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

In The Matter Of: Digital Performance Right in Sound Recording and Ephemeral Recordings for a New Subscription Service	Docket No. 2005-5 CRB DTNSRA

Exhibits Admitted During the 2006-1 CRB DSTRA Oral Testimony of

ERIC LOGAN

Executive Vice President of Programming, XM Satellite Radio Inc.

Public Version

Witness for XM Satellite Radio Inc.

XM Exhibit 3

((XM)) 170 CHANNELS TO FIND WHAT TURNS YOU ON

100% COMMERCIAL-FREE MUSIC CHANNELS

The Official Satellite Radio Partner of the GRAMMYs

Decades

4	the 40s	'40s Pop Hits/Big Band
5	the 50s	'50s Pop Hits
6	the 60s	'60s Pop Hits
7	the 70s	'70s Pop Hits
8	the 80s	'80s Pop Hits
9	the 90s	'90s Pop Hits

The times and the music, they were a changin'. But here, everything is just the way the decade left it. '60s pop culture re-created. Plus, Wolfman Jack every night.

Country

10	America	Classic Country
12	X Country	Americana
13	Willie's Place	Willie Nelson's Traditional Country
14	Bluegrass Junction	Bluegrass
15	the Village	Folk
16	Highway 16	New Country Hits
17	US Country	'80s & '90s Country

This is the road to today's top country hits. Rascal Flatts, Keith Urban, Faith Hill, Kenny Chesney and all of country's newest superstars play daily on *Highway 16*.

Pop & Hits

20	20 on 20	Top 20 Hits
23	the Heart	Love Songs/Lite Pop
25	the blend	Adult Contemporary
26	Flight 26	Modern Adult Hits
27	Cinemagic	Movie Soundtracks
28	On Broadway	Show Tunes
29	U-Pop	International Hits
30	Hitlist	Contemporary Hits

20 on 20 plays what's hot right this second... Gwen Stefani, Justin Timberlake, All American Rejects, Pussycat Dolls... Your votes determine who's in the 20 with countdowns daily at 12, 3, 6 and 9 ET and PT.

Get on board *Flight 26* for a modern music journey through the 90s and now. New music from John Mayer, Nickelback and The Goo Goo Dolls mixed with 90s hits from Matchbox Twenty, Sarah McLachlan and the Dave Matthews Band.

Christian

32	the message	Christian Pop & Rock
33	Spirit	Gospel
34	enLighten	Southern Gospel

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

Rock

40	Deep Tracks	Deep Classic Rock
41	Boneyard	'80s Hard Rock XL
42	Liquid Metal	Heavy Metal XL
43	XMU	Indie/College/Unsigned
44	Fred	Classic Alternative
45	XM Cafe	Adult Album Rock
46	Top Tracks	Early Classic Rock
47	ethel	New Alternative
48	Squizz	New Hard Rock XL
49	Big Tracks	Later Classic Rock
50	the Loft	Acoustic Rock
52	the Verge	Emerging Artists
53	Fungus	Punk/Hardcore/Ska XL
54	Lucy	'90s Alternative

Deep Tracks plays careers – not hits. The nuggets rarely heard on FM radio, the landmark songs, the lost gems and classic concerts. Plus, exclusive shows from Bob Dylan and Tom Petty.

Real alternative music by My Chemical Romance, Red Hot Chili Peppers, The Killers and new artists like Decemberists, Starsailor and Snow Patrol. Presented on Channel 47 by live XM DJs that are fans of the music they play.

Hip-Hop & Urban

60	Soul Street	Classic Soul
62	Suite 62	Adult R&B Hits
64	the Flow	Old Skool R&B
65	Snoop Dogg's	Classic Hip-Hop/Rap XL
66	RAW	New Uncut Hip-Hop XL
67	the City	Urban/R&B/Mix Shows
68	the heat	Hip-Hop/Crossover Hits

Snoop Dogg takes you on a journey through the first 20 years of hip-hop.

Uncensored and straight from the streets. Raw and fresh sounds – uncut and unfiltered.

Jazz & Blues

70	Real Jazz	Traditional Jazz
71	Watercolors	Smooth/Contemporary Jazz
72	Beyond Jazz	Modern Jazz
73	High Standards	American Standards
74	bluesville	Blues

You know the real thing when you hear it: Louis, Ella, Duke, Dizzy, Monk, Bird. Plus hear Wynton Marsalis chronicle his career & influences on *In The Swing Seat*.

A rich celebration of the great American songbook under the leadership of radio personality Jonathan Schwartz.

Lifestyle

75	Hear Music	The Sound of Starbucks
76	fine tuning	Eclectic/Free Form XM-HD
77	audio visions	New Age
78	Escape	Beautiful Music

An eclectic brew of jazz, blues, alternative and other music genres. Whether a legend or a newcomer, *Hear Music*™ defies categories with a unique balance of styles that explore the entire world of music.

The world's most interesting music. An eclectic and abstract mix of classical, jazz, rock and countless other styles with great players and superb melodies.

Dance

80	the Move	House/Progressive
81	BPM	Dance Hits
82	the System	Electronica/Trance
83	Chrome	Disco/Classic Dance
84	XM Chill	Smooth Electronic

America's Dance Hits, where the club never closes and the party never ends. The nation's only 24/7 dance floor pushing out pure dance music, club hits, remixes and *pop hit crossovers*.

A voyage into Chill, a place that pulses with exotic and cerebral music known as smooth electronica. Ambient, electronic and downtempo that's beyond a channel. It's an experience in sound.

Latin

90	Fuego	Reggaeton SP
91	Viva	Latin Pop Hits SP
92	Aguila	Regional Mexican SP
94	Caliente	Tropical SP

Fuego is the nation's only all-reggaeton channel, playing the hottest sounds in Latin music. Dembow is the beat and *Fuego* is the channel for Daddy Yankee, Don Omar, Tego Calderon and Ivy Queen.

World

100	Air Musique	New & Emerging Music FR
101	the Joint	Reggae
102	Sur Scène	Pop Hits FR

Roots reggae, ska, rock steady, dancehall and dub, *The Joint* is your daily trip to Jamaica. From Bob Marley and Jimmy Cliff, to Maxi Priest, Shaggy and more.

Classical

110	XM Classics	Traditional Classical
112	Vox	Opera/Classical Vocals
113	XM Pops	Classical Favorites XM-HD

The greatest music of the last thousand years. From full-length symphonies and chamber music to the intimacies of a solo recital and the grandeur of choral masterworks.

