughes (DirecTV) back in 2002, the wave of negative sentiment in DC around the DBS merger was palpable. This simply isn't the case from speaking with our contacts. Besides the NABs overt funding of "independent reports", the negative outcry has been tame by comparison. We liken this to the Sherlock Holmes anecdote above, as we think the public would see much more negative press by interested parties if the level of negativity were the same as the DBS merger proposal.

2) **The DOJ and Congress are very astute.** We think that Wall Street doesn't give enough credit to the DOJ and Congress, as our contacts indicate that they are keenly aware of the NAB's maneuverings. Further, we believe that the NAB "*doth protest too much*", and may be hurting its own agenda on satellite radio further.

3) **The FCC has shown poise**. Kevin Martin and the FCC have yet to ask for public comment on the proposed merger, which would start the self imposed 180 day clock. We think that if the FCC were out to kill the deal from the start that they would have already started the clock. We believe the tie up is the statement in the original license that stipulated one entity could not own both licenses. We think the FCC has 3 choices on how to handle this:

   I. **Waive the Requirement.** While simple, this could open the FCC up to a lawsuit. The FCC may want to demonstrate the level of thought it would put into any decision.

   II. **Review the Requirement – Expedited Process**. We think the FCC could open for public commentary the requirement and rule on it along with the merger.

   III. **Review the Requirement – Long Process.** This is similar to option II, but could be much longer (2-3 years). We think this would be a difficult choice for the FCC to make at this juncture, as it would effectively kill the deal before any DOJ ruling (we would expect Sirius and XM to walk away and potentially sue if this were the decision).

Of the three choices above, we think the FCC is most likely to go with option II. While we can't ultimately predict how the FCC will decide, we think that should the DOJ first approve the deal, that the most likely FCC outcome would be ratifying the deal with several restrictions. We underscore that this note is not focused on the merger outcome probabilities and is a fundamental call on the stock. However, do believe that the Street has become overly pessimistic on the merger chances in our opinion.

INVESTMENT THESIS – 4 MAJOR POINTS

I. **Our Projections Remain Conservative.** Notwithstanding the increasing competition, we believe that both companies' business models remain viable and that the increasing distribution via OEM agreements will more than compensate for the more challenging outlook at retail. In any case, we are projecting ~25% YoY decline in gross additions from aftermarket in 2007, followed by 20% YoY decline in 2008, and 10% declines thereafter over our forecast period, and about 55% market share for Sirius at retail (in line with our estimated retail market share in 1Q07), and in line with the

~55% estimated in 2006.

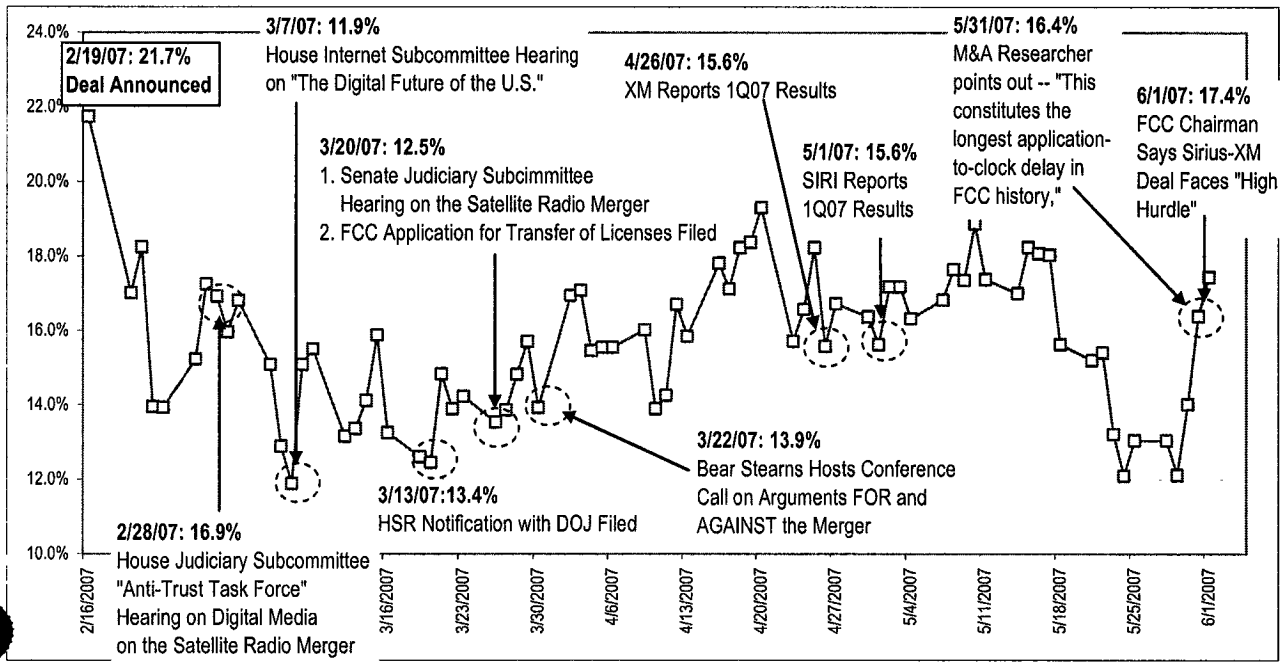
II. **Liquidity Concerns Are Overblown.** We do not think the company is headed into liquidity challenges – Sirius bonds are trading at around par, and bond investors are more likely to price credit risk sooner than investors focused on equity, in our view. While we do see the need for the company to access the capital markets in 2008, we believe a refinancing of about $500 million likely may be sufficient to repay the convertible debt that is due in early 2009, plus provide for significant cushion for ongoing operations. Given where the existing bonds are trading, Sirius' leverage compared to XM (Sirius is at $690 million net debt or 13% of enterprise value compared to $1.1 billion net debt and 23% of enterprise value for XM), the emerging free cash flow profile (positive for full year 2009 and thereafter), visibility into subscriber growth via OEM distribution channel, and the potential for significant debt recovery in the event of a default, depending on the capital markets environment, we do not think refinancing the debt likely will be an insurmountable challenge. While we believe that the merger agreement requires Sirius to obtain XM's permission before raising significant additional financing above certain levels, we do not believe those levels will be crossed by Sirius. Hence, we do not see the pending merger affecting Sirius' ability to raise funds.

III. **Fundamental Model Suggests $4 YE 2008 Valuation Appropriate.** Our year-end 2008 target price of $4 is based on weighted average cost of capital of 11% that is based on an equity beta of 1.76 and a growth rate in perpetuity of 4% (note, all our DCF assumptions for Sirius are equal to those for XM, as we think the risk to our projections for both the companies is about similar), which offers potential annualized returns of around 25% from current levels. Our DCF model is validated using a multiple-based valuation using our estimate for 2013 FCF, which yields fair value of about $4.50; on a conservative basis, we are using the lower valuation as the target price for 2008 year-end.

IV. **Spreads Reflect Negative Investor Expectations Regarding Merger Approval.** When Sirius and XM announced the agreement to merge on February 19th, Sirius was trading at $3.70 and XM was at $13.98. Since then, XM shares have declined 19% whereas Sirius' shares have decreased 22%, and the spread, which was 22% on the day they announced the deal, was down to 12% recently, suggesting that the market may be placing a higher likelihood of the deal getting approved. However, during the past two days, the spread has increased to the 17% vicinity; on June 1, 2007, the FCC Chairman stated that the merger faces a "high hurdle."

Exhibit 1. Deal Spread in Perspective

	XM Satellite Radio	Sirius Satellite Radio
Fully Diluted Shares	335.1	1,597.6
Current Share Price	$11.28	$2.88
Equity Market Capitalization	**$3,779.9**	**$4,601.0**
% of Total	**45.1%**	**54.9%**
Add: Debt & Preferred	1,445.7	1,031.7
Less: Cash & Equivalents	(319.4)	(342.0)
Enterprise Value	**$4,906.1**	**$5,290.7**
% of Total	**48.1%**	**51.9%**



Source: FactSet Inc.; Company Documents; Bear, Stearns & Co. Inc.

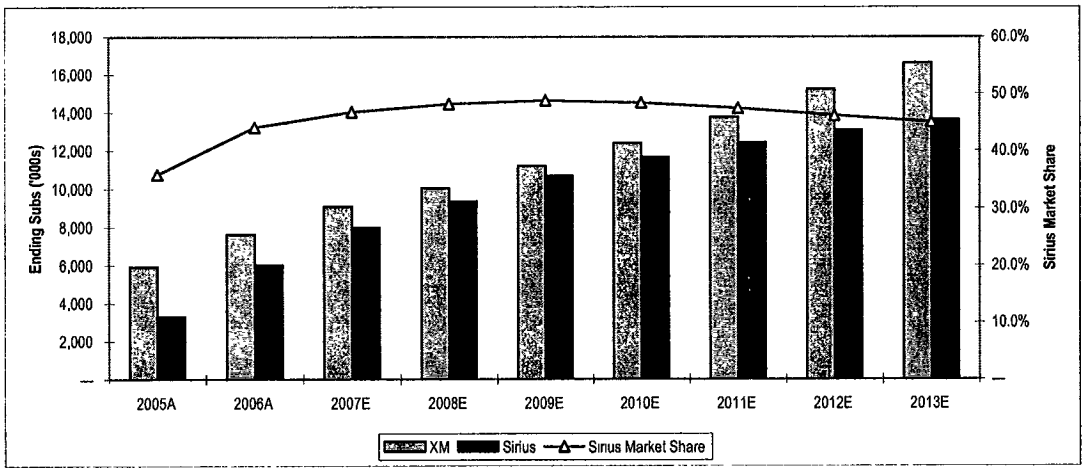
Plus Call Option on Merger Synergies. Note, our projections do not include the NPV of synergies that may arise from the merger; if the deal does get approved (which we think is more likely), investors, at current levels, would in effect be buying a call option on the upside from the synergies.

INVESTMENT POINT 1 – OUR SUBSCRIBER MODEL IS CONSERVATIVE

1.1 – Projecting 13.7 Million Total Subscribers in 2013, a 45% Market Share of the Industry. In our model, we are projecting total subscribers of 11.7 million by year-end 2010 and 13.7 million by year-end 2013, representing ~45% of the total satellite radio industry subscribers at 2013 year-end, down from ~49% in 2009. While Sirius' share of total subscribers is expected to increase until 2009 as its OEM partners ramp up, we believe XM has the potential to accelerate subscriber growth after Nissan and Toyota begin to deploy XM on a factory-installed basis on a majority of their vehicles.

Exhibit 2. Sirius Satellite Radio – Total Subscriber Projections ('000s)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Beginning Subscribers	1,143	3,317	6,025	8,001	9,358	10,698	11,668	12,457	13,105
Gross Additions	**2,519**	**3,758**	**3,963**	**4,009**	**4,435**	**4,588**	**4,734**	**4,884**	**5,059**
Disconnects									
Promotion Churn	(62)	(381)	(913)	(1,363)	(1,599)	(1,935)	(2,099)	(2,252)	(2,401)
OEM Self-Pay	(36)	(30)	(130)	(242)	(377)	(531)	(689)	(848)	(1,007)
After-Market Churn	(248)	(639)	(1,073)	(1,289)	(1,119)	(1,153)	(1,156)	(1,136)	(1,097)
Total Disconnects	(346)	(1,050)	(1,986)	(2,652)	(3,095)	(3,619)	(3,944)	(4,236)	(4,505)
Net Additions	**2,173**	**2,708**	**1,977**	**1,357**	**1,340**	**969**	**789**	**648**	**555**
Ending Subscribers	**3,317**	**6,025**	**8,001**	**9,358**	**10,698**	**11,668**	**12,457**	**13,105**	**13,659**
Average Subscribers	1,917	4,636	7,008	8,677	10,028	11,183	12,062	12,781	13,382
Implied Monthly Churn	1.5%	1.9%	2.4%	2.5%	2.6%	2.7%	2.7%	2.8%	2.8%



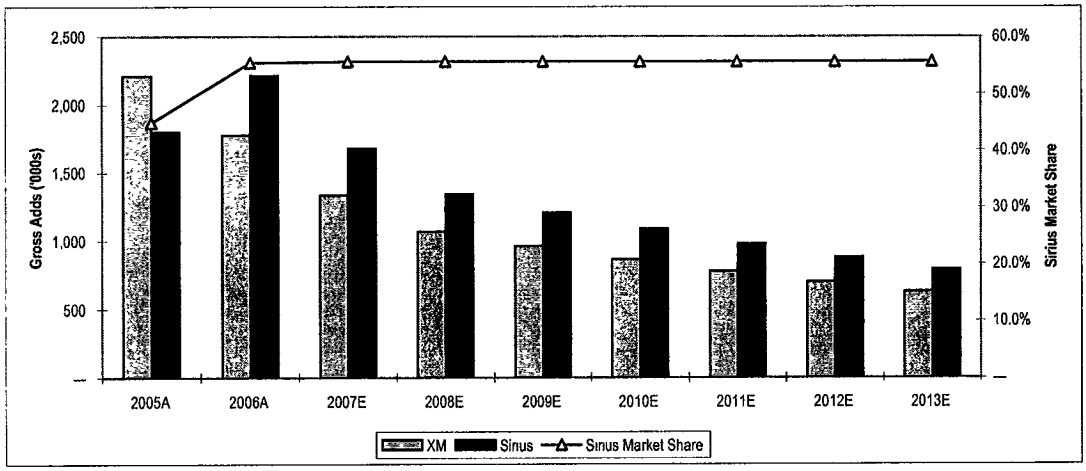
Source: Company Documents; Bear, Stearns & Co. Inc.

2 – After-Market Projected to be About 30% of Total Subscribers by 2010. In our model, we are conservatively projecting ~25% YoY decline in gross additions from aftermarket in 2007, followed by 20% YoY decline in 2008, and 10% declines thereafter over our forecast period, and about 55% market share for Sirius at retail (in line with our estimated retail market share in 1Q07), and in line with the ~55% reported in 2006. Note that at the 1Q07 conference call, Sirius stated that they expect gross additions in this category to remain at around the 4 million level for the industry as it has been during the past two years. The YoY projected decline is based on the assumption that as satellite radio becomes increasingly available on an OEM basis, consumers would be less inclined to go to retail stores to purchase plug-'n-play radios, except to the extent that they purchased vehicles that only had Sirius available on a factory/dealer installed basis (say, Ford) and they wanted XM; or vice versa. In this environment, we think retail sales would primarily be limited to boom boxes, wearables, and peripherals like the XM Passport that could be "plugged" into a variety of devices. In addition, this category also includes subscribers who are opting to add additional receivers to the basic subscription; currently, we understand existing subscribers can get certain additional receivers for free when they add the radios to the family plans. By 2013, we are estimating 4.4 million after-market subscribers, which is projected to decline from the peak of 5.2 million in 2009, and represent about 30% of the total subscriber base in 2013.

Exhibit 3. Sirius Satellite Radio – After-Market Subscriber Projections ('000s)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Beginning Subscribers	911	2,465	4,042	4,780	5,077	5,168	5,104	4,929	4,675
Gross Additions	**1,803**	**2,216**	**1,681**	**1,345**	**1,210**	**1,089**	**980**	**882**	**794**
Disconnects	(248)	(639)	(943)	(1,047)	(1,119)	(1,153)	(1,156)	(1,136)	(1,097)
Net Additions	**1,554**	**1,576**	**738**	**297**	**91**	**(64)**	**(176)**	**(253)**	**(303)**
Ending Subscribers	**2,465**	**4,042**	**4,780**	**5,077**	**5,168**	**5,104**	**4,929**	**4,675**	**4,372**
Average Subscribers	1,688	3,254	4,411	4,929	5,123	5,136	5,017	4,802	4,524
Monthly Churn	1.2%	1.6%	1.8%	1.8%	1.8%	1.9%	1.9%	2.0%	2.0%

We are projecting gross adds declining from the channel at ~25% YoY in 2007, followed by 20% decline in 2008 and 10% decline per year thereafter. This results in net adds from aftermarket going negative by 2010.



