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FOR THE
DIRECT STATEMENT OF XM SATELLITE RADIO INC.

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	Volume 2: Witness Testimony and Exhibits Jointly Submitted by Sirius Satellite Radio Inc. and XM Satellite Radio Inc.
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Before the
LIBRARY OF CONGRESS
Copyright Royalty Board

In the Matter of)
)
Digital Performance Right in Sound) Docket No. 2005-5 CRB DTNSRA
Recordings and Ephemeral Recordings)

**INTRODUCTORY MEMORANDUM TO THE
WRITTEN DIRECT STATEMENT OF
XM SATELLITE RADIO INC.**

XM Satellite Radio Inc. (“XM”) hereby submits its written direct statement,
pursuant to Rule 351.4 of the Copyright Royalty Board, 37 C.F.R. § 351.4.

ROYALTY RATE CLAIM

XM requests that this Honorable Board promulgate in this proceeding a combined rate for the Section 114(f) sound recording performance license and for the Section 112(e) ephemeral recordings license, of \$0.001235 per subscriber, per month, multiplied by the average number of monthly United States subscribers who receive the audio service offered with their television service.

SUMMARY OF TESTIMONY

As set forth in the summaries of testimony below, XM believes that its proposed rate most clearly reflects the royalty, for the rights to be licensed in this proceeding, that would be paid in a competitive market to a willing seller by a willing buyer that provides a service of audio channels to be offered with television channels by a television service.

Fact Witnesses

Stephen R. Cook

Stephen Cook, Executive Vice President, Automotive for XM, testifies about the genesis and nature of the XM digital music service as transmitted as audio channels of the DirecTV satellite television subscription service. Mr. Cook describes in his testimony the challenges of marketing satellite radio service, which involves the purchase of both an XM radio and the XM subscription service, to a public accustomed to “free” terrestrial radio. He explains that XM looks for a variety of avenues to expose consumers to the XM service without first requiring their investment in the purchase of a radio, and that such exposure is a powerful marketing tool to convince consumers to become subscribers. Mr. Cook testifies how XM believed that, by providing XM channels to subscribers of the DirecTV satellite television service, XM could reach a new audience that would be more receptive than the general public to subscribing to XM. For that reason, Mr. Cook testifies, XM values its relationship with DirecTV primarily as an opportunity for marketing its satellite digital audio radio subscription service rather than generating revenue. Mr. Cook explains the basis for compensation to XM under its agreement with DirecTV.

Eric Logan

Eric Logan, XM’s Executive Vice President of Programming, explains XM’s content strategy of aggregating a diversity of news, talk, sports, family and music programming onto a single media platform. Mr. Logan describes how XM uses diversity of content, nationwide carriage, exclusive content, commercial-free music channels, and compelling programming produced and created by XM, to convince consumers initially

to subscribe to XM, and then to remain subscribers. He explains the importance of carrying programming that is exclusive to XM and the satellite radio platform, including talk programming created for XM, national carriage of play-by-play sporting events, branded news and talk programming, and music performances and programming produced by and available only on XM. Mr. Logan explains how XM combines live performances, and music expertise with on-air experience to create music programming that far surpasses programming available on AM and FM radio. Mr. Logan describes how this exposure benefits and is valued by recording artists and the record industry.

Expert Witness

Tasneem Chipty, Ph.D.

Dr. Tasneem Chipty, a Vice President at CRA International, analyzes what would be a reasonable royalty in this proceeding to be paid in a competitive market by a willing music programming service to a willing seller, for the provision of digital audio channels to be offered as part of a bundled package of channels by a television service to its residential consumers. Specifically, Dr. Chipty estimates both a reasonable royalty rate and a reasonable attributed revenue base.

With regard to the reasonable royalty rate, Dr. Chipty analyzes three potential benchmarks available for determining the rate in this proceeding: ASCAP and BMI's recent proposals to Sirius for use of musical works rights in public performances on DISH, Music Choice's rate with BMI, and the pre-existing digital audio radio subscription services rate applicable to pre-existing subscription services. She then considers adjustments to account for material differences between the benchmarks and the XM and Sirius services at issue in this proceeding. Upon consideration of available

benchmarks, Dr. Chipty concludes that a competitive rate under the willing buyer – willing seller standard ranges between [] percent and [] percent of revenues earned for providing a bundle of audio music channels delivered over a television service.

With regard to the reasonable attributed revenue base, Dr. Chipty testifies that Sirius' and XM's core business is subscription satellite radio direct to the consumer, and that the significance to Sirius and XM of carriage on satellite television stems from its subscriber acquisition value in attracting new subscribers to that core line of business. Dr. Chipty concludes that consideration of the terms of Sirius and XM's agreements with DISH and DirecTV suggests that the actual value associated with the agreements is difficult to interpret. She also testifies that these terms conflate the direct value of providing music content to a television system with the promotional value of carriage on a television system to Sirius and XM's satellite radio services.

Accordingly, Dr. Chipty estimates an attributed revenue base for Sirius and XM based on the revenues earned by Music Choice, one of the pre-existing services, from cable operators for provision of a bundle of audio music channels to be sold as part of a larger package of video programming. She concludes that these attributed revenues based on Music Choice provide an upper bound on a reasonable revenue base for Sirius on the DISH Network and XM on DirecTV. Dr. Chipty testifies that, at most, these XM and Sirius services should generate [] per subscriber per month for a bundle of audio music channels for distribution to residential subscribers.

Dr. Chipty calculates that multiplying a [] royalty rate by an attributed revenue base of [] per subscriber per month results in a per subscriber royalty fee of 0.1235 cents per month and that, adjusted annually for inflation using the Cable

Networks Producer Price Index, such a per subscriber fee is in the range she estimates for a reasonable royalty. Dr. Chipty testifies that her analysis of both the reasonable royalty rate and the reasonable attributed revenue base is conservative, and on balance overstates the appropriate fee.

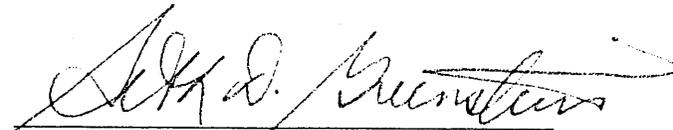
CONCLUSION

For these reasons, and on the basis of the testimony of the XM Fact Witnesses and Expert Witnesses, XM requests that this Honorable Board promulgate in this proceeding a combined rate for the Section 114(f) sound recording performance license and for the Section 112(e) ephemeral recordings license,¹ of \$0.001235 per subscriber, per month, multiplied by the average number of monthly United States subscribers who receive the audio service offered with their television service.

¹ Pursuant to Section 804(b)(3)(C)(ii) and the Notice issued December 5, 2005, by this Honorable Board, this proceeding will “determine the reasonable rates and terms for the transmission and ephemeral recording statutory licenses that would apply to a new type of service.” By making this rate proposal, XM does not imply either that a § 112(e) ephemeral recordings license is required or that such a license has any economic value independent of the value of the performances themselves.

Date: October 30, 2006

Respectfully submitted,



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Rates and Terms

PART 26_ -- RATES AND TERMS FOR SUBSCRIPTION TRANSMISSIONS AND THE REPRODUCTION OF EPHEMERAL RECORDINGS BY NEW BUNDLED SUBSCRIPTION SERVICES

Sec.

26_.1 General.

26_.2 Definitions.

26_.3 Royalty fees for public performance of sound recordings and the making of ephemeral recordings.

26_.4 Administrative provisions.

26_.5 Confidential information and statements of account.

26_.6 Notice and Recordkeeping.

§ 26_.1 General.

(a) Scope. This part 26_ establishes rates and terms of royalty payments for the public performance of sound recordings and the reproduction of multiple ephemeral recordings by new digital audio services offered by a television programming services in accordance with the provisions of 17 U.S.C. §§ 112(e) and 114 from the inception of Licensee's service through December 31, 2012.

(b) Relationship to voluntary agreements. Notwithstanding the royalty rates and terms established in this part, the rates and terms of any license agreements entered into by Copyright Owners and Licensees shall apply in lieu of the rates and terms of this part to transmissions within the scope of such agreements.

§ 26_.2 Definitions.

For purposes of this part, the following definitions shall apply:

(a) "Copyright Owner" is a sound recording copyright owner who is entitled to receive royalty payments under 17 U.S.C. § 112(e) or 114(g).

(b) A "Designated Agent" is any agent designated by the Librarian of Congress for the receipt and distribution of royalty payments made pursuant to this part.

(c) "Licensee" means an owner or operator of a digital audio service that is offered by a television service provider, and includes the Licensee's parent, subsidiaries and divisions.

(d) "Term" means the period commencing from the inception of Licensee's service and continuing through December 31, 2012.

§ 26_.3 Royalty fees for public performances of sound recordings and the making of ephemeral recordings.

(a) Royalty. Commencing with the first calendar quarter following the setting of the rate and continuing through December 31, 2012, the quarterly royalty fee to be paid by a Licensee for the public performance of sound recordings pursuant to 17 U.S.C. § 114(d)(2) and the making of any number of ephemeral phonorecords to facilitate such performances pursuant to 17 U.S.C. § 112(e) shall be calculated as 0.1235 cents (\$0.001235) per month per subscriber times the average number of monthly United States subscribers of the television service who receive Licensee's audio service.

(b) Payments. Payments made by a Licensee shall be due 60 days after the close of each calendar quarter for which the payment is being made.

(c) Late Fee. If a Licensee fails to make any payment under this part when due and following ten days after receipt of written notice from a Designated Agent, the Licensee shall pay a late fee on any overdue amount of 0.50% per month, or the highest lawful rate, whichever is lower, from the date of receipt of written notice until the date full payment is received by a Designated Agent.

(d) Weekends and Holidays. In the event the deadline for any payment due under this part falls on a day which is not a business day, payment shall be due on the next business day.

(e) Revenue Adjustment. Beginning in January 2009, the Attributable Monthly Subscriber Revenue shall be adjusted annually according to the Bureau of Labor Statistics Producer Price Index for Cable Networks, in comparison to January 2008.

