Before the
UNITED STATES COPYRIGHT ROYALTY BOARD
LIBRARY OF CONGRESS
Washington, D.C.

In The Matter Of: Adjustment of Rates and Terms for Preexisting Subscription and Satellite Digital Audio Radio Services	Docket No. 2006-1 CRB DSTRA

Testimony of

GARY PARSONS

Chairman of the Board of Directors, XM Satellite Radio Inc.

FINAL

Witness for XM Satellite Radio Inc.

XM Exhibit 1

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Copyright Royalty Board

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	)	
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	)	

DIRECT TESTIMONY OF GARY PARSONS
(ON BEHALF OF XM SATELLITE RADIO INC.)

1. My name is Gary M. Parsons. I am currently Chairman of the Board of Directors of XM Satellite Radio Inc. ("XM"), a position I have held since May 1997. As Chairman, I participate directly in the development of XM from concept to service, and share the responsibility to oversee and implement XM's business operation.

2. My testimony primarily will focus on XM's company history, the substantial risks inherent in the launch and continuation of its business, and its prospects for the future. To summarize some of the key points:

-- The challenge of taking XM from an on-paper concept to an on-the-air broadcast service was virtually unprecedented in the radio industry. We built the new satellite radio industry and the XM business from scratch from technological, business, and programming perspectives.

-- XM has required extraordinary infusions of capital from inception to the present stage of our development as a company. XM forged significant partnerships to attract the massive funding required to launch and operate the business, and the automotive and retail

marketing support to become successful. Despite many formidable challenges, XM was able to launch the service in 2001, approximately five years from the company's inception. XM since has grown to serve more than seven million subscribers in less than five years since launch.

-- Despite XM's success, we are a young business that is still developing. By the end of 2006, XM will have invested more than $6 billion to reach where we are today. We are not yet cash flow positive. Despite substantial increases in our subscriber base and revenue, analysts estimate that XM will continue to lose more than $1.9 million per day. To continue building our business, XM requires significant ongoing investments to maintain and improve its infrastructure, and to effectively market the concept of satellite radio as well as the XM service. Because of the high-risk nature of the satellite radio business, our investors from inception to the present expect high returns on their investments and have yet to see that return. In fact, our stock price today is 10% lower than when the company first went public in September 2001, indicating the investment community's concerns over XM's ability to generate profits in the next several years. We face many risks ahead before XM becomes a business that is profitable and begins to provide any reasonable return to our investors. An increase in our royalty fees could disrupt the tenuous balance between our already substantial costs and our uncertain future returns.

-- The fundamental value proposition of XM is built on diversity of programming, exclusive content and a unique and powerful delivery platform to serve both the mobile (automotive and hand-held portable) and the home environment. This value proposition includes offering content that appeals to both mainstream and niche audiences across a broad demographic, particularly exclusive programming such as sports and talk, brand-name but limited availability content (such as CNN and Fox News), and XM's commercial-free music programming. The depth of XM's programming appeals to "fans" of the many different kinds of

content we broadcast. Music fans learn from XM about new music, artists and genres they had not been exposed to before, and buy music and concert tickets based on the exposure these artists received on XM.

Personal Background and Management Experience in Communications

3. After graduating with an engineering degree from Clemson University and an MBA from the University of South Carolina, I worked for ten years at BellSouth Corp. After the breakup of the Bell System in 1984, I became Executive Vice President of a fiber-optic and long-distance service startup, Telecom*USA. I joined MCI Communications Corporation ("MCI") when MCI acquired Telecom*USA. I served in a variety of roles at MCI from 1990 to 1996, including as Executive Vice President of MCI and as Chief Executive Officer of MCI's subsidiary MCImetro, Inc.

4. In 1996, I became Chief Executive Officer of both American Mobile Satellite Corporation ("AMSC"), a data-services company that provided satellite technology for truckers, the Red Cross, and government institutions, and American Mobile Radio Corporation ("AMRC"), its subsidiary created in 1992 to study a multi-channel, nationwide audio service provided via satellite direct to subscribers. Based on my belief that satellite technology would appeal to a wider consumer market for audio radio services as well as data services, AMSC decided to pursue a satellite radio license through AMRC, whose name was subsequently changed to XM Satellite Radio. Following the recruitment of Hugh Panero as CEO of XM Satellite Radio in 1998, I have continued to serve as Executive Chairman of XM.

Challenges XM Faced to Launch an Unproven Technology and Business

5. XM had to overcome many significant challenges to create a new satellite-based audio entertainment business. Like other satellite businesses, massive investments would be

required to build the business. XM would have to expend years of effort and billions of dollars before receiving our first subscriber dollar, and we would face a host of formidable technological and business risks. Given the nature of satellite radio, XM had to overcome a number of obstacles and risks not previously encountered or surmounted by other satellite-based businesses. Many of these risks persist to this day, and many of the decisions that were necessary to the launch of the business present ongoing challenges to XM profitability.

Creating a New Radio Business Model

6. At the outset, our belief was that the success of the Direct Broadcast Satellite ("DBS") television services -- DirecTV and Echostar -- showed that people, particularly those living in rural environments, were willing to subscribe to a satellite service that provided a broad variety of entertainment and information channels. We also recognized that a national service would appeal to professional truckers and drivers who lose the signal of favorite local stations as they drive long distances. With the consolidation of terrestrial radio stations, escalating commercial minutes and narrowing formats, we perceived an unmet consumer need for XM's concept in the urban and suburban populace as well. In short, we anticipated that a nationwide service offering programming diversity and choice, coupled with high-quality audio, and limited or no commercials on the music channels, would appeal to enough different demographic sectors to create a prospect of future success.

7. While the DBS example was useful, our effort was unparalleled in the radio industry. We were not just starting another station or acquiring and managing a group of radio stations. XM was to be a different kind of audio service and a different kind of satellite business, with national reach in the home, office and automobile. We were creating a new industry from the ground up, and had to raise immense amounts of capital to support our new technology.

Challenges to Raising Sufficient Early Capital to Fund XM

8. Our largest concern during the 1997 to early 2000 timeframe was raising the billions of dollars needed to launch commercial service. The first hurdle requiring substantial sums of money was the acquisition of XM's license. In October 1997, XM paid $90 million for one of the two available satellite digital audio radio service licenses. Including the contracts for building the satellites and other expenses such as salaries for the initial personnel, XM paid out $130 million at this early stage. The initial funding for the license came from parent company American Mobile Satellite Corporation ("AMSC") and WorldSpace, a digital satellite radio network that currently broadcasts in Asia, Europe, and Africa, which became a 20% equity partner. In the 1990's, WorldSpace was in the process of developing an international service facing many of these same challenges.

9. In July 1999 six investors, including business partners General Motors, Clear Channel Communications, and DirecTV, joined AMSC, and AMSC bought out the WorldSpace ownership interest. These entities invested $250 million in the business, and provided expertise in various elements of the business, such as billing, programming, and customer service. These investors entered into contracts with XM for programming or distribution, and some of these contracts even provided the investor with a portion of the bandwidth on the planned XM system. For example, XM's long-term distribution agreement with GM requires XM to make guaranteed payments of over $300 million to date, to subsidize the installation of XM radios in new GM vehicles, to make additional payments based on the subscription revenue attributable to GM vehicles with XM radios installed, and to make available a certain amount of bandwidth for GM audio and/or data transmission. Deals with American Honda likewise provided them substantial

returns on their investment, as well as data transmission rights for in-vehicle data services (such as information and traffic services featured in recent television advertisements).

10. XM had no real choice but to enter into these and other deals when they were made. XM needed the early infusions of capital and the marketing platform to reach consumers through factory installation of XM radios in new cars, both of which were absolutely crucial to the development of XM as a viable consumer offering. The size of the required investments, the risky nature of the investments, and the nature of the investment marketplace required us to provide our business partners lucrative agreements that gave these investors an added interest in the XM business. At that time, we were competing for capital against high-tech "dot-com" companies that were expected to deliver extremely high rates of return within a very few years, based on fairly modest capital investments and low infrastructure requirements. By contrast, our business required massive infusions of capital to build both the broadcast infrastructure and a new programming service, with no guarantee of success, and with a certainty that it would be years before the business could launch its service and generate any revenue whatsoever. For these reasons, XM could not raise money simply by promising a high rate of return, nor could we raise our early capital through Wall Street alone.

11. After receiving these early infusions of capital through our business partners, in 1999, XM became a publicly traded company.

Capital and Technology Challenges Before Launch of the XM Satellites

12. With sufficient capital behind us, we successfully recruited top-notch personnel to create the technology and infrastructure for the XM satellites, transmission facilities, studios, and business. XM had to invent, design and build all aspects of the business needed to create and distribute this service. XM has compiled an intellectual property portfolio in excess of 40

patents in this field, and additional patent applications remain pending before the U.S. Patent and Trademark Office. We had to surmount formidable technological challenges in creating the satellite signal, designing and building the satellites and transmission facilities, and designing the chipsets and the radio receivers. There was no room for error. We had to do it all correctly before launching the satellites.

13. In March 2000, the status of the economy and the capital markets changed precipitously when the "dot-com" bubble burst. At that time, we were in the midst of designing and building out our broadcast facilities and our transmission and radio receiver technology. We were still more than a year and a half away from launching the service and obtaining any revenues. We anticipated pre-launch costs approaching a billion dollars, and many technical milestones needed to be achieved before we could go live. I was very concerned that the capital markets would become less receptive to a risky, capital-intensive technology venture at a time before launch when XM would require additional substantial investments.