Source: Company Documents; Bear, Stearns & Co. Inc.

1.3 – OEM Deployment Rates In Line with GM, Lower than Japanese OEMs. This group includes Sirius's OEM partners, primarily Ford and DaimlerChrysler, and to a smaller extent, BMW, Audi/VW, Mitsubishi, Mazda, and Kia. Sirius disclosed, at the 1Q07 conference call, that install rates were ~10% in 2005, 23% in 2006, and are expected to be about 34% in 2007. Mercedes is planning to increase the deployment rates to 80% this year, 90% in 2008, and more than 90% in 2009; Chrysler group is expected to deploy Sirius in about 40% of the vehicles in 2007. Lincoln and Audi are aggressively planning to deploy Sirius as standard equipment in a number of models. In addition, Mercury is launching a two-month promotion that includes 3-years' of prepaid subscriptions. We understand that the company, like XM, is exploring the possibility of including the service fee as part of the lease payments for the vehicles, which will further improve take rates. By 2013, we are projecting around 80% deployment rates, which is in line with the deployment levels we are projecting for XM on the GM platform, and significantly lower than our projections for XM's install rates with the Japanese and Korean manufacturers.

Exhibit 4. Sirius Satellite Radio – OEM Subscriber Projections by Manufacturer ('000s)

	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
DaimlerChrysler									
Vehicles Sold	2,378	2,366	2,355	2,355	2,355	2,355	2,355	2,355	(0.1)%
% Models with Sirius Availability	*63.5%*	*75.0%*	*87.5%*	*95.0%*	*95.0%*	*95.0%*	*95.0%*	*95.0%*	
"Sirius Available" Vehicles Sold	1,511	1,775	2,060	2,237	2,237	2,237	2,237	2,237	5.8%
% of Vehicles Installed with Sirius Radio	*50.0%*	*65.0%*	*66.7%*	*70.1%*	*73.4%*	*76.7%*	*80.1%*	*85.0%*	
Gross Subscriber Additions	**755**	**1,018**	**1,375**	**1,568**	**1,642**	**1,717**	**1,791**	**1,901**	14.1%
% of Vehicles Sold with Satellite Radio	**32%**	**43%**	**58%**	**67%**	**70%**	**73%**	**76%**	**81%**	
Promotional Subscribers Converted	256	601	832	550	627	657	687	717	
Promotion Conversion Rate	40%	40%	40%	40%	40%	40%	40%	40%	
Beginning Subscribers	603	1,073	1,589	2,288	2,864	3,331	3,758	4,148	
Gross Subscriber Additions	755	1,018	1,375	1,568	1,642	1,717	1,791	1,901	
Self Pay Churn	(22)	(66)	(102)	(167)	(234)	(304)	(372)	(437)	
Promotional Disconnects	(263)	(436)	(574)	(825)	(941)	(985)	(1,030)	(1,075)	
Net Additions	470	516	699	576	467	427	389	390	(2.6)%
Ending Subscribers	**1,073**	**1,589**	**2,288**	**2,864**	**3,331**	**3,758**	**4,148**	**4,537**	22.9%
Average Base	148	406	784	1,165	1,492	1,865	2,199	2,496	[illegible]
Monthly Self-Pay Churn	1.3%	1.3%	1.2%	1.3%	1.3%	1.4%	1.4%	1.5%	
Ford									
Vehicles Sold	2,850	2,822	2,822	2,822	2,822	2,822	2,822	2,822	
% Models with Sirius Availability	*27.1%*	*75.0%*	*87.5%*	*95.0%*	*95.0%*	*95.0%*	*95.0%*	*95.0%*	
"Sirius Available" Vehicles Sold	774	2,116	2,469	2,680	2,680	2,680	2,680	2,680	19.4%
% of Vehicles Installed with Sirius Radio	*33.0%*	*36.0%*	*43.4%*	*51.7%*	*60.0%*	*68.4%*	*76.7%*	*85.0%*	
Gross Subscriber Additions	**229**	**712**	**1,072**	**1,387**	**1,609**	**1,832**	**2,055**	**2,278**	38.8%
% of Vehicles Sold with Satellite Radio	**8%**	**25%**	**38%**	**49%**	**57%**	**65%**	**73%**	**81%**	
Promotional Subscribers Converted	(17)	311	607	429	555	644	733	822	
Promotion Conversion Rate	40%	40%	40%	40%	40%	40%	40%	40%	
Beginning Subscribers	26	209	679	1,215	1,833	2,404	2,981	3,558	
Gross Subscriber Additions	229	712	1,072	1,387	1,609	1,832	2,055	2,278	38.8%
Self Pay Churn	(4)	(25)	(65)	(125)	(206)	(290)	(379)	(473)	
Promotional Disconnects	(43)	(217)	(471)	(643)	(832)	(966)	(1,099)	(1,233)	
Net Additions	183	470	535	618	571	577	577	572	17.7%
Ending Subscribers	**209**	**679**	**1,215**	**1,833**	**2,404**	**2,981**	**3,558**	**4,130**	53.2%
Average Base	24	152	447	830	1,314	1,776	2,242	2,705	95.9%
Monthly Self-Pay Churn	1.3%	1.3%	1.2%	1.3%	1.3%	1.4%	1.4%	1.5%	
Others									
Vehicles Sold	1,870	1,220	543	589	458	329	221	110	(33.3)%
% Models with Sirius Availability	*25.0%*	*42.3%*	*50.0%*	*57.5%*	*67.5%*	*77.5%*	*87.5%*	*97.5%*	
"Sirius Available" Vehicles Sold	468	516	272	339	309	255	193	107	(19.0)%
% of Vehicles Installed with Sirius Radio	*190.1%*	*165.0%*	*80.0%*	*80.0%*	*80.0%*	*80.0%*	*80.0%*	*80.0%*	
Gross Subscriber Additions	**558**	**552**	**217**	**271**	**247**	**204**	**155**	**86**	(23.5)%
% of Vehicles Sold with Satellite Radio	**30%**	**45%**	**40%**	**46%**	**54%**	**62%**	**70%**	**78%**	
Promotional Subscribers Converted	99	332	159	87	108	99	82	62	
Promotion Conversion Rate	37%	41%	40%	40%	40%	40%	40%	40%	
Beginning Subscribers	222	701	953	778	834	828	789	724	
Gross Subscriber Additions	558	552	217	271	247	204	155	86	(23.5)%
Self Pay Churn	(4)	(40)	(75)	(85)	(90)	(95)	(98)	(97)	
Promotional Disconnects	(75)	(259)	(318)	(130)	(163)	(148)	(122)	(93)	
Net Additions	479	252	(175)	56	(5)	(39)	(66)	(104)	
Ending Subscribers	**701**	**953**	**778**	**834**	**828**	**789**	**724**	**620**	(1.7)%
Average Base	27	249	465	562	572	583	577	552	53.5%
Monthly Self-Pay Churn	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%	1.4%	1.5%	

OEM Conversion Rates Assumed to Remain at 40% Levels.

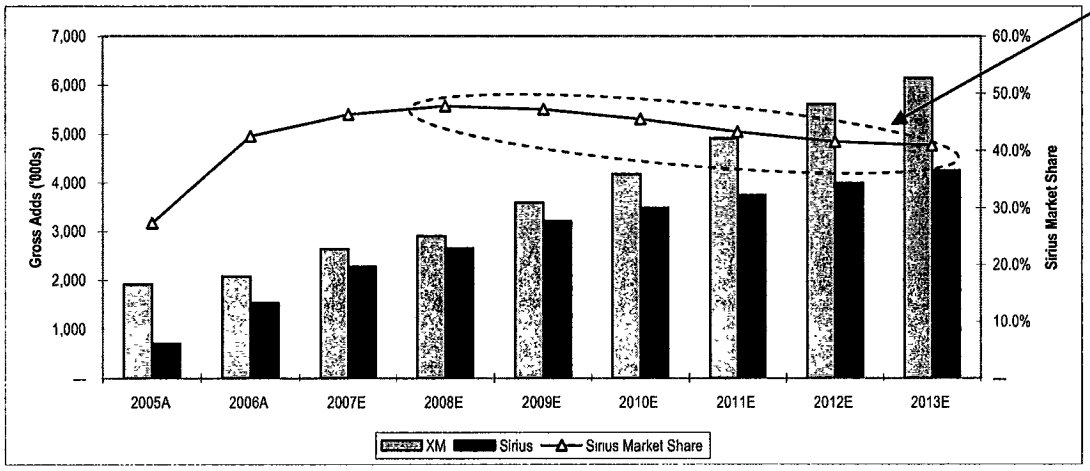
OEM Self-Pay Churn Projected to Increase Over the Forecast Period.

Source: Company Documents; Bear, Stearns & Co. Inc.

1.4 – Market Share of OEM Subscribers Projected at ~40% by 2013. On the OEM front, we are projecting 9.3 million subscribers by year-end 2013. In aggregate, we are projecting DaimlerChrysler with 4.5 million subscribers at YE 2013 and Ford with 4.1 million subscribers, and the other manufacturers with ~600k subscribers. We are projecting Sirius' OEM gross additions to account for an increasing fraction of the total OEM gross additions to the industry; in 2005, we estimate Sirius' market share was about 27% that increased to about 43% in 2006; by 2008, we think it could improve to ~48% of the total before Hyundai, Nissan, and Toyota turn the market share in XM's favor. By 2013, we estimate Sirius' gross additions from the OEM channel likely will account for only about 41% of the total.

Exhibit 5. Sirius Satellite Radio – OEM Subscriber Projections ('000s)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Beginning Subscribers	232	851	1,983	3,221	4,281	5,530	6,563	7,528	8,429
Gross Additions	**717**	**1,542**	**2,282**	**2,664**	**3,225**	**3,499**	**3,753**	**4,001**	**4,265**
Self Pay Churn	(36)	(30)	(130)	(242)	(377)	(531)	(689)	(848)	(1,007)
Promotional Disconnects	(62)	(381)	(913)	(1,363)	(1,599)	(1,935)	(2,099)	(2,252)	(2,401)
Net Additions	**619**	**1,132**	**1,239**	**1,059**	**1,249**	**1,033**	**965**	**901**	**858**
Ending Subscribers	**851**	**1,983**	**3,221**	**4,281**	**5,530**	**6,563**	**7,528**	**8,429**	**9,287**
Average Total Base	542	1,417	2,602	3,751	2,497	3,378	4,225	5,018	5,753
All-in Churn	1.5%	2.4%	3.3%	3.6%	6.6%	6.1%	5.5%	5.1%	4.9%



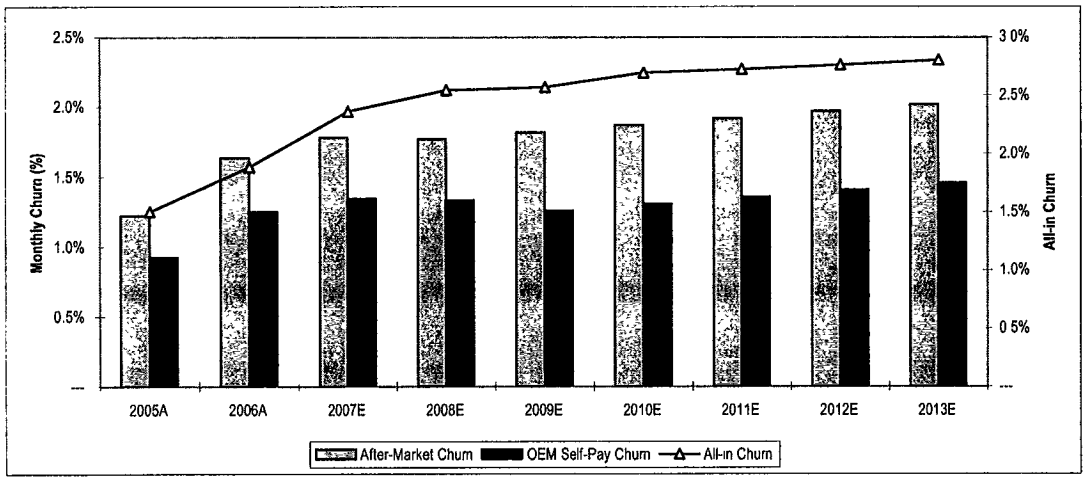
We are projecting Sirius' OEM gross additions to account for an increasing fraction of the total OEM gross additions to the industry; in 2005, we estimate Sirius' market share was about 27% that increased to about 43% in 2006; by 2008, we think it could improve to ~48% of the total before Hyundai, Nissan, and Toyota turn the market share in XM's favor.

Source: Company Documents; Bear, Stearns & Co. Inc.

1.5 – After-Market Churn Expected to Trend Upwards. At the 4Q06 conference call, the company disclosed that its self-pay churn was 1.6% for the year, which was in line with the metric in 2005. XM's self-pay churn, on the other hand, inched up to the 1.8% levels in 2006 from 1.4% in 2005; in 1Q07, XM's self-pay churn was 1.78% compared to 1.64% in 1Q06. We understand that self-pay churn is generally significantly lower for the OEM subscribers compared to the after-market subscribers, and for Sirius, almost 90% of the existing subscribers, whose contracts are up for renewal, generally renew.

Exhibit 6. Sirius Satellite Radio – After-Market Churn (%)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E
After-Market Churn	1.2%	1.6%	1.8%	1.8%	1.8%	1.9%	1.9%	2.0%	2.0%
OEM Self-Pay Churn	0.9%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%	1.4%	1.5%
All-in Churn	1.5%	1.9%	2.4%	2.5%	2.6%	2.7%	2.7%	2.8%	2.8%



Source: Company Documents; Bear, Stearns & Co. Inc.

1.6 – OEM Conversion Rates Assumed to Remain at ~40%, In Line With 1Q07 Estimate. At the 4Q06 conference call, the company disclosed that its self-pay churn was 1.6% for the year, which was in line with the metric in 2005. Overall churn for the year was 1.9%, which suggests an OEM conversion rate of about 40%. Note that this conversion rate that we calculated based on reported metrics cannot be compared to the ~50% conversion rates disclosed by XM, as their conversion rates cannot be

calculated from the publicly disclosed metrics. In addition, while XM's OEMs include three-free months of subscription in the price of the car, Sirius' OEMs list the Sirius subscription price as a separate line item in the new vehicle's price sticker. Although it can be argued that the new vehicle buyer may negotiate a deal with the dealer wherein the Sirius subscription price is "lost" in the total price of the vehicle, the buyer is making a conscious decision to pay for the service. As such, it is difficult to draw the line and say where the buyer becomes a self-paying subscriber. Needless, we have assumed that the new vehicle buyer is a promotional subscriber (as XM defines the term) until he or she gives their credit card information to Sirius for regular billing.