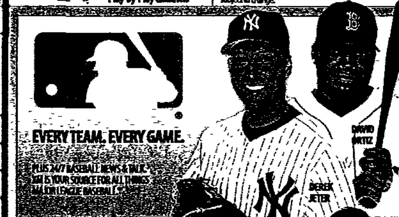
XM EXCLUSIVE PARTNERS — GRAMMY — Jazz — Hall of Fame | MORE XM EXCLUSIVE PROGRAMMING — XM Live Concerts — Wolfman Jack — Grateful Dead Hour — Rancid Radio

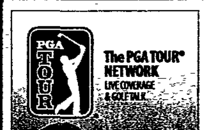
THE BEST SPORTS PACKAGE

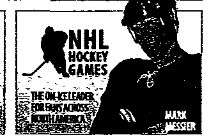
Sports Tune-In Guide Channel 143

140	ESPN Radio	Sports Talk/Play-by-Play	190-192	ACC	ACC Football/Basketball
141	ESPNews	Sports News	193-195	Pac-10	Pac-10 Football/Basketball
142	Sporting News	Sports Talk	196-198	Big Ten	Big Ten Football/Basketball
144	XM Sports Nation	Sports Talk with Exclusive SuperStars	199-201	SEC	SEC Football/Basketball
145	IndyCar	IndyCar® Series Racing	203	Big East	Big East Football/Basketball
146	PGA Tour	The PGA TOUR® Network/ Live Coverage & Golf Talk	204	Home Ice	24/7 Hockey Talk & Play-by-Play
147	XM Deportivo	Sports en Español/ Mexican League Soccer SP	205-209	NHL	NHL Hockey Play-by-Play
174	MLB	Play-by-Play en Español SP	243	Scoreboard	Sports, Schedules, Scores & Updates
175	MLB	MLB Home Plate™ 24/7 MLB™ News & Talk	244	Calendrier Sportif	Sports Schedules FR
176-189	MLB	14 Major League Baseball® Play-by-Play Channels			

Visit sports.xmradio.com for sports broadcast schedules. Games subject to availability. All sports schedules subject to change.







OPRAH & FRIENDS

156	Oprah & Friends	Now you can call and get advice directly from Oprah's most trusted experts and friends on Oprah's new 24/7 radio channel, XM Channel 156, Oprah & Friends, exclusively on XM. Plus you'll hear an exclusive weekly show where Oprah speaks from the heart about what's on her mind.

155	XM Live	Women's Talk & Lifestyle

America Radio — food — HGTV — ellen — Tyra

THE BIGGEST NAMES IN NEWS

121	Fox News	FOX News Channel	131	BBC	BBC World Service
122	CNN	CNN	132	C-SPAN	C-SPAN Radio
123	CNN Headline News	CNN Headline News	133	XM Public Radio	The Bob Edwards Show, PRI, APM & WBUR
124	ABC News & Talk	ABC News & Talk			
125	The Weather Channel	The Weather Channel			
126	CNN en Español	CNN en Español SP			
127	CNBC	CNBC	244	Canada 360	News & Information
129	Bloomberg	Bloomberg Radio	245	Quoi de Neuf?	News & Information FR

Insightful, entertaining, and provocative programming produced by some of the most respected names in public broadcasting, including Public Radio International (PRI).

ALL-STAR TALK & ENTERTAINMENT

128	XM Live	Concerts/Festivals/ Special Features & Events	166	America Right	Conservative Talk
152	Extreme XM	Extreme Talk	167	America Left	Progressive Talk
162	E!	E! Entertainment	168	FOX News Talk	FOX News Talk
163	Sonic Theater	Books & Drama	169	the Power	African-American Talk
164	Radio Classics	Old Time Radio	170	The Family Talk	Christian Talk
165	Talk Radio	Experts & Advice	171	Open Road	Truckers' Channel
			172	Radio Parallèle	Talk Radio for Men Only FR
			233	ReachMD	24/7 News & Talk for Physicians

Clear, no-nonsense advice and opinions. Hear Bob Costas, Art Bell, Matt Drudge and more.

KIDS & FAMILY

XM Kids is Parents' Choice Recommended

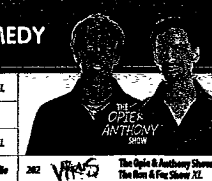
115	Radio Disney	Radio Disney	116	XM Kids	Children

REGIONAL TALK, NEWS & MUSIC

11	Nashville!	Today's Country cm	24	Sunny	Soft Pop Oldies cm
21	KISS	Top 40 cm	161	WSIX	Nashville Country cm
22	Mix	Variety/Adult Hits cm	173	WCXR	Talk & Information

SUPERSTAR COMEDY

150	XM Comedy	Uncensored Comedy XL	202	Virus	The Opie & Anthony Show/ The Ron & Fez Show XL
151	Laugh USA	Comedy			
153	Laugh Attack	Uncensored Comedy XL			
154	National Lampoon	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	221 San Francisco, CA	228 Tampa/St. Petersburg, FL	traffic
215 Pittsburgh, PA	222 Los Angeles, CA		
216 Detroit, MI	223 San Diego, CA		

XM Previews on Channel 1. XL May include frequent explicit language. Please call XM Listener Care at 1-800-XM-RADIO for Parental Control/Blocking Option. FR Broadcast in French. SP Broadcast in Spanish. cm These music channels include commercials. Visit xmradio.com for Ch. 120 special event dates and times. Ch. 129 airs 5AM ET-6PM ET Mon.-Fri. XM-HD Available in XM-HD Surround Sound on select XM Ready home receivers. Channel lineup effective April 1, 2007 — All programming/channel lineups/XM service subject to change. Visit xmradio.com for updates.

xmradio.com — XMRADIO ONLINE

XM Exhibit 3

SX Trial Ex. 6

- Consumer Demographics & Segmentation

Assessment: September 2006

Confidential and Proprietary Information of 2M Studio Parks, Inc.

SX Trial Ex. 6

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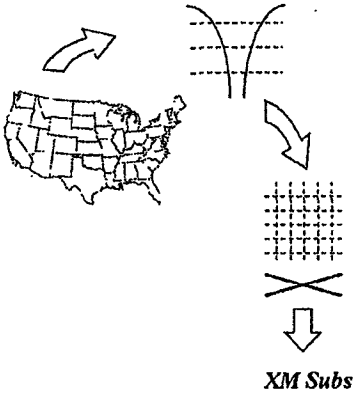
Consumer Demographics & Segmentation – Summary/Recap

- Though XM has been very effective at creating awareness, this awareness has not translated into the kind of favorability that ultimately becomes purchase consideration.
- Consequently, our pool of XM prospects is not growing as fast as it should.
- While we continue to penetrate traditional early adopter segments, when moving into the Early Majority, we have made the most progress within the Red State Suburbanite segment – while we lagged within the Blue State Suburbanite segment. This indicates a potential skew in our brand image, which should either be exploited & magnified to fish more deeply within that Red State segment-- or diffused to attract other segments.
- Diversity of music and music offerings is the most highly rated advantage among all potential target segments
- Our research to date shows the greatest barrier to adoption is the value proposition, or "why pay for satellite radio?"
- Therefore, XM must consider ways to emphasize the value of the music to key target segments. Given that sports programming has lesser, more narrow appeal, XM should consider an "own the music" strategy and be considered the leader in the music space (vs. placing emphasis on sports content deals)