14. Until mid-2001, I also was concerned whether the transmission and reception technology would work in a manner that could meet reasonable customer expectations. To succeed, XM had to be a truly robust coast-to-coast broadcast service. Our signal had to blanket the country to reach automobiles, trucks, and pleasure craft, as well as fixed or portable XM radios used in a listener's home, office or other location. Convincing consumers to pay for audio services they were used to getting for free meant that the reception for XM had to be extremely reliable in a wide variety of challenging man-made and natural environments. Subscribers would expect to hear XM in their cars without interference or interruption, regardless of vehicle speed or terrain. Even momentary signal cut-outs during a game or a song could be unacceptable. To ensure a seamless listening experience, we not only had to design, build and maintain our

satellite system, but also had to invest $262 million through 2005 in a ground-based repeater network to retransmit the signal from our satellites in urban environments, so as to provide reliable digital audio service to all XM radios. It was not until our repeater network was in place and we could perform actual reception and drive-testing that I felt assured that XM could provide the kind of continuous listening experience that subscribers would demand.

Challenges in Launching the First XM Satellites and the XM Service

15. Once we had successfully tested the transmission system using simulations in the field, we finalized preparations to launch our satellites. Because of our need for an omnidirectional, high-powered signal capable of being received by a car antennae rather than a parabolic dish antennae, we could not rent time on existing satellites. Designing, building, launching and insuring each satellite cost us on average more than $250 million. The launch itself is inherently risky, even for the most experienced launch companies. Launch insurance alone for the three satellite launches cost us $90 million. Moreover, at the time of the launches of XM's first satellites on March 18, 2001, and May 8, 2001, the company performing the launch (Sea Launch) was itself a new service that had only successfully launched a handful of satellites.

16. On September 25, 2001, XM began to roll out service to subscribers in certain markets, after our September 12, 2001 service launch date was postponed due to the events on September 11, 2001. November 12, 2001, marked the official launch of full nationwide XM service. Although at the time the licenses were awarded and satellite contracts were signed, we had envisioned offering 50 channels, due to technical advances, we were able to launch with 100 channels. It required $60-70 million of capital expenditures to boost the satellite power as well

as research and development spending to achieve this channel increase. Initially, 71 of these channels were music channels; the remaining channels were primarily news, talk and sports.

Marketing Challenges and the "Value Chain"

17. The single largest question investors had in the 1997 – 2002 period was whether a broad enough cross-section of consumers would be willing to pay for radio service, and whether XM could attract more than just a minimal group of early adopters. We therefore recognized that another key to the future success of XM was our ability to aggressively market XM to a mass audience.

18. These marketing efforts depended on more than XM alone. XM needed to forge strategic partnerships with many companies at each link of the value chain to commit sufficient resources to developing and marketing XM. This included consumer electronics companies to build the radios that XM designed; automobile manufacturers such as GM and Honda to include the radios and service as a factory-installed feature in their vehicles; sales distribution partners such as Circuit City and Best Buy to help us get radios in the hands of consumers; and diverse, compelling brand-name program content, including key content available only by subscribing to XM, to augment the high quality programming being created by XM. We needed each of these partners to help launch our business, and we still need them today for our business to grow and to someday turn a profit.

19. In return for their support, however, they each require significant incentives. Certain automobile manufacturers demand a share of revenues from the installation fees, and the ongoing subscription fees. Equipment manufacturers demand subsidies because, given the cost of manufacturing, the novel nature of the technology, and the relatively small number of units

produced annually, they had little interest in producing XM radios as opposed to a different product. Thus, XM has been heavily involved in the development, design and manufacturing of the radios, and has paid incentives to consumer electronics companies to distribute and brand the radios. XM similarly subsidizes mass retailers to promote and sell XM radios in order to stimulate consumer acceptance of the satellite radio concept and of the XM service in particular.

20. Similarly, XM must pay to produce and license content. To compete against terrestrial radio, internet music offerings, and the other satellite radio licensee, Sirius, XM must carry exclusive content available only on XM, such as live sporting events carried on a national basis and talk and entertainment programs featuring well-known on-air personalities. Exclusive content commands a high price, but that must be weighed against a number of factors, such as the ability of that content to attract new subscribers and keep existing subscribers; the potential increase in advertising revenue from that content; and the negative impact of a competitor acquiring that content. High-value brand name content, such as Fox News, ESPN and CNN, also has limited availability through other mobile audio providers and requires very substantial annual payments for carriage on XM. These programming services bring returns in subscriptions, subscriber satisfaction, advertising revenue and enhancement of the XM brand. The Fox News channel has more listeners than any other channel on the XM line-up, and this has consistently been the case for the last three years.

21. XM also spends tens of millions of dollars annually to create and produce the music programming for XM's 69 commercial-free music channels, and currently pays tens of millions of dollars annually in royalties for the music and sound recordings performed over the XM service. To create the unique sound of XM, we have attracted a highly skilled and dedicated

staff of programmers and on-air talent. Collectively, our staff have more than one thousand years of on-air broadcasting experience, hold more than 300 gold records awarded by the RIAA reflecting their contributions to the recording industry, 62 record industry awards, two Emmy awards, and four New York Festival Awards.

22. Every piece of this value chain has to work in harmony. Changes in Compensation paid by XM to any of its partners effects the timing and ability of XM to attain future profitability. Currently, that equation is out of balance. Even with seven million subscribers and nearly a billion dollars in recurring revenue, analysts estimate XM continues to incur losses of more than $1.9 million per day and has not yet generated any profit for itself or its shareholders. Yet despite the magnitude of the payments XM makes to individual business partners and suppliers, it is doubtful that any XM partner believes it is receiving sufficient compensation from XM. To the extent that any one or more of these partners demands greater compensation, the balance tips further.

23. At some future date, XM naturally would like to decrease the payments to some of its partners, at least as a percentage of our overall revenue (principally by increasing our revenue and stabilizing our costs). However, these investments in XM's past development and current efforts have been necessary to build the business. Substantial additional investment capital is needed to support XM's ongoing operations and future development, and to secure XM against the possibility of unforeseen risks. XM learned some years ago that because of an unanticipated manufacturer defect, our first two satellites began losing the ability to generate sufficient power several years sooner than anyone expected. That compelled XM to accelerate its plans to launch additional satellites to maintain and improve our nationwide coverage. We launched a third satellite in February 2005 and our fourth satellite is scheduled to be launched

before the end of the year. Given that each satellite costs XM more than $250 million dollars, XM requires ready access to capital both to be prepared for foreseeable risks and to be able to rapidly respond to unforeseen circumstances. Therefore, XM must evaluate extremely carefully the potential impact of any major economic transaction or event on XM's access to capital and the cost of capital to XM.

Programming to Attract and Retain Subscribers

24. XM faces an ongoing challenge to convince potential and current subscribers of the value they receive in return for buying an XM radio and paying a monthly subscription fee. Consumers are bombarded with media offerings and with monthly subscription fees, such as newspapers and magazines, cable television service, video-on-demand, and online music and game services. XM's value proposition is based on innovative and diverse programming, commercial-free music channels, compelling exclusive programming such as live sports with a national reach and talk personalities, premium news and talk brands, traffic and weather, and nationwide coverage with high quality sound in the car, at home and on the go. We must appeal to a broad spectrum of consumers' passions -- reaching out to the many different categories of sports fans, news junkies and talk radio listeners, as well as music lovers whose interests are spread across a wide variety of genres. Exhibit 1 is a listing of our current channel line-up.

25. XM also must appeal to a broad range of demographics across different age groups and interests, and various cultural and political spectrums. We carry news, sports and music programming in Spanish. Our "XM Kids" channel appeals to children and their parents. For women, we recently launched the "Oprah and Friends" channel, in addition to our "Take Five" channel featuring talk programming from Ellen De Generes, Tyra Banks, Good Morning

America Radio, as well as programming produced specifically for XM. Exhibit 2 illustrates our content strategy.

26. We aim to provide a true mass market media service. To reach that mass market, we cannot offer only the most popular types of programming that anyone can hear on terrestrial AM and FM radio. XM has to succeed both by offering the most popular "mainstream" types of programming and by aggregating together different types of "niche" content (such as jazz, blues, and classical) that had been abandoned by local radio because it could not attract sufficient support from a local audience. However, it could reach a substantial passionate audience on a national scale.

27. To attract and acquire subscribers, XM needs to feature exclusive programming that consumers can only receive by subscribing to XM. This means that XM programming has to be differentiated from both AM and FM radio, and from Sirius Satellite Radio, as well as other audio entertainment services. For example, our acquisition of broadcast rights to all Major League Baseball games, World Cup soccer and college sports was important to XM in two ways. First, live sports appeals to new and existing subscribers with exclusive play-by-play content not available nationally on broadcast radio. Second, carrying major sporting events on an exclusive basis helps XM compete effectively against Sirius, which acquired broadcast rights to National Football League and National Basketball Association games.

28. XM carries talk and news television programming available on television but not on terrestrial radio, as well as five of the ten top talk radio talents, who are available on various terrestrial radio services. We use this news and talk programming to attract subscribers by offering a complete, compelling package of programming and to keep subscribers on the XM

platform for large portions of the time they spend listening to the radio. Fox News and CNN command significant fees because they are not available on terrestrial radio stations.

29. Talk radio personalities such as Glenn Beck and Art Bell are carried on XM because of their popularity, even though their programs are available in various markets from other outlets as well; but, because of this non-exclusive availability through other outlets, XM carries these programs for relatively modest fees.

30. Although XM offers a significantly greater number of non-music channels than Sirius, both Sirius and XM play a wide variety of music and musical genres, and have a similar number of commercial-free music channels. XM's distinctive offerings of commercial-free music serves as an important component of XM's platform. Being "commercial-free" helps differentiate XM from terrestrial radio in a way that consumers can immediately grasp, even without hearing the quality of how music is showcased on XM.