(f) Past Payment. Payments for the license period prior to the first calendar quarter following the setting of the rate shall be made along with the first payment following the setting of the rate.

§ 26_.4 Administrative provisions.

(a) Audit.

(i) A Designated Agent may audit compliance by the Licensee with the royalty payment provisions of these regulations. If there is more than one Designated Agent, all Designated Agents shall mutually retain a single auditor to perform a single audit on a Licensee.

(ii) An audit pursuant to this section may be conducted no more than once every three (3) years, and no more than once in any given year. An audit of any year in the Term may be conducted only once. Audits shall be conducted during regular business hours, at a mutually agreeable time; provided that an audit shall commence no later than 90 days following a written request for audit.

(iii) Audits shall be performed by an independent auditor according to generally accepted auditing standards.

(iv) If as a result of the audit the parties agree or, in the absence of such agreement there is a final determination, that a Licensee has underpaid royalties by 10 or more percent, within 60 days of such determination the Licensee shall pay the amount of the underpayment with interest at the rate provided in 28 U.S.C. § 1961, plus reasonable out-of-pocket costs incurred by the auditor.

(v) If as a result of the audit the auditor determines that a Licensee has overpaid royalties, the Licensee may credit against future royalty payments the amount of such overpayment plus interest accrued at the rate provided in 28 U.S.C. § 1961, and shall pay the Licensee's reasonable out-of-pocket costs incurred from the audit.

§ 26_.5 Confidential information and statements of account.

(a) For purposes of this part, confidential information shall include statements of account and any information pertaining to the statements of account designated as confidential by the Licensee filing the statement. Confidential information shall also include any information so designated in a confidentiality agreement which has been duly executed between a Licensee and an interested party, or between one or more interested parties; *Provided* that all such information shall be made available, for the verification proceedings provided for in §§2___.4 of this part.

(b) Licensee shall submit quarterly statements of account on a form provided by the agent designated to collect such forms and the quarterly royalty payments.

(c) A statement of account shall include only such information as is necessary to compute the accompanying royalty payment. Additional information beyond that which is sufficient to verify the calculation of the royalty fees shall not be required or included on the statement of account.

(d) Access to the confidential information pertaining to the royalty payments shall be limited to:

(i) Those employees, agents, consultants and independent contractors of the designated agent, subject to an appropriate confidentiality agreement, who are engaged in the collection and distribution of royalty payments hereunder and activities directly related hereto, who are not also employees or officers of a sound recording copyright owner or performing artist, and who, for the purpose of performing such duties during the ordinary course of employment, require access to the records; and

(ii) An independent and qualified auditor who is not an employee or officer of a sound recording copyright owner or performing artist, but is authorized to act on behalf of the interested copyright owners with respect to the verification of the royalty payments.

(e) The designated agent or any person identified in paragraph (d) of this section shall implement procedures to safeguard all confidential financial and business information, including, but not limited to royalty payments, submitted as part of the statements of account, using a reasonable standard of care, but no less than the same degree of security used to protect confidential financial and business information or similarly sensitive information belonging to the designated agent or such person.

(f) Books and records relating to the payment of the license fees shall be kept in accordance with generally accepted accounting principles for a period of three years. These records shall include, but are not limited to, the statements of account, records documenting an interested party's share of the royalty fees, and the records pertaining to the administration of the collection process and the further distribution of the royalty fees to those interested parties entitled to receive such fees.

§ 26.6 Notice and Recordkeeping.

(a) General. This Exhibit prescribes rules under which Licensees shall serve copyright owners with notice of use of their sound recordings, what the content of that notice should be, and under which records of such use shall be kept and made available.

(b) Definition. A "*Report of Use of Sound Recordings Under Statutory License*" (sometimes referred to as a "*Report of Use*") is the sole report of use required to be provided by a Licensee under this Agreement.

(c) Service. Reports of Use shall be served upon SoundExchange. Licensees shall have no obligation to provide Reports of Use for any period prior to January 1, 2006. Licensees shall serve Reports of Use on SoundExchange by no later than the ninetieth day after the close of each month. Reports of Use shall be served, by certified or registered mail, or by other means provided in SoundExchange's "File and Reports of Use Delivery Specifications" filed in the Copyright Office in Docket No. RM 2002-1B or agreed upon by a Licensee and SoundExchange.

(d) Content.

(1) A "Report of Use of Sound Recordings under Statutory License" shall be identified as such by prominent caption or heading, and shall include a Licensee's intended or actual playlist for each channel and each day of the reported month, except that no reporting requirement shall apply to channels reasonably classified as news, talk or sports. Subject to paragraph (d)(2) of this Exhibit, each intended or actual playlist shall include a consecutive listing of every recording scheduled to be or actually transmitted, as the case may be, and shall contain the following information in the following order:

(A) The name of the service or entity;

(B) The channel;

- (C) The sound recording title;
- (D) The featured recording artist, group, or orchestra;
- (E) The retail album title;
- (F) The marketing label of the commercially available album or other product on which the sound recording is found, for –
 - (i) albums or other products commercially released after 2002; and
 - (ii) albums or other products commercially released before 2003, except that such information need only be provided for 90 percent of a Licensee's digital audio transmissions of such pre-2003 releases for the period through May 31, 2005;
- (G) The catalog number for
 - (i) albums or other products commercially released after 2002; and
 - (ii) albums or other products commercially released before 2003, except that such information need not be provided for a Licensee's digital audio transmissions of such pre-2003 releases prior to June 1, 2004, and such information need only be provided for 50 percent of a Licensee's digital audio transmissions of such pre-2003 releases during the period beginning on June 1, 2004, and ending on May 31, 2005;
- (H) The International Standard Recording Code (ISRC) embedded in the sound recording, where available and feasible, for –
 - (i) albums or other products commercially released after 2002; and
 - (ii) albums or other products commercially released during the period beginning on January 1, 1998, and ending on December 31, 2002, except that such information need not be provided for a Licensee's digital audio transmissions of such 1998-2002 releases prior to June 1, 2004, and such information need only be provided for 50 percent of a Licensee's digital audio transmissions of such 1998-2002 releases where the ISRC is available and its reporting feasible during the period beginning on June 1, 2004, and ending on May 31, 2005;
- (I) Where available, the copyright owner information provided in the copyright notice on the retail album or other product (e.g., following the

symbol ® (the letter P in a circle) or, in the case of compilation albums created for commercial purposes, in the copyright notice for the individual sound recording, for –

(i) albums or other products commercially released after 2002; and

(ii) albums or other products commercially released before 2003, except that such information need not be provided for a Licensee's digital audio transmissions of such pre-2003 releases prior to June 1, 2004, and such information need only be provided for 50 percent of a Licensee's digital audio transmissions of such pre-2003 releases during the period beginning on June 1, 2004, and ending on May 31, 2005;

(J) The date of transmission;

(K) The time of transmission; and

(L) The release year of the retail album or other product (as opposed to an the individual sound recording), as provided in the copyright notice on the retail album or other product (e.g., following the symbol © (the letter C in a circle), if present, or otherwise following the symbol ® (the letter P in a circle)), for –

(i) albums or other products commercially released after 2002; and

(ii) albums or other products commercially released before 2003, except that such information need not be provided for a Licensee's digital audio transmissions of such pre-2003 releases prior to June 1, 2004, and such information need only be provided for 50 percent of a Licensee's digital audio transmissions of such pre-2003 releases during the period beginning on June 1, 2004, and ending on May 31, 2005.

(2) Notwithstanding paragraph (d)(1) of this Exhibit –

(A) In the case of programming provided to a Licensee by a third party programmer –

(i) if such programming is provided to the Licensee under a contract entered into before the Execution Date and not thereafter amended or renewed, then the Licensee shall have no obligation to provide Reports of Use with respect to that programming; and

(ii) the Licensee shall use commercially reasonable efforts to include in any new contract for programming, or any amendment

or renewal of such a contract, a requirement that the provider of programming provide the Licensee the information required by paragraph (d)(1) of this Exhibit, or in the case of programming consisting of simultaneous retransmission of an over-the-air terrestrial AM or FM radio broadcast by a broadcaster that also transmits such programming over the Internet, such information as may from time to time be required by Copyright Office regulations relating to the broadcaster's transmissions over the Internet, and the Licensee shall provide SoundExchange Reports of Use containing the information provided by the third party programmer.

In any case in which a Licensee does not provide Reports of Use for programming provided to a Licensee by a third party programmer, the Licensee shall report to SoundExchange the relevant channel and the reason it is unable to provide such Reports of Use.

(B) Licensees only shall be required to provide the information identified in paragraph (d)(1)(C) through (I) and (L) of this Exhibit to the extent that such information can be provided using commercially reasonable efforts.

(C) Licensees shall not be required to provide information with respect to an incidental performance that both: (i) makes no more than incidental use of sound recordings including, but not limited to, brief musical transitions in and out of commercials or program segments, brief performances during news, talk and sports programming, brief background performances during disk jockey announcements, brief performances during commercials of sixty seconds or less in duration, or brief performances during sporting or other public events, and (ii) other than ambient music that is background at a public event, does not contain an entire sound recording and does not feature a particular sound recording of more than thirty seconds (as in the case of a sound recording used as a theme song).

(e) Signature. Reports of Use shall include a signed statement by the appropriate officer or representative of the Licensee attesting, under penalty of perjury, that the information contained in the Report is believed to be accurate and is maintained by the Service in its ordinary course of business. The signature shall be accompanied by the printed or typewritten name and title of the person signing the Report, and by the date of signature.

(f) Other Media. If a Licensee makes digital audio transmissions of sound recordings in any medium other than through its SDARS, reports containing the elements set forth in paragraph (d) of this Exhibit shall be deemed to satisfy the Licensee's obligations to identify the sound recordings used in such transmissions (in contrast to any obligations the Licensee may have under applicable regulations to provide information concerning matters other than the identity of such sound recordings).

(g) Format. Reports of Use shall be provided in accordance with SoundExchange's "File and Reports of Use Delivery Specifications" filed in the Copyright Office in Docket No. RM 2002-1B.

