

The Contract Negotiations

3. In 2004, I had one year remaining on my contract with Infinity. The Howard Stern Show was a huge success, and I had a large fan base of loyal listeners, but I was unsure if I wanted to continue on the radio when my contract expired. I was keeping a grueling schedule, waking up at 4 a.m. so that I could be on the air by 6 a.m., and I was very often on the air for more than five hours daily. I was feeling pressure to perform and develop fresh material. I was seriously thinking of retiring when my contract with Infinity ended.

4. Around this time, Sirius and XM Satellite Radio Inc. ("XM") separately approached my agent, Don Buchwald, about moving the Howard Stern Show to satellite radio when my contract with Infinity ended. I told Don I was willing to listen to what they had to say, but that I was unsure if I wanted to continue on air and unsure if I wanted to move to satellite radio. Satellite radio was still getting started and did not have a lot of big name talent. Additionally, if I moved to satellite radio, I would be asking my fans to start paying for something that they had been getting on terrestrial radio for free.

5. As time went on, Sirius became the more attractive of the two companies, and Don told me that Sirius was the more aggressive of the two. Sirius made it clear that it needed me to help grow their business. Sirius was the smaller of the two companies, and reported that it had about 600,000 subscribers, while XM reported that it had more than 2.5 million subscribers. Sirius knew that Don was also talking to XM, and it was clear that Sirius was worried that I might sign with its chief competitor.

6. When the companies each made offers to me, Sirius's offer was better than XM's. Moreover, Don and I liked what we were hearing from Sirius's management. Sirius

seemed to be cultivating a talent-friendly culture, and they promised me that I would have the freedom to develop my show as I saw fit.

7. If I was going to join Sirius, however, it was very important to me that I not simply be an employee who cashed a paycheck every two weeks. I was watching Infinity prosper because of my hard work and the popularity of my show, and while I was paid well, it seemed to me that the money coming into Infinity was going to the company's investors and its management, rather than to the talent who were actually doing the work.

8. I communicated to Sirius that if I moved my show to Sirius, we had to be partners. I would kill myself to help the company survive and grow and make it a success, but once we succeeded, I expected to share in that success. Sirius agreed that this was fair, and assured me that it would happen. Sirius told me that it wanted the same type of relationship.

9. To make this happen, Sirius offered to pay my production company performance-based stock awards based on the company's subscriber levels. One award would be based on the subscribers that I brought into the company. The other award would be based on the company's total number of subscribers, regardless of whether those subscribers had anything to do with me or my efforts.

10. Sirius set the subscriber targets high so that they were difficult to reach. Don and I agreed to these targets, but made it clear that if the company achieved the spectacular growth that was needed to reach them, we would expect our pay-off to be equally spectacular. As I explained above, this was important to me, and I asked Sirius if the contract was clear on this point. Sirius assured me that it was, and that if the company achieved the subscriber targets, I would be paid.

11. On or about October 1, 2004, we signed a letter agreement that Sirius had prepared and provided to Don (the "Agreement"). I signed the agreement on behalf of One Twelve. Don signed the agreement as to his consulting fee, and Sirius's CEO, Joseph Clayton, signed on behalf of Sirius. I would not have signed the Agreement or joined Sirius if it had not agreed to treat me as a partner who would share in the company's success. After I signed, Leon Black, the Chairman of Sirius's Board of Directors, sent me a note that said "welcome partner" and "let's build this thing together."

Sirius Becomes a Huge Success

12. After Sirius announced my signing, its stock jumped 15.5% and new subscribers started to pour in. On the day before we announced the agreement, Sirius reported that it had about 600,000 subscribers. By the end of the year, Sirius was reporting that it had more than 1 million subscribers.

13. That growth continued throughout 2005. Even though I would not be starting at Sirius until January 2006, Sirius credited me with helping to attract its new subscribers. In November 2005, Mel Karmazin, the new CEO of Sirius, predicted that I would "significantly contribute" to a blowout fourth quarter. He was right. In the fourth quarter, Sirius reported that it had added another 1.2 million subscribers, and it reported that it had more than 3 million subscribers by year's end.

14. Shortly after I signed with Sirius and the announcement was made, Sirius's executives greeted me as a partner in the company. The company was gathered together in the lobby, and people hailed me as the company's savior. I told the gathering that the best was still to come, that we were going to bring in listeners, and that we would turn the company around. I told them that not only would we beat XM, but that we would be so successful that we would acquire XM.

15. By the time my first show premiered on Sirius's platform, Sirius had already exceeded the estimates in the agreement by more than 1 million subscribers. This entitled One Twelve to certain stock compensation that had been set aside on the day the Agreement was signed. Sirius paid this amount to One Twelve.

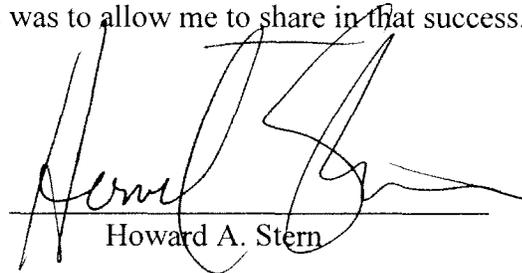
16. Sirius's growth continued throughout 2006, and we began to close the gap on XM. By the end of 2006, Sirius reported that it had more than 6 million subscribers, beating its estimates by more than 2 million subscribers. In January 2007, Sirius paid One Twelve the first performance-based stock award.

17. As I had predicted, a little over a month later, in February 2007, Sirius announced that it would be merging with XM. As a result of this transaction, Sirius increased its subscriber levels even further. At the end of 2008, the company announced that it had more than 19 million subscribers, which was more than 10 million subscribers above the target in our Agreement. There was no doubt in my mind that all of these subscribers were supposed to be counted for the purpose of determining if the stock awards were payable. When we were negotiating the Agreement, it was clear to everyone that the stock award was based on all of the company's subscribers. Sirius did not ask us to exclude any subscribers from these awards.

18. When Sirius needed me to help save it, the company promised to pay me if the company exceeded its subscriber targets by at least 2 million subscribers. Now that the company has done that and more, it is refusing to pay me what it owes. I understand that Sirius is now saying that it does not have to pay because half of its subscribers came in through the acquisition of XM, rather than through the company's own internal growth. This makes no sense to me. We never discussed or agreed to any such distinction. Our Agreement is clear — the stock awards are based upon the total number of subscribers that the company has at the end of

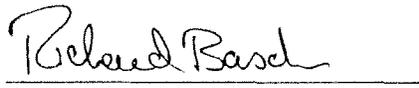
any given year. When we were negotiating the agreement, Don raised with Sirius the possibility that Sirius and XM might combine. Sirius never said that if that happened, it would not count the new subscribers for purposes of the stock awards.

19. Last year, Sirius celebrated having more than 20 million subscribers, taking out ads in the media and throwing a Paul McCartney concert to commemorate this historic event. I went to that concert, and it was simulcast on one of my channels. I do not understand how the company can brag to the world that it has more than 20 million subscribers, and then turn around and tell me that only half of them count. All of these subscribers are subscribers of Sirius. Sirius itself has pointed to them as a measure of the company's success, and the whole purpose of the performance-based stock awards was to allow me to share in that success.



Howard A. Stern

Sworn to before me this
16 day of June, 2011



Richard Basch
Notary Public

RICHARD BASCH
Notary Public, State of New York
No. 02BA5016414
Qualified in New York County
Commission Expires.....8-9-13