31. XM is much more than a jukebox. The music on XM is selected by music experts employed by XM, not by the Billboard sales charts. Our on-air personalities talk about the music, the musicians, and our life and times. Each of these music channels plays a much deeper and more diverse catalog of music than can be heard on terrestrial radio stations of the same format. And, XM plays many music genres and formats that cannot be heard on broadcast radio, even in major metropolitan areas.

32. We create unique music programming that showcases artists and gives insight into their approach to music. Examples include our Artist Confidential series, and programming produced for XM by legends such as Bob Dylan, Quincy Jones, Wynton Marsalis, and Tom Petty, folk favorites like Christine Lavin, hip-hop stars like Snoop Dogg and Ludacris, and new country artists like Jack Ingram. XM subscribers appreciate the differences in music

programming between XM and terrestrial radio -- the breadth and depth of XM's music offering, the special music programming produced by XM, the expertise and experience of XM's on-air talent, the insights into the music from the minds of the musicians themselves, and the extraordinarily deep knowledge of XM's music programmers.

Promotional Impact of Music Programming

33. XM provides significant promotional benefits for performing artists and record labels. Our commercial-free music channels provide a diversity of music programming that both appeals to a broad range of subscribers and allows a large variety of musical genres and performing artists to receive valuable exposure via airplay. Our expert programmers create a unique music experience for the listener. As just one example, our most popular music channel is "Willie's Place," produced by XM along with music legend/XM subscriber and enthusiast, Willie Nelson. "Willie's Place" is an audio environment, where our on-air personalities welcome the listener to an imaginary honky tonk bar, with classic country music pouring out of the nickel jukebox. Our "XM Kids" channel has helped build demand for music specifically for young children and their parents. XM's diversity and depth of content helps even the most popular musical artists. For example, despite his fame, Billy Joel could not get past the terrestrial radio gatekeepers and get airplay for his CD of classical compositions, entitled "Fantasies and Delusions." XM not only played the CD but also carried an interview with Mr. Joel, conducted by one of XM's classical music experts, Martin Goldsmith. The singer Sting recently was featured on an Artist Confidential performance of his new CD, "Labyrinth" of 16th century music for the lute and voice, which will receive very little exposure on any broadcast platform other than satellite radio. XM has many channels, including The Verge, XMU, 20 on

20, Raw, Watercolors, Hear Music, Fine Tuning, and Highway 16, that play music by new and emerging artists.

34. While we pride ourselves on our music diversity, not surprisingly XM's hit music channels are also very popular. Thirteen XM stations report to Billboard and/or Radio and Records magazine. As a result, support from XM has a significant impact on whether a record can reach Number 1 on the charts which, in turn, also has a direct impact on sales of recorded music. These relationships further exemplify XM's power as a tastemaker for recorded music, and as an important promotional vehicle for musicians and record labels. XM has received from a multitude of new and established artists and major and independent labels expressions of their appreciation for the positive impact that XM has had on their sales and their careers.

35. We believe that XM's promotional value results in a direct positive effect on sales of music. Virtually every record label sends us promotional recordings seeking airplay on XM. Artists, managers and record label promotional people contact and visit XM to help promote their records. Our programmers receive telephone calls and emails from recording artists, labels, and artist managers telling us about the positive effect that XM airplay has on sales of recordings and concert tickets. Our programming department gets "thank you's" from XM subscribers who learn about and buy new music that they heard on XM. Our internal surveys show that many subscribers buy music downloads and CD's after hearing a specific artist or song on XM. We are building additional strategic alliances to help promote music sales, such as our compilation CDs sold through Starbucks stores and our relationship with the new Napster online music store.

Future Challenges for XM

36. XM has achieved significant success over a relatively short period of time. In less than ten years, we have built a new broadcasting business from the ground up, and launched

reliable nationwide coverage. Less than five years after the national launch, XM has more than seven million subscribers. Our employees have been successful in making XM America's most popular satellite radio service. Indeed, according to Greystone Communications, as shown on Exhibit 3, consumers are adopting XM within a shorter period of time after launch than any consumer electronics product other than the DVD player. These are enormous accomplishments, but satellite radio is an industry still in its infancy, and many challenges remain for XM as a company. The primary near-term challenge is to build the consumer success of XM's satellite radio service into profitability for XM's satellite radio business.

37. To succeed, we must continue to substantially increase the number of XM subscribers. We must continuously convince consumers that the diversity and quality of the content XM offers is worth a continuing expenditure. This effort includes attracting new subscribers, converting trial subscriptions, and minimizing churn (the number of paying subscribers who discontinue their service). We must continue to acquire exclusive, and often expensive, high-value content that cannot be heard anywhere else but on XM. Our marketing partnerships continue to be key to exposing consumers to our service and adding customers. We must continue to innovate and introduce new products, such as our new portable radios which expand XM's reach beyond the car and outside the home. XM's recent portable XM2Go line of products have received awards and accolades from Popular Science magazine, CNET News, and the Consumer Electronics Show. Exhibit 4 includes announcements reflecting recognition of XM's innovative radio products. Finally, our technical capabilities must be first-rate, especially given increasing options for high-fidelity music. We constantly strive to improve transmission and reception, and to get the most channels and value out of our limited bandwidth.

38. In addition to the risks facing XM's early partners and investors, there are significant risks for later investors as well. Risks for later investors in XM include the impact on XM of its past obligations, potential changes in the industry, and uncertainties as to whether XM will be able to expand and retain its subscriber base at a sufficient rate to support XM's ongoing operations and obligations. Our current programming deals are generally paid at a flat rate, so XM's programming costs effectively decline on a per subscription and percentage of revenue basis. If this trend continues, eventually XM will be profitable per subscriber. Our past projections were that we would have a profit per subscription once we hit four million subscribers and be cash flow positive at the end of 2005, at which point we would have five and a half million subscribers. Currently, analysts project XM to be cash flow positive at some point in 2007, to attain positive EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in 2008, and to reach profitability in 2010. There is uncertainty whether consumer willingness to pay for the end product is sufficient to compensate everyone in the value chain and still leave a reasonable profit for XM's shareholders.

39. The answer is not simply to charge the customer more. Pricing consumer subscriptions is a balancing act. At our current new subscriber rate of $12.95 per month, we have a strong potential to be included in a substantial percentage of new cars. In our view, this approach has the greatest long-term attractiveness to our business partners, the best potential return for our shareholders, and will result in a large and growing subscriber base to XM services. At higher monthly rates, XM might be prohibitively expensive to attract mass consumer appeal. XM faces competition from a number of existing services, as well as services that are anticipated to grow significantly over the next several years, and these services may

constrain XM's ability to increase subscription rates. For example, FM stations that currently compete against XM increasingly are rolling out HD Radio digital channels that consumers can receive without additional charge. These digital HD Radio stations may feature music programming in niche formats (like WAMU-FM's "Bluegrass Country" HD Radio channel), that compete directly against XM channels. Unlike XM, HD Radio stations do not have to pay royalty fees to the sound recording owners (the record labels) for those music channels, and their programming will not be restricted by the license conditions imposed on XM (for example, the sound recording performance complement, which restricts the frequency with which XM can play certain artists or songs). The large cellular carriers already offer streaming music services over cell phones, often at significantly lower monthly service charges than XM, and new technologies being deployed will deliver rich multi-media (including video and music) over upgraded cellular and broadband Wi-Fi and Wi-Max networks, which will also fuel additional competition to satellite radio. The impact of such services on the popularity of satellite radio and on our ability to maintain our current monthly subscription fee is difficult to project.

Potential Impact of Royalty Rate Proceeding on XM's Business

40. Our understanding is that satellite radio services pay more to SoundExchange than all other statutory licensees combined -- even though our primary competitor, terrestrial radio, is exempt from such payments and pays absolutely nothing for performing sound recordings. The rate that XM proposes in this proceeding is .88% of XM's gross revenue. If our subscriptions and revenues increase over the next several years as analysts expect, this rate will result in very substantial increases in payments to copyright owners and performing artists, projected to be in excess of $100 million over the license period.

41. However, XM's ability to achieve analysts' revenue projections, and therefore to be able to pay that compensation, depends upon many key factors and assumptions that all must fall into place. Under our proposed rate, XM believes it still should be able to attain its reasonable financial objectives. One of those key factors for XM and its investors is the rate that will be set in this proceeding. Any increase in the royalty at issue in this proceeding would directly affect the timing and ability of XM to reach cash flow positive status in the near-term, and to attain profitability in the future. A substantial increase in that proposed royalty would not only postpone or constrain XM's ability to reach profitability, it could also impede our ability to raise capital and to fund improvements and operations that we believe necessary to reach our objectives. Paradoxically, by impairing XM's prospects for achieving profitability, a high royalty could result in lower payments to copyright owners and artists over the long term.

42. XM makes substantial payments for exclusive content that can only be heard on XM. National coverage of live sports, such as MLB, and the Oprah & Friends channel are examples of exclusive content offerings that distinguish XM from both terrestrial radio and other competitors. Exclusive content also presents XM with important additional revenue opportunities, since it gives XM an opportunity to sell advertising time. For such exclusive content, XM has been willing to pay a substantial fee.

43. While music is an important element of XM's overall channel offerings, all of our competitors have equal access to the same library of music. Any broadcaster and webcaster can play the same CDs that XM plays. A non-exclusive sound recordings license does not, by itself, differentiate XM from the many competitors that also have that license, or from terrestrial broadcasters that are exempt from that license requirement. We could not successfully define

XM as a service worth paying for if XM merely replicated the same type of listening experience one can get from terrestrial radio or internet webcasting.

44. What makes XM's music channels unique is how XM uses the library, music programming staff, and our special programming to create the personality of the XM service. XM special programming – including concerts, music specials, themed programming, music surveys, artists as disc jockeys, and so on – create the sound of XM and the attraction for subscribers of XM's music programming. XM dedicates very substantial effort and expense to programming and production on our music channels, to present the music in a proper context and character. It is the skill behind XM music programming that makes XM music programming attractive to its subscribers. But that value exists because of what XM contributes; it does not flow merely from a license to sound recordings.