Exhibit 7. Sirius Satellite Radio – OEM Historical Conversion Rates (%)

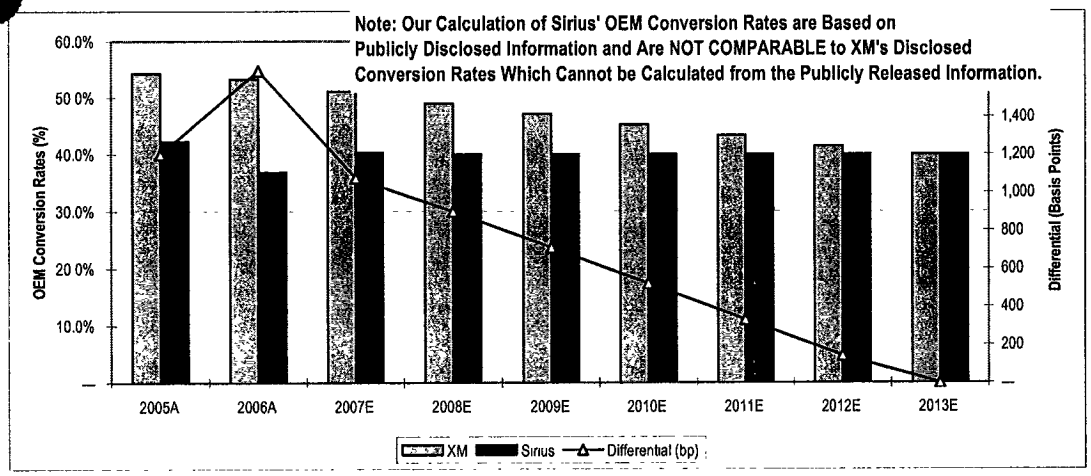
	1Q05A	2Q05A	3Q05A	4Q05A	1Q06A	2Q06A	3Q06A	4Q06A	1Q07A
OEM Gross Adds									
DCX	92	114	133	181	184	189	173	209	229
F	---	---	6	19	45	60	54	71	178
Others	26	23	36	86	69	162	123	203	166
OEM Promotional Conversion Rate									
OEM Gross Adds for the Period									
DCX					100	92	114	133	181
F					---	6	19	45	60
Others					14	26	23	36	86
Total					114	124	156	215	326
OEM Promotional Disconnects					(69)	(84)	(105)	(122)	(191)
Net OEM Promotional Conversions					44	40	51	93	135
OEM Promotional Conversion Rate					**39.0%**	**32.6%**	**32.6%**	**43.3%**	**41.5%**
Total Subscriber Base									
Beginning Subscribers	1,143	1,449	1,815	2,174	3,317	4,078	4,678	5,119	6,025
Gross Additions	**354**	**433**	**465**	**1,267**	**961**	**831**	**732**	**1,235**	**988**
Disconnects									
OEM Promotional Disconnects	(7)	(11)	(21)	(22)	(69)	(84)	(105)	(122)	(191)
OEM Self-Pay Churn	(4)	(5)	(6)	(21)	(3)	(3)	(9)	(14)	(19)
After-Market Disconnects	(38)	(51)	(79)	(80)	(127)	(143)	(177)	(193)	(223)
Total Disconnects	(49)	(67)	(106)	(124)	(199)	(230)	(291)	(329)	(432)
Net Additions	**305**	**366**	**359**	**1,143**	**761**	**600**	**441**	**905**	**556**
Ending Subscribers	**1,449**	**1,815**	**2,174**	**3,317**	**4,078**	**4,678**	**5,119**	**6,025**	**6,581**
Average Subscribers	1,296	1,632	1,994	2,745	3,697	4,378	4,899	5,572	6,303
Implied Monthly Churn	1.3%	1.4%	1.8%	1.5%	1.8%	1.8%	2.0%	2.0%	2.3%
Self-Paying Subscriber Base									
Beginning Subs	929	1,133	1,393	1,629	2,600	3,187	3,532	3,839	4,587
Gross Adds	246	316	321	1,073	717	492	492	956	532
Disconnects	(42)	(55)	(85)	(102)	(130)	(146)	(186)	(207)	(241)
Net Adds	204	260	236	971	587	345	306	749	291
Ending Subs	**1,133**	**1,393**	**1,629**	**2,600**	**3,187**	**3,532**	**3,839**	**4,587**	**4,878**
Ave Self-Paying Base	1,031	1,263	1,511	2,115	2,893	3,359	3,685	4,213	4,733
OEM Promotional Subscribers	(316)	(422)	(545)	(717)	891	1,146	1,281	1,437	1,703
Self-Paying Churn Rate	1.4%	1.5%	1.9%	1.6%	1.5%	1.5%	1.7%	1.6%	1.7%

Source: Company Documents; Bear, Stearns & Co. Inc.

In our model, we have projected subscribers on a conservative basis, assuming conversion rates remain at about current levels over our forecast period. We believe that there are strategies that Sirius can adopt that may improve conversion rates over time, including (i) limit the deployment levels in models that do not show a high propensity to subscriber, (ii) improving dealership-level communications, (iii) offering a tiered pricing structure which reduces the price of basic subscription to below $10, and (iv) improving the customer care efforts targeting the OEM customers, including "Welcome Packs," and "Save" teams. Note that we have reduced our conversion rate estimate for XM over the same period to 40% for most OEM distributors, except Hyundai, which is assumed to be at a significantly lower level than the other OEM players. However, XM's disclosed metric likely would improve over time as the newer OEMs begin to ramp us production (Hyundai, Nissan, and Toyota) where the company will only include people who become self-paying subscribers in the gross additions count.

Exhibit 8. Sirius Satellite Radio – OEM Conversion Rate (%)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E
XM	54.3%	53.3%	51.1%	49.0%	47.1%	45.2%	43.3%	41.4%	40.0%
Sirius	42.3%	36.9%	40.4%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Differential (bp)	1,199	1,642	1,076	900	711	521	332	143	—

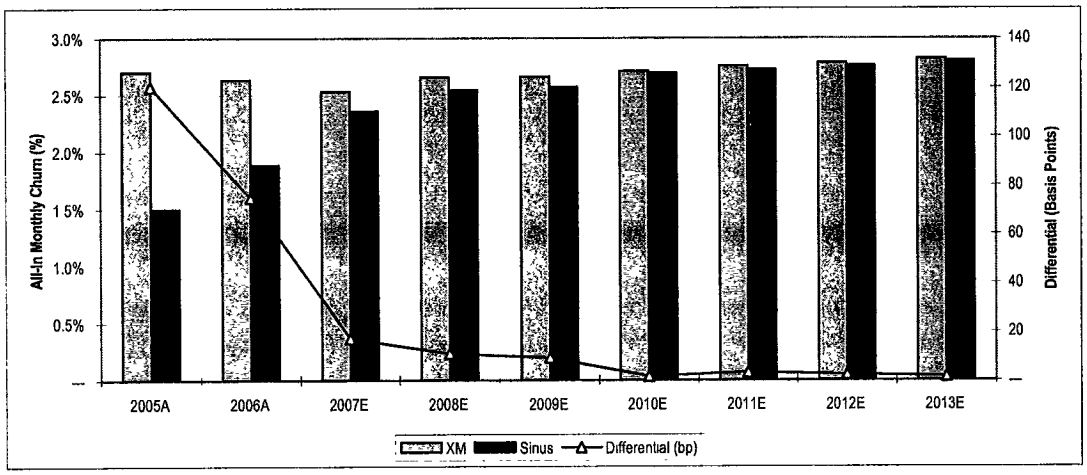


Source: Company Documents; Bear, Stearns & Co. Inc.

1.7 – All-In Churn Assumed to Increase to XM's Level by 2009. Sirius' all-in churn has historically been lower than XM's estimated metric given Sirius' disconnects from the OEM channel were limited as its OEM partners were still ramping up. In 1Q07, Sirius' all-in churn was 2.3% and the guidance for the year is 2.2%-2.4%. We expect this churn rate increases to XM's level by 2009, and stays about level with XM thereafter. While Sirius' after-market churn is projected to be marginally lower than XM's and we are assuming that its OEM self-pay churn remains level with XM's in the future, all-in churn converges because of XM's accounting treatment for the subscribers from the newer OEMs which will be included in its numbers only after they become self-paying subscribers (i.e. at 100% conversion rate).

Exhibit 9. Sirius Satellite Radio – All-In Churn (%)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E
XM	2.7%	2.6%	2.5%	2.7%	2.7%	2.7%	2.8%	2.8%	2.8%
Sirius	1.5%	1.9%	2.4%	2.5%	2.6%	2.7%	2.7%	2.8%	2.8%
Differential (bp)	120	75	17	11	9	2	3	2	2

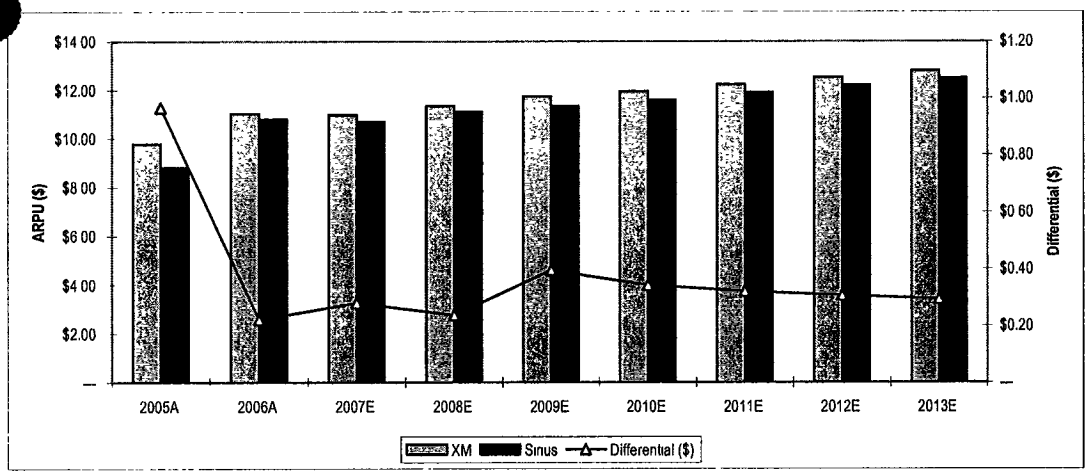


Source: Company Documents; Bear, Stearns & Co. Inc.

1.8 – ARPU Excluding Advertising Expected to Remain Significantly Below XM's. Sirius' ARPU excluding advertising sales has historically been lower than XM's although the gap narrowed significantly in 2006, and is projected to remain at about the same level in 2007. The difference has primarily been because of the accounting treatment for certain mail-in-rebates, although XM has a higher proportion of its subscribers on the family plans that have lower ARPU. We are projecting that the differential increases over the next two years before leveling off. Note, for both companies we are assuming a $0.50 price increase in 2Q08, and increasing thereafter at about 2% per year. While XM's $3 price increase likely resulted in higher churn/retention costs and

lower conversion rates, we think both companies likely may be able to pass off a $0.50 increase to consumers without any significant disruption to the subscriber model.

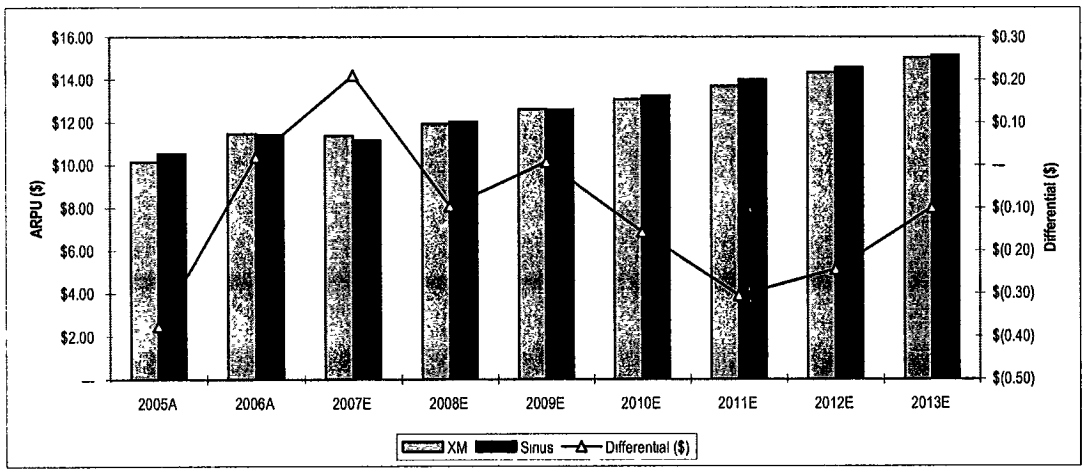
Exhibit 10. Sirius Satellite Radio – ARPU Excluding Advertising ($)



Source: Company Documents; Bear, Stearns & Co. Inc.

1.9 – Total ARPU Expected to Improve Vis-à-vis XM. Sirius' Total ARPU including advertising sales has historically been higher than XM's although the gap narrowed significantly in 2006, and is projected to further diverge marginally in 2007. The difference has primarily been because Sirius has made a focused effort to sell advertising around its talk content, primarily Howard Stern. While the company reported YoY decline in advertising sales in 1Q07; on the conference call, Sirius stated that the decline in ad sales was primarily due to Howard Stern, who is responsible for a significant amount of Sirius' advertising revenue, not working every Friday as he had done last year and he took a vacation in 1Q07. While the company is currently pacing slightly over 20% higher than it was last year (which would imply ad sales of $37.2 million for the year), it expects the pace would pick up later in 2007. We are projecting that the differential reverses in Sirius' favor by 2010 and that Sirius' Total ARPU remains marginally higher than XM's over the balance of the forecast period.

Exhibit 11. Sirius Satellite Radio – Total ARPU ($)

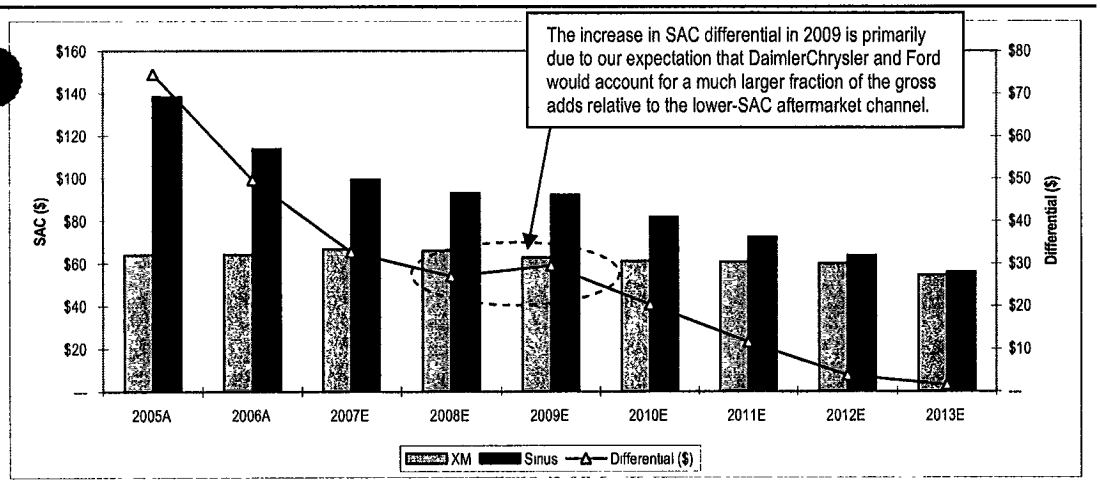


Source: Company Documents; Bear, Stearns & Co. Inc.

1.10 – SAC Expected to Converge Only by 2013. Sirius' SAC has historically been significantly higher than XM's given that it has generally been a generation or more behind in chipset deployment. While it is planning to launch new products at retail that are based on the 4th generation chipset later in the year, its OEM partners are likely to continue using the 2nd and 3rd generation chipsets that were available when they originally designed their vehicles. We expect SAC for both the companies will converge over time, and have projected retail SAC at the same levels going forward. Thus, the only difference would be the SAC for the OEM partners, which we are projecting likely will decline significantly over our forecast period.