Consumer Demographics – Approach

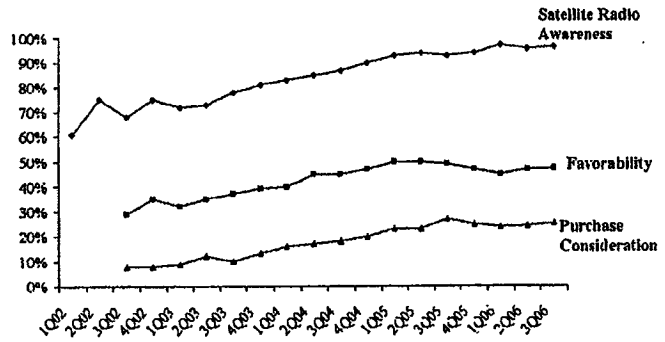
To understand what consumers want and how they turn to XM we need to look at how we segment the US market and how consumers perceive XM and satellite radio



1. **Brand tracking metrics**
   - Awareness
   - Favorability
   - Purchase consideration/intent
2. **Market segmentation filter**
   - Psychographic, behavioral, demographic attributes
   - Size & penetration
3. **Purchase/adoption barriers**
   - Value perception

Satellite Radio Category Metrics: *Awareness, Favorability, and Consideration*

Awareness of satellite radio is now almost universal (97%). Favorability and purchase consideration appear to be leveling off at 47% and 25% of respondents respectively



Research Questions

Awareness:	Before today, had you ever heard the term "satellite radio"?
Favorability:	How would you rate your overall perception of satellite radio? (top 2 box)
Purchase Consideration:	How likely would you be to consider getting satellite radio? (top 2 box)

Source: Brandware 3Q06 Brand Tracking Study (A18-60, HH $40k and above, 2006 sample size: 2,502 respondents)

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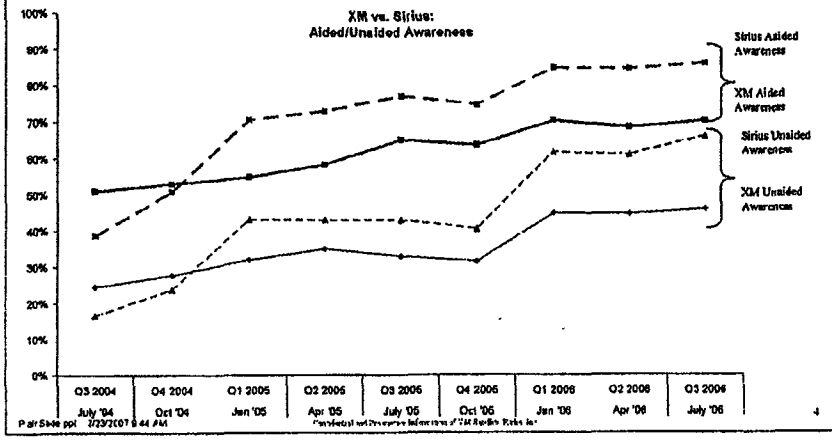
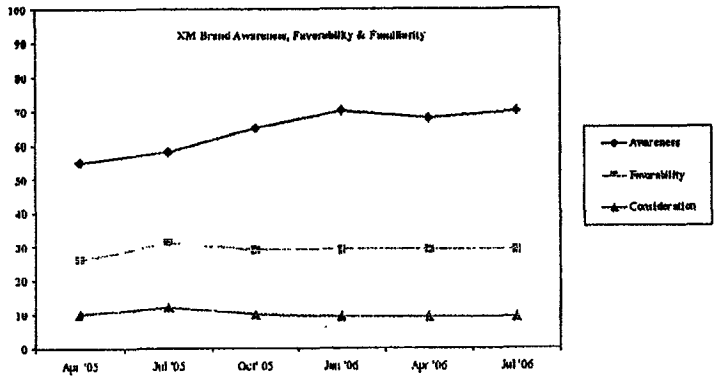
Brand Tracking Metrics- Past 24 months

- *Over the past 2 years, XM's awareness has fallen behind Sirius'.*
- *XM's aided awareness is now only slightly higher than Sirius's unaided awareness*



XM Trend in Awareness & Consideration – Past 18 months

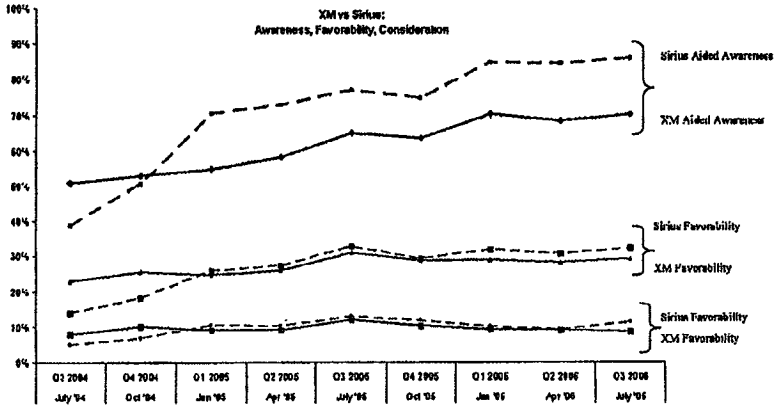
- *In line with metrics for the category, XM's brand has gained awareness but has not made inroads into favorability or consideration, which would convert into subscriptions.*



Source: XM Brand Tracking Study, XM Internal Metrics

XM Trend in Awareness & Consideration: Past 18 months- XM vs. Sirius

- *"Good news/Bad news"-- Sirius has also increased awareness, but not increased favorability or consideration to match awareness growth.*



Brand Tracking Summary- Q3' 2006

- For both XM and Sirius, Favorability and Purchase Consideration has remained relatively stable during recent quarters, indicating that though awareness has increased, this awareness has not generated the kind of interest that would otherwise result in subscribing for either brand.
- But when comparing the two brands, Sirius continues to lead on the key metrics that would drive subscriptions:

Brand Metric Comparisons: Current Leadership	
Sirius Leads	**XM Leads**
•Unaided Awareness	•Familiarity *
•Aided Awareness	•Forced Choice Preference *
•Favorability	•Perceived Industry Leadership *
•Purchase Consideration	•Advertising Likeability *
•Logo Recall	
•Ad Recall	
	** Slight advantage*

- Many respondents aware of XM and Sirius still have significant misconceptions about the brands' program options, sign-up process, and receiver features. However, misunderstandings about Sirius appear to be more prevalent than misconceptions about XM. There were no significant changes in the perception of product attributes in recent quarters.