(h) Confidentiality.

1.1 (1) Definition. "Confidential Information" means information submitted by a Licensee to SoundExchange in a Report of Use that is uniquely specific to Licensee, including without limitation, the number of performances made by the Licensee and the identification of particular sound recordings as having been performed by the Licensee, but not any information that at the time of delivery to Sound Exchange is generally known to the public or subsequently becomes generally known to the public through no fault of SoundExchange, including without limitation, information identifying sound recordings themselves.

1.2 (2) Use of Confidential Information. SoundExchange shall not use any Confidential Information for any purpose other than royalty collection and distribution, determining and enforcing compliance with statutory license requirements and the requirements of this Agreement, and activities directly related to the foregoing; provided that SoundExchange may report Confidential Information to its members in a form in which information pertaining to both Licensees is aggregated with information pertaining to other statutory licensees such that Confidential Information pertaining to Licensees, either individually or collectively, cannot readily be identified.

1.3 (3) Disclosure of Confidential Information. Access to Confidential Information shall be limited to those employees, agents, attorneys, consultants and independent contractors of SoundExchange, subject to an appropriate confidentiality agreement, who are not also employees or officers of a Copyright Owner or Performer, and who, for the purpose of performing such duties during the ordinary course of their work, require access to Confidential Information. SoundExchange also may disclose Confidential Information to a successor or assignee permitted by this Agreement.

(i) Documentation. Licensees shall, for a period of at least three years from the date of service of the Report of Use, keep and retain a copy of the Report of Use.

(j) Regulation. If the Copyright Royalty Board, the Librarian of Congress, or other judicial body, or administrative or regulatory agency adopts regulations for Notice and Recordkeeping or Reports of Use, applicable to Licensees or other services under the § 114(d) statutory license, that are considered by a Licensee to be in the aggregate more favorable than those set forth in this section, Licensee may provide Reports of Use to SoundExchange pursuant to such other regulations.

Index to Written Direct Statements

Witness	Title
Stephen R. Cook	Executive Vice President, Automotive, XM Satellite Radio Inc.
Eric Logan	Executive Vice President of Programming, XM Satellite Radio Inc.
Tasneem Chipty, Ph.D.	Vice President, CRA International

WITNESS EXHIBITS OF XM SATELLITE RADIO INC.

EXHIBIT LIST FOR STEPHEN R. COOK

Exhibit No.	Description
1	XM's Current Channel Line-Up
2	Letter Agreement Dated August 18, 2005 (Confidential)
3	Study Regarding Users of Satellite TV Services (Confidential)

EXHIBIT LIST FOR ERIC LOGAN

Exhibit No.	Description
1	XM's Current Channel Line-Up
2	Chart Describing XM's Content Strategy
3	Chart Describing XM's Sports Programming Strategy
4	Chart Describing Oprah & Friends Channel
5	Chart Describing XM's Talk, News and Entertainment Strategy
6	Chart Describing XM Women's Content Strategy
7	Chart Describing XM-Created Music Programming
8	Chart Describing XM's Specialty Programming
9	Articles Concerning Bob Dylan's "Theme Time Radio Hour" Show
10	List of Artist Confidential Performances
11	Web Page Describing XM's Artist Confidential Series
12	Web Page Describing XM's Then...Again...Live! Series
13	Web Page Describing XM's Artist 2 Artist Series
14	Web Page Describing XM's Offstage Series
15	Web Page Describing XM's Mainstage Series
16	Web Page Describing XM's SRO Series
17	October 15, 2006 Article from The Washington Post Regarding XM's Sonic Sound Salutes Series
18	List of XM Channels Known for Exposure of New Artists
19	List of Radio Formats Carried on XM That Are Not Found in Major Media Markets
20	Chart Comparing Weekly Listenership of Certain XM Music Channels to Print Media and Radio Stations
21	Compact Disc of Testimonials by Various Artists
22	E-Mail from Labels, Artists and Managers (Confidential)
23	E-Mail from XM Radio Listeners (Confidential)

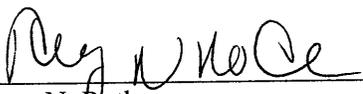
CERTIFICATE OF SERVICE

I, Amy N. Roth, hereby certify that, by agreement of the parties, a copy of all modified pages for the amended, **Public Version of the Written Direct Statement of XM Satellite Radio Inc.** in Docket No. 2005-5 CRB DTNSRA is being served on January 17, 2007 by electronic mail and overnight mail to the persons listed below:

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Amy N. Roth

EXHIBIT LIST FOR DR. TASNEEM CHIPTY

Exhibit No.	Description
1	Resumé of Dr. Tasneem Chipty
2	Digital Audio Channels on DISH, DirecTV, and Comcast, by Tier of Service
3	Evidence Suggesting that Satellite Television Owners are More Likely to Buy Satellite Radio (Confidential)
4	Attributed Revenues Based on Music Choice's Revenue per Subscriber (Confidential)
5	Comcast Music Choice Channel Availability Across Comcast's Top 20 DMAs
6	Attributed Revenues for Sirius Based Upon Music Choice's Revenues Per Subscriber Per Channel (Confidential)
7	Attributed Revenues for XM Based Upon Music Choice's Revenues Per Subscriber Per Channel (Confidential)
8	Annual Producer Price Indices for Cable Networks
9	Appendix 1: Sirius/DISH Music Channel Guide
10	Appendix 2: XM/DirecTV Channel Chart
11	Appendix 3: List of Materials Reviewed

Before the
LIBRARY OF CONGRESS
Copyright Royalty Board

In the Matter of)
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Digital Performance Right in Sound) Docket No. 2005-5 CRB DTRA
Recordings and Ephemeral Recordings)

DIRECT TESTIMONY OF STEPHEN R. COOK
(ON BEHALF OF XM SATELLITE RADIO INC.)

1. My name is Stephen R. Cook. I am currently employed by XM Satellite Radio Inc. (“XM”) and was recently named Executive Vice President, Automotive. I have been employed by XM since 1999, when I was hired as Senior Vice President of Sales and Marketing (and later became Executive Vice President of Sales and Marketing). Prior to joining XM, I held key management positions with GTE Wireless Inc., Procter & Gamble, and Conxus Communications.

EXPERIENCE AND RESPONSIBILITIES

2. I have more than 20 years of experience as a marketing professional and executive. From 1983 to 1988, I was a Procter & Gamble Brand Manager, and ran the marketing efforts for several national household cleaning product brands. In 1988, I moved over to Providence Journal Cellular, an early cellular service provider that was later acquired by GTE to become part of GTE MobilNet (later named GTE Wireless). In some ways, my marketing experience at Providence Journal Cellular was analogous to my work here at XM, in that both services had to acquire licenses, build a subscriber base from scratch, and convince consumers to purchase receivers in order to use the service.

In 1996, I left GTE to become Chief Operating Officer of Conxus Communications, a start-up wireless messaging company. At Conxus, I was responsible for marketing, sales and distribution, advertising, product development, customer service, and network engineering.

3. In 1999, I joined XM as Senior Vice President of Sales and Marketing. For the past seven years in that position (and later as Executive Vice President of Sales and Marketing) I have been responsible for all aspects of XM's sales and marketing, including the development of distribution channels, pricing strategy, hardware form and functionality, and marketing campaigns.

XM'S SERVICE

4. XM provides over 170 crystal-clear digital channels of diverse programming to its subscribers, wherever they go from coast to coast. XM's channels include national and international news broadcasts, talk, lifestyle and entertainment programming, play-by-play sports, 69 commercial-free music channels of diverse musical genres, as well as local weather and traffic. A copy of XM's current channel line-up is attached to this testimony as Cook Exhibit 1.

5. XM's service originates from our state-of-the-art studios here in Washington, D.C. To deliver the programming to our subscribers, XM built and uses three geostationary satellites, appropriately named "Rock," "Roll" and "Rhythm," and approximately 800 terrestrial "repeaters" located in approximately 70 urban markets. A fourth satellite, named "Blues," will launch later this year. In addition, XM has designed and developed, either itself or through outside manufacturers, the radio receivers that consumers need to listen to our service.

6. To get the XM service, consumers have to purchase specially-designed radio receivers. Automobiles are the primary listening environment and target growth segment for the XM service. These receivers generally can be purchased as factory-installed units a new car or specially-designed car radios installed after purchase from our retail partners. Separate XM-only tuner modules are available that work with existing car radios or can be used in the home with an additional docking station accessory kit.

7. XM offers its service at a separate subscription fee of \$12.95 per month for the first receiver. A “family” plan rate of \$6.99 per month is available for each additional receiver. XM also offers discounted service fees for paying one to five years in advance.

8. Subscription fees are the predominant source of revenue for XM. For that reason, the promotion and sale of subscriptions to XM are essential to XM’s long-term survival. Currently, XM has approximately 7 million subscribers. Despite this success, XM does not yet have positive cash flow. Therefore, XM needs to both attract new subscribers and keep existing subscribers, while at the same time carefully managing new subscriber acquisition costs and ongoing operating costs.

XM’S ARRANGEMENT WITH DIRECTV

9. One of the challenges in marketing XM is that many consumers are not aware of XM or do not understand that the listening experience on satellite radio is truly different enough from terrestrial AM/FM radio to justify paying a subscription fee. With that in mind, one of our best sales tools is to create opportunities to expose potential subscribers to XM, so they can hear and experience the differences between XM and terrestrial radio and begin to appreciate the value proposition of subscribing to XM.

Because satellite radio is not a free-to-air service and requires special receivers that consumers must purchase, simply running advertising encouraging listeners to tune-in is not a viable marketing strategy. That's why XM seeks out other opportunities to expose people to our service and convince them through such exposure to purchase XM subscriptions for their cars, our primary listening environment. XM's marketing initiatives have included exclusive arrangements with Jet Blue and AirTran airlines, free trial subscriptions for purchasers of new XM-equipped cars, and installation in Avis and National rental cars. The primary purpose of these initiatives is to allow a broad spectrum of listeners to experience XM's unique programming and content.