45. Moreover, a high royalty would be unfair to XM in light of the fact that XM's major competitors in broadcast radio do not pay any royalties whatsoever to sound recording labels or performers. This is true certainly for FM radio, but is also true for digital "HD Radio" going forward into the future even though HD Radio is a digital service and was designed to provide many of the same consumer advantages as satellite radio. As noted above, as free HD Radio becomes more available and more popular, the challenge to attract paying subscribers to satellite radio will become that much tougher. A high royalty in this proceeding would further unfairly tilt the playing field in favor of terrestrial broadcasting, and could further distort competition in the radio industry.

46. Finally, a high royalty would chill investment in innovative technologies like XM. Every technology from the phonograph to FM radio to CDs to satellite radio has created new promotional and revenue opportunities for musicians and recording companies, but they also

have generated significant benefits to the public and the spread of art and culture. Bringing culture, news and information to our citizens depends on the availability of new media technology. The rate we propose in this proceeding would be consistent with public policies favoring innovation and encouraging investment in new technologies and media.

Certification

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

Dated: Washington, DC
October 30, 2006

Gary Parsons

Chairman of the Board
of Directors, XM Satellite Radio Inc.

37 CFR 351.10(c) Statement For Exhibits to Testimony of **Gary Parsons:**

Exhibit 1	XM Current Channel Line-Up
Exhibit 2	XM Content Strategy
Exhibit 3	Greystone Communications, Consumer Electronics Products
Exhibit 4	Press Releases re XM's Radio Products

THE MOST CHOICE IN SATELLITE RADIO – OVER 170 CHANNELS COAST TO COAST

100% COMMERCIAL-FREE MUSIC CHANNELS

The Official Satellite Radio Partner of the GRAMMY®

Decades

1	'60s Pop Hits/Hog Band
2	'70s Pop Hits
3	'80s Pop Hits
7	'90s Pop Hits
8	'00s Pop Hits
9	'00s Pop Hits

The times and the music. Every week is a thought. Just a note, everything is just the way it should be with '60, '70, '80, '90 pop culture re-created. Plus, Rockbeat: Jack's music weight.

Country

10	Classic Country
11	Americana
12	Willie Nelson's Redefined Country
13	Bluegrass
14	Folk
15	New Country Hits
16	'90s & '00s Country

Nashville. The world's most popular country music. A weekly review of popular country magazines, radio set, artist interviews, news, and whatever is on tour. Our focus.

Pop & Hits

20	Top 20 Hits
21	Love Songs/Love Pop
22	Adult Contemporary
23	Modern Adult Hits
24	Pop Hits
25	Classic Alternative
26	Music Soundtracks
27	Show Tunes
28	International Hits
29	Contemporary Hits

Check Jack Right. Air for more adult date of modern hits from the '70s through today. Today, don't let our sweet top-forty or mix-fit. Keep it just 20 right now of the top-rated tracks.

Christian

32	Christian Pop & Rock
33	Gospel
34	Southern Gospel

It's music with a positive message. A bright blend of Christian Pop and Rock, Hits from the '80s through today, Adoration, worship rich and family-friendly.

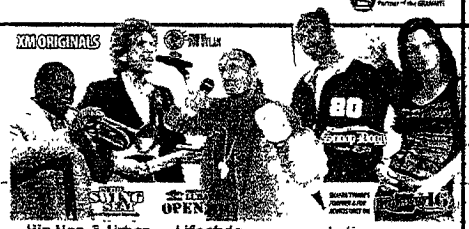
Rock

40	Deep Classic Rock
41	'70s Hard Rock
42	Heavy Metal
43	Indie/Garage/Underground
44	Classic Alternative
45	Adult Alternative
46	Early Classic Rock
47	New Alternative

Don't miss one alternative rock hit. Our biggest top-forty the newest modern rock superstars in best alt-'90s Nashville.

48	Classic Rock
49	Hard Rock
50	Classic Alternative
51	Alternative Rock
52	Acoustic Rock
53	Emerging Artists
54	Pacific Northwest Hits
55	'90s Alternative

XM ORIGINALS



Hip-Hop & Urban

60	Classic Soul
61	Adult R&B Hits
62	Old School R&B
63	Urban Oldies/Classic Hip-Hop
64	Urban Pop/Contemporary Hip-Hop

Urban Pop takes you on a journey through the last 20 years of hip-hop.

65	New Classic Hip-Hop
66	Hip-Hop/R&B Hits Classic
67	Urban/R&B Hits Current
68	Hip-Hop/Crossover Hits

Crossover and straight from the streets. Rare and fresh sounds – sweet and unfiltered.

Jazz & Blues

70	Traditional Jazz
71	Contemporary Jazz
72	Modern Jazz
73	American Standards

A rich celebration of the great American songbook under the ensemble of such personalities Jonathan Schwartz.

74	Blues

Lifestyle

75	The Sound of Starbucks

An eclectic blend of jazz, blues, alternative and other classic genres. Whatever happened to conversation about music? Starbucks compromises with a unique balance of styles, then explores the entire world of music.

76	Adult Urban Pop

The world's most interesting music. An eclectic and distinct mix of classical, jazz, rock and overtures other styles with great players and superb controllers.

77	Vocal Jazz
78	Soundtrack Music

Dance

80	House/Progressive
81	Classic Hits
82	Electronica/Trance
83	Disco/Classic Dance
84	Seventh Electronic

A voyage into Chill, a place that pulses with sonic and emotional moods. Lounge, ambient, downtempo, Jazz-house, electronic and downtempo that's beyond a classical, AC/DC consistency in sound.

Latin

90	Reggaeton

Reggaeton is a mix of reggae, rap, hip-hop and rap, all spiced up with Latin flavor. Plus, "Tumbao" beats, "mixed by Carlos Vega Gallardo".

91	Latin Pop Hits
92	Regional Mexican
93	Tropical

World

100	New & Emerging Music
101	Reggae

Tuned to reggae, ska, rock steady, dancehall and dub. Fly and listen daily to Jamaica. Feature Bob Marley and Jimmy Cliff, Sly Wood Wood, Shaggy and more.

102	Pop Hits

Classical

110	Traditional Classical

The greatest music of the last thousand years. Fresh, full-length broadcasts and chamber music to the intimacies of a solo recital and the splendor of grand orchestra works.

112	Opera/Classical Vocals
113	Classical Favorites

ONLY ON XM

ARTIST SPOTLIGHT

EXCLUSIVE LIVE PERFORMANCES AND INTERVIEWS WITH COLDPLAY, WILLIE NELSON, LEONY SAWYER, CLINT BLACK, TRISTAN MCKAY, & MORE

TOM PETTY'S PLAYLIST

XM EXCLUSIVE PLAYLISTS

JAZZ

XM EXCLUSIVE PROGRAMMING

WOLFMAN JACK

SEATTLE GRUNGE

Rebel Radio

THE BEST SPORTS PACKAGE

140	Sports Talk/Play-by-Play	175	MLB Home Plate™ 24/7 MLB™ News & Talk
141	Sports Scan	176-182	14 Major League Baseball™ Play-by-Play Channels
142	Sports Talk	190	Play-by-Play en Español SP
143	XM Sports Nation – Talk Innovations	191-193	ACC Football Weekend
144	24/7 NASCAR® Racing Talk	194-196	The 10 Football Weekend
145	NextCar® Series Racing	197-199	Big Ten Football Weekend
146	The PGA TOUR® Network Live Coverage & Golf Talk	200	Big East Football Weekend
147	Sports on Satellite/ Madison Leagues Scene SP	204	24/7 Hockey Talk & Play-by-Play
148	Board Games & Sports Talk SP	205-209	NHL Hockey Play-by-Play
172	SPIKE™		

The Sports Package includes Sports on Satellite, Madison Leagues Scene and Board Games & Sports Talk. Availability, 12 sports information channels in Canada.

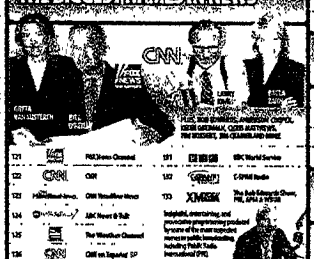
OPRAH & FRIENDS

150	Oprah & Friends

Now you can call and get advice directly from Oprah's star-crowned experts and Maven on Oprah's new 24/7 radio channel, XM Oprah: Talk. Oprah & Friends, consisting on XM, The Oprah's hour an exclusive weekly show whose Oprah guests. Stay for hours about what's on her mind.