Exhibit 12. Sirius Satellite Radio – SAC ($)

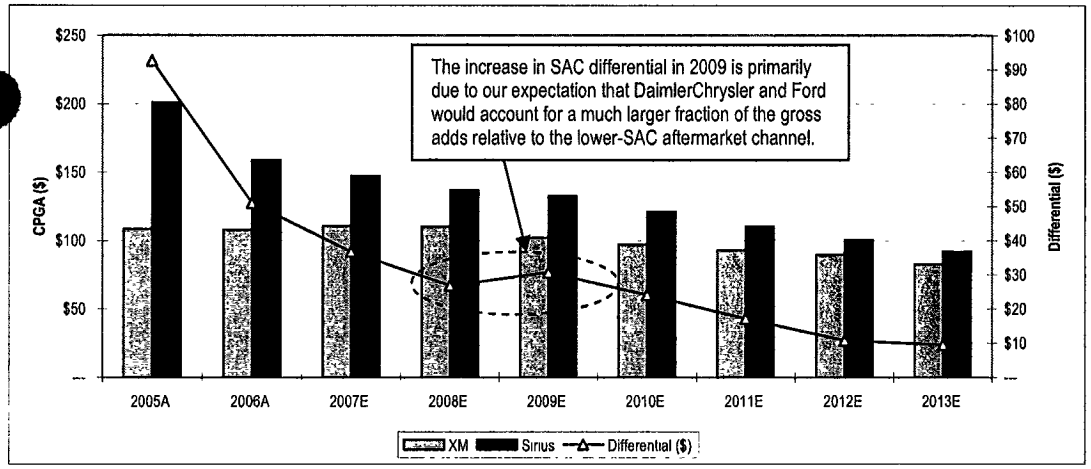
	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E
DaimlerChrysler and Ford									
Per Gross Add									
Initial Subsidy	$600	$227	$189	$141	$120	$102	$87	$74	$63
Final Subsidy	---	---	---	---	---	---	---	---	---
Total Subsidy	**$600**	**$227**	**$189**	**$141**	**$120**	**$102**	**$87**	**$74**	**$63**
Total Subsidy ($ '000s)									
Initial Subsidy	$246,292	$249,430	$283,511	$346,789	$355,075	$332,213	$308,220	$283,951	$262,257
Final Subsidy	---	---	---	---	---	---	---	---	---
Total SAC	**$246,292**	**$249,430**	**$283,511**	**$346,789**	**$355,075**	**$332,213**	**$308,220**	**$283,951**	**$262,257**
Other OEMs									
Per Gross Add									
Initial Subsidy	$25	$25	$25	$25	$25	$25	$25	$25	$25
Final Subsidy	8	8	8	8	8	8	8	8	8
Total Subsidy	**$33**	**$33**	**$33**	**$33**	**$33**	**$33**	**$33**	**$33**	**$33**
Total Subsidy ($ '000s)									
Initial Subsidy	$4,286	$13,938	$13,800	$5,435	$6,775	$6,177	$5,103	$3,863	$2,138
Final Subsidy	541	826	2,763	1,324	725	903	824	680	515
Total SAC	**$4,827**	**$14,764**	**$16,563**	**$6,758**	**$7,500**	**$7,080**	**$5,926**	**$4,544**	**$2,653**
Retail									
Per Gross Add									
Hardware & Other	$38	$54	$35	$27	$19	$13	$9	$6	$5
Commissions	20	20	20	20	20	20	20	20	20
Total Subsidy	**$58**	**$74**	**$55**	**$47**	**$39**	**$33**	**$29**	**$26**	**$25**
Total Subsidy ($ '000s)									
Hardware & Other	$62,028	$119,639	$60,898	$37,282	$22,772	$14,346	$9,038	$5,694	$3,587
Commissions	36,050	44,318	33,619	26,895	24,205	21,785	19,606	17,646	15,881
Total SAC	**$98,078**	**$163,957**	**$94,517**	**$64,177**	**$46,977**	**$36,131**	**$28,644**	**$23,340**	**$19,468**
Total SAC Expenses	**$349,197**	**$428,151**	**$394,591**	**$417,724**	**$409,552**	**$375,424**	**$342,791**	**$311,834**	**$284,378**
SAC per Gross Add	**$139**	**$114**	**$100**	**$104**	**$92**	**$82**	**$72**	**$64**	**$56**



Source: Company Documents; Bear, Stearns & Co. Inc.

1.11 – CPGA Expected to Remain Significantly Above XM's Levels. To calculate CPGA, we add the advertising and marketing expense per gross addition to the SAC – in the future, we are projecting that the aggregate marketing dollars that each company spends remains the same. CPGA, thus, merely follows the declining trend of Sirius' SAC.

Exhibit 13. Sirius Satellite Radio – CPGA ($)



Source: Company Documents; Bear, Stearns & Co. Inc.

INVESTMENT POINT 2 – OUR FINANCIAL MODEL IS CONSERVATIVE

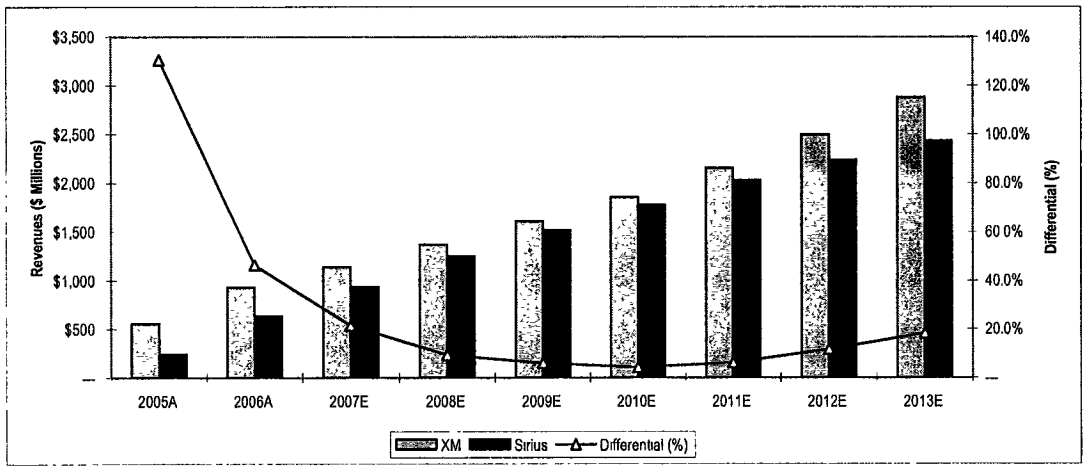
In addition to modest subscriber growth projections in our model, our assumptions on other key metrics are also conservative. We have modeled subscription ARPU increases at a modest 2% CAGR over our forecast horizon, to $12.20 in 2013, which is significantly below the $12.95 the company charges for the first subscription in the household, as we project multiple subscription households to increase as % of total subscriptions in the future. Total ARPU, which includes advertising revenues, is also projected to increase at less than 4% CAGR with advertising revenues estimated to grow faster than subscription revenues, albeit from lower levels. Our all-in churn estimate consistently is projected to increase from current levels as the growth matures and the subscriber base is reflective of the broader mass market. SAC is anticipated to decline over time, as the subsidies decline; however, we are projecting the decline to level off at around the mid-$50 levels in 2013, which is consistent with our projections for XM. CPGA is expected to decline to below $100 only by 2013.

1 – Revenue Gap with XM Expected to Decline Then Diverge Again. As Sirius' subscriber growth is projected to remain higher than XM's over the next few years, the difference in their total revenue projections is expected to narrow until 2010. Thereafter, XM's higher subscriber growth leads to increasing differential despite our projection of higher advertising sales revenues for Sirius over our forecast horizon. We are projecting total revenues to grow at 21% CAGR over the 2006-2013 period to $2.4 billion; in 2010, we expect revenues of $1.8 billion, which is significantly lower than the previous "guidance" of $3 billion. We think Sirius has a number of levers that it can tweak to improve ARPU and/or subscriber growth, including (i) price increases, which carry the potential for reduced subscriber growth depending on the quantum of the price hike, or (ii) tiered service packages, which will certainly further reduce the cost of entry for new subscribers thereby improving sub growth, but could also have a positive ARPU impact especially if more subscribers opt to take the premium packages, that may include Howard Stern. However, until the potential merger is pending regulatory review, we do not expect the company to make any substantial changes to its pricing structure. In addition, as Sirius rolls out the navigation, rear-seat video, as well as other telematics services, we see further potential for revenue upside over the medium-to-longer term.

Exhibit 14. Sirius Satellite Radio – Revenues ($ '000s)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Subscription Revenues										
Package Take Rates										
Family Package	11.4%	14.5%	23.5%	23.5%	24.0%	24.8%	25.4%	26.0%	26.5%	
Multiyear Program	40.7%	44.2%	43.0%	42.7%	43.1%	43.6%	44.1%	44.6%	45.1%	
Monthly Package Prices										
Basic Subscription	$12.95	$12.95	$12.95	$13.33	$13.66	$13.99	$14.33	$14.66	$14.99	2.1%
Family Package	6.99	6.99	6.99	6.99	7.20	7.42	7.64	7.87	8.10	2.1%
OEM Promotional Subs	11.87	11.87	11.87	12.21	12.52	12.83	13.13	13.44	13.74	2.1%
Multiyear Program	11.87	11.87	11.87	12.21	12.52	12.83	13.13	13.44	13.74	2.1%
Subscription Services Revenues										
Basic Subscription	$114,903	$239,077	$292,310	$334,224	$425,410	$469,413	$495,601	$517,490	$534,876	12.2%
Family Package	12,955	40,383	91,145	120,509	163,708	195,335	219,686	245,840	269,926	31.2%
OEM Promotional Subs	62,235	156,507	251,088	371,920	320,468	358,623	411,727	445,913	479,105	---
Multiyear Program	83,483	216,221	324,475	383,517	511,543	594,410	657,020	720,643	779,619	20.1%
Other/Promotions	(39,941)	(79,842)	(110,403)	(110,403)	(110,403)	(110,403)	(110,403)	(110,403)	(110,403)	---
Subscription Services	**$233,635**	**$572,346**	**$848,616**	**$1,099,768**	**$1,310,726**	**$1,507,378**	**$1,673,630**	**$1,819,482**	**$1,953,123**	19.2%
Total Revenues										
Subscriber Revenues										
Subscription Fees	$233,635	$572,346	$848,616	$1,099,768	$1,310,726	$1,507,378	$1,673,630	$1,819,482	$1,953,123	19.2%
Activation Revs	6,790	15,612	23,589	29,358	21,062	12,813	12,106	13,821	12,439	(3.2)%
Mail-In Rebates	(16,810)	(12,594)	(10,552)	(10,552)	(7,914)	(5,936)	(4,452)	(3,339)	(2,504)	(20.6)%
Subscriber Revenue	**$223,615**	**$575,364**	**$861,653**	**$1,118,574**	**$1,323,874**	**$1,514,256**	**$1,681,285**	**$1,829,964**	**$1,963,058**	**19.2%**
Advertising Revenue	6,131	31,044	38,618	96,592	151,724	222,367	304,269	363,510	425,801	45.4%
Equipment Revenues	12,271	26,798	34,151	32,829	35,467	35,824	36,092	36,359	36,783	4.6%
Other	228	4,029	5,604	5,884	6,178	6,487	6,811	7,152	7,510	9.3%
Total Revenues	**$242,245**	**$637,235**	**$940,025**	**$1,253,879**	**$1,517,243**	**$1,778,933**	**$2,028,457**	**$2,236,986**	**$2,433,151**	**21.1%**
% YoY Change	**262.3%**	**163.1%**	**47.5%**	**33.4%**	**21.0%**	**17.2%**	**14.0%**	**10.3%**	**8.8%**	
Revenue Breakdown										
Subscriber Revenues										
Subscription Fees	96.4%	89.8%	90.3%	87.7%	86.4%	84.7%	82.5%	81.3%	80.3%	
Activation Revs	2.8%	2.4%	2.5%	2.3%	1.4%	0.7%	0.6%	0.6%	0.5%	
Mail-In Rebates	(6.9)%	(2.0)%	(1.1)%	(0.8)%	(0.5)%	(0.3)%	(0.2)%	(0.1)%	(0.1)%	
Subscriber Revenue	**92.3%**	**90.3%**	**91.7%**	**89.2%**	**87.3%**	**85.1%**	**82.9%**	**81.8%**	**80.7%**	
Advertising Revenue	2.5%	4.9%	4.1%	7.7%	10.0%	12.5%	15.0%	16.3%	17.5%	
Equipment Revenues	5.1%	4.2%	3.6%	2.6%	2.3%	2.0%	1.8%	1.6%	1.5%	
Other	0.1%	0.6%	0.6%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	

We are projecting total revenues to grow at 21% CAGR over the 2006-2013 period to $2.4 billion; in 2010, we expect revenues of $1.8 billion, which is significantly lower than the previous "guidance" of $3 billion.



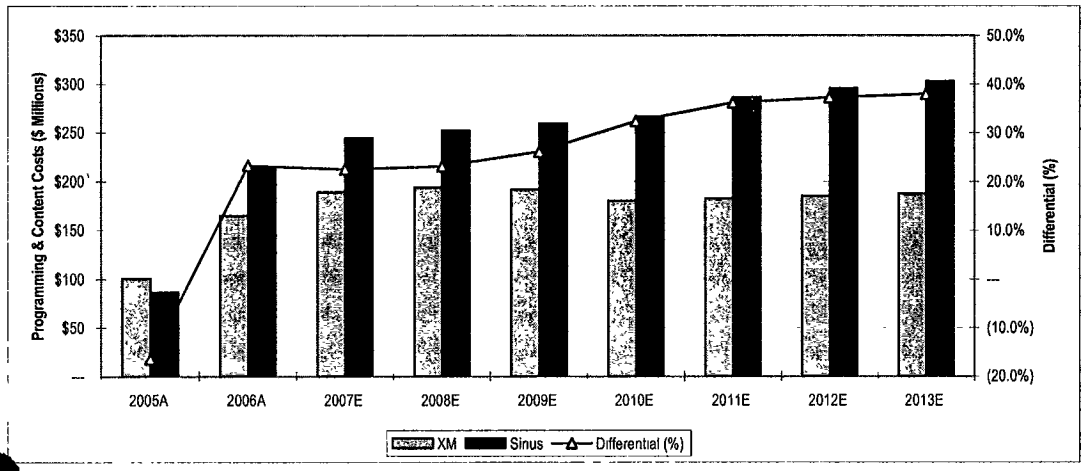
Source: Company Documents; Bear, Stearns & Co. Inc.

2.2 – Growth in Programming & Content Costs Expected to Increase to More than $300 Million. We are projecting programming and content costs, excluding stock based compensation, to increase at 5% CAGR over the 2006-2013 period to $303 million; however, on a per average subscriber per month, the line item declines 10% CAGR over the same period at $1.89 in 2013 from $3.87 in 2007. On the 1Q07 conference call, Sirius highlighted that its contribution margin, which is calculated as revenue less customer service & billing expenses, as well as revenue share & royalties and cost of equipment, continues to exceed 70% of revenue. Fixed costs, excluding the non-cash items of depreciation and stock compensation, in the quarter were up 9% YoY compared to a 61% growth in revenue. As a result, $0.60 of every $1 increase in revenue turned into an improvement in pre-SAC EBITDA which came in at positive $19 million for the quarter. Including the SAC improvement of 8% YoY, the company

disclosed that adjusted EBITDA improved by $0.68 for every $1 of incremental revenue. Compared to XM, we believe Sirius' programming and content costs will continue to remain significantly higher; in 2006, Sirius' costs more than 20% higher and we expect the differential to increase to more than 35% by 2013. *Note that our projections for all of XM's expenses include stock based compensation which are excluded from our Sirius estimates, hence the differential may be higher than what is displayed on the graphs relating to expenses.*

Exhibit 15. Sirius Satellite Radio – Programming & Content Costs ($ '000s)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Cost of Studios & Staff	$61,723	$105,557	$118,524	$122,080	$124,521	$127,012	$129,552	$132,143	$134,786	3.6%
Cost of Ad Sales	2,191	3,579	5,042	9,343	14,126	18,807	23,255	27,341	31,982	36.7%
NFL Sunday Drive	22,896	26,090	22,829	22,829	22,829	22,829	25,682	25,682	25,682	(0.2)%
NASCAR	---	---	18,275	18,275	18,275	18,275	18,275	20,559	20,559	---
Howard Stern	---	80,000	80,000	80,000	80,000	80,000	90,000	90,000	90,000	---
Total Costs	**$86,810**	**$215,226**	**$244,670**	**$252,527**	**$259,751**	**$266,922**	**$286,765**	**$295,725**	**$303,010**	**5.0%**
% Of Revenues	---	33.8%	26.0%	20.1%	17.1%	15.0%	14.1%	13.2%	12.5%	---
Cost/Sub/Month	**$3.77**	**$3.87**	**$2.91**	**$2.43**	**$2.16**	**$1.99**	**$1.98**	**$1.93**	**$1.89**	**(9.7)%**



Source: Company Documents; Bear, Stearns & Co. Inc.