10. In a similar vein, XM entered into its arrangement with DirecTV as a way to expose DirecTV subscribers to what satellite radio programming is like, and thereby promote XM's core subscription business – the service, for a separate monthly fee, that XM provides to its subscribers on specially-designed radios, largely used in cars. We believe that consumers accustomed to pay for satellite television would be inclined to consider paying for satellite radio.

11. Since November 2005, XM has been delivering the channels to DirecTV pursuant to a confidential letter agreement dated August 18, 2005 (the "Agreement"). A copy of the Agreement is attached to my testimony as []

12. The arrangement with XM involves the distribution of a number of XM's existing channels to DirecTV's customers on DirecTV's satellite television service. Most of these channels are music programming. []

] XM has also created for the DirecTV line-up seven Latin music channels designed primarily to appeal to those who subscribe to the DirecTV service in Spanish. XM currently provides 73 channels on DirecTV, (but not all channels are carried on every tier of DirecTV service and so all subscribers do not receive all of the XM channels).

13. As I noted, XM agreed to this arrangement for marketing purposes – the purpose of the deal was to grow the XM subscriber base by exposing DirecTV’s subscribers to XM and then acquiring them as paying subscribers to XM’s service. [

]

14. [

]

15. XM receives a promotional benefit from exposure to DirecTV’s subscriber base, who are already familiar with satellite distribution of programming and, having been exposed to XM’s content, may subscribe to XM’s service. In turn, DirecTV gets the benefit of branded audio content that they may easily make available to their subscribers.

16. [

]

17. [

]

18. [

]

19. It is my understanding that neither XM nor DirecTV has any way of determining whether, when or for how long subscribers listen to XM channels via the DirecTV service, or which channels they listen to, if any. Unlike an Internet-based streaming music service, XM and DirecTV cannot monitor listening and so a given

DirecTV subscriber may listen to XM channels many hours a week, or not at all, and neither XM nor DirecTV can determine this (other than statistically, through surveys).

20. The arrangement with XM is not the first time that DirecTV has offered audio channels on its service. For the last several years, DirecTV has made available to its customers, as part of its general subscription service, a number of channels programmed by Music Choice.

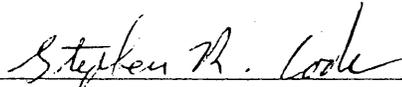
21. In this proceeding, XM proposes the adoption of a royalty per DirecTV subscriber receiving XM channels of 0.1235 cents per month, adjusted annually for inflation using the Cable Networks Producer Price Index. This fee results from the calculation 5.3% of \$0.0233 per month per subscriber, multiplied by the number of subscribers that receive over DirecTV performances of sound recordings on music channels programmed by XM.

22. XM also proposes a set of associated terms along with the rate proposal. I have reviewed these terms. While compliance with these terms could impose significant administrative burden and expense on XM, XM would support adoption of these terms in this proceeding.

Certification

I declare under penalty of perjury that the foregoing is true and correct.

Dated: Washington, DC
October 30, 2006

A handwritten signature in black ink, reading "Stephen R. Cook", is written over a horizontal line.

Stephen R. Cook
Executive Vice President,
Automotive,
XM Satellite Radio Inc.

Before the
LIBRARY OF CONGRESS
Copyright Royalty Board

In the Matter of)
)
Digital Performance Right in Sound) Docket No. 2005-5 CRB DTNSRA
Recordings and Ephemeral Recordings)
for a New Subscription Service)

DIRECT TESTIMONY OF ERIC LOGAN
(ON BEHALF OF XM SATELLITE RADIO INC.)

1. My name is Eric Logan. I am currently employed by XM Satellite Radio Inc. (“XM”) as Executive Vice President of Programming, a position I have held since August 2004. In this capacity, I am responsible for programming and strategy for all of the more than 170 channels on the XM radio service.

2. My testimony primarily will discuss XM’s program offerings, and explain how and why XM programs its channels to provide a diverse, unique and compelling program service that will convince consumers to become and remain XM subscribers. To summarize several of my key points:

-- The fundamental value proposition of XM is built on (1) aggregating onto a single platform a diverse variety of programming that will appeal to almost every interest; (2) exclusive programming such as sports and talk; (3) brand-name news and talk programming; (4) XM’s unique approach to music programming; and (5) XM’s decision to forego advertising revenue on its music channels.

-- Presenting a diverse line-up of programming to potential and current XM subscribers, including news, sports, talk, comedy, and commercial-free music channels, promotes subscriber acquisition and retention, and grows subscriber satisfaction.

-- The non-music channels on XM include exclusive content such as Major League Baseball, Oprah & Friends, National Hockey League (which will be exclusive to XM starting next season) and NCAA college football and basketball from select conferences. These channels also include high-brand recognition content like Fox News, ESPN and CNN, and also play a major role in promoting subscriber acquisition.

-- XM doesn't just "play music" on its music channels. XM creates its music channels with a special character and personality created by expert music programmers and on-air talent. XM also produces exclusive music programming that adds value for XM subscribers, the performers and recording labels.

-- XM's approach to music programming in turn creates powerful promotional value to musical artists and recording labels. Both established and up-and-coming musicians get valuable exposure from the different avenues in which XM presents their music. This power of XM to promote sales has been acknowledged by the artists and recording labels themselves.

Radio Industry Experience Prior to Joining XM

3. I have twenty years of experience working at radio stations and radio station groups, starting in entry level jobs, to turning around a station in the third largest media market in the United States, to working as a senior executive for major AM/FM radio conglomerates. I have held jobs in almost every area in the radio business – sales, tech, on-air, programming and management.

4. I started my radio career in the late 1980's at country stations in Oklahoma City. Starting in 1994, I went on to hold programming positions in Seattle and in San Francisco. In Seattle in July 1994, I relaunched the station formerly known as KXRX-FM with a new, "Young Country" music format, and changed its call letters to KYCW-FM. The station quickly overtook the second-rated competitor. As program director of KYCY-FM in San Francisco in 1995, I diversified the station beyond its country format. Additions to the programming included broadcasts of Oakland Raiders football games. The station's ratings and popularity jumped to overtake our closest competitor in the country format, and ultimately to force that competitor to change its format.

5. The positions in Seattle and San Francisco led to a job based in Tampa, Florida, where I programmed a cluster of CBS-owned stations in 1997-98. In Tampa, I also renegotiated our deal to broadcast NFL football games. This in turn led to my first corporate position, where I had the responsibility of overseeing country music programming on CBS stations across the country, including stations in Houston, Chicago and Kansas City. In 2002, I became Manager of Operations at WUSN-FM, known as "U.S. 99," in Chicago. Responding to the changes to our society brought about by 9/11, I relaunched WUSN-FM as "America's Country Station," combining new country music with other popular music that connected listeners with a new, stronger sense of pride and patriotism. These changes brought WUSN literally from "worst to first" in the Chicago market broadcast ratings in record time.

6. The last several stations I programmed were owned by Infinity/CBS Broadcasting Corporation, one of the largest owners and operators of radio stations in the United States. In 2003, Infinity/CBS promoted me to Vice President of Programming and moved me to New York, where my duties included responsibility for the day to day operations of all of Infinity's

New York City stations. I then went to Citadel Broadcasting for a year, where as President of Programming I was responsible for more than 150 radio stations in over 40 markets.

7. In July 2004, when I was approached to join XM Satellite Radio, I had already been immersed in programming of commercial radio stations for a decade.

8. Beginning November 7, 2006, I will be returning as a member of the Board of Directors of the Country Music Association.

Programming Role and Staff at XM

9. In my capacity as XM's Executive Vice President of Programming, I am responsible for every piece of audio (and accompanying data) broadcast on XM. In the broadest sense, I am responsible for the strategic creative management of XM's bandwidth. Bandwidth -- the finite portion of the broadcast spectrum allocated to XM under its FCC license -- is XM's principal commodity. Not all channels use bandwidth equally. Talk channels can be broadcast using less bandwidth, such that, generally speaking, [

] Even among the music channels, certain types of music are more sonically demanding than others and so require greater bandwidth. I decide how much of the bandwidth is allocated to certain types of programming, and how to re-allocate bandwidth to maximize the XM subscriber's listening experience and create a service they will be willing to pay for. When XM first launched with 100 channels, there were 29 news/talk/sports channels, compared to 52 now (including comedy and kids programming). There were 65 channels dedicated to music and programmed by XM, compared to 69 now.

10. My programming staff includes five Senior Vice Presidents and Vice Presidents, for news/sports/talk, original programming and content, program operations, and music. XM's Chief Creative Officer is Lee Abrams, who for decades has been well known as one of

America's leading FM radio consultants. Department and program directors work under each of the Senior Vice Presidents. Each music channel has a program director. There are [] people employed in the programming division of XM, [] of whom are dedicated to music programming.

11. XM's nationwide service affects both our content strategies and, we believe, our listenership. During certain parts of the day, subscribers predominantly listen to XM in the car. For that reason, XM has an extended "drive time" programming focus from 6 a.m. to 12 p.m. Eastern, and from 3 p.m. to 9 p.m. According to Arbitron ratings, XM achieves a Time Spent Listening share that tracks from five to nine hours higher per week than AM/FM radio.

XM's Extensive Channel Selection

12. Because of our more than 170-channel platform, XM is able to provide content with mass-market appeal as well as niche programming that will appeal to a smaller, but potentially more dedicated, fan base. Our ability to acquire, deliver and program content on XM is limited by bandwidth and budget. Therefore, my job is essentially a balancing act to find the most effective way to deploy these resources across our channel line-up, and to build an offering that will promote the acquisition and retention of subscribers. Exhibit 1 shows XM's current channel line-up.

13. The left side of the guide highlights our commercial-free music channels, grouped by genre. Our formats feature a spectrum of musical genres as well as mass appeal formats that have been abandoned by terrestrial radio. As shown on Exhibit 1, XM's music channels are grouped under broad genres - - "Decades," Country, Pop & Hits, Christian, Rock, Hip-Hop & Urban, Jazz & Blues, Lifestyle, Dance, Latin, World, and Classical. Each genre features programs or even entire channels that are dedicated to mainstream and/or hit-based music, but

even these most popular genres have “niche” channels, and play music and performing artists that rarely find their way to the terrestrial airwaves at all. By design, XM uses its broadcast capacity to play everything from the top hits to, for example, Celtic and American Indian music programs.