Barriers To Adoption – Changing Attitudes

Quarter over quarter, the most mentioned barriers to adoption continue to be price-related and "lack of need".

Historically, Sirius is cited as a bigger stated barrier to XM adoption than is MP3/IPOD. (Bear in mind that some people who prefer IPOD may also have classified their response under other reasons such as "refuse to pay" or "don't want satellite radio".)

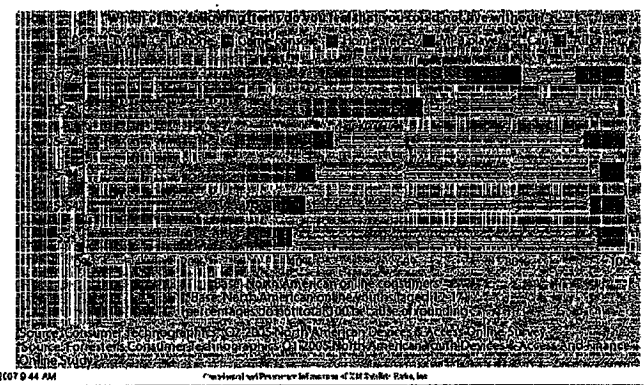
What single consideration has been most influential in keeping you from getting XM?

	Q1 '05	Q2 '05	Q3 '05	Q4 '05	Q1 '06	Q2 '06	Q3 '06
PRICE							
Monthly service fee	16%	15%	17%	17%	16%	16%	16%
Refuse to pay for radio	7%	9%	10%	10%	12%	11%	11%
Cost of equipment to get XM	6%	6%	8%	7%	5%	6%	6%
LACK OF NEED							
Don't listen to radio enough to justify	4%	5%	5%	5%	4%	4%	6%
Don't know enough about satellite radio/XM	5%	5%	5%	5%	6%	5%	5%
Don't want or need satellite radio/XM	2%	3%	2%	4%	3%	4%	4%
Not in car enough to justify	4%	4%	4%	4%	4%	4%	4%
Satisfied with AM/FM radio	2%	2%	2%	2%	3%	2%	2%
COMPETITION							
Prefer Sirius					4%	4%	4%
Prefer IPod/MP3 player					0.8%	0.5%	0.4%
CONTENT							
Doesn't offer enough local programming/content	0.0%	0.0%	0.0%	0.0%	0.7%	0.4%	0.0%

Barriers Continued- Device Priorities Shift Early In Adulthood

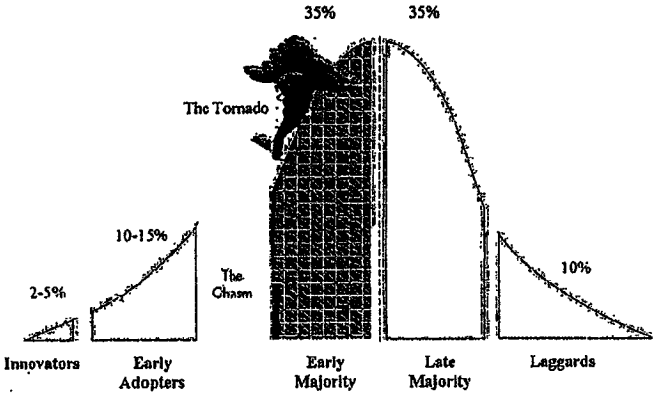
Additionally barriers could include the fact that adults prioritize productivity devices over entertainment devices.

Share of wallet for technology devices would therefore shift towards productivity devices vs. towards entertainment devices such as XM.



Technology Adoption Curve

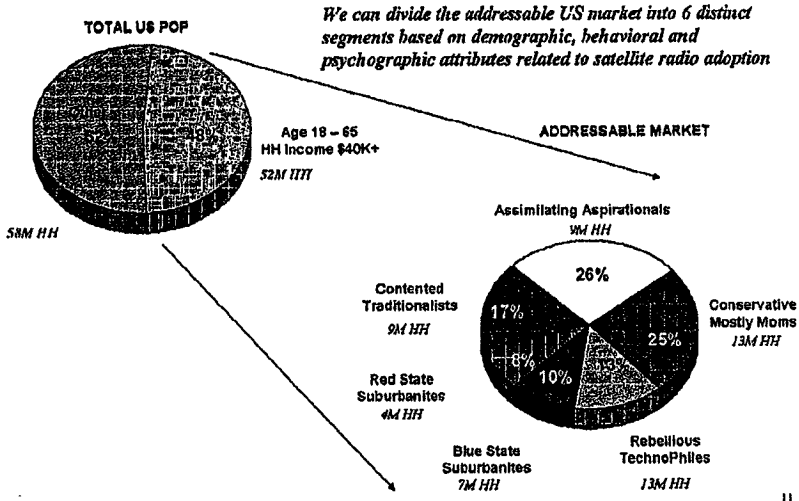
- *Early majority is critical based on size and declining interest*
- *Need to define, engage and connect*
- *Understanding the Early Majority requires further segmenting this group.*



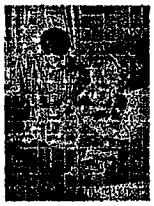
Source. Crossing the Chasm, Geoffrey Moore

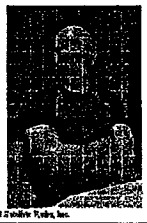
SEGMENTION 2006

We can divide the addressable US market into 6 distinct segments based on demographic, behavioral and psychographic attributes related to satellite radio adoption



Market Segmentation – Segment Definitions (1 of 2)





Assimilating Aspirationals:

- Listeners who have specific programming needs, focused heavily on sports and news. They are short on time; technology oriented, open to trying new media products and services. They are not listeners or proponents of basic AM/FM radio though they actually like commercials. Their music listening, though not heavy, is oriented to international selections. They're a younger group that's more likely to be non-white. Though open-minded, they are more likely to want to assimilate than to stand out. They have frequent and long commutes to work. Generally, due to a more active lifestyle, they want a customized experience that will fulfill their specific needs (depth) and care less about the breadth of the offering.

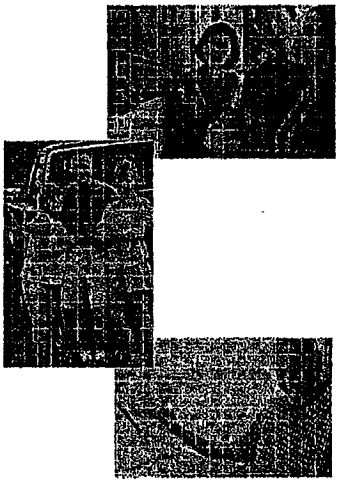
Conservative Mostly Moms:

- Predominantly white, conservative moms who are offended by shock jocks and sex and violence in the media. They are heavily oriented to music on the radio and have a couple of favorite stations that they prefer. These listeners are less likely to be satellite subscribers, but their preference for specific programming oriented to family and DJs they can relate to, indicates that satellite radio has content that may appeal to them. However, they are less likely to pay for satellite radio and have a less favorable impression of it (perhaps due to Howard Stern associations?). These barriers could make them a less viable target or "harder nut to crack".