156	Women's Talk & Lifestyle

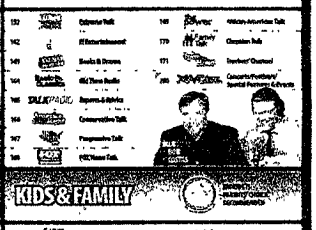
THE BIGGEST NAMES IN NEWS



121	FOX News Channel
122	CNN
123	CNN Headline News
124	ABC News & Talk
125	The Weather Channel
126	CNN en Español SP
127	CNBC
128	Bloomberg Radio
131	NBC World Service
132	CBS Radio
133	The Sub Edwards Show, Pat, Kid & Friends
134	Insightful, entertaining, and provocative programming produced by some of the most respected names in radio. Featuring Talk Radio International (TRI).
135	Home & Garden Television
136	Food Network
137	Home & Entertainment FR

ALL-STAR TALK & ENTERTAINMENT

132	Extreme Talk
140	Military/American Talk
141	All Entertainment
170	Classic Talk
149	Books & Drama
171	Southern Charm
164	Old Time Radio
200	Concerts/Fantasy/ Special Features & Events
165	Sports & Stories
166	Conservative Talk
167	Progressive Talk
168	FOX News Talk



KIDS & FAMILY

175	Radio Disney
176	Nickelodeon Children

REGIONAL TALK, NEWS & MUSIC

11	Nashville Country
21	Nashville Country
22	Nashville Country
23	Bob & Broadcasting

SUPERSTAR COMEDY

150	Mainstream Comedy
151	Comedy
152	Mainstream Comedy
154	National Lampoon Radio

INSTANT TRAFFIC, WEATHER & ALERTS

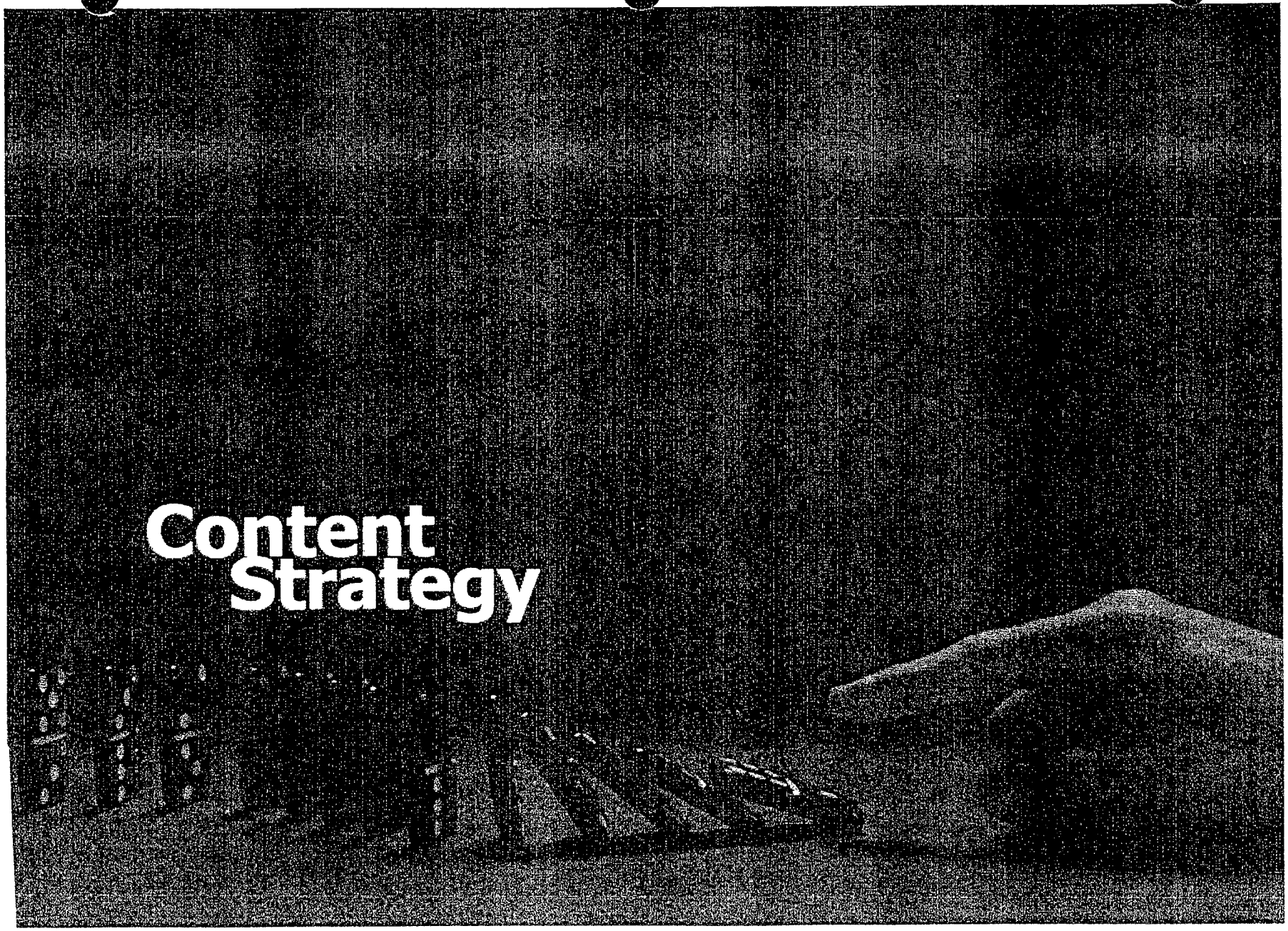
210 Boston, MA	217 Chicago, IL	224 Phoenix, AZ	229 Orlando, FL
211 New York, NY	218 St. Louis, MO	225 Dallas/Fort Worth, TX	230 Miami/Ft. Lauderdale, FL
212 Philadelphia, PA	219 Minneapolis/St. Paul, MN	226 Houston, TX	247 XM Emergency Alert
213 Baltimore, MD	220 Seattle, WA	227 Atlanta, GA	
214 Washington, DC	223 San Francisco, CA	228 Tampa/St. Petersburg, FL	
215 Pittsburgh, PA	222 Los Angeles, CA		
216 Detroit, MI	223 San Diego, CA		

traffic

MAKE BIG OUTLINE DESCRIPTIONS FOR THE DEVELOPMENTALLY DISABLED

xmradio.com

XM- PARSONS EX. 1


Content
Strategy

Content Strategy

- Appeal to the Mass Market
- Target Growth Segments
- Balance the Cost of Content
- Develop and Build XM Brands and Talent

October, 2006

To: Rob Johnston
XM Satellite Radio

From: John Carey, Ph.D.
Greystone Communications

Sources For Charts: Time to Reach 1 Million, 2 Million, 4 Million, 5 million and 7 million Subscribers/Users

	Years To Reach				
Technology/Service	1 Million	2 Million	4 Million	5 Million	7 Million
Cable TV	12.0	15.7	17.5	18.7	20.8
Online Subs	9.5	11.3	14.6	15.1	15.6
Satellite Subs	7.5	8.4	9.6	10.6	11.8
VCR	4.8	6.8	7.8	8.5	9.1
Cellphone	4.6	5.9	7.3	7.8	8.7
Car Radio	4.5	6.0	7.1	8.0	10.5
DVR/PVR	4.3	4.6	5.4	5.6	6.0
Broadband	4.1	4.7	5.2	5.4	5.9
Radio	3.3	4.0	5.3	5.8	6.6
TV	3.3	3.6	4.6	4.7	4.9
MP 3 Players	2.4	3.6	4.5	4.8	5.5
CD Player	2.3	3.1	4.4	4.7	5.9
XM	1.9	2.6	3.5	3.8	4.8
DVD Players	1.7	2.1	2.7	2.8	3.1

Broadband

Broadband was widely discussed in the 1980s (see Elton, 1991) and it was available to businesses in the form of T-1 lines during the 1980s. Broadband for the home was first available through ISDN (a predecessor to DSL). An ISDN standard was created in 1991 and the service was available in 1995. Cable broadband was test marketed in 1994. In May, 1995, one of the largest ISPs (Prodigy) began to offer ISDN service (Multichannel News, April 24, 1995, p. 60). We use this as the start of broadband. Broadband grew slowly at first but accelerated as more forms of broadband service were added. Broadband reached 1 million subscribers in June, 1999 (The Wall Street Journal, Jan 8, 2003, p. A-1); 2 million subscribers in Jan, 2000 (Morgan Stanley, cited in Telecommunications, September, 2003, p. 10); 4 million in Q-3, 2000 (Morgan Stanley, op. cit.); 5 million in early Q-4 2000 (Morgan Stanley, op. cit) and 7 million in Q-1, 2001 (Morgan Stanley, op. cit).

Cable TV

Cable television began in 1949, as a service for rural areas (Mannes, p. 83). By 1952, cable had spread to a number of communities and the US Dept of Commerce began to track subscribers. We use this as year one of availability. By 1964, 12 years later, 1 million US households were subscribing to cable television service (Historical Statistics of the US., p. 796). Cable reached 2 million subscribers at the end of Q3, 1967 (Historical Statistics of the US p. 796), 4 million subscribers in June, 1969 5 million in Q-3, 1970 and 7 million in Q-4, 1973 (NCTA Cable TV Development, Mar 1981, p. 1) .

Online Subscribers

Online services for the public began in the UK in 1978 (the service was called Prestel). They were launched in the US in 1978 by both CompuServe and The Source. By 1980, they were available nationally through dial-up telephone service and reached several thousand subscribers (Carlson, 1999). We use this as year one of availability. Online subscribers reached 1 million US households at the end of Q 2, 1989 (NY Times, July 12, 1989, p. D5). The 2 million subscriber mark was reached by Q1, 1991 (New York Times, 7/12/94, p. D-4); the 4 million mark was reached in June 1994 (Arlen Communications); the 5 million mark was reached in Q-1, 1995; the 7 million mark was reached in June, 1995 (Veronis and Suhler, 1998, p. 316.)

Backyard Satellite Dish

Backyard satellite dishes (TVROs - Television Receive Only dishes) were available in limited numbers in 1978 at a high cost of $25,000 (EIA, 1984, p 18). Approximately 4,000 were sold in 1980 (USA Today, February 17, 1987, p. 6A), the year when the industry began to track sales. By the end of 1984, 1 million homes had purchased a dish, but no one was paying for the service (Satellite Broadcasting Association, cited in the NY Times, October 16, 1989, p. D-1). Shortly thereafter (1986), satellite service providers began to scramble their signals and dish owners who wished to receive a full lineup of channels had to pay to receive service (Cable World, December 16, 1996, p. 67). This is year one in our chart. By the second quarter of 1993, there were one million paying satellite subscribers (Kagan Media Index, January 1995, p. 3). DBS service was launched in 1994. At this point, there were both paying C-Band subs (who quickly began to convert to the smaller DBS dishes) and DBS subs. By Q-1 1994, there were 2 million total paying satellite subs; by Q-3 1995, there were 4 million paying satellite subscribers; by Q-3, 1996, there were 5 million paying subscribers; and by October, 1997, there were 7 million subscribers (Veronis and Suhler, 1998, p. 168).