14. Our “Decades” format devotes a channel to each decade from the music of the big band era in the ‘40s to pop hits of the ‘90s. The “Decades” channels for the 1940’s (Channel 4), 1950’s (Channel 5) and 1960’s (Channel 6) almost exclusively play pre-1972 sound recordings. Our seven “Country” channels include a mix of classic country, country superstars, folk, bluegrass and traditional country. Willie Nelson makes his radio home on “Willie’s Place” [] where our on-air personalities hang out in a make-believe country honky tonk saloon and play classic country songs that receive virtually no airplay on terrestrial radio. Willie’s Place also plays mostly sound recordings made before 1972. Other channels that prominently or predominantly feature pre-1972 recordings are Soul Street, Frank’s Place, Top Tracks, Bluegrass Junction, The Village, Real Jazz, and Deep Tracks.

15. Our “Pop & Hits” category has a channel selection expansive enough to include traditional top 40, along with soundtracks, show tunes, and international hits. The XM Christian music channels likewise encompass styles from pop to Southern gospel, and play a deep catalog of well-known and lesser-known songs. Fourteen rock channels give our program directors the space and freedom to play any and every rock artist from the last 50 years, and go far beyond the best-known cuts that receive airplay on commercial FM stations.

16. XM’s “Hip-Hop & Urban” channels provide a home to brand new music, old school, and a channel of classics hosted by Snoop Dogg. Likewise, our jazz and blues channels play modern, contemporary and traditional jazz and blues, with a channel reserved for American

Standards, “Frank’s Place,” named for Frank Sinatra with approval and input from the Sinatra family. “Lifestyles” channels have eclectic and new age sounds. XM has five channels of dance music, four Latin music channels, and three channels of World music. XM’s three classical music channels include “XM Classics,” with traditional classical music, “Vox,” which features opera and vocal music, and “XM Pops,” offering classical favorites in XM surround sound.

17. Our “Biggest Names in News” category includes well-known and valuable television brands, such as CNN, Fox News, CNBC, and the BBC. Some of the most compelling programming is part of our sports programming, including national coverage of all major league baseball and NHL games. Our “Especially for Women” programming includes “Take Five” and the recently-launched “Oprah & Friends” talk and lifestyles channel. XM’s “All-Star Talk and Entertainment” programming includes famous on-air personalities such as Opie and Anthony, [] “Sonic Theater” is an XM exclusive channel that presents short stories, serialized readings from well-loved books, plays recorded live on stage, and radio drama. We now have four “Superstar Comedy” channels. We have two kids and family channels that are not part of our “commercial free” music offering, but nevertheless do include music. XM Kids targets kids under 10 and presents a morning show with running characters, sketches and contests as well as radio theater, kids’ concerts, science shows and other content throughout the day. We also carry Radio Disney aimed at “tweens” with a mix of top 40 music and other entertainment. Instant traffic and weather and regional programming round out the guide.

The Balance of Content Offerings on XM

18. XM regularly reassesses its channel line-up to keep pace with changing consumer and subscriber tastes and trends. Because we have limited bandwidth, a decision to add new

programming channels will in many cases come at the expense of existing channels. For example, when we added the “Oprah & Friends” talk channel, featuring Oprah Winfrey, we were forced to discontinue carriage of one talk channel. These decisions are complex and, unlike commercial radio, they are not based purely on Arbitron ratings. Rather, these decisions are based on the strategic value of the channel to the overall content offering, measured by other factors such as the channel’s ability to attract new subscribers and retain existing subscribers. In some cases, I consider it important to retain a channel with a relatively low but highly devoted listenership.

19. Like any other entertainment medium, we make creative content decisions based on a combination of research, experience and gut instinct. In my experience, it can be difficult to rely solely on listener research when deciding whether to launch a channel. For example, we launched our first comedy channels at the suggestion of some of our programming staff. Comedy had never been done before nationwide in radio, and therefore there was little experience to determine subscriber demand. XM’s comedy channels have turned out to be among our most popular offerings. Another example is our Southern Gospel channel, “enLighten.” It was popular on our internet streaming service, but we did not have a sense as to whether that popularity would translate once we moved it to our satellite radio platform. We decided to try it on the satellite service, and it has emerged as our most popular Christian channel.

20. What we have learned at XM is that we will be more likely to succeed using a combination of diversity, experimentation, passion and expertise for a particular genre, than programming by numbers. The best way for XM has been to build channels with their own particular focus and personality.

How XM Manages its Content Strategy to Attract and Retain Subscribers

21. XM views its channels in terms of their strategic contribution to the acquisition and retention of subscribers. Different types of XM programming may play distinct roles in acquisition or retention. Attached as Exhibit 2 is a chart that illustrates XM's content strategy.

22. It is far more costly to convince consumers to initially subscribe to XM, compared to the cost of retaining them once they have become a subscriber. Consumers need to be shown the value proposition in paying for something that they have traditionally received for free. And of course, different subscribers will perceive different value from across the broad mix of content on the XM channels.

23. The initial challenge in converting consumers to subscribers is to explain, in a way they can grasp quickly, why XM is different from broadcast radio. We emphasize the diversity of programming on XM – the mix of entertainment and information available on XM's non-music and music channels. Potential subscribers should be able to look at the program guide, see a variety of content and channels that appeal to their personal interests, and appreciate that they are unlikely ever to feel that “there's nothing on for me,” as consumers have experienced with broadcast radio. Many people become subscribers because of particular content that they are passionate about and that they can't get except by subscribing to XM. A second factor that can readily be understood by potential subscribers is that XM has 69 music channels that are commercial-free. Many XM subscribers listen in their cars, and would rather not spend their commuting and travel time enduring dozens of commercials per hour on AM/FM broadcast radio.

24. To retain subscribers, XM promotes depth, diversity and long-term value in the totality of our programming. Once consumers become subscribers, most initially will listen

almost exclusively to four or five stations at any given time. To retain these new subscribers, part of my job is to get them to discover more value in XM than they originally anticipated when they chose the service -- both on the channels they already listen to, and on channels that they have not yet experienced.

XM Programming Focused on Subscriber Acquisition

25. A major driver of subscriber acquisition is programming that a consumer only can get nationwide or in the car by subscribing to XM. Such “exclusive” programming also can distinguish XM from competitors in satellite and internet radio, as well as terrestrial radio. Most of XM’s exclusive content deals are targeted to promote acquisitions of particular subscriber segments, so XM often pays premium pricing for such programming.

XM’s Exclusive Sports Programming

26. Sports play-by-play programming is a primary acquisition tool. Our sports programming is focused primarily on attracting displaced fans nationwide who are unable to follow games of their favorite team because they do not live in the team’s market or because the games are not carried even in the local market. MLB schedules over 160 regular season games played by each of its 30 teams. With over 2400 regular season games available on XM, we saw a huge opportunity to attract millions of existing major league baseball fans to XM. After we launched MLB on XM, some 20% of new subscribers that we polled at the time cited MLB as the reason they became subscribers.

27. We also broadcast live 400 National Hockey League (“NHL”) hockey games. We provide basketball and football coverage of four Division One college sports conferences -- the ACC, Top 10, Big 10 and Big East. We broadcast 132 NASCAR races, PGA Tour golf tournaments, Mexican League soccer matches, and select National Basketball Association

games. We recently carried 2006 World Cup soccer coverage and play-by-play. We have a broadcast and marketing partnership with the U.S. Open, which in addition to giving us exclusive rights to broadcast the tennis matches, also gives us significant presence at the well-attended event. Exhibit 3 is a chart showing XM's sports programming strategy.

XM's Talk, News and Information Programming

28. In addition to the sports programming, exclusive talk programming is important to XM's acquisition strategy. XM's line-up includes familiar personalities from the world of broadcast radio, including public radio host Bob Edwards, and the Opie and Anthony show. As one indicator of the importance of such programming and its value to the potential acquisition of new subscribers, XM now licenses programs we produce back to terrestrial radio stations. In April 2006, I led a team that negotiated a deal whereby we licensed a portion of XM's Opie and Anthony show back to the CBS radio network, to run in 23 of the largest markets in America – a first for the satellite radio industry. This serves as a marketing tool to expose listeners to satellite radio, since we use the terrestrial radio portion of the show to promote XM and cross-promote the part of Opie and Anthony's show that remains exclusive to XM (as well as other XM content).

29. Similarly, XM produces "Bob Edwards Weekend," which is distributed by Public Radio International to 37 terrestrial public radio broadcast stations around the country. It features two hours of excerpts from The Bob Edwards Show, which is produced by and heard daily on XM.

30. The Oprah & Friends channel, illustrated on Exhibit 4, debuted in late September, featuring original programming on news, health, fitness, home design, spirituality, and lifestyles from Oprah Winfrey's Harpo Productions. The channel is promoted extensively on Oprah

Winfrey's television program and website, which introduces and promotes XM to Oprah's millions of fans.

31. Another strategy that aids in subscriber acquisition is to broadcast content from well-known television and radio networks with high brand recognition. This programming is not exclusively available through XM, but the brand recognition, the nature and quality of the programming, and the diversity of the programming add to the consumer proposition of value they will get as an XM subscriber. Much of this content is a simulcast of television audio, and allows XM subscribers to listen to this programming in their car. Examples of this type of programming include our channels featuring CNN, Fox News, Air America, Bloomberg Radio, CNBC, BBC World Service, Radio Disney, ESPN and C-SPAN Radio. Notably, Fox News and CNN are available on satellite radio but not terrestrial radio, and Fox News in particular is by contract exclusive to the satellite radio platform. As a result, this content is particularly valuable to us as an acquisition tool. [

] Exhibit 5 depicts

our Talk, News, and Entertainment strategy.