Rebellious TechnoPhiles:

- This group vehemently opposes advertising and would pay more for commercial free media. They use media as a way to escape from the day to day and want to be able to find the music that they like more easily. Open-minded, perhaps more liberal listeners, that like cutting edge media sources. The technology and a perception of rebelling against the system will draw them in. They want something that allows them to access all types of information and music in a regulation and commercial-free environment. This group likes to stand out from the crowd and be non-conformists. Tend to be younger and single with a higher income.

Market Segmentation – Segment Definitions (2 of 2)



Blue State Suburbanites:

- Open-minded and well rounded somewhat older group that like to get news and information from several sources and turn to media only for things that make them think or broaden their perspective. They are much less interested in music and sports but would listen to non-news programming, like comedy, advice shows or educational programs. Though family-oriented, they are less offended by sex & violence in the media and have the highest levels of education and income.

Red State Suburbanites:

- This group loves to listen to music, especially at home, and is interested in commercial-free experiences. More than anything they are frustrated with channel surfing and interruptions due to advertising. They tend to be more socially conservative. They know what they like, and only want familiar content/brands. Less interested in trying new things. These people tend to be higher income though many with only school/tech school graduates ("high end blue collar"), married and family oriented.

Contented Traditionalists:

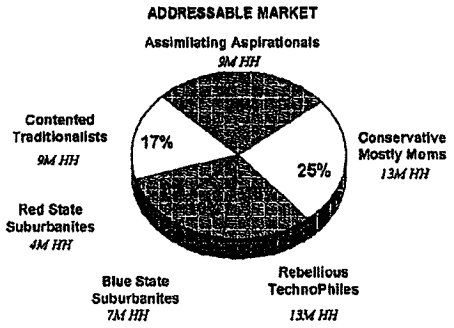
- This group is also satisfied with current media content across all forms, though they are not very involved with the radio. They do not have any particular radio attitudes that skew above the rest of the population and they are less involved with satellite radio. These are females, more likely to be African American and fans of Oprah.

Segment Targeting Prioritization & Commonalities

- Not all Segments are potential targets for XM. Prioritization of segments TBD for 2006, though two segments (Conservative Mostly Moms and Contented Traditionalists) remain unlikely audiences for XM

- Of the remaining segments, the following factors are common across all potential target segments:
  - Age 40+
    Average HH income $65K or more
  - Gender balanced (fairly even mix of male/female)
  - Propensity to be married
  - Avg Household size 2.5 or more

- Potential targets are indicated in green:



Commonalities Across Key Segments

- *From an attitudinal perspective, all of the key potential target groups are more Programming focused than Features Focused.*

Attitudes Towards Satellite Radio

	Assimilating Aspirationals (A) %	Conservative Moms (B) %	Rebellious TechnPhiles (C) %
Features Focused	20%	12% ↓	25% ↑
Sports Benefits	13%	10% ↓	18% ↑
Programming Focused	26% ↓	43% ↑	43% ↑
Mood Focused	21%	19%	32% ↑
Family Focused	17% ↑	14%	5% ↓

	Blue State Suburbanites (D) %	Red State Suburbanites (E) %	Contented Traditionalists (F) %	Current XM Subs (X) %
Features Focused	28% *	18%	12% ↓	32% ABEF
Sports Benefits	16%	21% ↑	12%	33% ABCDEF
Programming Focused	46% ↑	39%	30% ↓	40% AF
Mood Focused	22%	28%	15% ↓	40% ABCDEF
Family Focused	18% ↑	11%	7% ↓	24% ABCEF

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Common Barriers to Adoption – Key Segments

- *Though there are some variations by segment, the main barriers which commonly surface among all segments are related to "not being able to justify the cost of satellite radio", especially in relation to satellite's main competitor– terrestrial radio.*

	Assimilating Aspirationals	Rebellious TechnoPhile	Blue State Suburbanites	Red State Suburbanites
Monthly Fee Too High	69%	76%	59%	55%
Happy with AM/FM	36%	24%	47%	36%
Don't listen to radio enough	34%	61%	45%	32%
Cost of initial equipment too high	33%	52%	41%	41%
Cannot justify paying for radio when can get it free	28%	44%	48%	41%
Happy using my prerecorded music on CD/ipod	28%	30%	30%	14%
Don't know enough about it	16%	17%	24%	27%
Waiting until the price comes down	7%	28%	19%	6%
Waiting until its standard equipment in new cars	7%	17%	14%	7%

- *If targeting specific segments, consideration should be given to the ranking and degree of importance for that particular segment.*

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Perceived Advantages of Satellite Radio: Assimilating Aspirationals

Mean importance scores:

- Aspirationals are less passionate about the perceived advantages of satellite radio vs. other segments– as shown in their relatively low mean importance scores.
- Likewise, the limited range of scores (high= 6.6, low=5.5) shows that this segment does not focus on any particular attribute or group of attributes as being particularly important or unimportant.
- They are, however, more interested in sports than any other segments

	Cosmopolitans
Fewer commercials	6.6
Digital sound quality	6.4
Gives me access to my favorite sports teams, which I cannot get on local TV or radio	6.4
Ability to listen to music you can't find on AM/FM radio	6.2
Gives you coast-to-coast coverage	6.2
Less DJ chatter	6.2
The ability to see the name of the artist and song being played on the radio display	6.2
Gives you the ability to listen to a greater diversity of new music	6.2
More types of music you prefer	6.1
Ability to take receiver with you from car-to-car, car-to-home, car-to-boat, etc.	6.1
Ability to find something you enjoy no matter what your mood is	6.1
Let's you de-stress & get in a better mood	6.1
Ability to discover new music that you like	6.1
Can get sports channels not available anywhere else (i.e., 24-hour NASCAR channel)	6.0
Ability to listen to music from every genre - classical, rock, blues, jazz, reggae, etc	6.0
Provides music to energize you	5.9
Uncensored or not regulated by the FCC	5.9
Better options for children/family members	5.9
Let's you experience live events and interviews as on AM/FM	5.9
Available special programming not available on AM/FM, such as dedicated Comedy Channels, Ethnic Programming, Radio Drama, etc.	5.9
A fun experience you could share with others	5.9
Makes time go by faster	5.9
A new gadget or toy for you to enjoy	5.9
Ability to get instant traffic & weather reports for many major cities	5.8
Greater variety of news & talk than on AM/FM	5.8
Let's you escape from the day-to-day	5.8
Let's you kick back and relax	5.8
Let's you engage your mind and imagination	5.8
Provides Play-by-Play sports coverage	5.8
Has DJs/Hosts you can relate to	5.7
"Parental Controls" which allow you to turn off channels that may be adult-oriented or explicit	5.5