VCR

In the late 1960s, Ampex and CBS tried to introduce early versions of VTRs (video tape recorders) for the home but they were not successful. Sony introduced its betamax VCR in mid 1975 (Klopfenstein, pp. 21-39). VCRs penetrated 1 million households in Q 2 of 1980 (*Statistical Abstract of the US 1991*, p. 556). VCRs penetrated 2 million homes by the end of Q 2, 1982, 4 million homes by Q-2, 1983, 5 million by Q-1, 1984, and 7 million by Q-3, 1984 (Klopfenstein, p. 25).

Digital Video Recorders (DVR)

Digital Video Recorders (DVRs), also called Personal Video Recorders (PVRs), began shipping in March, 1999 (Meyer, The Future of Television). By the end of June, 2003, Tivo reported 793,000 subscribers and claimed just over 80 percent of the market (Frankel, p. 6). This would put the total subscriber base at approximately 965,000 at the end of June. Tivo also said that they were adding subscribers at a rate of 30,000 per month. This would put PVR subscribers at 1 million by the end of July or early August, 2003. Beginning in summer, 2003, DVR technology was put in some satellite and digital cable boxes. This boosted growth and they reached the 2 million subscriber mark in October, 2003 (The New York Times, 10/20/2003), 4 million in August, 2004 (USA Today, 11/25/04, p. B-1), 5 million in October, 2004 (The Los Angeles Times, 1/18/2005, p. C-1), and 7 million by March, 2005 (Video Business)..

Car Radio

Radios were first available in cars in 1930. By Q2 1934, there were 1 million cars with a radio. Car radios reached the 2 million mark at the end of 1935, the 4 million mark in Q-1, 1937, the 5 million mark in December, 1937, and the 7 million mark by June, 1940 (Sterling and Haight, p. 367).

Cellphones

Cellphone service was launched in 1983. They reached the 1 million subscriber mark in Q-3, 1987, 2 million subscribers in Q-4, 1988, 4 million subscribers in Q-2, 1990, 5 million in November, 1990, and 7 million in Q-3, 1991 (Cellular Telephone Industry Association, cited in Statistical Abstract of the U.S. 1994, p. 571).

Television

Television was broadcast on an experimental basis in the 1920s. It was launched at the World's Fair in April, 1939. More than a dozen stations were broadcasting and 10,000 sets were sold (Barnouw, p. 128). However, with the onset of World War II, most

stations went off the air. Television was re-launched after WW II. By the summer of 1946, RCA was once again selling TV sets (Barnouw, p 243). We use the fall 1946 as the start of television, although it was actually a re-starting of television. Television penetrated 1 million US households at the beginning of Q 1 1950, 2 million households at the end of Q-2, 1950, 4 million in early Q-1, 1951, 5 million by the end of Q-1, 1951 and 7 million in Q-3, 1951 (Sterling and Haight, p. 372).

Radio

Radio was invented/discovered in the 1890s. The first experimental broadcast was in 1895. Radio telegraphy was common in the period 1905 to 1920. Radio development was halted during WW I, as the government took control of radio frequencies. A number of experimental stations were broadcasting in 1919, e.g., 2XG in November, 1919 and 8XK, in late 1919. By March, 1920, a cluster of radio stations were broadcasting in the San Francisco area. More than a dozen stations were broadcasting by the summer of 1920 (see www.early radio history.us). In September, 1920, radio sets were advertised in The Sun in Pittsburg (Barbouw, p 68). On October 27, 1920, KDKA was licensed to operate as a commercial station. Most media historians consider this the start of commercial broadcast radio in the US. KDKA broadcast the November election results Lewis, p. 153).

However, we take a more conservative stand and consider wider availability of radio sets. Barnouw reports that radios were widely available in department stores by June, 1921 (Barnouw, p. 71). This is the start date we use. The US Department of Commerce reports that there were 400,000 households with a radio set at the end of 1923 and 1.25 million by the end of 1924 (Historical Statistics of the US, p. 796). We extrapolate from these data and set the 1 million mark at the end of Q 3, 1924. Radio penetrated 2 million households by the end of Q-2, 1925, 4 million by Q-3, 1926, 5 million by the end of Q-1, 1927, and 7 million in Q-1, 1928 (Sterling and Haight, p. 367).

MP 3 Players

MP-3 players were first offered in Summer, 1998. They reached 1 million users at the end of Q-4, 2000, 2 million in Q-1, 2002, 4 million in Q-1, 2003, 5 million at the end of Q-2, 2003, and 7 million at the beginning of Q-1, 2004 (CEA data in Lexis Nexis, 1/03, Billboard 1/17/04, p. 60, and Twice, September 20, 2004)

CD Players

CD players were introduced in Japan in 1982. They were introduced in the US market in mid 1983 (BSN Publications, p. 1) and 35,000 players were sold that year. The first players cost over $1,000, but the price declined rapidly. They penetrated 1 million US homes early in the fourth quarter of 1985 (USA Today, 3/3/87, p. D5). They reached 2

million households by the end of Q-2, 1986 (USA Today, 11/03/86, p. 6E), 4 million households in November, 1987 (Statistical Abstract of the U.S., 1990, p. 764), 5 million in early Q-2, 1988, and 7 million at the end of Q-2, 1989 (Statistical Abstract of the U.S., 1992, p.756).

XM Satellite Radio

Data from XM Satellite Radio: launch in November 2001; reached 1 million subs in October, 2003; reached 2 million subscribers in June, 2004; reached 4 million subscribers in May, 2005; reached 5 million in September, 2005; and reached 7 million in Q-3, 2006 (Source: XM Satellite Radio).

DVD Players

DVD players went on sale in the US in March, 1997 (Wall Street Journal, 12/9/99, p. B1). The penetrated 1 million US households in December, 1998 (Thomas, May, 2002). They reached 2 million households at the end of Q-2, 1999 (Gannett News Service, 1/2/01) 4 millions households in November, 1999 (USA Today, 11/23/2001, p. 4E), 5 million households at the beginning of Q-1, 2000, and 7 million in early Q-2, 2000 (Adams Media Research, cited in MPAA, 2003).

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SKYFi AUDIO SYSTEM NAMED BEST OF CES FINALIST

Delphi Portable XM Satellite Radio Honored at 2003 International Consumer Electronics Show

Washington D.C., January 13, 2003 -- Delphi Product & Service Solutions, part of Delphi Corporation (NYSE: DPH), and XM Satellite Radio (NASDAQ: XMSR) announced today that the new SKYFi Audio System was named a finalist for the Best of CES award for 2003 in the portable audio category.

The SKYFi Audio System, a self-contained "boom box," provides the flexibility to take XM anywhere a subscriber could enjoy XM's 101 channels of revolutionary programming. Delphi, a pioneer of in-vehicle entertainment and electronics, and XM, America's leading satellite radio service, recently teamed to offer the Delphi XM SKYFi Radio receiver, an attractive, compact unit that provides the most advanced user features of any satellite radio on the market today.

The SKYFi Audio System with the SKYFi receiver retails for $229.99 (MSRP). The System contains a pair of high-quality speakers with an integrated high gain antenna and a port for the SKYFi receiver. It can be powered by an A/C adaptor to create a high quality countertop/ bookshelf XM system for the home or office, or used with six "D" batteries to experience XM in virtually any location. XM listeners who already own the SKYFi receiver can purchase the boom box portion alone for $99.99 (MSRP).

The SKYFi receiver, an affordable next-generation XM radio, offers the most advanced user features of any satellite radio on the market today, and all the features XM fans have been demanding most: portability, a large display, direct channel entry, the ability to preview and search XM channels by artists and song titles, and 20 channel presets. The compact receiver, along with vehicle and home accessory kits, arrived at major retail outlets in October. XM won "Best of CES" in the automotive category in 2001.

Factors that could cause actual results to differ materially from those in the forward-looking statements in this press release include demand for the company's service, the company's dependence on third party vendors, its continuing need for additional financing, as well as other risks described in XM Satellite Radio Holdings Inc.'s Form 8-K filed with the Securities and Exchange Commission on 12-24-2002. Copies of the filing are available upon request from XM Radio' s Investor Relations Department

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Laura M. Joseph
(248) 267-8643 Phone
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XM- PARSONS EX. 4

BUSINESSWEEK NAMES DELPHI XM ROADY RADIO A "BEST PRODUCT OF 2003"

Roady wireless FM adapter available this month; Free Roady home adapter available through holiday promotional offer

Troy, Mich. and Washington D.C., December 09, 2003 -- The Delphi XM Roady satellite radio has been named a "Best Product of 2003" by BusinessWeek, the world's most widely read business magazine, in its December 15 issue. Delphi Corp. (NYSE: DPH) and XM Satellite Radio (NASDAQ: XMSR) also announced the introduction of new accessories for the Roady: a wireless FM adapter for car radios and a free Roady home adapter available through a special holiday promotion.

In its annual list of the year's most innovative products, BusinessWeek wrote, "With coast-to-coast channels and few commercials, subscription satellite radio is the biggest change in radio since FM. There's no easier way to get it than Delphi's Roady."

The Roady, the first complete satellite radio solution for under $120, is the most affordable option for listening to XM's 101 channels of music, news, sports, and entertainment on the road or at home. As a BusinessWeek "Best Product of 2003," the Roady is part of an elite group, including Intel's Pentium M chip, the new $20 bill, and the AIDS medicine Fuzeon. Also selected were the Cadillac XLR roadster and the Scion xB, two of the more than 80 vehicles that feature XM Satellite Radio.