32. Our "Take Five" channel focusing on women's lifestyle issues combines some of the most popular television talk programming (Good Morning America Radio, Ellen DeGeneres, and Tyra Banks) with XM-exclusive programming such as interview shows led by women journalists and talk personalities. This aspect of our programming strategy appeals to a large segment of our potential listenership, women between 25-54 years of age. Exhibit 6 illustrates our women's content strategy.

33. Our XMPR public radio channel includes broadcasts of the News Hour with Jim Lehrer and shows produced by Public Radio International, American Public Media and local

public radio stations, as well as exclusive XM-produced programming like The Bob Edwards Show. Much of XMPR's programming is highly regarded and recognized in the industry. The NewsHour has earned more than 80 awards for outstanding reporting, including many of journalism's highest honors. Bob Edwards has won the DuPont-Columbia Award for radio journalism, the George Foster Peabody Award for excellence in broadcasting, and the Edward R. Murrow Award for outstanding contributions to public radio. On October 17, 2006, ASCAP announced they were awarding the Deems Taylor Radio Broadcast Award to The Bob Edwards Show on XM for excellence in music coverage.

34. XM also carries Instant Traffic & Weather on a 24 hour basis. Through Instant Traffic & Weather, XM broadcasts local road and weather conditions for 21 major metropolitan markets, each over its own dedicated channel (channels 210-230), as well as national emergency information on dedicated channel 247. Unlike commercial radio's 30-second updates, XM traffic and weather channels are broadcast nationally and give full reports on commuting and weather conditions.

XM's Commercial-Free Music Programming

35. Much of XM's programming is designed to appeal to fans, and music fans are part of our target subscriber base. Consumers dissatisfied with the homogeneity of commercial FM radio can really only appreciate the sound of XM when they experience it. XM's special programming is available exclusively from XM music channels, as I will discuss in great detail below, and we believe that the music programming style of many XM channels is truly unique. The expertise and creativity that XM brings to its music programming are essential to distinguish XM from other music listening experiences.

36. 69 of the music channels XM offers are commercial-free. At launch, XM aired commercials on more than half of its music channels, but decided it was desirable for subscriber acquisition to make all XM-programmed music channels commercial-free.

XM Programming for Subscriber Retention

37. XM also focuses substantial effort on creating and acquiring programming as part of its retention strategy, to minimize cancellation of subscriptions (called “churn”). Subscribers want to receive continuing value from their XM subscription, and so exposing them to different content is key to demonstrating the XM value proposition on an ongoing basis.

38. One key strategy is to expand and promote the diversity of programming content available on XM, and to use announcements on one channel to cross-promote programming on other channels they also may enjoy. For example, we can encourage those who subscribed to XM for major league baseball games to try the “ESPN” or “Homeplate” sports talk channels, but they also might enjoy a Bob Dylan’s Theme Time Radio Hour program with songs all about baseball, or Bob Edwards interviews with personalities from the world of sports. Several of our artist-led music shows can be heard at different days and times on different channels, which helps introduce subscribers to new kinds of music. Given the diversity of programming available on XM, many subscribers will hear talk shows on subjects they never knew existed, and may try other talk channels as a result. We will expose them on our music channels to new genres and artists they have never heard on broadcast radio. We call this “the Joy of Discovery” on XM.

39. Some content available on other media platforms, and that is not exclusive to XM, also promotes subscriber retention. As noted above, most of XM’s news, and many of our public affairs talk, channels have content that also is available on broadcast radio, television, and even

on Sirius, and therefore are not completely exclusive to XM. These channels have high brand value that serves our acquisition strategy, but they also promote retention. Subscribers know they don't have to leave XM and search the AM or FM radio dial – XM has it all. We also have us an opportunity to cross-promote the programming on different channels within these broadcasts, and the high listenership for many of these channels creates important revenue opportunities to sell advertising time.

40. Music listeners dissatisfied with terrestrial radio will appreciate XM for a variety of reasons. In addition to the commercial-free aspect of 69 XM music channels, listeners frustrated by the limited formats of broadcast radio will enjoy the diversity of genres of music programming on XM channels. Those tired of narrow playlists on hit-driven radio stations will find breadth and depth in XM's programming. True music fans will appreciate the different ways that XM showcases music and musicians – the “art” of programming on XM. Exhibit 7 is a chart that describes the strategy behind some of the key components of the XM-created music programming. I discuss how we program music in more detail below.

XM's Artist-Led Programming

41. Another key strategy for our music channels is to create special original programming that keeps the channels sounding fresh. XM's artist-led shows give performers free rein to play whatever music they want to play, to share and talk about what inspires them as artists and as fans, to talk about their favorite places to perform, or just tell stories about their experiences recording and touring.

42. Examples of popular artist-led shows are Bob Dylan's “Theme Time Radio Hour,” where each week he plays songs on a different theme; Tom Petty's “Buried Treasure,” where he digs up vintage rock and roll tracks; Wynton Marsalis's program, “In the Swing Seat,”

where he talks about the style of particular jazz artists; Snoop Dogg's "Welcome to da Chuuch," programmed from his home with music and guests from the world of hip-hop and rap; and, Quincy Jones's multi-series programs on jazz, rhythm and blues, and soul music. "SongStories with Graham Nash" spotlights Nash interviewing many of music's most talented and successful songwriters about the stories behind their most classic songs, their overall creative process and the art of songwriting itself. Artists of different generations and styles drop by to "takeover" a channel station, and have complete freedom to talk about whatever they want, play what they want, and enjoy programming from XM's extensive music library. Exhibit 8 describes some of XM's long form specialty programming. Exhibit 9 is a series of articles concerning Bob Dylan's critically-acclaimed "Theme Time Radio Hour" show.

XM's Concert Series and Special Music Events

43. XM produces programming featuring performances by mainstream and up-and-coming musical artists. We created a series called "Artist Confidential," which is an hour-long program that spotlights one major musical artist or group with interviews and at least 20 minutes of live performances, both audio and video recorded before a small audience in XM's Performance Theater in our studios in Washington, D.C. or occasionally in our New York "Jazz at Lincoln Center" studios. These performances cover every genre of music, including an offshoot program called "Classical Confidential" that airs on our classical music channels. We have done more than 50 Artist Confidential and more than ten Classical Confidential programs, with artists as diverse as Paul McCartney, Bonnie Raitt, Cecilia Bartoli, Leonard Slatkin, Clint Black, Herbie Hancock and Odetta. Exhibit 10 is a listing of all the Artist Confidential performances. Exhibit 11 is a page from the XM website describing our Artist Confidential programs. Excerpts from these interviews and individual recorded Artist Confidential

performances may be programmed later on both music and non-music channels. This gives us the opportunity to both cross-promote the Artist Confidential series and to provide our subscribers with exclusive content that they can hear only on XM.

44. XM Kids' "Rumpus Room" concert series is an exclusive in-studio kids' concert series featuring the best Children's recording artists. Like an Artist Confidential for the under 10 set, it has featured artist such as Laurie Berkner, Dan Zanes, They Might Be Giants, and The Baha Men.

45. Our "Then ... Again ... Live" series invites classic rock artists into the studio with us. They recreate in live performance today, track for track, some of their most famous recordings, and give their personal takes on some of their landmark works – such as how they were recorded, what the band was like at the time, and what they might do differently today. Exhibit 12 is the page from our website describing the Then ... Again ... Live programs. We have also created a series called "Artist to Artist" where a young performer interviews an established artist who inspired him or her (such as the up-and-coming country performer Dierks Bentley interviewing country legend George Jones). Exhibit 13 is a page from our website describing XM's Artist to Artist programming. From time to time, artists drop in on one of our channels and program their own radio show. Out of this concept comes our "Offstage" series, where XM visits different artists at their home or home studio and allows them to host and program a one hour show that mines their personal collection of music. Exhibit 14 is the page from our website describing the Offstage programs.

46. All of these programs are created by XM, and some can be expensive to produce.

[

] Nevertheless, these XM-created music shows create ongoing value for the existing subscriber base, and play an important role in subscriber retention.

47. XM also broadcasts special concert events. In total, XM has broadcast more than 5,000 concert performances (in addition to our “Artists Confidential” series). Our “Mainstage” series includes concerts from established artists, often carried live (though at times recorded) from large multi-artist festivals such as Bonnaroo, Rock in Rio, Live 8, and Farm Aid. Exhibit 15 is a page from the XM website listing Mainstage concerts we have presented. In addition, we often feature small-venue concert recordings from emerging artists, particularly in our “SRO” series, which exposes new talent to XM’s music audience. These venues include the B.B. King Blues Club in New York City. Exhibit 16 is a page from the XM website listing SRO series performances we have presented.

48. XM is also the official satellite radio partner of the Grammy Awards. Only twelve of the Grammy Award categories are televised, which gives XM 120 categories of music performances and awards to broadcast. At Grammy time, XM dedicates a channel to Grammy-related programming, allowing us to broadcast exclusive pre-show coverage of Grammy Week events and specials highlighting the nominees in various music genres. We cross-promote the Grammy Awards channel across many XM channels, and play Grammy-nominated and award music on a variety of the XM music channels in virtually every Grammy category.

Music Programming and its Role in Creating the XM Music Experience

49. In a broad sense, recorded music is a commodity that gains enhanced value through the context in which XM showcases it and in which our subscribers experience it. Without a guide, you are walking into a vast library with no idea of where to start or where to go next. XM’s programmers and on-air talent provide that context, like having a music expert

spinning discs in your living room. Channels are developed with a particular personality or point of view, reflecting the thinking of the programmers and our on-air talent.

The Process of Music Programming on XM

50. All of the more than 2.5 million songs in the XM music library are available to programmers on the XM computer system. Program directors determine the criteria important to creating the character of their respective channels. These include types of music and musical artists (such as era-based music for our “Decades” channels), rotation of songs and artists, the theme of the channel, and the particular themes and flows for each program segment.