2.3 – Revenue Share & Royalties – Projecting 10% Music Royalties from 2007 Onwards Compared to ~5% Currently. There are two broad components of the line item that Sirius has begun to break out in its income statement beginning with 1Q07 – music royalties and revenue share to the OEM partners.

- **10% Music Royalties, with catch-up in 2008.** Sirius was expensing about 5% of revenues in 2006 as music royalties based on the agreements that expired at 2006 year-end. For 2007, the company has been accruing the expense at the same rate even as the Copyright Royalty Board (CRB) is considering what the appropriate royalty level should be for the satellite radio companies. Recall that SoundExchange, which collects royalties from digital music services on behalf of the artists, filed its case before the Copyright Royalty Board on October 30, 2006 requesting royalties starting at 10% of gross revenues and then "gradually increasing" over the next six years, to 23% in the sixth year. In their response, the satellite radio companies proposed that the 7.25% fee set by the Congress in 1998 for pre-existing subscription services (like Music Choice, which provides the music content to the cable operators) needs to be adjusted for the costs that Sirius and XM bear in offering their services, which services like Music Choice do not need to defray. The costs include investments in developing the technology and infrastructure (satellites, repeaters, studios, etc), designing and subsidizing consumer and OEM products, creating compelling programming that would be competitive with free terrestrial radio (which does not pay any royalties), creating brand awareness, and developing the consumer service infrastructure. Sirius also suggested that there is significant value created by non-music content and cited the examples of programming created by Howard Stern and Martha Stewart. Adjusting for these differences, Sirius believes that a reasonable royalty rate would be 0.88% of gross subscription revenues plus advertising revenues on the music channels (which is zero currently). In its 1Q07 10Q, Sirius stated that the respective filings marked the beginning of an 18-month arbitration process at the CRB, absent an agreement among the parties. The only agreement that has been signed thus far has been XM's pact with ASCAP, which was concluded in July 2006; under the terms of the agreement, we understand that XM is obligated to pay ASCAP about 1.4% of subscriber revenues, which is unchanged from the previous agreement.

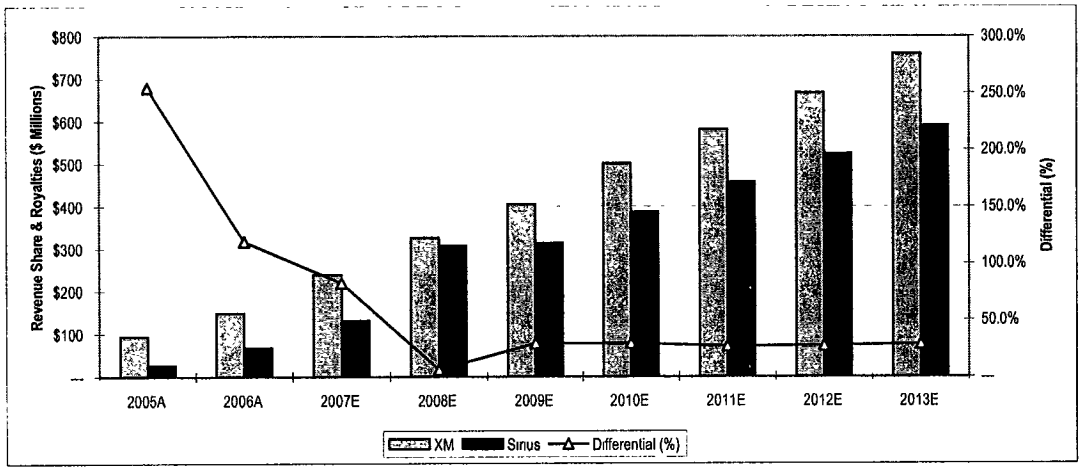
  We are projecting music royalties at 10% of revenues for our forecast period. Excluding ASCAP (which likely would settle for the same rate with Sirius as it has with XM), this 10% rate implies that the other entities that collect music

royalties would get a 2.5x increase in their royalty rates. In 2008, however, we have increased the expense to 13.7% as the royalty rate would be retroactively applicable to 2007 as well.

- **25% Revenue Share to OEM Partners.** We are projecting a 25% revenue share for DaimlerChrysler and Ford and 10% for the other, smaller, OEM partners, which is in line with street expectations. XM's revenue share expense has been higher, and is expected to remain significantly higher than Sirius' primarily because of the GM agreement which stipulates a much higher revenues share.

Exhibit 16. Sirius Satellite Radio – Revenue Share & Royalties ($ '000s)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Music Royalties	**$12,450**	**$32,751**	**$48,187**	**$171,203**	**$151,724**	**$177,893**	**$202,846**	**$223,699**	**$243,315**	**33.2%**
% Of Revenues	---	5.1%	5.1%	13.7%	10.0%	10.0%	10.0%	10.0%	10.0%	---
DaimlerChrysler Revenue Share										
Ave Subs	360	846	1,331	1,938	2,576	3,097	3,545	3,953	4,342	26.3%
OEM ARPU	$11.87	$11.87	$11.87	$12.21	$12.52	$12.83	$13.13	$13.44	$13.74	2.1%
Attributable Revs	$46,697	$120,430	$189,255	$289,728	$387,004	$476,699	$558,530	$637,377	$716,114	29.0%
Revenue Share %	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	---
Revenue Share	**$11,674**	**$30,575**	**$47,314**	**$72,432**	**$96,751**	**$119,175**	**$139,633**	**$159,344**	**$179,028**	**28.7%**
% Of Revenues	---	4.8%	5.0%	5.8%	6.4%	6.7%	6.9%	7.1%	7.4%	---
Ford Revenue Share										
Ave Subs	13	117	444	947	1,524	2,118	2,692	3,270	3,844	---
OEM ARPU	$11.87	$11.87	$11.87	$12.21	$12.52	$12.83	$13.13	$13.44	$13.74	2.1%
Attributable Revs	$691	$17,212	$69,027	$140,667	$228,907	$326,019	$424,267	$527,184	$633,883	---
Revenue Share %	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	---
Revenue Share	**$173**	**$4,303**	**$17,257**	**$35,167**	**$57,227**	**$81,505**	**$106,067**	**$131,796**	**$158,471**	---
% Of Revenues	---	0.7%	1.8%	2.8%	3.8%	4.6%	5.2%	5.9%	6.5%	---
Other OEM Revenue Share										
Ave Subs	177	27	1,331	1,938	562	572	583	577	552	53.5%
OEM ARPU	$11.87	$11.87	$11.87	$12.21	$12.52	$12.83	$13.13	$13.44	$13.74	2.1%
Attributable Revs	$21,750	$3,909	$189,255	$289,728	$84,396	$88,045	$91,899	$93,054	$90,990	56.8%
Revenue Share %	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	---
Revenue Share	**$2,175**	**$391**	**$18,925**	**$28,973**	**$8,440**	**$8,805**	**$9,190**	**$9,305**	**$9,099**	**56.8%**
% Of Revenues	---	0.1%	2.0%	2.3%	0.6%	0.5%	0.5%	0.4%	0.4%	---
Total Costs	**$26,472**	**$68,020**	**$131,683**	**$307,774**	**$314,141**	**$387,377**	**$457,735**	**$524,144**	**$589,913**	**36.2%**
% Of Revenues	---	10.7%	14.0%	24.5%	20.7%	21.8%	22.6%	23.4%	24.2%	---
Cost/Sub/Month	**$1.15**	**$1.22**	**$1.57**	**$2.96**	**$2.61**	**$2.89**	**$3.16**	**$3.42**	**$3.67**	**17.0%**

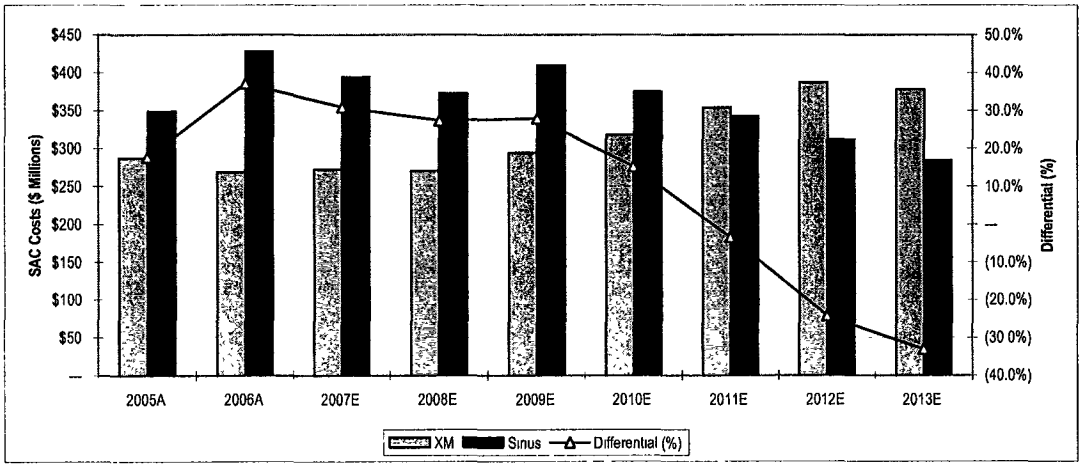


Source: Company Documents; Bear, Stearns & Co. Inc.

2.4 – SAC Costs Decline Only 5% Annually; Higher Gross Adds Offset by Lower SAC/Gross Add. Sirius' SAC has historically been significantly been higher than XM's given that it has generally been a generation or more behind in chipset deployment. While it is planning to launch new products at retail that are based on the 4th generation chipset later in the year, its OEM partners are likely to continue using the 2nd and 3rd generation chipsets that were available when they originally designed their vehicles. We expect SAC per gross addition for both the companies will converge over time, and have projected retail SAC at the same levels going forward. Thus, the only difference would be the SAC for the OEM partners, which we are projecting likely will decline significantly over our forecast period. However, the aggregate SAC costs for Sirius is expected to decline significantly below XM's levels (after being high until 2010) as XM's gross additions increase significantly via the newer OEM partners.

Exhibit 17. Sirius Satellite Radio – SAC Costs ($ '000s)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Subscriber Acquisition Costs (SAC)										
bsidies & Distribution	$349,641	$419,716	$360,806	$348,673	$404,306	$384,106	$360,836	$336,194	$313,149	(4.1)%
st of Equipment	11,827	35,233	67,937	57,099	40,713	27,141	18,047	12,000	8,012	(19.1)%
Equipment Revs	(12,271)	(26,798)	(34,151)	(32,829)	(35,467)	(35,824)	(36,092)	(36,359)	(36,783)	4.6%
SAC Costs	**$349,197**	**$428,151**	**$394,591**	**$372,943**	**$409,552**	**$375,424**	**$342,791**	**$311,834**	**$284,378**	**(5.7)%**
Sales and Marketing	157,737	169,462	189,801	176,703	179,230	181,795	179,399	178,816	181,499	1.0%
CPGA Expenses	**$506,934**	**$597,613**	**$584,392**	**$549,646**	**$588,783**	**$557,219**	**$522,190**	**$490,650**	**$465,877**	**(3.5)%**
% Of Revenues	---	93.8%	62.2%	43.8%	38.8%	31.3%	25.7%	21.9%	19.1%	---

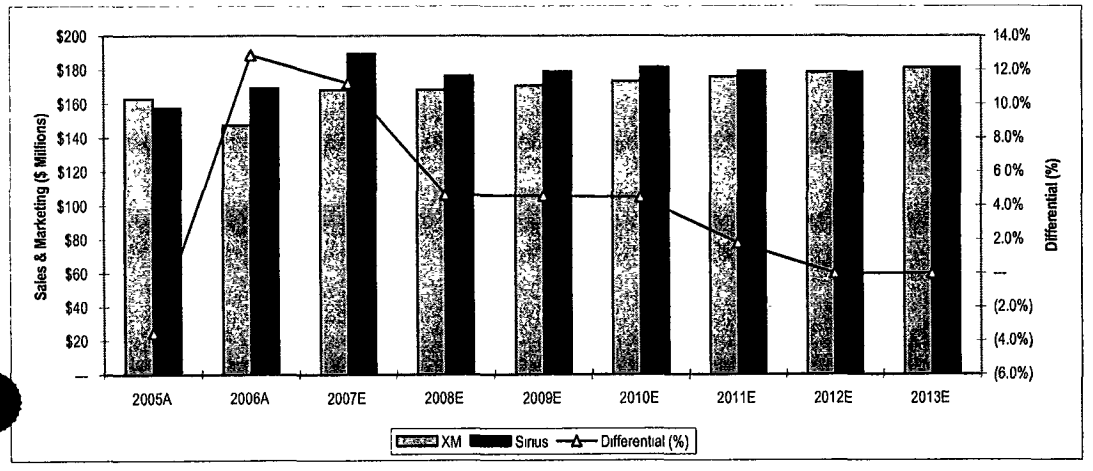


Source: Company Documents; Bear, Stearns & Co. Inc.

2.5 – Sales & Marketing Costs Assumed Same for Both Despite Lower Gross Adds. We are projecting that the sales and marketing costs for the two companies converge – we think this is a conservative estimate given that we are projecting gnificantly more gross additions for XM.

Exhibit 18. Sirius Satellite Radio – Sales and Marketing Costs ($ '000s)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Sales and Marketing										
Basic Sales & Marketing	$152,737	$164,462	$166,131	$168,478	$171,005	$173,570	$176,174	$178,816	$181,499	1.4%
NFL Sunday Drive	5,000	5,000	5,000	5,000	5,000	5,000	---	---	---	---
NASCAR Rights Fees	---	---	3,225	3,225	3,225	3,225	3,225	---	---	---
Stern Sub Bounty	---	---	15,445	---	---	---	---	---	---	---
Total Costs	**$157,737**	**$169,462**	**$189,801**	**$176,703**	**$179,230**	**$181,795**	**$179,399**	**$178,816**	**$181,499**	**1.0%**
% Of Revenues	---	26.6%	20.2%	14.1%	11.8%	10.2%	8.8%	8.0%	7.5%	---
Per Gross Subscriber Added										
SAC	**$139**	**$114**	**$100**	**$93**	**$92**	**$82**	**$72**	**$64**	**$56**	**(9.6)%**
Sales and Marketing	63	45	48	44	40	40	38	37	36	(3.2)%
CPGA	**$201**	**$159**	**$147**	**$137**	**$133**	**$121**	**$110**	**$100**	**$92**	**(7.5)%**

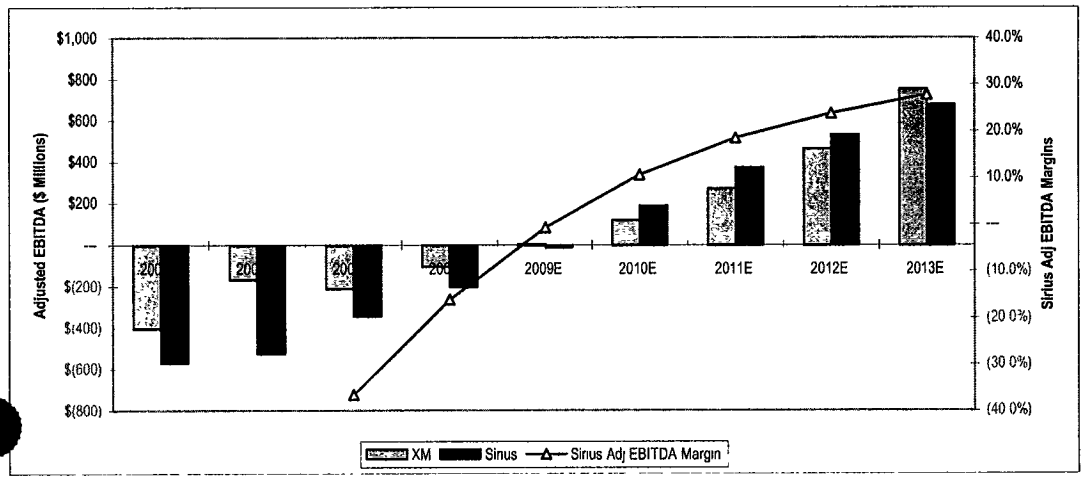


Source: Company Documents; Bear, Stearns & Co. Inc.