"The Roady is proving to be a very hot product this holiday season," said Hugh Panero, President and CEO of XM Satellite Radio. "We're flattered to be recognized by BusinessWeek as a 'best product of 2003,' and we're grateful to the more than 1 million customers that have made XM one of the fastest-growing entertainment media in history."

"We are very proud of this important recognition for the Delphi Roady," said Francisco (Frank) A. Ordonez, president, Delphi Product & Service Solutions and vice president, Delphi Corporation. "As we expand our product portfolio in the consumer electronics market, our satellite radios featuring XM continue to collect awards and accolades for being the best products in their class."

In addition to the BusinessWeek list, XM and Delphi were recently spotlighted as a holiday gift recommendation by several major publications, including People magazine and The New York Times. Best Buy, the nation's leading consumer electronics and mobile electronics retailer, recently announced that the Roady is the "most-wanted mobile electronic accessory this holiday season" and declared XM to be the "hottest trend in car audio."

The new Roady wireless audio adaptor (MSRP $29.99), designed for car radios without cassette decks, transmits XM to a vehicle's FM radio and powers the Roady receiver. This sleek accessory plugs conveniently into the vehicle's cigarette lighter.

The new Roady home adaptor allows Roady to work with home stereos equipped with RCA audio-in connectors or with a set of powered speakers. In a special holiday promotion, XM is making its home adaptor (a $39.99 value) available free-of-charge for consumers who purchase a Roady before Dec. 31, 2003. Roady customers who send in proofs of purchase will receive the home adaptor by mail delivery.

"The Roady wireless vehicle adaptor and home adaptor make a very appealing product even more attractive to holiday gift buyers," Panero said.

For more information about Roady, visit http://roady.xmradio.com or www.delphi.com/ce.

About XM Satellite Radio

XM is America's # 1 satellite radio service. With more than 1 million subscribers today, XM is on pace to exceed 1.2 million subscribers by year's end. Broadcasting live daily from studios in Washington, DC, New York City and Nashville, Tennessee at the Country Music Hall of Fame, XM provides its loyal listeners with 101 digital channels of choice: 70 music channels, more than 35 of them commercial-free, from hip hop to opera, classical to country, bluegrass to blues; and 31 channels of premiere sports, talk, comedy, kid's and entertainment programming. Compact and stylish XM satellite radio receivers for the home, the car, the computer and even a boombox for on the go are available from retailers nationwide. In addition, XM is available in more than 80 different 2004-car models. XM is a popular factory-installed option on more than 40 new General Motor's models, as well as a standard feature on several top-selling Honda and Acura models.

XM is proud to actively support the lifesaving efforts of The Marrow Foundation and the National Marrow Donor Program to increase the size and diversity of the national Registry of unrelated blood stem cell and marrow donors. For more information about XM, visit http://www.xmradio.com.

About Delphi

The first satellite radio receiver system for the automotive market was introduced by Delphi in 2001. Since that time, Delphi has continued to expand its in-vehicle and consumer electronics technologies. Delphi has a broad portfolio of products to answer a wide variety of information and entertainment needs.

For more information, visit http://www.delphi.com/media.

Factors that could cause actual results to differ materially from those in the forward-looking statements in this press release include demand for the Company's service, the Company's dependence on technology and third party vendors, its potential need for additional financing, as well as other risks described in XM Satellite Radio Holdings Inc.'s Form 8-K filed with the Securities and Exchange Commission on 6-03-03. Copies of the filing are available upon request from XM Radio's Investor Relations Department.

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POPULAR SCIENCE HONORS DELPHI XM SKYFI2 SATELLITE RADIO AND XM NAVTRAFFIC WITH 2004 BEST OF WHAT'S NEW AWARDS

Washington D.C., November 10, 2004 -- Popular Science, the world's largest science and technology magazine, has selected the Delphi XM SKYFi2 satellite radio and the XM NavTraffic service to receive 2004 Best of What's New Awards.

Each year, the editors of Popular Science review thousands of products in search of the top 100 tech innovations of the year -- breakthrough products and technologies that represent a significant leap in their categories. The winners--The Best of What's New-- are awarded inclusion in the much-anticipated December issue of Popular Science, the most widely-read issue of the year since the birth of Best of What's New in 1987.

"Best of What's New is the ultimate Popular Science accolade, representing a year's worth of work evaluating thousands of products," said Editor Mark Jannot. "These awards honor innovations that not only impact the way we live today, but change the way we think about the future."

The Delphi XM SKYFi2 satellite radio, which is now available at retail stores across the country, was chosen by Popular Science for a Best of What's New Award in the Gadgets category. XM NavTraffic, powered by NAVTEQ Traffic, is the groundbreaking new service that provides current traffic information for vehicle navigation systems. It received honors in the Auto Tech category.

The SKYFi2 offers the first-ever "pause" and "replay" functions for satellite radio. The unit allows you to pause or replay up to 30 minutes of live programming on XM. The SKYFi2 continuously and automatically saves the last 30 minutes of programming, including programming from different XM channels. The product also has a stock ticker, sports scores ticker, built-in wireless FM modulator, and several other innovative features.

The SKYFi2 is available at retail for $129.99 MSRP. Home and vehicle adaptor kits for the SKYFi2 are available for $69.99 MSRP. Portable boom box units are available for $99.99 MSRP and $199.99 MSRP.

"We are thrilled that Popular Science has chosen the Delphi XM SKYFi2 for this prestigious award," said Dan Murphy, Senior Vice President of Product Marketing and Distribution, XM Satellite Radio. "The SKYFi2 is a major advancement in satellite radio. For the first time, you can replay a favorite song that you hear on XM, or you can pause the programming. You can choose your favorite sports teams and see the latest scores, and you can pick up to 20 stock quotes. It's a must-have for the holidays."

Just as the SKYFi2 is a major innovation in radio hardware, the new XM NavTraffic service represents an important breakthrough in traffic information.

XM NavTraffic is the nation's first satellite traffic information service that enables a vehicle navigation system to display current traffic information for a driver's personal route. XM NavTraffic is powered by NAVTEQ Traffic, a new product by NAVTEQ, the leading global provider of digital map data for vehicle navigation systems.

XM NavTraffic displays information about traffic incidents, traffic speeds, and estimated travel times based on current road conditions. Traffic flow is displayed on the navigation screen with different colors: a green roadway indicates traffic moving 40 mph and above, a yellow route represents traffic moving at 20 to 40 mph, and red means traffic moving at less than 20 mph. Icons on the screen represent accident sites, road construction and street closures. This information is delivered to the navigation system by the XM satellites, which cover the U.S. from coast to coast. XM NavTraffic currently provides traffic data for 20 major metropolitan areas across the nation.

XM NavTraffic recently debuted as a standard feature of the 2005 Acura RL. It also will be available as an option in certain models of the 2005 Cadillac CTS. Last week, Pioneer unveiled the AVIC-N2 multi-function navigation system, the first aftermarket in-car navigation unit to offer XM NavTraffic.

"XM NavTraffic is an incredibly powerful tool that helps drivers avoid traffic," Murphy said. "It is the most comprehensive traffic information service ever offered to U.S. drivers. XM NavTraffic takes navigation to a whole new level, and we're very proud that the service has been selected to receive a Best of What's New Award."

Founded in 1872, Popular Science is the world's largest science and technology magazine with a circulation of 1.45 million and 6.5 million monthly readers. Each month, Popular Science reports on the intersection of science and everyday life, with an eye toward what's new and why it matters. Popular Science is published by Time4 Media, a subsidiary of Time Inc., which is a wholly owned subsidiary of Time Warner Inc.

About Delphi
Delphi was the first company to integrate a radio into the dashboard in 1936, the first to bring satellite radio to the vehicle in 2001 and the first to bring a portable satellite radio boombox to the market in 2002. Delphi continues to expand its in-vehicle and consumer electronics technologies. Delphi has a broad portfolio of products to answer a wide variety of information and entertainment needs. For more information, visit http://www.delphi.com/media.

About XM Satellite Radio
XM (Nasdaq: XMSR) is America's #1 satellite radio service with more than 2.1 million subscribers. Broadcasting live daily from studios in Washington, DC, New York City and Nashville, Tennessee at the Country Music Hall of Fame, XM's 2004 lineup includes more than 130 digital channels of choice from coast to coast: 68 one-hundred-percent commercial-free music channels, featuring hip hop to opera, classical to country, bluegrass to blues; more than 40 channels of premier sports, talk, comedy, children's and entertainment programming; and 21 channels of the most advanced traffic and weather information for major metropolitan areas nationwide. For more information about XM, visit www.xmradio.com.

Factors that could cause actual results to differ materially from those in the forward-looking statements in this press release include demand for XM Satellite Radio's service, XM's dependence on technology and third party vendors, its potential need for additional financing, as well as other risks described in XM Satellite Radio Holdings Inc.'s Form 10-K filed with the Securities and Exchange Commission on 3-15-04. Copies of the filing are available upon request from XM Radio' s Investor Relations Department.

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XM SATELLITE RADIO RECOGNIZED WITH 12 AWARDS FROM CONSUMER ELECTRONICS ASSOCIATION; MYFI AND XM NAVTRAFFIC TAKE TOP HONORS

Washington D.C., November 11, 2004 -- XM Satellite Radio (NASDAQ: XMSR), the nation's leading satellite radio service with more than 2.5 million subscribers, announced that a total of 12 XM products have been recognized as honorees for the Innovations 2005 Awards, including two "Best of Innovations" distinctions for the Delphi XM2go MyFi™ in the portable audio category, and XM NavTraffic™ Powered by NAVTEQ™.

Sponsored by the Consumer Electronics Association (CEA) and endorsed by the Industrial Designers Society of America (ISDA), the Innovations Awards, now in its 15th year, honor excellence in consumer technology design and engineering. The top Innovations 2005 Honorees from each category are named "Best of Innovations".