51. Music programmers add, delete, and order songs into a playlist. The programmers can control the transitions between the songs, determining the duration and nature of the transition (fade out, fade out/fade in, and so forth). Slots are determined for talk by our on-air personalities and promotional announcements for programming on that channel or on other XM channels. On many of XM’s channels, our on-air personalities are free to share their knowledge and enthusiasm for the music and the artists, personal anecdotes about the music and the musicians, and useful information such as concert calendars and record release dates.

The Art of Music Programming on XM

52. When hiring music channel program directors, I look for people with a deep knowledge of the genre of the channel they will be programming. My philosophy is that the technical and managerial aspects of programming are something that can be taught, but the art of selecting music cannot, and that is why I look to hire true music experts. Classical music experts like Robert Aubry Davis and Martin Goldsmith, jazz aficionados like Maxx Myrick, blues expert Bill Wax, American standards expert Jonathan Schwartz, or disk jockeys like George Taylor Morris, Earle Bailey, Mike Marrone, and Eddie Kilroy – to name but a few of our many

broadcast legends, each with more than 30 years of professional radio and music experience -- offer our audience thoughtful and unparalleled perspectives on music in the way that it is programmed and the personal stories and information they can tell their audience.

53. XM's program directors are guided by their understanding of music, not by industry data or consultants. They are music people, not sales people. Many of our program directors drive our listeners' tastes in music. In addition to Bill Wax, Mike Marrone, Maxx Myrick, and Robert Aubry Davis, these tastemakers include Jessie Scott (X Country), Billy Zero (XMU), Tobi (XMU), Bill Evans (XM Café), Seth Neiman (Hear Music), Ben Smith (Fine Tuning), Erik Range (Ethel), Ward Cleaver (XMLM), Lou Brutus (Fungus), Lisa Ivery (The City), Leo G. (RAW), Skyy (BPM), and Trinity (Watercolors).

54. XM programs a number of hit-based music channels that give subscribers both the familiar popular formats they would hear on terrestrial radio, and much more. Our "hit-driven" channels are not mere juke-boxes that play the hits. We program these channels to engage our listeners. For example, these channels may feature disk jockey discussion and expertise, entertainment news and interview excerpts. As another example, the top tunes in the nation that play on our "20 on 20" channel are determined by listener email votes, phone calls, letters, text messages and website comments that allow our subscribers to request songs for specific channels. By actively engaging the audience in creating the Top 20, we believe we are creating greater subscriber loyalty to XM.

55. The real power of XM music programming is showcased on channels that we specifically program to be unique audio "destinations" for our listeners. Listeners strongly connect with how the content is presented on these channels, and develop a passion for XM programming. On channels such as Deep Tracks, The Loft, XMU, X Country, The Move, and

our comedy channels, our programmers play music and material subscribers may never have heard before, or haven't heard in years. Programmers are free to choose from the XM library, which contains more than 2.5 million sound recordings and is constantly growing as we add both new and old music to our collection. Program directors regularly showcase new music, and are knowledgeable and sophisticated enough to know the new releases in their particular genres. This expertise and experience creates tremendous value to the XM subscriber, and gives XM its character.

56. Taking just one of these "destination" channels as an example, Deep Tracks regularly features sets that connect the music in ways that appeal to subscribers' intellect and aesthetic sense over and above the appeal of the song itself. Songs often are connected by theme as well as by the style, tempo or key. Every week, Earle Bailey takes the listener on a "Head Trip" playing hours of songs built around a particular word or phrase or theme in the song titles. The "Undercover" program features versions of well-known songs covered by other artists. Our "Fresh Tracks" show features new music releases by long-established and well-loved artists, some of whom get little airplay on today's hit-driven broadcast radio. We have a weekly show intended for headphone listening, with tracks where record producers experimented with stereo effects. We run the Grateful Dead hour, featuring live performances from among hundreds of available recorded concerts. Author and music enthusiast Bill Fitzhugh every week sends us a hand-mixed vinyl show, where he shows how recording artists picked up the musical riffs and themes from other records. Deep Tracks features the weekly hour-long shows by Bob Dylan and Tom Petty, recordings from the King Biscuit Flower Hour, Artist Confidential interviews and concerts, Then...Again...Live shows, and more. Deep Tracks admittedly is one of XM's more

adventurous channels, but this one channel illustrates the breadth, depth, and intensity of XM programming efforts and our programming philosophy.

57. When subscribers tune in one of the XM “destination” channels like the Decades channels, or Deep Tracks or Bluesville or Real Jazz (and many others), they get much more than a passive entertainment experience. Subscribers enter the minds of music experts who entertain, inform, stimulate, and surprise, in a way that appeals to music lovers as well as music listeners. Many of these channels recreate a certain location or time in words and music. Engaging the listener to pay attention and think about the music is another key to what makes XM special to our subscribers. In these respects, it is the thought, effort, expertise and expense that XM brings to these channels that makes subscribers (including by the way recording artists themselves) love listening to music on XM.

58. Not all XM music channels employ live personalities. The overall feeling or emotion XM is trying to convey will help determine whether to have live announcers. For example, The Loft channel often has interviews and stories surrounding the music as much as the music itself. By contrast, “Flight 26,” “Big Tracks,” and other hits-based channels require fewer DJs. Alternative rock channels like “Fred” and “Lucy” each have a distinct character, which is conveyed through prerecorded drop-in announcements that express the personality of the channel or tell stories rather than talk about the music itself. The alternative rock channel that focuses on newer music, “Ethel,” features disk jockeys, artist interviews, live performances, and specials such as artists who “take over” programming the channel.

59. Within the framework of the music channel themes, XM also creates “mini-series” programs that showcase music and artists in creative ways. The 60’s channel features a weekly show called “Sonic Sound Salutes,” which recreates the heyday of Top 40 radio. During

this show, XM's The 60's channel is transformed into one of the classic 1960's radio stations from around the country, with a mix of songs of the era with recordings that include original station jingles and on-air personalities. Recently, XM recreated Chicago's WLS and Kansas City's WHB. Exhibit 17 is a recent article from The Washington Post about these classic Top 40 station recreations. The ambitious "IT" special spanned the various Decades channels. Starting in Mid-August 2006 on The 40's channel and progressing on each successive Decades channel, XM played sequentially every record that reached the top 40 for each year up to 2006. The songs appeared on the appropriate music channels for each decade, with promotional announcements appearing on neighboring channels before the jump to a new decade. Showcasing this panorama of popular music took nine weeks to complete.

60. Several XM channels focus prominently on exposing music by new artists. For example, "XMU," "Hear Music," "XM Café," "The Verge," and "Fine Tuning" each include in their format substantial amounts of new music by less established artists that fit well in the genre or philosophy of those channels. "The Village" has just added "Songs to Hang on Stars," a program that showcases new contemporary folk artists. Many other channels include new music by less established artists, who benefit from the exposure on XM. Many XM channels also play music by artists that otherwise receive little or no airplay on commercial radio. Exhibit 18 is a listing of XM channels known for their exposure of new artists.

61. These are the kinds of compelling musical experiences that XM creates, and that listeners cannot hear anywhere else but XM. It is this programming expertise and creativity that makes XM music important to our subscribers.

The Promotional Aspects and Appeal of XM

62. Since the mid-1990's working in programming for radio stations through my work at XM today, a significant aspect of my job has been working directly with recording labels, artist management and artists. XM's Chief Creative Officer Lee Abrams has been working with record labels, managers and recording artists since the 1960's. XM is an important promotional vehicle for performing artists and record labels. By our design, XM's music channels provide a national platform to expose recording artists to audiences that appreciate new and different music. Musicians and their labels gain tremendous benefits from this exposure on XM, whether it be a new song from a well-known artist or a lesser-known musician who our subscribers discover on XM.

63. The variety and depth of our programming highlights XM's promotional value to a wide variety of musical artists. Terrestrial radio no longer provides an outlet for certain musical genres in many media markets. Three of the largest radio markets - - New York, Los Angeles, and San Francisco - - do not have a country station. Other disappearing formats include classical music, dance stations, oldies and "modern rock." Exhibit 19 lists formats carried on XM that are missing in major media markets. By contrast, XM's nationwide coverage includes three classical channels, five dance music channels, seven country music channels, fourteen rock channels, and a number of channels, such as certain Decades channels, that play music that used to be heard on AM/FM radio. Our Decades channels are becoming increasingly popular as local radio stations drop formats playing music from the 1960s - 1980s.

64. XM's national reach enables XM to promote music that local radio formats have left behind. When records in these genres succeed in radio markets that do not support that music format, we believe, and we have been told this by record labels and artists, that some

credit for that success is due to airplay on XM. A recent success story: in Los Angeles, after the last local country station changed formats, XM stepped in to sponsor a country music concert. With XM's support, the concert sold out 11,000 tickets.

65. Initially, record labels treated XM as they would a small local radio broadcaster. XM had to purchase hundreds of thousands of CDs to launch its service in 2001. Labels began providing XM with promotional copies of sound recordings, and occasionally brought artists by for in-studio interviews and, helped us with promotions. Yet, many record labels did not fully understand the real power of XM as a national music promotional platform. That power is more than just mere numbers, although the numbers themselves are impressive. [

] Exhibit 20 shows ratings for the second quarter of 2006, and compares weekly listenership on a few of XM's top music channels to other popular national print media and major market radio stations.

66. Artists and their managers, however, immediately grasped XM as a preferred media outlet for musicians to promote their work. When they heard XM, they "got it". They also are impressed with the critical mass audience we have achieved. Artists appreciate the transparency that exposure on XM provides. They speak directly to current and potential fans in extended, natural and personal formats where they can portray themselves and their music the way *they* think is best. They are interviewed by seasoned broadcasters and music experts who know and appreciate the artists' work. There are no commercial breaks or heavy-handed promotion for the channel done at their expense. For example, when Janet Jackson was in Washington in August 2006, as part of a 3-city tour, she granted newspapers and other media outlets short interviews at her hotel. The only DC-area media outlet she visited in person was XM. She spent two hours visiting the urban music channels at XM, and granted an exclusive

interview to XM. Attached as Exhibit 21 is a compact disc with audio clips (and written transcription of these clips) from just a few of the many artists who have talked on-air about XM as a direct conduit from musicians to their fans, unlike the homogenized experience of today's commercial FM radio.