2.6 – Sirius' Adjusted EBITDA Margins May Still be Conservative. We are projecting Sirius Adjusted EBITDA to increase to ~$675 million by 2013 from $(345) million in 2007, representing margins of 28% in the terminal year. In contrast, XM's adjusted EBITDA is expected to increase to ~$750 million by 2013 from $(210) million in adjusted EBITDA this year, or a margin of 26% in the terminal year. XM's lower margins likely are primarily a result of the significantly higher OEM revenue share; Sirius' margins could be higher if it decides to curtail marketing spending given it is expected to have lower gross additions than XM over the longer term.

Exhibit 19. Sirius Satellite Radio – Adjusted EBITDA ($ '000s)

	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Revenues	**$242,245**	**$637,235**	**$940,025**	**$1,253,879**	**$1,517,243**	**$1,778,933**	**$2,028,457**	**$2,236,986**	**$2,433,151**	**21.1%**
Operating Expenses	809,752	1,161,293	1,284,292	1,455,622	1,528,669	1,590,578	1,654,192	1,703,715	1,755,844	6.1%
Adjusted EBITDA	**$(567,507)**	**$(524,058)**	**$(344,267)**	**$(201,743)**	**$(11,426)**	**$188,355**	**$374,265**	**$533,271**	**$677,307**	**—**
Adj EBITDA Margin	(234 3)%	(82 2)%	(36 6)%	(16 1)%	(0 8)%	10.6%	18.5%	23.8%	27.8%	—
Less: D&A	(98.555)	(105 749)	(109,450)	(115,802)	(139,633)	(136,961)	(116,210)	(124,718)	(137,198)	3.8%
Less: SBC	(163,078)	(437,918)	(97,040)	(97,040)	(89,107)	(101,000)	(115,027)	(130,837)	(147,932)	(14.4)%
EBIT	**$(829,140)**	**$(1,067,725)**	**$(550,757)**	**$(414,585)**	**$(240,166)**	**$(49,607)**	**$143,027**	**$277,717**	**$392,177**	**—**
EBIT Margin	(342.3)%	(167 6)%	(58 6)%	(33.1)%	(15 8)%	(2.8)%	7.1%	12.4%	16.1%	—



Source: Company Documents; Bear, Stearns & Co. Inc.

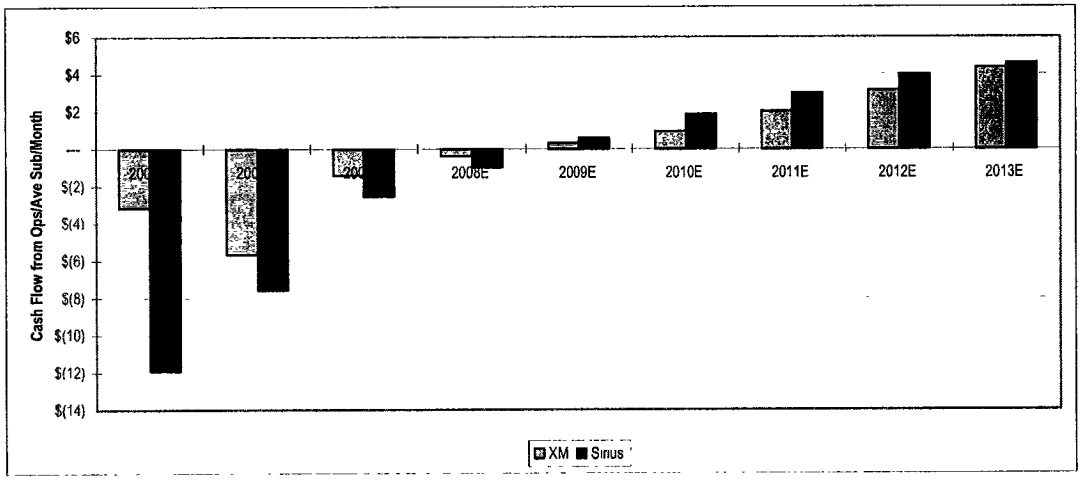
2.7 – We Are Projecting for Sirius to Add a GEO Satellite and Replace Two HEO Satellites. Over the next few years, Sirius is projected to add a GEO satellite, and replace two of its three HEO satellites. We are projecting significant capital expenditures during this period, including $85 million in 2007 (street consensus is about $72 million), $175 million in 2008 (street estimates, we understand, are between $150 million and $200 million), $80 million in 2009, $240 million in 2010, $155 million in 2011, $165 million in 2012, and, as the satellite-related capital expenditures decline in 2013, $30 million in 2013, primarily relating to repeaters and maintenance capex, for a total of around $900 million over the next 6 years. XM, on the other hand, recently completed its satellite replacement program.

2.8 – FCF Positive in 2009, Expected to Increase to 30% of Revenues by 2013. Both companies are projected to become FCF positive in 2009, and FCF margins are expected to be about similar in 2013; however, FCF for Sirius likely will be impacted by the timing of the capex related to satellite manufacture and launch over the next few years.

Exhibit 20. Sirius Satellite Radio – Free Cash Flows ($ '000s)

Sirius	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Free Cash Flows										
Cash Flow from Ops	$(273,740)	$(421,188)	$(213,424)	$(102,791)	$70,644	$250,991	$434,110	$614,808	$739,715	
Capex	(49,888)	(99,827)	(85,000)	(175,000)	(55,000)	(80,000)	(230,000)	(275,000)	(30,000)	
Free Cash Flow	**$(323,628)**	**$(521,015)**	**$(298,424)**	**$(277,791)**	**$15,644**	**$170,991**	**$204,110**	**$339,808**	**$709,715**	
% of Revenues	(133 6)%	(81 8)%	(31 7)%	(22 2)%	1.0%	9.6%	10.1%	15.2%	29.2%	

XM	2005A	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Free Cash Flows										
Cash Flow from Ops	**$(168,422)**	**$(462,091)**	**$(138,903)**	**$(42,754)**	**$39,965**	**$130,842**	**$316,538**	**$545,923**	**$833,161**	
Capex	(179,793)	(275,019)	(189,004)	(62,288)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	
Free Cash Flow	**$(348,215)**	**$(737,110)**	**$(327,907)**	**$(105,042)**	**$(20,035)**	**$70,842**	**$256,538**	**$485,923**	**$773,161**	
% of Revenues	(62.4)%	(79 0)%	(28 7)%	(7.7)%	(1.2)%	3.8%	11.9%	19.5%	26.9%	



Source: Company Documents; Bear, Stearns & Co. Inc.

INVESTMENT POINT 3 – OUR 2Q07 AND 2007 PROJECTIONS MORE CONSERVATIVE THAN STREET

In the following exhibit, we present our revised 2Q07 and 2007 estimates for the company and compare the key metrics with street consensus. For 2Q07, we are more conservative on gross adds, net adds, revenues, adjusted EBITDA, and FCF; in-line with the street on SAC and CPGA; however, we think 2Q churn likely will decline marginally from 1Q07 levels to 2.2% (which is at the lower end of the 2.2%-2.4% guidance range) in line with seasonality. For the full year, we are marginally reducing our ending subscribers projection of to 8.00 million from 8.05 million primarily due to a more conservative view to sub growth from aftermarket; our revised projection is also marginally lower than street consensus of 8.03 million. In addition, we remain more conservative on churn, SAC, revenues, and adjusted EBITDA, and significantly lower than the street on FCF.

Exhibit 21. Sirius Satellite Radio – Quarterly Comps ('000s)

	2Q07E	Consensus 2Q07E	% Variance	2007E	Consensus 2007E	% Variance
Key Subscriber Metrics						
Ending Subscribers	7,058	7,046	0.2%	8,001	8,030	(0.4%)
Gross Additions	922	932	(1 1%)	3,963	4,087	(3 0%)
Net Additions	477	465	2.7%	1,977	2,005	(1 4%)
Total ARPU	$10.93	$10.94	(0 1%)	$11.18	$10.79	3.6%
Implied Monthly Churn	2.2%	2.3%	(5 6%)	2.4%	2.3%	2.7%
SAC Per Gross Addition	$107	$105	1.6%	$100	$96	3.7%
CPGA - Cost Per Gross Addition	156	151	3.2%	147	153	(3.6%)
Income Statement						
Total Revenues	**$223,534**	**$228,000**	**(2.0%)**	**$940,025**	**$946,000**	**(0.6%)**
Adjusted EBITDA	**$(83,280)**	**$(71,000)**	**17.3%**	**$(344,267)**	**$(322,000)**	**6.9%**
Free Cash Flows (FCF)						
Net Cash From Operating Activities	$(50,364)	$(31,000)	62.5%	$(213.424)	$(161,000)	32.6%
Additions to property and equipment	(22,500)	(19,000)	18.4%	(85,000)	(72,000)	18.1%
Free Cash Flow	**$(72,864)**	**$(50,000)**	**45.7%**	**$(298,424)**	**$(233,000)**	**28.1%**
Free Cash Flow per Share	**$(0.05)**	**$(0.05)**	**(0.1%)**	**$(0.20)**	**$(0.17)**	**23.9%**

Source: Company Documents; Bear, Stearns & Co. Inc.

INVESTMENT POINT 4 – WE THINK THE LIQUIDITY ISSUE IS OVERBLOWN

We do not think the company is headed into liquidity challenges – Sirius bonds are trading at around par, and bond investors are more likely to price credit risk sooner than investors focused on equity, in our view. While we do see the need for the company to access the capital markets in 2008, we believe a refinancing of about $500 million likely may be sufficient to repay the convertible debt that is due in early 2009 as well as provide a $100 million cushion. Given where the existing bonds are trading, Sirius' leverage compared to XM (Sirius is at $690 million net debt or 13% of enterprise value compared to $1.1 billion net debt and 23% of enterprise value for XM), the emerging free cash flow profile (positive for full year 2009 and thereafter), visibility into subscriber growth via OEM distribution channel, and the potential for significant debt recovery in the event of a default, depending on the capital markets environment, we do not think refinancing the debt likely will be an insurmountable challenge. While the merger agreement requires Sirius to obtain XM's permission before raising significant additional financing under certain circumstances, we think, either (i) The $200 million we are projecting Sirius might raise in 1Q08 likely is well within the capital that Sirius is allowed to raise under the merger agreement, or (ii) Sirius will be able to obtain XM's permission to raise additional capital without giving away too much in concessions, or (ii) Sirius will conclude the refinancing after the merger decision has been made.

- **$300 Million Convert Bonds due Feb 15, 2009.** Sirius' $300 million 2.5% convertible bonds (that convert at $4.41, and are thus, out of the money currently) are due on February 15, 2009. Given that 1Q is seasonally a quarter in which the company loses cash, we do not think cash on hand likely will be sufficient to repay the bond on its due date.

- **Loral's $100 Million Vendor Financing Unlikely to be the Solution.** Sirius has access to the $100 million vendor financing facility from Loral which is undrawn; we understand about $42 million can be drawn currently. However, the facility matures on the earliest of the following three dates (i) April 6, 2009, (ii) 90 days after the new satellite becomes available for shipment (currently, the satellite is expected to be completed by 4Q08) and (iii) 30 days prior to the scheduled launch of the new satellite (target launch date late-2008/early-2009). As such, we do not think the company will be able to draw on the Loral facility to repay the convertible bonds.

- **Price Increase Could be An Alternative to Refinancing.** When XM raised their subscription price by 30% to $12.95 in 2005, although their growth arguably faltered, they were able to generate a significant amount of cash flows from subscribers prepaying multiple months and years at current rates. Recall that their working capital benefit from deferred revenues alone for the year was ~$210 million (which was comparable to Sirius'), whereas in 2006, their working capital benefit was $66 million compared to Sirius' $181 million.

Conservative Estimates Yield $500 Million in Additional Financing Required; However, Sirius Could Raise $200 Million in 1Q/2Q08 and Refinance the Convert When it Becomes Due. After tweaking our projections to make them more conservative on cash flows, we are projecting that the company will be free cash flow positive in 2009. In the interim, we think the company likely needs to raise $500 million to repay the convertible note in February 2009 as well as to provide about a $100 million cushion to the business. As an alternative, we believe it is possible that Sirius may access the capital markets to raise $200 million in 1Q/2Q08 as a cushion and refinance the convertible bonds when they become due in 2009.

Exhibit 22. Sirius Satellite Radio – Liquidity ('000s)

	1Q07A	2Q07E	3Q07E	4Q07E	2007E	1Q08E	2Q08E	3Q08E	4Q08E	2008E	1Q09E	2Q09E	3Q09E	4Q09E	2009E
Cash Flow from Operations															
Net Income	$(144,745)	$(147 222)	$(124,029)	$(184,996)	$(600,992)	$(166 348)	$(111,333)	$(89,318)	$(124,746)	$(491,744)	—	—	—	—	$(336,918)
D&A	26,786	27,245	27,555	27,864	109,450	28,356	28,846	29,149	29,451	115,802	—	—	—	—	139,633
Other Adjustments	27,653	25,025	25,025	25,025	102,728	24,260	24,260	24,260	24,260	97,040	—	—	—	—	89,107
Working Capital	(43,641)	44,588	(7 725)	182,168	175,391	14,957	26,359	(10,653)	145,450	176,112	—	—	—	—	180,421
Cash Flow from Operations	**$(133,947)**	**$(50.364)**	**$(79,174)**	**$50,062**	**$(213,424)**	**$(98.775)**	**$(31,868)**	**$(46,563)**	**$74,416**	**$(102,791)**	**—**	**—**	**—**	**—**	**$72,243**
Cash Flow from Investing															
Capital Expenditures	$(12,458)	$(22 500)	$(22,500)	$(27.542)	$(85,000)	$(27 500)	$(22,500)	$(22 500)	$(102,500)	$(175,000)	—	—	—	—	$(55,000)
Restricted Investments	(310)	—	24,850	5,450	29,990	22,550	—	25,310	—	47,860	—	—	—	—	—
Marketable Securities	10,850	—	—	—	10,850	—	—	—	—	—	—	—	—	—	—
Other	96	—	—	—	96	—	—	—	—	—	—	—	—	—	—
Cash Flow from Investing	**$(1,822)**	**$(22,500)**	**$2,350**	**$(22,092)**	**$(44,064)**	**$(4,950)**	**$(22,500)**	**$2,810**	**$(102,500)**	**$(127,140)**	**—**	**—**	**—**	**—**	**$(55,000)**
Free Cash Flow (CFO-Capex)	**$(146,405)**	**$(72,864)**	**$(101,674)**	**$22,520**	**$(298,424)**	**$(126,275)**	**$(54,368)**	**$(69,063)**	**$(28,084)**	**$(277,791)**	**$(9,874)**	**$3,792**	**$(2,540)**	**$25,865**	**$17,243**
% of Total	49 1%	24.4%	34 1%	(7.5%)	100.0%	45.5%	19.6%	24.9%	10.1%	100.0%	(57.3%)	22.0%	(14 7%)	150.0%	100.0%
Add: Change in Restricted Cash	—	—	—	—	—	22,550	—	25,310	—	47,860	—	—	—	—	—
Add: Change in Marketable Securities	—	—	—	—	—	—	4,650	—	—	4,650	—	—	—	—	—
Add: Loral Credit Facility	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Add: Additional Borrowings	—	—	—	—	—	200,000	—	—	300,000	500,000	—	—	—	—	—
Add: Convertible Debt Due	—	—	—	—	—	—	—	—	—	—	(299,998)	—	—	—	(299,998)
Net Change in Cash Balance	**$(134,259)**	**$(72.864)**	**$(76,824)**	**$27,970**	**$(255,978)**	**$96,275**	**$(49,718)**	**$(43,753)**	**$271,916**	**$274,719**	**$(309,872)**	**$3,792**	**$(2,540)**	**$25,865**	**$(282,755)**
Cash Balance & Availabiulity															
Current Assets															
Cash & Cash Equivalents	$259,162	$186,298	$109,473	$137,443	$137,443	$233,718	$179,349	$135,597	$407,512	$407,512	$97,641	$101,433	$98,893	$124,757	$124,757
Marketable Securities	4,650	4,650	4,650	4,650	4,650	4,650	—	—	—	—	—	—	—	—	—
Restricted Investments	25,310	25,310	25,310	25,310	25,310	25,310	25,310	—	—	—	—	—	—	—	—
Cash In Current Assets	**$289,122**	**$216,258**	**$139,433**	**$167,403**	**$167,403**	**$263,678**	**$204,659**	**$135,597**	**$407,512**	**$407,512**	**$97,641**	**$101,433**	**$98,893**	**$124,757**	**$124,757**
Restricted Investments, Net Of Current	52,850	52,850	28,000	22,550	22,550	—	—	—	—	—	—	—	—	—	—
Total Cash & Equivalents	**$341,972**	**$269,108**	**$167,433**	**$189,953**	**$189,953**	**$263,678**	**$204,659**	**$135,597**	**$407,512**	**$407,512**	**$97,641**	**$101,433**	**$98,893**	**$124,757**	**$124,757**
Loral Line of Credit	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	—	—	—	—	—
Total Availability	**$441,972**	**$369,108**	**$267,433**	**$289,953**	**$289,953**	**$363,678**	**$304,659**	**$235,597**	**$507,512**	**$507,512**	**$97,641**	**$101,433**	**$98,893**	**$124,757**	**$124,757**
Debt Repayments															
3 1/2% Convertible Notes due 2008															
2 1/2% Convertible Notes due 2009											$299,998				
Loral Line of Credit											—				
Total Debt Repayments											**$299,998**				

We assume Sirius is able to convert the 3 1/2% Notes due May 2008 to equity given that the Notes are in the money with a $1 38/share conversion price.