"We are truly honored to have both MyFi - the first portable XM2go product - and XM NavTraffic recognized as the Best of Innovations 2005 Honorees," said Dan Murphy, Senior Vice President of Product Distribution and Marketing for XM Satellite Radio. "To have twelve products selected as Innovations Honorees is an absolute thrill. Along with our manufacturing partners, Alpine Electronics, Audiophase, Delphi, Eton, Garmin, NAVTEQ, Pioneer and Polk, we are successfully establishing XM as a mainstay in the car, in the home, and on the go."

Unveiled in New York last month by XM Satellite Radio and manufacturing partner Delphi Corp., MyFi is the first personal, portable XM2go satellite radio. MyFi features an integrated antenna, as well as two methods to enjoy XM's more than 130 digital channels: a "live" listening mode and a time-shifting "memory" mode.

XM NavTraffic is the nation's first satellite traffic information service that enables a vehicle navigation system to display current traffic information for a driver's personal route. XM NavTraffic is powered by NAVTEQ Traffic, a new product by NAVTEQ, the leading global provider of digital map data for vehicle navigation systems. XM NavTraffic currently provides traffic data for 20 major metropolitan areas across the nation. XM NavTraffic recently debuted as a standard feature of the 2005 Acura RL and will be available in certain models of the 2005 Cadillac CTS. Beginning in 2005 XM NavTraffic also will be available in aftermarket navigation systems, including those made by Alpine Electronics and Pioneer Electronics.

In all, 12 products from XM and its manufacturing partners were among the Innovations 2005 Honorees selected by an independent panel of engineers, designers and journalists.

Product Name	Manufacturer	Innovations 2005 Honoree Category
NVE-N872A Navigation System with HCE-100XM XM NavTraffic Data Receiver	Alpine Electronics	Mobile/Vehicle Electronics Navigations, Safety and Security
SKYBOX	Audiophase	Audio
XM2go MyFi	Delphi Corporation	Portable Audio (Best of Innovations Honoree)
XM SkyFi2	Delphi Corporation	Audio

Please use your browser's print function to print this page, then click the back button to return to XM.

PRESS RELEASES

PORTABLE XM2GO RADIOS RECEIVE TOP HONORS FROM POPULAR SCIENCE, WIRED, AND USA TODAY NOW; XM OFFERS $50 MAIL-IN REBATE FOR HOLIDAY SHOPPERS

XM2go radios are first and only portable, handheld satellite radios for listening to live programming and stored content in the car, at home, and on the go

Washington D.C. , October 11, 2005 -- XM Satellite Radio, the nation's leading satellite radio company with more than five million subscribers, is the winner of top honors from three national magazines for its portable XM2go satellite radios as XM offers a $50 mail-in rebate for a variety of XM radios for holiday shoppers:

- Popular Science magazine has chosen the MyFi XM2go radio by Delphi for its prestigious "Best of What's New 2005" award. The MyFi will be displayed at a public exhibition hosted by Popular Science at Grand Central Terminal's Vanderbilt Hall in New York City November 8-10.
- WIRED magazine has named the portable Tao XM2go radio its "Editor's Pick" atop the list of satellite radio receivers reviewed in its annual consumer product buying guide.
- USA Today's brand-new consumer tech guide USA TODAY NOW Personal Technology has chosen the portable Pioneer AirWare XM2go radio as one of the top ten coolest tech products for the holidays.

XM2go radios are the first and only satellite radios that allow users to listen to live programming or stored content in the car, at home, and on the go. XM2go radios deliver XM Satellite Radio's 150-plus channels of commercial-free music and premier sports, news, and talk programming. The wearable radios come with a complete set of accessories, including car and home kits, headphones, belt clip, and other items for listening to XM from coast to coast.

XM2go radios are now available for $149.99 after the special $50 mail-in rebate. This rebate is available through December 31, 2005, for consumers who purchase one of a variety of XM products for themselves or as gifts at participating retailers. The "Listen Large... Save Big" rebate applies to XM2go radios, various plug-and play receivers, and other products for the car and home. Details about the rebate and the rebate order form can be found online at www.xmradio.com.

"Holiday shoppers have a fantastic opportunity to get XM's award-winning radios for themselves and everyone on their gift lists," said Dan Murphy, senior vice president of product marketing and distribution, XM Satellite Radio. "The holiday shopping season promises to be the busiest in the history of XM, and this special retail promotion is a key part of that effort. As these recent awards demonstrate, XM2go radios have the

SkyFi Marine Kit	Delphi Corporation	Accessories
Roady2 Personal Audio System	Delphi Corporation	Accessories
PD7140 PD1	Eton Corporation	High Performance Audio
PD7141 PD2	Eton Corporation	Personal Electronics
XM WX Satellite Weather GPSMAP 3010C Chartplotter with GDL	Garmin International Inc.	Mobile/Vehicle Electronics Navigations, Safety and Security
XM Reference Tuner Xrt12	Polk Audio	Audio Components
Pioneer AVIC-N2 Multi-Function Navigation System with XM NavTraffic	Pioneer Electronics	Mobile/Vehicle Electronics Navigations, Safety and Security
XM NavTraffic Powered by NAVTEQ Traffic	XM Satellite Radio	Mobile/Vehicle Electronics Navigations, Safety and Security (Best of Innovations Honoree)

advanced features that consumers want, and we match our high-quality radios with the greatest variety of content in satellite radio, including the most music channels and the most live sports."

About XM Satellite Radio
XM (NASDAQ: XMSR) is America's number one satellite radio service with more than 5 million subscribers. Broadcasting live daily from studios in Washington, DC, New York City and Nashville at the Country Music Hall of Fame, XM's 2005 lineup includes more than 150 digital channels of choice from coast to coast: the most commercial-free music channels, plus premier sports, talk, comedy, children's and entertainment programming; and 21 channels of the most advanced traffic and weather information. XM was named Best Radio Service at the 2004 Billboard Digital Entertainment Awards.

XM, the leader in satellite-delivered entertainment and data services for the automobile market through partnerships with General Motors, Honda, Toyota, Hyundai, Nissan and Volkswagen/Audi, is available in more than 130 different vehicle models for 2006. XM's industry-leading products are available at consumer electronics retailers nationwide. For more information about XM hardware, programming and partnerships, please visit http://www.xmradio.com.

Factors that could cause actual results to differ materially from those in the forward-looking statements in this press release include demand for XM Satellite Radio's service, the Company's dependence on technology and third party vendors, its potential need for additional financing, as well as other risks described in XM Satellite Radio Holdings Inc.'s Form 10-Q filed with the Securities and Exchange Commission on 11-7-05. Copies of the filing are available upon request from XM Radio's Investor Relations Department.

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XM Satellite Radio Wins Top Honors at the 2006 Consumer Electronics Show

WASHINGTON, Jan. 9 /PRNewswire/ -- XM Satellite Radio, the nation's leading satellite radio company with more than six million subscribers, won top honors for its ground-breaking satellite radios at the 2006 International Consumer Electronics Show (CES) in Las Vegas, Nev.

(Photo: http://www.newscom.com/cgi-bin/prnh/20060109/DCM014)
(Logo: http://www.newscom.com/cgi-bin/prnh/20000724/XMSATLOGO)

XM unveiled the world's first portable audio players that receive live satellite radio and play MP3 music, combining the two most popular forms of audio entertainment of the past 20 years. Samsung and Pioneer plan to introduce the next-generation XM2go radios -- the Samsung Helix and Pioneer Inno -- at retail in the first quarter of 2006.

The Pioneer Inno XM2go won the Best of CES 2006 People's Voice Award hosted by CNET. Dr. Stell Patsiokas, XM executive vice president of technology and engineering, accepted the prestigious award from CNET editors Brian Cooley, Tom Merritt, and Molly Wood during a ceremony at CES. "More than 5,000 of you voted in our online poll, and your clear choice was the Pioneer Inno," CNET said.

The Pioneer Inno also won Last Gadget Standing, the annual CES competition hosted by PC Magazine. The online audience chose the Pioneer Inno among ten cutting-edge products picked by editors and online visitors.

In addition to these honors, XM's first-generation XM2go radio, the Delphi MyFi, received Editor's Choice Awards from the consumer electronics magazines Sound & Vision and E-Gear at separate events during CES. Plus, five XM products were recognized as honorees for the Innovations 2006 Awards, which recognize outstanding product engineering and design, sponsored by the Consumer Electronics Association (CEA), the host of CES.

These award-winning products complement XM's industry-leading programming, which offers the most commercial-free music, premier sports, news, talk and entertainment channels on satellite radio. Exclusive shows on XM include one- of-a-kind music programs hosted by music legend Bob Dylan, hip-hop superstars Snoop Dogg and Ludacris, rock hero Tom Petty, and jazz giant Wynton Marsalis. XM is also the exclusive satellite radio home for public radio icon Bob Edwards, Opie & Anthony, Air America, Major League Baseball, World Cup Soccer, NASCAR, "Good Morning America Radio," and "The Ellen DeGeneres Show."

About XM Satellite Radio

XM is America's number one satellite radio service with more than six million subscribers. Broadcasting live daily from studios in Washington, DC, New York City and Nashville at the Country Music Hall of Fame, XM offers 160 digital channels of choice from coast to coast: the most commercial-free music, premier sports, talk, comedy, children's and entertainment programming; and the most advanced traffic and weather information.

XM, the leader in satellite-delivered entertainment and data services for the automobile market through

partnerships with General Motors, Honda, Toyota, Hyundai, Nissan, Porsche, and Volkswagen/Audi, is available in more than 130 different vehicle models for 2006. XM's industry-leading products are available at consumer electronics retailers nationwide. For more information about XM hardware, programming and partnerships, please visit http://www.xmradio.com/.

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