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Perceived Advantages of Satellite Radio: Rebellious TechnoPhile

Mean importance scores:

- Aside from the music advantages seen in all groups, this group gives high ratings to "uncensored"(7.8); "gadget or toy to enjoy"(6.7); and the technology advantage of seeing the name of artist/song (8.1)
- Interestingly, sports content is not perceived very highly as an advantage

	Rebellious TechnoPhile
Fewer commercials	8.5
More types of music you prefer	8.1
The ability to see the name of the artist and song being played on the radio display	8.1
Ability to listen to music you can't find on AM/FM radio	8.0
Let's you de-stress & get in a better mood	8.0
Digital sound quality	7.9
Ability to find something you enjoy no matter what your mood is	7.8
Ability to listen to music from every genre - classical, rock, blues, jazz, reggae, etc	7.8
Uncensored or not regulated by the FCC	7.8
Ability to discover new music that you like	7.7
Gives you the ability to listen to a greater diversity of new music	7.7
Provides music to energize you	7.5
Ability to take receiver with you from car-to-car, car-to-house, car-to-boat, etc.	7.4
Gives you coast-to-coast coverage	7.4
Less DJ chatter	7.4
Makes time go by faster	7.2
Available special programming not available on AM/FM, such as dedicated Comedy Channels, Other Programming, Radio Dramas, etc.	7.1
Let's you kick back and relax	7.1
Let's you engage your mind and imagination	7.0
Let's you escape from the day-to-day	6.9
A fun experience you could share with others	6.8
A new gadget or toy for you to enjoy	6.7
Ability to get instant traffic & weather reports for many major cities	6.5
Hot DJs/Hosts you can relate to	6.4
Let's you experience live events and interviews on an AM/FM	6.4
Better options for children/family members	6.2
Greater variety of news & talk than on AM/FM	6.0
"Parental Controls" which allow you to turn off channels that may be adult-oriented or explicit	5.3
Can get sports channels not available anywhere else (i.e., 24-hour NASCAR channel)	4.9
Gives me access to my favorite sports teams, which I cannot get on local TV or radio	4.4
Provides Play-by-Play sports coverage	4.2

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Perceived Advantages of Satellite Radio: Blue State Suburbanites

Mean importance scores:

- Like other groups, this segment mostly stresses the importance of the music.
- However, this group sees "variety of news and talk" as a benefit more strongly than other segments do (6.9)
- Though family oriented content & parental controls are important, they are less important to this group than to other groups.
- They do not see much advantage in sports programming.

	Blue State Suburbanites
Fewer commercials	8.0
Digital sound quality	7.4
Ability to listen to music from every genre - classical, rock, blues, jazz, reggae, etc	7.3
Ability to listen to music you can't find on AM/FM radio	7.2
More types of music you prefer	7.2
Less DJ chatter	7.1
Gives you coast-to-coast coverage	7.0
Let's you de-stress & get in a better mood	7.0
Ability to discover new music that you like	6.9
Ability to find something you enjoy no matter what your mood is	6.9
Greater variety of news & talk than on AM/FM	6.9
Ability to take receiver with you from car-to-car, car-to-home, car-to-boat, etc.	6.8
The ability to see the name of the artist and song being played on the radio display	6.8
Available special programming not available on AM/FM, such as dedicated Comedy Channels, Ethnic Programming, Radio Drama, etc.	6.7
Gives you the ability to listen to a greater diversity of new music	6.7
Ability to get instant traffic & weather reports for many major cities	6.6
Let's you experience live events and interviews as on AM/FM	6.6
Let's you engage your mind and imagination	6.5
Let's you escape from the day-to-day	6.3
Let's you kick back and relax	6.3
A fun experience you could share with others	6.2
Makes time go by faster	6.2
Provides music to energize you	6.1
Uncensored or not regulated by the FCC	6.1
Better option for children/family members	5.9
Has DJs/Hosts you can relate to	5.6
A new gadget or toy for you to enjoy	5.3
"Personal Controls" which allow you to turn off channels that may be adult-oriented or explicit	4.9
Can get sports channels not available anywhere else (i.e., 24-hour NASCAR channel)	4.6
Gives me access to my favorite sports teams, which I cannot get on local TV or radio	4.1
Provides Play-by-Play sports coverage	3.8

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Perceived Advantages of Satellite Radio: Red State Suburbanites

Mean importance scores:

- This groups seem more advantages to satellite radio than other groups and may continue to be our "low hanging fruit"
- Red State Suburbanites place much more emphasis on parental controls (avg 5.3) and options for family/children (avg 7.3) than do other segments.

	Red State Suburbanite
	49
Fewer commercials	8.5
More types of music you prefer	8.4
The ability to see the name of the artist and song being played on the radio display	8.4
Digital sound quality	8.3
Ability to find something you enjoy no matter what your mood is	8.2
Ability to listen to music from every genre - classical, rock, blues, jazz, reggae, etc	8.2
Let's you de-stress & get in a better mood	8.1
Ability to listen to music you can't find on AM/FM radio	8.0
Ability to take receiver with you from car-to-car, car-to-home, car-to-boat, etc.	8.0
Gives you the ability to listen to a greater diversity of new music	8.0
Gives you coast-to-coast coverage	7.9
Less DJ chatter	7.9
Ability to discover new music that you like	7.9
Available special programming not available on AM/FM, such as dedicated Comedy Channels, Black Programming, Radio Drama, etc.	7.6
Provides music to energize you	7.5
A fun experience you could share with others	7.3
Better options for children/family members	7.3
Let's you escape from the day-to-day	7.3
Let's you kick back and relax	7.3
Makes time go by faster	7.3
Ability to get instant traffic & weather reports for many major cities	7.2
Let's you experience live events and interviews as on AM/FM	7.2
Let's you engage your mind and imagination	7.1
A new gadget or toy for you to enjoy	7.0
Greater variety of news & talk than on AM/FM	6.8
"Parental Control" which allow you to turn off channels that may be adult-oriented or explicit	6.7
Uncensored or not regulated by the FCC	6.5
Can get sports channels not available anywhere else (i.e., 24-hour NASCAR channel)	6.4
Has DJs/Hosts you can relate to	6.1
Gives me access to my favorite sports teams, which I cannot get on local TV or radio	6.0
Provides Play-by-Play sports coverage	5.6

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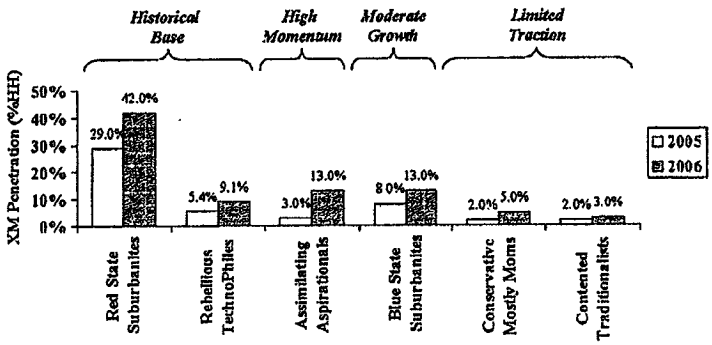
Market Segmentation –XM Penetration by Segment

We've experienced the largest increase in penetration in Red State Suburbanites over the past year



US Households (M)	4	7	14	5	13	9

Source: DDW 2006 Segmentation Study (M. Disciolio)

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Market Segmentation: Rationale for Successes

•We theorize that the success we have had with Red State Suburbanites is due to a more conservative talk lineup, and more emphasis on country music programming and artists. Likewise, our NASCAR content has probably also contributed to our appeal among this segment.