67. The promotional power of XM is evident from the number and nature of the artists and labels that want to work with us. Our Artist Confidential series has featured legendary artists like Paul McCartney, Robert Plant of Led Zeppelin and Brian Wilson of the Beach Boys, and newer stars like Coldplay, Pink and the Dixie Chicks. Our Classical Confidential series has presented interviews and performances with conductor/pianist Leonard Slatkin, young violinist Joshua Bell, singers Cecilia Bartoli and Andrea Bocelli, and flautist James Galway. The XM Then...Again...Live series has featured full album performances of classic rock artists like the Allman Brothers Band, Jethro Tull, Christopher Cross, and Cheap Trick. Virtually all of these artists came to XM for the freedom to discuss, perform and promote their music in the way they want to be portrayed, and received no monetary compensation from XM. In addition to these Artist Confidential shows, XM has conducted and played literally thousands of interviews with artists.

68. Artists want to be part of the XM experience. Most guest celebrity DJs program their shows for free or for a modest stipend to cover their expenses. Many of XM's artist-led shows were born at the suggestion of the artists themselves, because they appreciated XM's approach to programming music and wanted to become part of it. For example, Tom Petty proposed the idea of his Buried Treasure show to XM. Quincy Jones came to XM with his ideas for multi-part special music programs. Willie Nelson proposed to XM the idea of changing the "Hank's Place" country channel to "Willie's Place." Hip-hop artists Snoop Dogg, Ludacris,

Trick Daddy, and Chamillionaire came to XM with the ideas for their own personal programming. Blues legend B.B. King loved the Bluesville channel so much that we awarded him the honorary post of the “Mayor of Bluesville,” complete with the key to the “city.” Singer/songwriter Graham Nash created his “SongStories” show because of his appreciation for XM as a platform for musicians. Country star [] heard Willie’s Place on XM in his car, and became so moved by XM’s programming approach to showcasing music that he called us up and has begun working with us on the concept for a show of his own. Other musicians who host shows on XM include folk artists Christine Lavin and John McEuen, and country legend and Hall of Famer Bill Anderson.

69. Bob Dylan was interested in working with XM on “Theme Time Radio Hour” because he was an avid XM subscriber who appreciated that XM played music he hadn’t heard in decades anywhere else. On August 28, XM played Bob Dylan’s newest recording, “Modern Times,” in its entirety before it hit the stores. After it hit the stores, many retail outlets (including Sony’s online retail website, Sony Connect) packaged the CD with a bonus CD containing an episode of his XM radio show. “Modern Times” entered the charts at number one, and we have been told that XM contributed to that success.

70. Jazz trumpeter and scholar Wynton Marsalis didn’t know much about XM when we first approached him to do a show on our Real Jazz channel. But once he heard XM, he was excited at the opportunity to create his “In the Swing Seat” show and to have broadcasts of concerts from Jazz at Lincoln Center, where he serves as Music Director.

71. One of the announcers on our X Country (Cross-Country) channel is a younger musician named Jack Ingram. His work on XM has helped him build his recording career, and to attract concert audiences all across America.

72. XM also creates long-form specials of three-to-eight hours' duration chronicling the history of a recording artist. Interviews, archival material and the complete range of their music is featured in these programs. This "Complete" series has, in the past, covered artists such as The Eagles, Chicago, Les Paul, Shania Twain, Toby Keith, Bobby Darin and the Rolling Stones. Artists are excited to work with XM on these programs for the exposure it provides to our listeners.

73. We regularly receive telephone calls and correspondence from artists, managers and labels thanking us for playing their music. Many labels, artists and managers tell us that airplay on XM has increased sales of their recorded music, attesting to the value of XM. As one example, in October 2004, country star George Strait was about to release a greatest hits CD. XM created a program that interviewed him about his recordings, played all of his previous hits and premiered his new single. The program aired in 2005, just before the CD came out. George Strait's Label Head of Promotion told us that he had his single biggest one day sales ever when the new CD was released. Exhibit 22 includes emails from labels, artists and managers describing the promotional impact of XM.

74. To create some special programs, XM receives a waiver from the recording labels. As I understand it, XM's license to perform sound recordings ordinarily limits how many songs from an individual artist or album may be played consecutively or during a certain period of time. Many labels willingly give us these waivers for particular artists. [

] These waivers make possible programs like “Liner Notes,” in which a musical artist walks listeners through a one of their new albums.

75. One of the simplest ways that XM helps promote sales of music and artist awareness is also one of the most important. Obviously, people can’t buy music or learn about new artists without knowing what it’s called and who’s singing and playing. The screen on every XM radio displays the name of the artist and the title of the song that the subscriber hears. This is information that XM has to enter into its database, and transmit separately to the receivers. Terrestrial radio stations rarely give this information to their listeners, but we consistently have made this additional information easily available to our subscribers.

76. XM also has helped to create and release CDs of old and new music. Concord Records has collaborated with XM to create CD compilations. The first of these, “Blistering Licks,” was released in June 2006, and features giants of jazz such as John Coltrane, Miles Davis, Wes Montgomery and Art Tatum. In the fall of 2006, Starbucks began selling the first of a series of music compilations on CD with some of the best XM Artist Confidential performances. XM has also commercially released a Watercolors smooth jazz CD, and plans to release a blues CD soon.

77. XM’s promotional power is especially important for new artists, who appreciate the airplay and support we give them. It has become increasingly difficult for many musicians to get airplay on terrestrial commercial and college radio stations. Billy Zero, program director of XMU, receives hundreds of packages every week from musical artists and groups at various stages in their careers. He listens to each one personally, and has the freedom to choose which ones to air. Because of his taste and dedication, XM has given substantial early play to bands who went on to broader commercial success, and our track record has given XM greater

credibility with record labels. We support new music from artists like The Cardigans, who were popular years ago, but recently have had less access to airplay. Unsigned bands who have gotten record deals within a year of exposure on XM include Morningwood (recently featured on David Letterman's show), Stellastarr, Antigone Rising and Grammy award-winning rapper Rhymefest. Jennifer Nettles of the band Sugarland is one of XM's country music success stories. Within a year of exposure on XM, she had a record deal. Her duet with Bon Jovi has gone to the top of the Billboard Hot Country Songs chart. XM also participated in Bon Jovi's "Have A Nice Gig" challenge, where unsigned bands nationwide submitted their best single to XM Satellite Radio for the chance to be Bon Jovi's opening act. The band selected to open for Bon Jovi at the Meadowlands soon after was signed by a record label.

78. Last year, XM instituted the "XM Nation Awards." XM listeners are invited to vote online in a number of categories concerning the music and sports programming they hear on XM. Exhibit 23 consists of email from listeners who told us their music purchasing habits were influenced by XM.

79. For several years, certain XM channels have reported their playlist information to trade press, such as Billboard Magazine. Recently, thirteen XM channels began reporting their airplay statistics to Radio and Records ("R&R"), a leading industry publication that compiles national airplay charts. The XM channels which report to Billboard and/or R&R are 20 on 20, Flight 26, The Blend, Ethel, Squizz, Highway 16, The City, The Heat, Suite 62, Watercolors, BPM, The Message, and XM Café. Because of the influence of XM on these charts, it is difficult for a song to hit Number One on those charts in the United States without support from XM. These industry publications recognize the promotional power of XM, and confirm XM's status as an important promotional vehicle for musicians and record labels. By influencing

which songs make the industry charts, XM also helps generate airplay for those songs on terrestrial radio stations, which further promotes sales of music downloads and CDs.

Differences between XM and Other Types of Radio Services

80. There are many key differences between programming on XM and commercial terrestrial radio. As discussed above, XM provides subscribers with a wide variety of high-quality content with high production values. XM has more channels than the number of radio stations in a typical geographic market. XM carries more news, sports and talk programming than the typical radio market. XM's music channels are programmed by experts in their field based on the qualities of the music rather than the Billboard charts, and DJ'd by on-air personalities with decades of broadcast experience. Most are commercial-free. XM carries traffic and weather information for 21 markets that is instantly available on every XM car radio, and includes extended reports rather than just a brief "headline." XM has an emergency alert channel that, because they are sent by satellite, can provide critical information to subscribers even when weather knocks out local broadcasting, as we did during the massive hurricane season of 2005. XM programs channels in music formats that are rarely available in most markets. Even local broadcast stations having the same music format as a particular XM channel generally do not play the same depth and breadth of music. XM features more special programming than broadcast radio. As AM/FM stations continue to remove DJs from their programming line-up, XM keeps informed on-air talent who share their music expertise with the audience. Whereas AM/FM radio stations rarely back-announce the songs they play, XM transmits data that identifies the artist and song title for tracks played on XM channels. Simply stated, we offer the variety of content that subscribers want, and much more of it.

81. XM also differs from internet delivery of programming. My experience is that webcast services don't provide the same experience of a guided "musical journey" like XM does, and clearly they do not commit the people, technology resources, and budget that we do. For example, many of these services play songs, without logic or segue transitions between songs like a jukebox or an iPod Shuffle. The services also do not have a staff of experienced and knowledgeable on-air personalities, of the size and breadth of XM's, who can entertain, stimulate and inform the listener. These services do not feature the many types of special programming created by XM exclusively for our listeners. When they do provide special original programming to listeners, the content is generally offered on an interactive basis rather than as part of an overall program schedule or strategy. At present, internet webcasts also lack the mobility and portability of XM and therefore are not programmed to take into account automotive and portable device listening trends as we do.

82. While there are many other forms of audio entertainments available to consumers, XM provides a compelling offering that combines sports, talk and music content to create an "XM Experience" that consumers are willing to pay for on a monthly basis. On a daily basis, XM's dedicated programming staff uses its expertise to provide XM subscribers a service that provokes, surprises, educates, and informs them about music and the world.

Certification

I declare under penalty of perjury that the foregoing is true and correct.

Dated: Washington, DC
October 30, 2006



Eric Logan

Executive Vice President of Programming,
XM Satellite Radio Inc.