1Q08: Liquidity Event
ASSUMING $100 Million Cash Cushion, Sirius Probably Needs to Raise ~$500 Million in 2008

Source: Company Documents; Bear, Stearns & Co. Inc.

VALUATION

Our year-end 2007 target price of $4 is based on weighted average cost of capital of 11% that is based on an equity beta of 1.76 and a growth rate in perpetuity of 4% (note, all our DCF assumptions for Sirius are equal to those for XM, as we think the risk to our projections for both the companies is about similar), which offers potential annualized returns of around 25% from current levels. Our DCF model is validated using a multiple-based valuation using our estimate for 2013 FCF, which yields fair value of about $4.50; on a conservative basis, we are using the lower valuation as the target price for 2008 year-end. Note, our projections do not include the NPV of synergies that may arise from the merger; if the deal does get approved (which we think is more likely), investors, at current levels, would in effect be buying a call option on the upside from the synergies.

Exhibit 23. Sirius Satellite Radio – DCF Valuation ('000s)

	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	Terminal Year Cash Flows
Per Share Valuation Multiples									
Per Share Metrics									
Earnings Per Share (EPS), Excl Extraordinary Items	$(0 79)	$(0.41)	$(0 34)	$(0.23)	$(0.10)	$0.04	$0.15	$0.21	
Free Cash Flow per Share (FCF/Share)	(0 37)	(0.20)	(0.19)	0.01	0.12	0.13	0.21	0.45	
Enterprise Value Multiples (In Millions)									
Adjusted Operating Cash Flows (EBITDA)	$(524 1)	$(344 3)	$(201 7)	$(11 4)	$188.4	$374.3	$533.3	$677.3	
EV/EBITDA		**NM**	**NM**	**NM**	**27.7x**	**13.4x**	**8.8x**	**5.8x**	
Ending Subscribers ('000s)	6,025	8,001	9,358	10,698	11,668	12,457	13,105	13,659	
Value per Subscriber		**$641**	**$578**	**$504**	**$447**	**$403**	**$356**	**$290**	
DCF Valuation ('000s, Except Per Share Data)									
Operating Income (EBIT)		$(550,757)	$(414.585)	$(240,166)	$(49,607)	$143,027	$277,717	$392,177	$392,177
Less: Cash Taxes on Operating Income		(2,220)	(2,220)	(2,220)	(2,220)	(2,220)	(2,220)	(2,220)	(156,871)
Net Operating Profit Less Adjusted Taxes		**$(552,977)**	**$(416,805)**	**$(242,386)**	**$(51,827)**	**$140,807**	**$275,497**	**$389,957**	**$235,306**
Depreciation & Amortization		109,450	115,802	139,633	136,961	116,210	124,718	137,198	90,000
Change in Working Capital		175,391	176,112	180,421	158,639	141,122	130,482	116,657	116,657
Capital Expenditures		(85,000)	(175,000)	(55,000)	(80,000)	(230,000)	(275,000)	(30,000)	(90,000)
Other		2,643	--	--	--	--	--	--	--
Unlevered Free Cash Flow		**$(350,494)**	**$(299,891)**	**$22,668**	**$163,774**	**$168,139**	**$255,697**	**$613,813**	**$351,964**

Sum of the PV of Interim Unlevered FCF	$809,489
NPV of Unutilized NOLs	2,931,424
PV of Terminal Value	3,113,553
Gross Asset Value	**$6,854,466**
Add: Option/Warrant Proceeds	314,151
Add: Cash & Equivalents	407,512
Less: Debt	(1,531,742)
Add: 49.9% Stake in Sirius Canada	342,038
Net Asset Value (NAV)	**$6,386,424**
Diluted Shares	1,597,555
Fair Value per Share	**$4**
Current Price	2.88
Potential Upside	38.8%
Annualized Returns	**23.1%**

DCF Assumptions	
Risk Free Rate (R_f)	5.0%
Estimated Equity Risk Premium (R_m-R_f)	5.4%
Beta (β)	1.76
Cost of Equity (K_e)	14.5%
Cost of Debt (K_d)	9.5%
Target Debt/Capital Ratio	40.0%
Tax Rate	40.0%
Weighted Average Cost of Capital (WACC)	**11.0%**
G (Perpetual Growth Rate)	**4%**
Terminal Multiple =(1+G)/(WACC-G)	14.9x
Implied Terminal Year Multiple on EBITDA	7.7x

Sensitivity of Valuation to WACC and g Assumptions

Implied Equity Beta (β)		1.30	1.45	1.61	1.76	1.91	2.07	2.22
Weighted Average Cost of Capital (WACC)		9.5%	10.0%	10.5%	11.0%	11.5%	12.0%	12.5%
	2.5%	$4.13	$3.94	$3.78	$3.63	$3.50	$3.38	$3.28
	3.0%	4.30	4.09	3.90	3.74	3.59	3.47	3.35
G (Perpetual Growth Rate)	3.5%	4.50	4.25	4.04	3.86	3.70	3.56	3.43
	4.0%	4.73	4.45	4.20	4.00	3.82	3.66	3.52
	4.5%	5.01	4.68	4.40	4.16	3.95	3.78	3.62
	5.0%	5.36	4.95	4.62	4.35	4.11	3.91	3.74
	5.5%	5.79	5.29	4.89	4.57	4.30	4.07	3.87

Source: Company Documents; Bear, Stearns & Co. Inc.

Our tax-impacted FCF estimate for 2013 yields a ~$4.50 valuation at 2008 year-end, that is based on a 20x multiple, which we think is conservative give the FCF growth profile

Exhibit 24. Sirius Satellite Radio – Multiple-Based FCF Valuation ('000s)

Reported 2013 Net Income	$341,351
Tax Rate	40.0%
Tax normalized NI	$204,811
Adj NI + Other CF ops	606,598
-capex	(30,000)
Adj 2013 FCF	$576,598
Years discounted	4
2013E FCF Discounted to 2009	$379,823
2008 multiple on '09 FCF	20.0x
2008 EV	$7,596,461
- 2008 Net debt	(1,124,230)
+ Option/Warrant Proceeds	314,151
+ 49.9% Stake in Sirius Canada	342,038
2008 Equity	**$7,128,419**
Diluted Shares	1,597,555
2008 YE Fair Value	**$4.46**

Source: Company Documents; Bear, Stearns & Co. Inc.

MERGER UPDATE

Sirius and XM filed the Hart-Scott-Rodino application with the Department of Justice on March 12, 2007. On April 12, 2007, the companies received the second request for additional information from the Justice Department, which was expected. The two companies filed the merger application with the FCC on March 20, 2007. On the 1Q07 conference call, Sirius stated that even though the FCC comment period hasn't yet begun, the company expects to receive endorsements from a number of prominent organizations, many of which are expected to file Letters of Support with the FCC. While the review process itself was anticipated to be protracted, Sirius believes that the process is moving forward in line with their expectation.

We expect the FCC to issue a public notice in the near future, which will start the 180-day clock. Once the Commission issues a public notice, it will trigger a comment period followed by a reply period. While the merger has been in the spotlight in Washington DC with four congressional hearings, Congress has the least direct impact on the deal. Rather, we believe the DOJ and the FCC will ultimately decide the transaction's fate, with the DOJ's antitrust review likely to be the more rigorous of the two evaluations. However, the Congress can send signals to the FCC and others which may be incorporated into the "thought process" involved in evaluating a deal.

Exhibit 25. FCC Informal Timeline for Consideration of Applications for Transfers or Assignments of Licenses or Authorizations Relating to Complex Mergers

Application: Applicants can benefit most from the agency's effort to streamline its process for reviewing applications by getting the necessary accurate information to the agency in the proper form at the earliest time.

Applicants' Tasks—pre-Public Notice

- Identify complete list of licenses, authorizations involved
- Contact relevant Bureaus
- Identify appropriate application forms, appropriate filing process (e.g., electric, paper), and related applications/requests and consolidation, in consultation with relevant FCC staff
- File necessary forms, applications, and special requests for relief
- Send Hart-Scott-Rodino waiver letter to U.S. Department of Justice or Federal Trade Commission (if required)

CLOCK

Day 0: Public Notice (PN)

Minimum requirements for an application to be accepted for filing — facially complete application addressing the relevant issues and providing sufficient support for agency analysis and meaningful public comment, with a complete and accurate identification of licenses and authorizations to be transferred

Consolidated FCC PN for transactions involving multiple licenses and authorizations

Contents of PN:

- General nature of applications and related transaction (*e.g.* , merger), and waivers and other rulings requested by parties
- List of licenses/authorizations to be transferred/assigned/granted/discontinued, with associated file numbers
- Outline of procedures (identify lead Bureau and contacts at all relevant Bureaus, whether proceeding will remain restricted or be permit-but-disclose, initial briefing schedule, procedures for obtaining access to confidential information, any special filing requirements)

PN starts 180 day clock. If separate PNs for the same transaction are issued by different Bureaus, then Day 0 will be the date on which the last related

A Protective Order may also be issued at or about this same time (a Protective Order will likely be issued if a Hart-Scott-Rodino waiver letter has been sent).

Days 1-30: Public Comment Period (filing of petitions to deny or comments)

Ordinarily 30 days, occasionally 45 days

Persons and entities that file petitions to deny become parties to the proceeding. They may participate fully in the proceeding, including seeking access to any confidential information that may be filed under a protective order, seeking reconsideration of decisions, and filing appeals of a final decision to the courts. Persons who file comments will have those comments duly considered by the FCC but may not have the right to participate in any formal hearing or file appeals to the courts.

Day 45: Oppositions to Petitions to Deny and Comments

Ordinarily due 15 days after Petitions to Deny and Comments are due. Waiting until the reply stage to introduce arguments and evidence that were clearly available and relevant at the initial application stage is discouraged and may require additional time for public comment that will not be charged against the agency's time clock.

Day 52: Replies to Oppositions

Ordinarily due one week after Oppositions are due.

Day 90: Initial Information Request

The Commission will endeavor to send to the parties an initial request for information, if necessary, by Day 90. In certain cases, the Commission may be able to determine earlier what additional information it will need from the parties, and the Commission's failure to issue an initial information request by Day 90 is without prejudice to sending an initial or subsequent request for information after this date.

Days 52-180: Analysis of Record; Discussions with Parties

Day 180: FCC issues Order granting applications, granting applications with conditions, or designating applications for hearing (denials without a hearing are possible only in very limited circumstances).

Considerations in "Stopping the Clock"

The Commission may "stop the clock," that is, suspend its informal calendar, when the Commission's ability to process and review the merits of an application is impeded by justifiable delay, the parties' actions, or external events. Stopping the clock in such circumstances is intended to provide a more accurate picture of the time the Commission finds necessary to process a particular transaction. Stopping the clock does not itself delay a decision in a proceeding; it merely reflects that a decision could be delayed as a result of some external factor. When this occurs, we endeavor to send the parties a letter explaining our reason for stopping the clock and posting that letter on the web page. In our experience, the following are common, but non-exhaustive, examples of reasons for stopping the clock:

- The Commission extends the time for filing pleadings.
- The Applicants do not respond to a request for information within a stated time period.
- The Commission finds it appropriate to await resolution of issues pending before the relevant U.S. law enforcement or national security
- The Commission receives significant new information about an application, or the parties file a substantial amendment to the application.

If the Commission stops the clock, it generally will restart it as soon as the event justifying its stoppage has been resolved such that the Commission's review process is no longer impeded. On rare occasions the clock may be reset to a prior date.

Source: http://www.fcc.gov/transaction/xm-sirius.html; Bear, Stearns & Co. Inc.

Exhibit 26. Sirius Satellite Radio – Income Statement ('000s)