•Rebellious Technophiles continue to be attracted to satellite radio due to its inherent nature as a technology-oriented gateway to non-traditional media, and have received some halo effect from the "uncensored" Howard Stern move to Sirius.

•At this time, we are uncertain why we have had success with the Cosompolitan segment, since we have not marketed very heavily to this group (younger, more ethnic) audience. It could be due to our sports coverage, which is perceived as an advantage of satellite radio by this group moreso than by others. Further exploration will be conducted to better answer this question. (tbd- Potentially impact of Starbucks? Double check media plan & awareness/favorability numbers)

•We theorize that Blue State Suburbanites have not been as attracted to XM due to its conservative talk lineup, association with NASCAR and emphasis on sports content (which scores low as a perceived advantage). However, this segment is a potentially attractive market that we may want to consider marketing to more aggressively..

•We did not expect to see much movement among Conservative Mostly Moms and Contended Traditionalists.

Consumer Demographics & Segmentation – Summary/Recap

- Though XM has been very effective at creating awareness, this awareness has not translated into the kind of favorability that ultimately becomes purchase consideration.
- *Consequently, our pool of XM prospects is not growing as fast as it should.*
- While we continue to penetrate traditional early adopter segments, when moving into the Early Majority, we have made the most progress within the Red State Suburbanite segment -- while we lagged within the Blue State Suburbanite segment. This indicates a potential skew in our brand image, which should either be exploited & magnified to fish more deeply within that Red State segment-- or diffused to attract other segments.
- Diversity of music and music offerings is the most highly rated advantage among all potential target segments
- Our research to date shows the greatest barrier to adoption is the value proposition, or "why pay for satellite radio?"
- Therefore, XM must consider ways to emphasize the value of the music to key target segments. Given that sports programming has lesser, more narrow appeal, XM should consider an "own the music" strategy and be considered the leader in the music space (vs. placing emphasis on sports content deals)

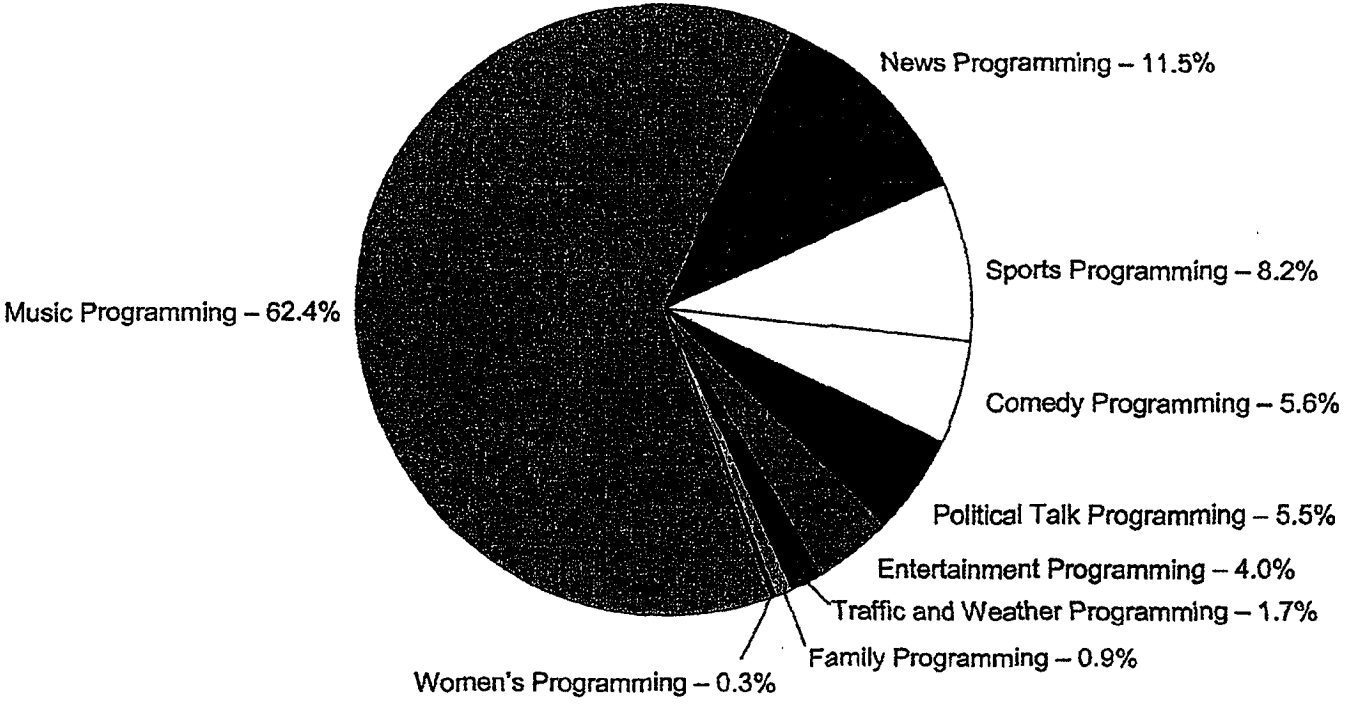
SX Trial Ex. 8

--RESTRICTED--

SUBJECT TO PROTECTIVE ORDER IN DOCKET NO. 2006-1 CRB DSTRA

SX Trial Ex. 10

Percentage of Time Subscribers use XM Radio



Source: XM Programming Survey – June 2006

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SX Trial Ex. 10

SX Trial Ex. 13

Voice of the Subscribers

(Summary of Open Ended Survey Responses)

Summer 2006

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SX Trial Ex. 13

Background

XM Research conducts a monthly omnibus Programming survey. At the end of each survey we provide an opportunity for all respondents to voice their opinion answering the question: "Is there anything we can do to make your experience with XM Satellite Radio better?"