	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Key Subscriber Metrics									
Ending Subscribers	6,025	8,001	9,358	10,698	11,668	12,457	13,105	13,659	12.4%
Gross Additions	3,758	3,963	4,009	4,435	4,588	4,734	4,884	5,059	4.3%
Net Additions	2,708	1,977	1,357	1,340	969	789	648	555	(20 3)%
Subscription ARPU	$10.32	$10.09	$10.55	$10.89	$11.23	$11.56	$11.86	$12.16	2.4%
Total ARPU	11.45	11.18	12.04	12.61	13.26	14.01	14.59	15.15	4.1%
Implied Monthly Churn	1.9%	2.4%	2.5%	2.6%	2.7%	2.7%	2.8%	2.8%	5.8%
SAC Per Gross Addition	$114	$100	$93	$92	$82	$72	$64	$56	(9 6)%
CPGA - Cost Per Gross Addition	159	147	137	133	121	110	100	92	(7.5)%
Income Statement									
Revenues									
Subscriber Revenue, Net of Rebates	$575,364	$861,653	$1,118,574	$1,323,874	$1,514,256	$1,681,285	$1,829,964	$1,963,058	19.2%
Advertising Revenue, Net of Commissions	31,044	38,618	96,592	151,724	222,367	304,269	363,510	425,801	45.4%
Equipment Revenue	26,798	34,151	32,829	35,467	35,824	36,092	36,359	36,783	4.6%
Other	4,029	5,604	5,884	6,178	6,487	6,811	7,152	7,510	9.3%
Total Revenues	**$637,235**	**$940,025**	**$1,253,879**	**$1,517,243**	**$1,778,933**	**$2,028,457**	**$2,236,986**	**$2,433,151**	**21.1%**
YoY Change	*163.1%*	*47 5%*	*33.4%*	*21.0%*	*17.2%*	*14.0%*	*10.3%*	*8.8%*	
Operating Expenses									
Satellite and Transmission	$39,229	$32,320	$40,320	$41,530	$42,775	$44,059	$45,381	$46,742	2.5%
Programming and Content	215,226	244,670	252,527	259,751	266,922	286,765	295,725	303,010	5.0%
Revenue Share & Royalties	68,020	131,683	307,774	314,141	387,377	457,735	524,144	589,913	36.2%
Customer Service and Billing	68,137	96,308	116,864	130,222	138,509	142,162	142,961	141,656	11.0%
Cost of Equipment	35,233	67,937	57,099	40,713	27,141	18,047	12,000	8,012	(19.1)%
Sales and Marketing	169,462	189,801	176,703	179,230	181,795	179,399	178,816	181,499	1.0%
Subscriber Acquisition Costs	419,716	360,806	348,673	404,306	384,106	360,836	336,194	313,149	(4.1)%
General and Administrative	87,538	105,612	108,780	110,956	113,175	115,439	117,747	120,102	4.6%
Research and Development	58,732	55,155	46,882	47,820	48,776	49,752	50,747	51,762	(1 8)%
Total Operating Expenses	**$1,161,293**	**$1,284,292**	**$1,455,622**	**$1,528,669**	**$1,590,578**	**$1,654,192**	**$1,703,715**	**$1,755,844**	**6.1%**
Adjusted Operating Cash Flow (EBITDA)	**$(524,058)**	**$(344,267)**	**$(201,743)**	**$(11,426)**	**$188,355**	**$374,265**	**$533,271**	**$677,307**	**—**
Depreciation & Amortization	(105,749)	(109,450)	(115,802)	(139,633)	(136,961)	(116,210)	(124,718)	(137,198)	
Equity granted to third parties and employees	(437,918)	(97,040)	(97,040)	(89,107)	(101,000)	(115,027)	(130,837)	(147,932)	
Operating Income (EBIT)	**$(1,067,725)**	**$(550,757)**	**$(414,585)**	**$(240,166)**	**$(49,607)**	**$143,027**	**$277,717**	**$392,177**	
Other Income/(Expense)									
Special Charges/Debt Restructuring and Other	$69	$5	—	—	—	—	—	—	
Gain on extinguishment of debt	(4,435)	—	—	—	—	—	—	—	
Interest and investment income	33,320	15,545	8,968	8,433	6,662	9,042	14,120	22,956	
Interest expense, net of amounts capitalized	(64,032)	(63,566)	(83,907)	(102,964)	(98,350)	(85,541)	(57,863)	(71,563)	
Total Other Income/(Expense)	**$(35,078)**	**$(48,015)**	**$(74,940)**	**$(94,532)**	**$(91,688)**	**$(76,499)**	**$(43,743)**	**$(48,606)**	
Income Before Income Taxes	**$(1,102,803)**	**$(598,772)**	**$(489,524)**	**$(334,698)**	**$(141,295)**	**$66,529**	**$233,974**	**$343,571**	
Provision for Income Taxes	(2,065)	(2,220)	(2,220)	(2,220)	(2,220)	(2,220)	(2,220)	(2,220)	
Net Income/(Loss)	**$(1,104,868)**	**$(600,992)**	**$(491,744)**	**$(336,918)**	**$(143,515)**	**$64,309**	**$231,754**	**$341,351**	
Preferred stock dividends	—	—	—	—	—	—	—	—	
Preferred stock deemed dividends	—	—	—	—	—	—	—	—	
Accretion of dividends	—	—	—	—	—	—	—	—	
Net loss applicable to common stockholders	**$(1,104,868)**	**$(600,992)**	**$(491,744)**	**$(336,918)**	**$(143,515)**	**$64,309**	**$231,754**	**$341,351**	
Earnings Per Share (EPS)	**$(0.79)**	**$(0.41)**	**$(0.34)**	**$(0.23)**	**$(0.10)**	**$0.04**	**$0.16**	**$0.23**	
Average shares outstanding	1,402,538	1,457,011	1,457,011	1,457,011	1,457,011	1,457,011	1,457,011	1,457,011	
Diluted Earnings per Share	**$(0.79)**	**$(0.41)**	**$(0.34)**	**$(0.23)**	**$(0.10)**	**$0.04**	**$0.15**	**$0.21**	
Diluted Shares	1,402,538	1,457,011	1,457,011	1,457,011	1,457,011	1,597,555	1,597,555	1,597,555	
% Margins									
Pre-Marketing Margins	10.2%	22.0%	25.8%	37.7%	42.4%	45.1%	46.9%	48.2%	
Adjusted EBITDA	**(82.2)%**	**(36.6)%**	**(16.1)%**	**(0.8)%**	**10.6%**	**18.5%**	**23.8%**	**27.8%**	
Operating Income (EBIT)	(167 6)%	(58.6)%	(33 1)%	(15.8)%	(2.8)%	7.1%	12.4%	16.1%	
Net Income/(Loss)	(173 4)%	(63 9)%	(39 2)%	(22.2)%	(8.1)%	3.2%	10.4%	14.0%	

Source: Company Documents; Bear, Stearns & Co. Inc.

Exhibit 27. Sirius Satellite Radio – Cash Flow Statement ('000s)

	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Cash Flows from Operating Activities									
Net Income/(Loss)	$(1,104,868)	$(600,992)	$(491,744)	$(336,918)	$(143,515)	$64,309	$231,754	$341,351	
Depreciation expense	105,749	109,450	115,802	139,633	136,961	116,210	124,718	137,198	
Non-cash interest expense/Debt accretion	3,107	3,049	—	—	—	—	—	—	
Non-cash stock compensation expense/(benefit)	437,918	97,040	97,040	89,107	101,000	115,027	130,837	147,932	
Gain/Loss on disposal of assets	1,661	(4)	—	—	—	—	—	—	
Non-cash gain associated with debt restructuring	—	—	—	—	—	—	—	—	
Gain on extinguishment of long-term debt	—	—	—	—	—	—	—	—	
Costs associated with debt restructuring	—	—	—	—	—	—	—	—	
Other	20,495	2,643	—	—	—	—	—	—	
Changes in assets and liabilities									
Marketable securities	—	—	4,650	—	—	—	—	—	
Prepaid expenses	(62,679)	(5,228)	4,815	11,295	8,471	6,353	4,765	3,574	
Other assets	(39,591)	(4,327)	—	—	—	—	—	—	
Accounts payable and accrued expenses	31,325	57,354	8,015	20,788	17,618	18,103	14,093	14,835	
Accrued interest	1,239	741	4,457	(5,905)	—	(4,501)	—	(9,785)	
Deferred revenue	181,003	119,148	154,176	149,195	127,502	118,264	108,722	105,131	
Other long-term liabilities	3,452	7,702	—	5,049	5,049	2,902	2,902	2,902	
Net Cash Used in Operating Activities	**$(421,188)**	**$(213,424)**	**$(102,791)**	**$72,243**	**$253,086**	**$436,668**	**$617,791**	**$743,139**	
Cash Flows from Investing Activities									
Additions to property and equipment	$(99,827)	$(85,000)	$(175,000)	$(55,000)	$(80,000)	$(230,000)	$(275,000)	$(30,000)	(15.8)%
Additions to FCC license	—	—	—	—	—	—	—	—	
Proceeds from the sale of assets	127	96	—	—	—	—	—	—	
Purchases of restricted investments	(5,700)	(310)	—	—	—	—	—	—	
Maturities of restricted investments	26,000	30,300	47,860	—	—	—	—	—	
Purchases of available-for-sale securities	(123,500)	—	—	—	—	—	—	—	
Sales/Maturities of available-for-sale securities	229,715	10,850	—	—	—	—	—	—	
Net Cash Provided by Investing Activities	**$26,815**	**$(44,064)**	**$(127,140)**	**$(55,000)**	**$(80,000)**	**$(230,000)**	**$(275,000)**	**$(30,000)**	
Cash Flows from Financing Activities									
Debt Raised/Repaid	—	—	$464,403	$(301,742)	—	$(230,000)	—	$(500,000)	
Proceeds from issuance of common stock, net	—	—	—	—	—	—	—	—	
Costs associated with debt restructuring	—	—	—	—	—	—	—	—	
Proceeds from exercise of stock options and warr	25,787	1,510	35,597	—	—	—	—	—	
Other	—	—	—	—	—	—	—	—	
Net Cash Provided by Financing Activities	**$25,787**	**$1,510**	**$500,000**	**$(301,742)**	**—**	**$(230,000)**	**—**	**$(500,000)**	
Beginning Cash & Equivalents	$762,007	$393,421	$137,443	$407,512	$123,013	$296,100	$272,767	$615,558	
Net Change in Cash	(368,586)	(255,978)	270,069	(284,499)	173,086	(23,332)	342,791	213,139	
Ending Cash & Equivalents	**$393,421**	**$137,443**	**$407,512**	**$123,013**	**$296,100**	**$272,767**	**$615,558**	**$828,697**	
Free Cash Flows (FCF)									
Net Cash From Operating Activities	$(421,188)	$(213,424)	$(102,791)	$72,243	$253,086	$436,668	$617,791	$743,139	
Additions to property and equipment	(99,827)	(85,000)	(175,000)	(55,000)	(80,000)	(230,000)	(275,000)	(30,000)	
Free Cash Flow	**$(521,015)**	**$(298,424)**	**$(277,791)**	**$17,243**	**$173,086**	**$206,668**	**$342,791**	**$713,139**	
Free Cash Flow per Share	**$(0.37)**	**$(0.20)**	**$(0.19)**	**$0.01**	**$0.12**	**$0.13**	**$0.21**	**$0.45**	

Source: Company Documents; Bear, Stearns & Co. Inc.

Exhibit 28. Sirius Satellite Radio – Balance Sheet ('000s)

	2006A	2007E	2008E	2009E	2010E	2011E	2012E	2013E	'06A-'13E CAGR
Assets									
Current Assets									
Cash & Cash Equivalents	$393,421	$137,443	$407,512	$123,013	$296,100	$272,767	$615,558	$828,697	11.2%
Marketable Securities	11,500	4,650	—	—	—	—	—	—	
Prepaid Expenses	52,588	49,994	45,179	33,884	25,413	19,060	14,295	10,721	
Restricted Investments	25,000	25,310	—	—	—	—	—	—	
Other Current Assets	134,757	136,741	136,741	136,741	136,741	136,741	136,741	136,741	
Total Current Assets	**$617,266**	**$354,138**	**$589,432**	**$293,639**	**$458,254**	**$428,568**	**$766,594**	**$976,159**	6.8%
Property And Equipment, Net	810,389	784,896	844,095	759,462	702,501	816,290	966,572	859,374	
FCC License	83,654	83,654	83,654	83,654	83,654	83,654	83,654	83,654	
Restricted Investments, Net Of Current Portion	52,850	22,550	—	—	—	—	—	—	
Deferred Financing Fees	13,166	10,106	10,106	10,106	10,106	10,106	10,106	10,106	
Other Long-Term Assets	81,203	82,422	82,422	82,422	82,422	82,422	82,422	82,422	
Total Assets	**$1,658,528**	**$1,337,766**	**$1,609,709**	**$1,229,282**	**$1,336,936**	**$1,421,041**	**$1,909,348**	**$2,011,715**	2.8%
Liabilities & Shareholders' Equity									
Current Liabilities									
Accounts Payable & Accrued Expenses	$437,913	$406,225	$414,240	$435,028	$452,646	$470,749	$484,842	$499,677	
Accrued Interest	24,782	25,519	29,976	24,071	24,071	19,570	19,570	9,785	
Deferred Revenue	412,370	534,044	688,220	837,415	964,917	1,083,181	1,191,902	1,297,034	
Other	—	—	—	—	—	—	—	—	
Total Current Liabilities	**$875,065**	**$965,788**	**$1,132,436**	**$1,296,513**	**$1,441,633**	**$1,573,499**	**$1,696,314**	**$1,806,496**	10.9%
Long-Term Debt	1,068,249	1,067,339	1,531,742	1,230,000	1,230,000	1,000,000	1,000,000	500,000	
Accrued Interest, Net Of Current Portion	—	—	—	—	—	—	—	—	
Deferred Revenue, Net Of Current Portion	76,580	74,054	74,054	74,054	74,054	74,054	74,054	74,054	
Other Long-Term Liabilities	27,705	35,962	35,962	41,011	46,059	48,961	51,863	54,766	
Total Liabilities	**$2,047,599**	**$2,143,143**	**$2,774,194**	**$2,641,578**	**$2,791,746**	**$2,696,515**	**$2,822,232**	**$2,435,316**	2.5%
Stockholders' Equity									
Par Value	1,435	1,461	1,461	1,461	1,461	1,461	1,461	1,461	
Additional Paid-In Capital	3,443,214	3,555,094	3,590,691	3,590,691	3,590,691	3,590,691	3,590,691	3,590,691	
Deferred Compensation	—	72,780	169,820	258,927	359,928	474,955	605,792	753,724	
Accumulated Other Comprehensive Income	—	—	—	—	—	—	—	—	
Accumulated Deficit	(3,833,720)	(4,434,712)	(4,926,457)	(5,263,375)	(5,406,890)	(5,342,581)	(5,110,827)	(4,769,476)	
Total Stockholders' Equity	**$(389,071)**	**$(805,377)**	**$(1,164,485)**	**$(1,412,296)**	**$(1,454,810)**	**$(1,275,474)**	**$(912,883)**	**$(423,600)**	
Total Liabilities And Stockholders' Equity	**$1,658,528**	**$1,337,766**	**$1,609,709**	**$1,229,282**	**$1,336,936**	**$1,421,041**	**$1,909,348**	**$2,011,715**	2.8%

Source: Company Documents; Bear, Stearns & Co. Inc.

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Robert Peck

Companies Analyzed

* Sirius Satellite Radio (SIRI) - $2.88 (as of June 01, 2007 16:00 ET) - Outperform
Price Target ('08): $4
Risk(s) to Price Target - (i) Consumer sentiment; (ii) competition from XM, terrestrial analogue/digital/HD Radio, portable internet devices and Internet streaming; (iii) dilutive content agreements, (iv) FCC's FM-mod investigation, among others
Valuation Methodology - DCF

* XM Satellite Radio (XMSR) - $11.58 (as of May 31, 2007 16:00 ET) - Outperform
Price Target ('07): $15.00
Risk(s) to Price Target - (i) Consumer sentiment; (ii) competition from Sirius, terrestrial analog/digital/HD Radio, portable internet devices and Internet streaming; (iii) dilutive content agreements, (iv) regulatory issues like the FCC investigation into the FM modulator power l evels, among others
Valuation Methodology - DCF with WACC of 11% and terminal growth rate in perpetuity of 4%.

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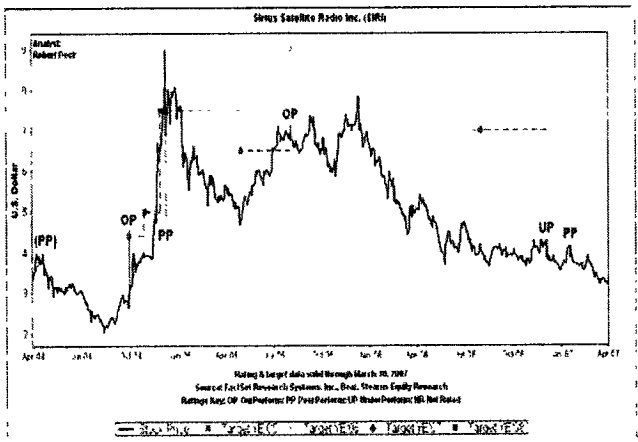

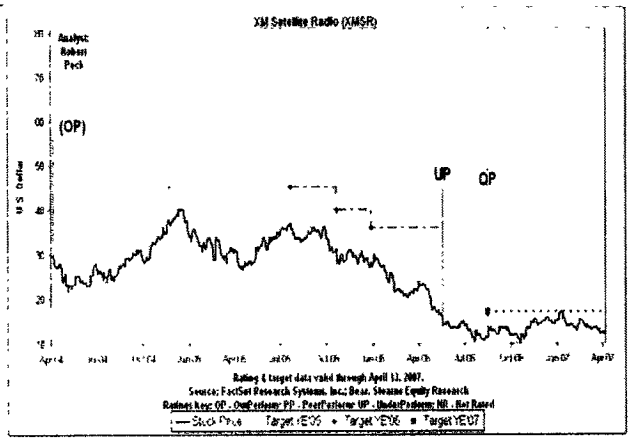

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