This summer our intern consolidated over 1700 open-ended responses from three recent surveys:

- XM Programming survey July 2006
- XM Programming survey August 2006
- Sports Programming Survey August 2006

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Voice of the Subscribers

Summary of Open Ended Responses:

- There are significant number of negative comments regarding Commercials on Music, Talk and News channels.
  - This extends to XM cross-promotions as well
- Comments regarding the need for improvement of the online service:
  - This includes:
    - -Longer timeout on XMRO
    - -Broader access to the channels (want to hear online what they hear on the receiver)
    - -Problems with the MAC computers
    - -General comments on the quality of the website (i.e. navigation).
- Complaints about the price of the service and the device.
  - There is also a demand for better Family Plan pricing and special rewards for loyal (tenured) customers.

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Voice of the Subscribers

Summary of Open Ended Responses (cont):

- Comments regarding the play-list were primarily focused on the lack of diversity and the repetition of same songs.
  - *Research note: "Repetition" is more accurately described internally within XM as "duplication." This occurs when one song is being heard on different channels more so than on one single channel.*
- Requests for more Sports coverage: NBA, NHL, Soccer, College, SEC, Big 12, NHRA
- Requests for more Opie & Anthony: subscribers are primarily asking for a better advertising/promotion of the show and exclusivity on XM.
- Regarding Music channels, there are a number of complaints about the DJs talking too much.
- XM Subscribers are asking for "more":
  - Comments range from more alternative formats to more channels of the existing music formats.
  - More Channels/Content:
    - News (including local)
    - More talk channels
    - More comedy
    - More oldies
    - Bring back cancelled programs or channels

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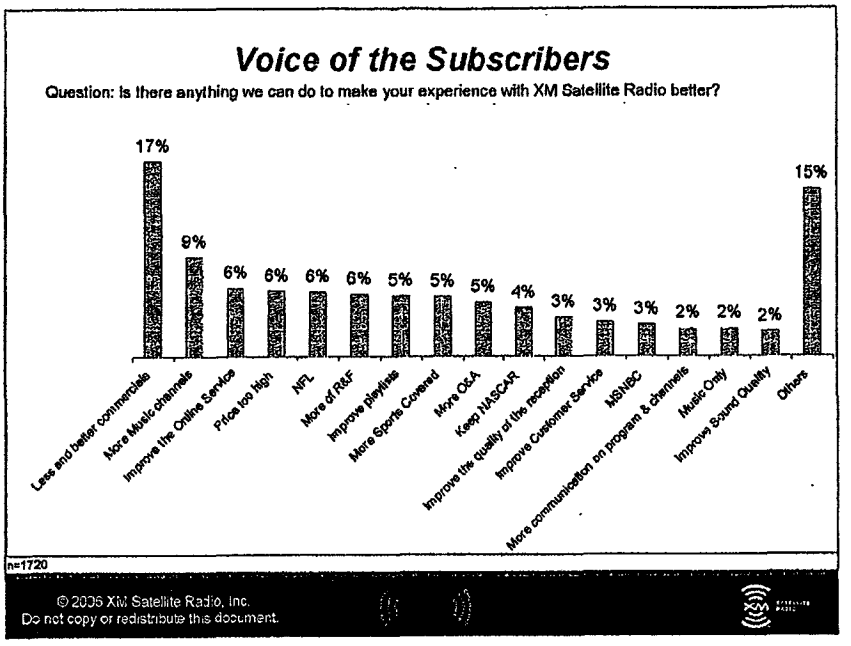
Voice of the Subscribers
Question: Is there anything we can do to make your experience with XM Satellite Radio better?
17%
9%
6%
6%
6%
6%
5%
5%
5%
4%
3%
3%
3%
2%
2%
2%
15%
Less and better commercials
More Music channels
Improve the Online Service
Price too High
NFL
More of R&F
Improve playlists
More Sports Covered
More O&A
Keep NASCAR
Improve the quality of the reception
Improve Customer Service
MSNBC
More communication on program & channels
Music Only
Improve Sound Quality
Others
n=1720
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SX Trial Ex 16

From: Logan, Eric
Sent: Wednesday, August 30, 2006 12:23 PM
To: Abrams, Lee
Cc: Hahn, Gary; Panero, Hugh; Goldberg, Allen; Brown, Nathaniel
Subject: Re: BOB DYLAN/IPOD INTEL

Good job Lee

Eric Logan
Executive Vice President
Programming
XM Satellite Radio
1500 Eckington Place NE
Washington, D.C. 20002
202-380-4365 - p
eric.logan@xmradio.com
aolaim: Radiorodeoboy

-----Original Message-----
From: Abrams, Lee
To: Logan, Eric
CC: Hahn, Gary; Panero, Hugh; Goldberg, Allen; Brown, Nathaniel
Sent: Wed Aug 30 09:56:44 2006
Subject: BOB DYLAN/IPOD INTEL

Eric--as you requested, I did some digging on the I-pod/Dylan thing. Please keep this VERY confidential since this information was told to me by various souces in confidence, and is kind of interesting:

*Dylan and Bono were both paid NOTHING for their Ipod ads. (though U2 receives some royalties on I Pod units sold)

*Artists/Managers/Labels are desperately trying to find new ways to expose new CD's and Apple is following a similar model to our McCartney deal where we bought ads to support the new CD and promote the Artist Confidential. Jeff's point on Dylan was that he and Sony need to use all vehicles possible to highlight this new CD as Dylan needs to react to the new media environment as selling cd's is a lot different from the days of Lay Lady Lay.

*The feeling is that it's a win/win as Apples ad muscle, I Tunes web circulation and to a lesser degree downloading venue, is a fair trade for name and likeness.

*Apple is aggressively targeting "timeless" artists like Bono and Dylan vs. more trendy ones. They feel that these kinds of artists have cult appeal to the often older fans, but are completely respected by the younger ones who may not be intimate with the artists' music, but still have total credability. Apple would love to use Johnny Cash and Ray Charles if they were alive.

*Part of Apples plan is to reach older music fans who don't buy OR download music--yet are music fans. They feel they've somehat saturated the younger end and the growth will come out of the "mature" fans.

*XM could do the same thing, but XM and Sirius and other new media type companies have some perception issues in the Industry relative to this, specifically:

--We ask for images, but the real get for the artist are ads that SPECIFICALLY target the new release. With major artists, airplay isn't the big payoff any more, they want ad muscle. They view name on a display or on the channel line-up is a throw away in terms of

SX Trial Ex. 16

having any impact.

--We don't seem to understand that it's a win/win for an XM to associate with the artists on this level and that while the ad sells the artists new CD more than anything else, a cleverly created ad will speak volumes about an XM even though it's more by association than a direct hardware sell. (I'm not sure how accurate this is--but that's the perception).

I think this is worth further discussion as this might be a good way to engage MAJOR artists instead of thinking of strictly a content hook, as it gets the association and XM Music image out there in a possibly efficient way.

Lee

XMCRB 00015398